Cathay United Bank Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Three Months Ended March 31, 2019 and 2018 and Independent Auditors' Review Report

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Stockholders
Cathay United Bank Co., Ltd.

Introduction

We have reviewed the accompanying consolidated balance sheets of Cathay United Bank Co., Ltd. (the Bank) and its subsidiaries (collectively, the Company), as of March 31, 2019 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2019, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Company as of March 31, 2019, and its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2019 in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Other Matter

The consolidated financial statements of the Company for the three months ended March 31, 2018 were reviewed by other auditors who expressed an unqualified conclusion on those statements on April 26, 2018.

The engagement partners on the reviews resulting in this independent auditors' review report are Li-Chi Chen and Shiuh-Ran Cheng.

Deloitte & Touche
Taipei, Taiwan
Republic of China

May 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 review such consolidated financial statements are those generally applied in the Republic of China.

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

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	March 31, 2019 (Reviewed)		December 31, 2018 (Audited)		March 31, 2018 (Reviewed)	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS (Note 6)	$ 65,179,356	2	$ 67,857,464	2	$ 85,725,881	3
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS (Note 7)	110,544,087	4	104,223,315	4	106,246,175	4
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 8 and 44)	250,257,795	9	250,685,216	9	302,088,870	11
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 9, 11 and 45)	231,803,395	8	200,572,902	7	204,249,046	7
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTISED COST (Notes 10, 11 and 45)	385,359,714	14	421,022,506	15	348,648,261	13
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Note 12)	58,665,938	2	44,612,132	2	77,994,544	3
RECEIVABLES, NET (Notes 13 and 15)	90,212,485	3	85,978,726	3	85,398,273	3
DISCOUNTS AND LOANS, NET (Notes 14 and 44)	1,623,041,256	56	1,595,323,251	56	1,503,695,325	54
INVESTMENTS MEASURED BY EQUITY METHOD, NET (Note 17)	1,790,516	-	1,768,874	-	1,758,486	-
OTHER FINANCIAL ASSETS, NET	1,038	-	1,271	-	2,849	-
PROPERTY AND EQUIPMENT, NET (Note 18)	25,388,779	1	25,440,564	1	25,106,075	1
RIGHT-OF-USE ASSETS, NET (Notes 4, 5, 19 and 44)	4,285,721	-	-	-	-	-
INVESTMENT PROPERTIES, NET (Note 20)	1,439,686	-	1,439,686	-	1,547,372	-
INTANGIBLE ASSETS, NET						
Goodwill (Note 21)	6,998,916	-	6,997,944	-	6,980,894	-
Computer software	1,089,355	-	1,022,995	-	824,320	-
Total intangible assets	8,088,271	-	8,020,939	-	7,805,214	-
DEFERRED TAX ASSETS	2,437,163	-	1,872,542	-	1,791,171	-
OTHER ASSETS, NET (Notes 22 and 44)	29,634,804	1	35,061,248	1	25,582,189	1
TOTAL	$ 2,888,130,004	100	$ 2,843,880,636	100	$ 2,777,639,731	100
LIABILITIES AND EQUITY						
DEPOSITS FROM THE CENTRAL BANK AND BANKS (Note 23)	$ 98,066,524	3	$ 81,432,233	3	$ 113,925,781	4
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 8 and 44)	103,414,326	4	103,407,778	4	91,630,918	3
NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENTS (Note 24)	43,978,185	2	55,974,509	2	99,285,174	4
PAYABLES (Note 25)	30,633,266	1	24,912,970	1	20,515,340	1
CURRENT TAX LIABILITIES	325,677	-	184,817	-	404,282	-
DEPOSITS AND REMITTANCES (Notes 26 and 44)	2,248,099,621	78	2,227,661,690	78	2,117,166,127	76
FINANCIAL DEBENTURES PAYABLE (Note 27)	55,600,000	2	55,600,000	2	59,500,000	2
OTHER FINANCIAL LIABILITIES (Note 28)	74,526,718	3	76,509,334	3	70,085,247	3
PROVISIONS (Note 29)	3,348,470	-	3,421,427	-	3,329,800	-
LEASE LIABILITIES (Notes 4, 5 and 19)	4,340,904	-	-	-	-	-
DEFERRED INCOME TAX LIABILITIES	2,375,326	-	1,657,768	-	1,820,284	-
OTHER LIABILITIES (Notes 31 and 44)	7,790,264	-	7,311,083	-	9,637,620	-
Total liabilities	2,672,499,281	93	2,638,073,609	93	2,587,300,573	93
EQUITY ATTRIBUTABLE TO OWNERS OF PARENT (Note 32)						
Capital stock						
Common stock	91,197,623	3	91,197,623	3	78,604,060	3
Capital surplus	33,610,983	1	33,610,983	1	33,610,983	1
Retained earnings						
Legal reserve	51,631,140	2	51,631,140	2	45,823,601	2
Special reserve	2,933,808	-	2,933,808	-	1,977,363	-
Unappropriated earnings	27,396,906	1	21,015,571	1	24,877,832	1
Total retained earnings	81,961,854	3	75,580,519	3	72,678,796	3
Other equity interest	4,960,261	-	1,376,421	-	1,457,199	-
Total equity attributable to owners of Parent	211,730,721	7	201,765,546	7	186,351,038	7
NON-CONTROLLING INTERESTS (Note 32)	3,900,002	-	4,041,481	-	3,988,120	-
Total equity	215,630,723	7	205,807,027	7	190,339,158	7
TOTAL	$ 2,888,130,004	100	$ 2,843,880,636	100	$ 2,777,639,731	100

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

(With Deloitte & Touche review report dated May 15, 2019)

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended March 31			
	2019		2018	
	Amount	%	Amount	%
NET INTEREST REVENUE (Notes 33 and 44)				
Interest income	$ 14,349,715	86	$ 12,407,126	86
Interest expense	(5,505,928)	(33)	(4,695,746)	(32)
Total net interest revenue	8,843,787	53	7,711,380	54
NET REVENUE OTHER THAN INTEREST				
Net service fee revenue (Notes 34 and 44)	4,671,002	28	4,482,749	31
Gain on financial assets or liabilities at fair value through profit or loss (Notes 35 and 44)	2,505,912	15	1,294,068	9
Realized gain on financial assets at fair value through other comprehensive income (Note 36)	485,613	3	751,666	5
Foreign exchange gain	203,172	1	132,667	1
Impairment loss on assets (Note 37)	(15,131)	-	(117,675)	(1)
Share of profit of associates and joint ventures accounted for using equity method (Note 17)	21,642	-	14,439	-
Net other revenue other than interest income (Note 44)	92,168	-	178,519	1
Total net revenue other than interest	7,964,378	47	6,736,433	46
NET REVENUE	16,808,165	100	14,447,813	100
BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION (Notes 13, 14, 15 and 38)	749,756	5	433,225	3
TOTAL OPERATING EXPENSE				
Employee benefits expenses (Notes 39 and 44)	4,398,055	26	3,954,148	28
Depreciation and amortization expense (Note 40)	707,874	4	356,616	2
Other general and administrative expense (Notes 41 and 44)	3,509,007	21	2,764,287	19
Total operating expenses	8,614,936	51	7,075,051	49
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX	7,443,473	44	6,939,537	48
INCOME TAX EXPENSE (Note 42)	1,070,011	6	1,136,197	8
INCOME FROM CONTINUING OPERATIONS, NET OF TAX	6,373,462	38	5,803,340	40

(Continued)

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended March 31			
	2019		2018	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME, NET OF TAX				
Components of other comprehensive income that will not be reclassified to profit or loss, net of tax				
Revaluation gains on investments in equity instruments measured at fair value through other comprehensive income	$ 1,955,044	12	$ 275,748	2
Change in fair value of financial liability attributable to change in credit risk of liability	(1,215,777)	(7)	707,779	5
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 42)	85,280	-	(19,809)	-
Components of other comprehensive income that will be reclassified to profit or loss, net of tax				
Exchange differences on translating the financial statements of foreign operations	414,450	2	(254,703)	(2)
Gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	2,814,890	17	(1,809,602)	(13)
Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Note 42)	(210,239)	(1)	129,896	1
Other comprehensive income (loss), net of tax	3,843,648	23	(970,691)	(7)
TOTAL COMPREHENSIVE INCOME, NET OF TAX	$ 10,217,110	61	$ 4,832,649	33
PROFIT, ATTRIBUTABLE TO:				
Profit, attributable to owners of parent	$ 6,148,933	37	$ 5,669,662	39
Profit, attributable to non-controlling interests	224,529	1	133,678	1
	$ 6,373,462	38	$ 5,803,340	40
COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Comprehensive income, attributable to owners of parent	$ 9,965,175	59	$ 4,688,618	32
Comprehensive income, attributable to non-controlling interests	251,935	2	144,031	1
	$ 10,217,110	61	$ 4,832,649	33

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CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended March 31			
	2019		2018	
	Amount	%	Amount	%
EARNINGS PER SHARE (Note 43)				
Basic	$ 0.67		$ 0.62	

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

(With Deloitte & Touche review report dated May 15, 2019) (Concluded)

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Bank														Non-controlling Interests (Note 32)	Total Equity
			Retained Earnings (Note 32)				Other Equity (Note 32)									
	Capital Stock (Note 32) Common Stock	Capital Surplus (Note 32)	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealised Gains (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income	Unrealised Gains (Losses) on Available-for-sale Financial Assets	Change in the Fair Value of Financial Liabilities Attributable to Changes in the Credit Risk	Gains (Losses) on Remeasurements of Defined Benefit Plans	Revaluation Surplus	Total	Total		
BALANCE AT JANUARY 1, 2018	$ 78,604,060	$ 33,610,983	$ 45,823,601	$ 1,977,363	$ 19,302,403	$ 67,103,367	$ (532,567)	$ -	$ 1,906,796	$ (1,191,026)	$ (1,340,811)	$ 302,676	$ (854,932)	$ 178,463,478	$ 3,844,089	$ 182,307,567
Effect of retrospective application of IFRS 9	-	-	-	-	(492,615)	(492,615)	-	5,598,353	(1,906,796)	-	-	-	3,691,557	3,198,942	-	3,198,942
BALANCE AT JANUARY 1, 2018 AS AFTER RESTATEMENT	78,604,060	33,610,983	45,823,601	1,977,363	18,809,788	66,610,752	(532,567)	5,598,353	-	(1,191,026)	(1,340,811)	302,676	2,836,625	181,662,420	3,844,089	185,506,509
Net income for the three months ended March 31, 2018	-	-	-	-	5,669,662	5,669,662	-	-	-	-	-	-	-	5,669,662	133,678	5,803,340
Other comprehensive income (loss) for the three months ended March 31, 2018, net of income tax	-	-	-	-	-	-	(111,815)	(1,529,038)	-	609,272	48,344	2,193	(981,044)	(981,044)	10,353	(970,691)
Total comprehensive income (loss) for the three months ended March 31, 2018	-	-	-	-	5,669,662	5,669,662	(111,815)	(1,529,038)	-	609,272	48,344	2,193	(981,044)	4,688,618	144,031	4,832,649
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	398,382	398,382	-	(398,382)	-	-	-	-	(398,382)	-	-	-
BALANCE AT MARCH 31, 2018	$ 78,604,060	$ 33,610,983	$ 45,823,601	$ 1,977,363	$ 24,877,832	$ 72,678,796	$ (644,382)	$ 3,670,933	$ -	$ (581,754)	$ (1,292,467)	$ 304,869	$ 1,457,199	$ 186,351,038	$ 3,988,120	$ 190,339,158
BALANCE AT JANUARY 1, 2019	$ 91,197,623	$ 33,610,983	$ 51,631,140	$ 2,933,808	$ 21,015,571	$ 75,580,519	$ (1,008,735)	$ 2,730,681	$ -	$ 774,084	$ (1,369,428)	$ 249,819	$ 1,376,421	$ 201,765,546	$ 4,041,481	$ 205,807,027
Net income for the three months ended March 31, 2019	-	-	-	-	6,148,933	6,148,933	-	-	-	-	-	-	-	6,148,933	224,529	6,373,462
Other comprehensive income (loss) for the three months ended March 31, 2019, net of income tax	-	-	-	-	-	-	322,068	4,466,795	-	(972,621)	-	-	3,816,242	3,816,242	27,406	3,843,648
Total comprehensive income (loss) for the three months ended March 31, 2019	-	-	-	-	6,148,933	6,148,933	322,068	4,466,795	-	(972,621)	-	-	3,816,242	9,965,175	251,935	10,217,110
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(393,414)	(393,414)
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	232,402	232,402	-	(232,402)	-	-	-	-	(232,402)	-	-	-
BALANCE AT MARCH 31, 2019	$ 91,197,623	$ 33,610,983	$ 51,631,140	$ 2,933,808	$ 27,396,906	$ 81,961,854	$ (686,667)	$ 6,965,074	$ -	$ (198,537)	$ (1,369,428)	$ 249,819	$ 4,960,261	$ 211,730,721	$ 3,900,002	$ 215,630,723

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

(With Deloitte & Touche review report dated May 15, 2019)

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended March 31	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	$ 7,443,473	$ 6,939,537
Adjustments:		
Depreciation expense	590,804	280,420
Amortization expense	117,070	76,196
Expected credit loss/bad debt expense	749,756	433,225
Net gains on financial assets and liabilities at fair value through profit or loss	(2,505,912)	(1,294,068)
Interest expense	5,505,928	4,695,746
Interest income	(14,349,715)	(12,407,126)
Dividend income	(3,602)	(43,545)
Share of profit of associates and joint ventures accounted for using equity method	(21,642)	(14,439)
Loss on disposal of property and equipment	9,652	3,262
Gains on disposal of investments	(482,011)	(708,121)
Impairment loss on financial assets	15,131	117,675
Changes in operating assets and liabilities		
Due from the central bank and call loans to banks	(293,889)	(1,306,822)
Financial assets at fair value through profit or loss	8,123,032	32,076,355
Financial assets at fair value through other comprehensive income	(25,997,279)	(27,680,776)
Investments in debt instruments at amortised cost	35,666,393	27,344,137
Receivables	(2,752,979)	(8,473,791)
Discounts and loans	(28,485,776)	(70,285,224)
Other financial assets	233	(1,573)
Other assets	531,977	(254,538)
Deposits from the central bank and banks	16,634,291	23,754,264
Financial liabilities at fair value through profit or loss	(6,398,928)	4,933,546
Notes and bonds issued under repurchase agreement	(11,996,324)	(10,656,251)
Payables	4,061,191	(4,197,264)
Deposits and remittances	20,437,931	19,875,554
Other financial liabilities	(1,982,616)	4,027,601
Provisions	(34,809)	8,693
Other liabilities	498,179	(216,457)
Cash generated from (used in) operations	5,079,559	(12,973,784)
Interest received	12,455,388	12,621,797
Dividends received	3,602	44,482
Interest paid	(4,424,373)	(4,007,334)
Income tax paid	(288,872)	(269,037)
Net cash generated from (used in) operating activities	12,825,304	(4,583,876)

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CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended March 31	
	2019	**2018**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	$ (240,727)	$ (535,392)
Proceeds from disposal of property and equipment	26,403	427
Acquisition of intangible assets	(189,024)	(74,051)
Other assets	4,827,856	(1,146,403)
Net cash generated from (used in) investing activities	4,424,508	(1,755,419)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of financial debentures payable	-	(3,850,000)
Payments of lease liabilities	(225,627)	-
Other liabilities	(18,998)	658,252
Net cash used in financing activities	(244,625)	(3,191,748)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	397,394	(422,502)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	17,402,581	(9,953,545)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	157,478,989	223,601,859
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 174,881,570	$ 213,648,314

	March 31	
	2019	**2018**
RECONCILIATIONS OF CASH AND CASH EQUIVALENTS REPORTED IN THE CONSOLIDATED STATEMENTS OF CASH FLOWS WITH THOSE REPORTED IN THE CONSOLIDATED BALANCE SHEETS AS OF MARCH 31, 2019 AND 2018		
Cash and cash equivalents reported in the statement of financial position	$ 65,179,356	$ 85,725,881
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	51,036,276	49,927,889
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7	58,665,938	77,994,544
Cash and cash equivalents at the end of the period	$ 174,881,570	$ 213,648,314

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

(With Deloitte & Touche review report dated May 15, 2019) (Concluded)

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)
(Reviewed, Not Audited)

1. INFORMATION ON THE BUSINESS

Cathay United Bank Co., Ltd. ("the Bank"), originally named United World Chinese Commercial Bank ("UWCCB"), was established in December 1974 after obtaining approval from the Ministry of Finance, Republic of China ("ROC") and officially started operations on May 20, 1975. The Bank is mainly engaged in the following operations: (1) all commercial banking operations authorized by the ROC Banking Act ("Banking Act"); (2) international banking business and related operations; (3) trust business; (4) off-shore banking business; and (5) other financial operations related to the promotion of investments by overseas Chinese. The Bank's registered office and main business location is at No.7, Songren Rd., Xinyi District, Taipei City, Republic of China (ROC).

The Bank's stock was originally trading on the Taiwan Stock Exchange (the "TWSE") until December 18, 2002, where it was delisted after becoming a wholly-owned subsidiary of Cathay Financial Holding Co., Ltd. ("Cathay Financial Holdings") on the same date through a share swap. Under the Financial Institutions Merger Act, the Bank merged with the former Cathay Commercial Bank, a wholly-owned subsidiary of Cathay Financial Holdings on October 27, 2003, with UWCCB as the surviving entity and was renamed Cathay United Bank Co., Ltd.

The Bank merged with Lucky Bank on January 1, 2007. The Bank was the surviving entity after this merger and Lucky Bank was the extinguished entity. In addition, the Bank acquired specific assets, liabilities, and business of China United Trust & Investment Corporation ("CUTIC") on December 29, 2007.

Cathay Financial Holdings is the Bank's parent company and ultimate parent company.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements of the Bank and its subsidiaries ("the Company") were approved by the Bank's board of directors and authorized for issue on May 15, 2019.

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

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Public Banks 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 Financial Supervisory Commission (FSC)

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

- IFRS 16 "Leases"

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

Definition of a lease

The Company elects to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases on the balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the statements of comprehensive income, the Company presents 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 statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts, were recognized as expenses on a straight-line basis. Cash flows for operating leases were classified within operating activities on the statements of cash flows.

Lease liabilities were 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. Except for the following practical expedients which are applied, the Company applies IAS 36 to all right-of-use assets.

The Company expects to apply the following practical expedients:

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

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

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

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

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 0.89%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	$ 5,544,509
Add: The future minimum lease payments of non-cancellable operating lease commitments under $500 thousand on December 31, 2018	345,514
Less: Recognition exemption for short-term leases	(501,288)
Less: Recognition exemption for leases of low-value assets	(959,270)
Undiscounted amounts on January 1, 2019	$ 4,429,465
Lease liabilities recognized on January 1, 2019	$ 4,354,604

The Company as lessor

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

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

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
Other assets	$ 35,061,248	$ (17,660)	$ 35,043,588
Right-of-use assets	-	4,347,260	4,347,260
Total effect on assets	$ 35,061,248	$ 4,329,600	$ 39,390,848
Payables	$ 24,912,970	$ (25,004)	$ 24,887,966
Lease liabilities	-	4,354,604	4,354,604
Total effect on liabilities	$ 24,912,970	$ 4,329,600	$ 29,242,570

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

New IFRSs	Effective Date Announced by IASB (Note 1)
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.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments and investment property which are measured at fair value.

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

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

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

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

Basis of Consolidation

<u>Principles for preparing consolidated financial report</u>

Since the operating cycle in the banking industry cannot be reasonably identified, accounts included in the consolidated financial statements of the Company were not classified as current or non-current. Nevertheless, accounts were properly categorized in accordance with the nature of each account and sequenced by their liquidity.

The consolidated financial statements incorporate the financial statements of the Bank and the entities controlled by the Bank (Indovina Bank, CUBC Bank and CUBCN Bank).

The accounting policies of the Company are same.

All intra-bank transactions, balances, income and expenses are eliminated in full upon consolidation. 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.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Company and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Bank.

<u>Entities included in consolidated financial reports</u>

See Note 16 for detailed information on subsidiaries (including percentages of ownership and main businesses).

Foreign Currencies

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

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise except for: Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investments.

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

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Company's foreign operations (including subsidiaries, associates, joint ventures and branches in other countries that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollars, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the transacting exchange rate or the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Bank and non-controlling interests as appropriate).

Investments in Associates

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

The Bank uses the equity method to account for its investments in associates. Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Bank's share of the profit or loss and other comprehensive income of the associate. The Bank also recognizes the changes in the Bank's share of the equity of associates attributable to the Bank.

Any excess of the cost of acquisition over the Bank's share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortised. Any excess of the Bank's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized immediately in profit or loss.

When the Bank subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Bank's proportionate interest in the associate. The Bank records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates and joint ventures accounted for using the equity method. If the Bank's ownership interest is reduced due to its additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Bank's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Bank's net investment in the associate), the Bank discontinues recognizing its share of further loss, if any. Additional losses and liabilities are recognized only to the extent that the Bank has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Bank discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Bank accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required had that associate directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Bank continues to apply the equity method and does not remeasure the retained interest.

Profits or losses resulting from downstream transactions are eliminated in full only in the Bank's financial statements. Profits and losses resulting from upstream transactions and transactions between associates are recognized only in the Bank's financial statements only to the extent of interests in the associates that are not related to the Bank.

Cash and Cash Equivalents

In the consolidated balance sheet, cash and cash equivalents comprise cash on hand, demand deposits, and 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 statements of cash flows, cash and cash equivalents comprise cash and cash equivalents defined in the consolidated balance sheets, due from the Central Bank, call loans to other banks and securities purchased under resale agreements that correspond to the definition of cash and cash equivalents under IAS 7 - "Statement of Cash Flows," as endorsed and issued into effect by the FSC.

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.

a. Financial assets

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

   1) Measurement category

      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.

      a) Financial asset at FVTPL

         A 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.

         Fair value is determined in the manner described in Note 49.

      b) 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, investments in debt instruments at amortised cost, receivables and discounts and loans, are measured at amortized cost, which equals the gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

i. Purchased or originated credit-impaired financial assets, 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 assets that have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset.

c) Investments in debt instruments at FVTOCI

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

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

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

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

d) 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 as 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.

2) Impairment of financial assets

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.

The Company always recognizes lifetime expected credit losses (i.e. ECLs) 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 ECLs.

For receivables that do not contain a significant financing component, the allowance for losses are recognized at the expected credit losses over the lifetime.

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

Under the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans, the Bank should classify credit assets as normal credit assets (excluding assets that represent claims against an ROC government agency) or unsound credit assets, with the unsound assets further categorized as special mention, substandard, doubtful and losses, 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 minimum provisions of 100%, 50%, 10%, 2% and 1% of the outstanding balance of credit assets categorized as losses, doubtful, substandard, special mention and normal, respectively. Furthermore, the FSC stipulated that banks should make at least 1.5% provision each for normal credit assets in mainland China (including short-term advances for trade finance) and loans for house purchases, renovations and construction, and determined the allowance losses with the above-mentioned expected credit losses assessment result.

Credits deemed uncollectable may be written off after approval is obtained from the board of directors. Credits redeemed in the current period which have been written off are recognized as a reversal of loss provision.

3) Derecognition of financial assets

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

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.

b. 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.

c. Financial liabilities

1) Subsequent measurement

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

a) 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.

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.

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.

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. The change in fair value of the outstanding liabilities are recognized in profit or loss. 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.

Fair value is determined in the manner described in Note 49.

b) Financial guarantee contracts

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, the cumulative amount of income recognized in accordance with the revenue recognition policies.

2) 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.

d. 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.

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.

Nonperforming Loans

Under the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans” issued by the authorities, loans and other credits (including the accrued interest) that remain unpaid on their maturity are transferred immediately to nonperforming loans if the transfer is approved by the board of directors.

Nonperforming loans transferred from loans are recognized as discounts and loans, and those transferred from other credits are recognized as other financial assets.

Repurchase and Resale Transactions

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

Property and Equipment

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

Freehold land is not depreciated.

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

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

Investment Properties

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

Investment properties are measured initially at cost, including transaction costs, and are subsequently measured using the fair value model. Changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

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

The Company decides to transfer in or out investment property based on the actual use of assets.

Goodwill

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

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

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

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

Foreclosed Collateral

Collaterals assumed (recorded in other assets) are recognized at cost, which includes the assumed prices and any necessary repairs to make the collaterals saleable, and evaluated at the lower of cost or net realizable value as of the balance sheet date.

Intangible Assets (Excluding Goodwill)

Intangible assets acquired separately

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

Derecognition

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

Impairment of Tangible and Intangible Assets (Excluding Goodwill)

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Corporate assets are allocated to cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the resulting impairment is recognized in profit or loss. When an impairment loss is subsequently reversed, the reversal of an impairment is recognized in profit or loss. But only to the extent of the carrying amount (net of depreciation or amortization) that would have been determined had no impairment loss been recognized for the asset.

Leasing

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

a. The Company as lessor

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

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

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

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

b. The Company as lessee

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

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

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

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

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

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

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

a. The Company as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and amortized on a straight-line basis over the lease term.

Lease incentives included in an 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.

Contingent rentals are recognized as income in the period in which they are incurred.

b. The Company as lessee

Operating lease payments are recognized as expenses on a straight-line basis over the lease term.

Lease incentives received under operating leases are recognized as liabilities. The aggregate benefit of incentives is recognized as a reduction of rental expenses on a straight-line basis.

Contingent rentals are recognized as expenses in the period in which they are incurred.

c. Leasehold land for own use

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

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

Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions is the best estimate of the consideration required to settle a present obligation at the consolidated balance sheet date, taking the risks and uncertainties into account on the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying its the present value of those cash flows. (If the time value of currency affects materially.)

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

Payments to defined contribution retirement 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 retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and past service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling 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 other equity and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent 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.

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

c. Termination benefits

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

d. Employee preferential interest rate deposits

The Bank offers its employees preferential deposits, including providing finite amount preferential interest rate deposits to current employees and providing the preferential interest rate deposits to current employees and retired employees after their retirement. The difference between the interest rate of preferential deposits and the market rate is recognized as employee benefits.

The finite amount preferential deposits that the Bank paid to its current employees are calculated monthly on accrual basis. The difference between the interest rate of preferential deposits and the market rate is recorded as "Employee benefits expenses". In accordance with Article 30 of the "Regulations Governing the Preparation of Financial Reports by Public Banks", when the interest incurred from preferential interest rate deposits exceeds the interest generated from the market rate, it should be considered the actuarial amount according to the defined benefit plan regulations under IAS 19 "Employee Benefits" since the employee's retirement date.

Income Tax

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

a. Current tax

According to the Income Tax Law, an additional tax at 5% of unappropriated earnings is provided for as income tax in the year the stockholders approve to retain earnings.

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

Since 2002, in accordance with Article 49 of the Financial Holding Company Act, the Bank elect Financial Holding Company to be the tax payer, and jointly declare and report profit-seeking enterprise income tax and the tax surcharge on surplus retained earnings of a profit-enterprise in accordance with the relevant provisions of the Income Tax Law. Addition tax payable or receivable due to the joint declaration of income tax is recognized under the payables or receivables for allocation of integrated income tax systems account.

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the 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 carryforwards to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, except where the Bank can 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 recognized only 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 these differences are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are 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 should reflect the tax consequences that would follow from 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.

c. Current and deferred taxes for the period

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 taxes are also recognized in other comprehensive income or directly in equity, respectively.

Recognition of Interest Revenue and Expense

Except for the financial assets and liabilities at fair value through profit or loss, the interest revenue and interest expense arising from all interest-bearing financial instruments are calculated using the effective interest method in accordance with the relevant provisions and recognized in the consolidated statement of profit or loss under “interest revenue” and “interest expense” items.

Recognition of Service Fee Revenue and Expense

The service fee revenue and expense are recognized once after the completion of the provision of the loan or other services; if the service fee earned by the execution of the major project is recognized at the completion of the major project, service fee revenue and expense related to subsequent lending services are either amortized over the service period or included in the calculation of the effective interest rate on loans and receivables.

Customer Loyalty Program

The points earned by customers under loyalty programs are treated as multiple-element revenue 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 as earnings at the time of the original sales transaction but at the time when the points are redeemed and the Company's obligation is fulfilled.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Estimated impairment of financial assets

The provision for impairment of trade receivables, investments in debt instruments, and financial guarantee contracts 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 the end of each reporting period. For details of the key assumptions and inputs used, see Note 49. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Fair value measurements and valuation processes

Where some of the Company's assets and liabilities measured at fair value have no quoted prices in active markets, the Company has set up a valuation committee, which is headed by the Chief Financial Officer of the Company, to determine the appropriate valuation techniques for the fair value measurements and whether to engage third party qualified valuers.

Where Level 1 inputs are not available, the Company or engaged valuers determine the appropriate inputs by referring to the analyses of the financial position and the operation results of the investees, recent transaction prices, prices of the same equity instruments not quoted in active markets, quoted prices of similar instruments in active markets, and valuation multiples of comparable entities/market prices or rates and specific features of derivatives/the existing lease contracts and rentals of similar properties in the vicinity of the Company's investment properties. If the actual changes of inputs in the future differ from expectations, the fair value might vary accordingly. The Company updates inputs every quarter to confirm the appropriateness of the fair value measurement.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities is disclosed in Notes 20 and 49.

c. Impairment of goodwill

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

6. CASH AND CASH EQUIVALENTS

	March 31, 2019	December 31, 2018	March 31, 2018
Cash on hand	$ 17,045,899	$ 17,003,482	$ 17,185,570
Checks for clearance	7,176,286	7,060,146	2,145,431
Due from banks	40,976,679	43,812,218	66,401,181
	65,198,864	67,875,846	85,732,182
Less: Allowance for doubtful accounts	(19,508)	(18,382)	(6,301)
	$ 65,179,356	$ 67,857,464	$ 85,725,881

Reconciliations of cash and cash equivalents reported in the consolidated statements of cash flows with those reported in the consolidated balance sheets as of March 31, 2019 and 2018 are shown in the consolidated statements of cash flows. Reconciliations as of December 31, 2018 are shown below:

	December 31, 2018
Cash and cash equivalents, balance in the consolidated balance sheets	$ 67,857,464
Due from the Central Bank and call loans to other banks that meet the definition of cash and cash equivalents under IAS 7	45,009,393
Securities purchased under resale agreements that meet the definition of cash and cash equivalents under IAS 7	44,612,132
Cash and cash equivalents, ending balance in the consolidated statements of cash flows	$ 157,478,989

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

	March 31, 2019	December 31, 2018	March 31, 2018
Deposit reserves - general account	$ 54,153,370	$ 53,222,764	$ 51,163,673
Deposit reserves - foreign currency account	5,368,257	6,038,018	5,166,101
Deposits in the Central Bank - general account	30,807,707	28,491,195	22,268,711
Call loans and overdrafts	20,228,569	16,518,198	27,659,178
	110,557,903	104,270,175	106,257,663
Less: Allowance for doubtful accounts	(13,816)	(46,860)	(11,488)
	$ 110,544,087	$ 104,223,315	$ 106,246,175

The Bank

As provided by the Central Bank of the ROC, NTD-denominated deposit reserves are determined monthly at prescribed rates on the average balances of customers' NTD-denominated deposits, and the deposit reserves account B is subject to withdrawal restrictions.

In addition, the foreign-currency deposit reserves are determined at prescribed rates on balances of additional foreign-currency deposits. These non-interest bearing reserves may be withdrawn at any time. As of March 31, 2019, December 31, 2018 and March 31, 2018, the balances of foreign-currency deposit reserves were $1,468,120 thousand, $1,683,601 thousand and $3,176,811 thousand, respectively.

Indovina Bank

In accordance with the relevant local laws and regulations governing credit institutions, the amounts of compulsory reserves for the State Bank of Vietnam were $707,452 thousand, $705,341 thousand and $796,098 thousand as of March 31, 2019, December 31, 2018 and March 31, 2018, respectively.

CUBC Bank

In accordance with the relevant local laws and regulations governing credit institutions, the amounts of compulsory reserves for the National Bank of Cambodia were $1,503,319 thousand, $1,437,362 thousand and $1,193,192 thousand as of March 31, 2019, December 31, 2018 and March 31, 2018, respectively.

CUBCN Bank

In accordance with the relevant local laws and regulations governing credit institutions, the amounts of compulsory reserves for the People's Bank of China were $1,689,366 thousand and $2,211,714 thousands as of March 31, 2019 and December 31, 2018, respectively.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	March 31, 2019	December 31, 2018	March 31, 2018
Financial assets mandatorily classified as at fair value through profit or loss			
Commercial paper	$ 93,216,729	$ 99,829,343	$ 109,150,500
Government bonds	38,061,226	25,763,954	23,768,715
Corporate bonds	3,282,226	4,908,033	18,396,339
Financial debentures	8,759,340	7,958,565	40,292,531
Negotiable certificates of deposits	56,541,596	62,649,172	69,310,933
Stock investments	769,522	3,657	4,390,312
Fund beneficiary certificates	195,049	96,786	69,194
	200,825,688	201,209,510	265,378,524
Derivative instruments			
Foreign exchange forward contracts	18,508,708	21,079,241	18,269,319
Interest rate swap	29,252,626	26,800,296	17,437,615
Options	882,270	884,544	379,874
Others	788,503	711,625	623,538
	49,432,107	49,475,706	36,710,346
	$ 250,257,795	$ 250,685,216	$ 302,088,870

(Continued)

	March 31, 2019	December 31, 2018	March 31, 2018
Financial liabilities designated as at fair value through profit or loss			
Bonds	$ 55,223,461	$ 51,441,482	$ 50,542,565
Financial liabilities held for trading			
Derivative financial instruments			
Foreign exchange forward contracts	17,085,495	21,125,287	21,235,703
Interest rate swaps	26,165,223	25,440,315	16,040,149
Options	3,805,123	4,450,003	2,729,393
Others	1,135,024	950,691	1,083,108
	48,190,865	51,966,296	41,088,353
	$ 103,414,326	$ 103,407,778	$ 91,630,918

(Concluded)

The Company engages in derivative transactions mainly to accommodate customers' needs, and manage its exposure positions. The financial risk management objective of the Company is to minimize risk due to changes in fair value or cash flows.

The contract amounts (nominal amounts) of derivative transactions for accommodating customers' needs and managing its exposure positions as of March 31, 2019, December 31, 2018 and March 31, 2018 were as follows:

(Unit: Thousands of U.S. Dollars)

	March 31, 2019	December 31, 2018	March 31, 2018
Foreign exchange forward contracts	$ 92,140,651	$ 89,265,988	$ 79,705,539
Interest rate swaps	84,459,524	93,366,752	66,616,185
Cross currency swaps	1,362,781	1,461,149	3,047,956
Options	6,048,491	5,275,165	3,787,570
Futures	3,752,718	1,731,998	1,853,797

As of March 31, 2019, none of the financial assets at fair value through profit or loss were sold under repurchase agreements.

As of December 31, 2018 and March 31, 2018, certain financial assets at fair value through profit or loss were sold under repurchase agreements with notional amounts of $583,927 thousand and $42,066,780 thousand, respectively. Such repurchase agreements amounting to $523,342 thousand and $39,330,218 thousand were recognized under the "Securities sold under repurchase agreements" account on the consolidated balance sheets. Repurchase agreements entered prior to December 31, 2018 were settled at $523,725 thousand and $39,437,946 thousand prior to the end of January 2019 and June 2018, respectively.

Financial Liabilities Designated at Fair Value through Profit or Loss

The Bank was authorized to issue subordinated financial debentures amounting to US$990 million in September 2014, which issued subordinated financial debentures amounting to US$660 million (perpetual) and US$330 million (fifteen-years) with a fixed interest rate of 5.10% and 4.00% on October 8, 2014, respectively, and the interest is payable annually. The Bank was authorized by the authorities to redeem the US$660 million of bonds at its book value after 12 years by fulfilling the said conditions.

In December 2014, the Bank was authorized to issue unsubordinated financial debentures amounting to US$180 million (thirty-years), which were subsequently issued on March 30, 2015. In addition to the redemption of bonds by the exercise of call options, the bonds are redeemable on maturity, issued in the form of zero-coupon bonds, and the internal rate of return is 4.20%.

In March 2017, the Bank was authorized to issue unsubordinated financial debentures amounting to US$195 million (thirty-years), which were subsequently issued on April 11, 2017. In addition to the redemption of bonds by the exercise of call options, the bonds are redeemable on maturity, issued in the form of zero-coupon bonds, and the internal rate of return is 4.30%.

In March 2016, the Bank was authorized to issue unsubordinated financial debentures amounting to US$300 million (thirty-years), which were subsequently issued on November 24, 2017. In addition to the redemption of bonds by the exercise of call options, the bonds are redeemable on maturity, issued in the form of zero-coupon bonds, and the internal rate of return is 4.10%.

The Bank converted fixed interest rates into floating interest rates with interest rate swap contracts to hedge against the fair value risk resulting from interest rate fluctuations. Such interest rate swaps were valued to have a net gain $2,396,461 thousand and net loss $1,524,626 thousand, as of the three months ended March 31, 2019 and 2018, respectively.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	March 31, 2019	December 31, 2018	March 31, 2018
Investments in equity instruments at FVTOCI			
Domestic listed shares	$ 6,417,548	$ 4,214,066	$ 8,874,626
Overseas stock investments	5,446,960	4,505,813	5,532,182
Domestic unlisted shares	3,936,102	3,367,271	3,673,487
	15,800,610	12,087,150	18,080,295
Investments in debt instruments at FVTOCI			
Corporate bonds	49,353,651	42,711,025	33,015,238
Financial debentures	73,938,362	75,905,600	74,991,173
Asset-based securities	17,490,306	3,191,683	2,147,357
Government bonds	75,220,466	66,677,444	75,550,688
Short-term bills	-	-	464,295
	216,002,785	188,485,752	186,168,751
	$ 231,803,395	$ 200,572,902	$ 204,249,046

As at March 31, 2019, December 31, 2018 and March 31, 2018, certain financial assets at fair value through other comprehensive income were sold under repurchase agreement with notional amounts of $42,308,800 thousand, $46,355,590 thousand and $50,295,194 thousand. Such repurchase agreement amounting to $40,609,441 thousand, $42,613,744 thousand, $44,375,883 thousand was recorded as the “Securities sold under agreements to repurchase”, and were repurchased by $40,802,827 thousand, $42,764,361 thousand and $44,451,331 thousand prior to the end of August 2019, March 2019 and April 2018, respectively.

10. INVESTMENTS IN DEBT INSTRUMENT AT AMORTISED COST

	March 31, 2019	December 31, 2018	March 31, 2018
Short-term bills	$ 313,446,965	$ 348,485,689	$ 289,445,221
Government bonds	2,616,774	2,313,920	1,978,082
Corporate bonds	2,634,996	2,745,468	3,872,108
Financial debentures	16,289,854	16,462,146	15,435,253
Structured notes	3,082,500	3,073,300	2,912,000
Asset-based bonds	47,316,273	47,973,170	35,020,459
	385,387,362	421,053,693	348,663,123
Less: Accumulated impairment	(27,648)	(31,187)	(14,862)
	$ 385,359,714	$ 421,022,506	$ 348,648,261

As of March 31, 2019, December 31, 2018 and March 31, 2018, certain financial assets measured at amortized cost were sold under repurchase agreements with notional amounts of $2,530,601 thousand, $19,718,692 thousand and $20,634,327 thousand. Such repurchase agreements amounting to $1,974,418 thousand, $11,447,258 thousand and $14,209,394 thousand were recognized under the "Securities sold under repurchase agreements" and were repurchased by $1,980,595 thousand, $11,477,549 thousand and $14,254,586 thousand prior to the end of May 2019, March 2019 and April 2018, respectively.

11. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

The credit risk management of the Company's financial assets at FVTOCI and investments in debt instruments at amortised cost is described as follows:

March 31, 2019

	Financial Assets at FVTOCI	Investments in Debt Instruments at Amortised Cost	Total
Gross carrying amount	$ 213,321,501	$ 385,387,362	$ 598,708,863
Less: Allowance for impairment loss	(334,336)	(27,648)	(361,984)
Adjustment to fair value	3,015,620	-	3,015,620
	$ 216,002,785	$ 385,359,714	$ 601,362,499

December 31, 2018

	Financial Assets at FVTOCI	Investments in Debt Instruments at Amortised Cost	Total
Gross carrying amount	$ 188,582,733	$ 421,053,693	$ 609,636,426
Less: Allowance for impairment loss	(314,633)	(31,187)	(345,820)
Adjustment to fair value	217,652	-	217,652
	$ 188,485,752	$ 421,022,506	$ 609,508,258

The credit risk management of the Bank's financial assets at FVTOCI and investments in debt instruments at amortised cost is described as follows:

March 31, 2018

	Financial Assets at FVTOCI	Investments in Debt Instruments at Amortised Cost	Total
Gross carrying amount	$ 179,278,233	$ 346,247,015	$ 525,525,248
Less: Allowance for impairment loss	(36,092)	(14,862)	(50,954)
Adjustment to fair value	(276,738)	-	(276,738)
	$ 178,965,403	$ 346,232,153	$ 525,197,556

The Company monitors the external credit rating information and price movements of their investments in debt instruments in order to assess whether there has been a significant increase in credit risk since initial recognition.

The Company takes into consideration the multi-period default probability table for each credit rating supplied by external rating agencies, the current financial condition of debtors, industry forecasts, rating of securities issued by credit rating agencies and recovery rates of different types of bonds to assess the 12-month or lifetime expected credit losses.

The carrying values of financial assets at FVTOCI and investments in debt instruments at amortized cost sorted by credit rating of the Company are as follows:

Credit Rating	Definition	Basis for Recognizing Expected Credit Losses	Gross Carrying Amount at March 31, 2019
Low credit risk	Low credit risk at reporting date	12-month expected credit losses	$ 598,708,863
Significant increase in credit risk	Credit risk has increased significantly since initial recognition	Lifetime expected credit losses (not credit-impaired)	-
Default	Objective evidence of impairment at the reporting date	Lifetime expected credit losses (credit-impaired)	-

Credit Rating	Definition	Basis for Recognizing Expected Credit Losses	Gross Carrying Amount at December 31, 2018
Low credit risk	Low credit risk at reporting date	12-month expected credit losses	$ 609,636,426
Significant increase in credit risk	Credit risk has increased significantly since initial recognition	Lifetime expected credit losses (not credit-impaired)	-
Default	Objective evidence of impairment at the reporting date	Lifetime expected credit losses (credit-impaired)	-

The carrying values of financial assets at FVTOCI and investments in debt instruments at amortised cost sorted by credit rating of the Bank are as follows:

Credit Rating	Definition	Basis for Recognizing Expected Credit Losses	Gross Carrying Amount at March 31, 2018
Low credit risk	Low credit risk at reporting date	12-month expected credit losses	$ 525,525,248
Significant increase in credit risk	Credit risk has increased significantly since initial recognition	Lifetime expected credit losses (not credit-impaired)	-
Default	Objective evidence of impairment at the reporting date	Lifetime expected credit losses (credit-impaired)	-

The changes in balances of loss allowance of financial assets at FVTOCI and investments in debt instruments at amortised cost sorted by credit rating of the Company are as follows:

	Credit Rating		
	Low Credit Risk (12-month ECLs)	Doubtful (Lifetime ECLs - Not Credit-impaired)	In default (Lifetime ECLs - Credit-impaired)
Balance as of January 1, 2019	$ 345,820	$ -	$ -
New debt instruments purchased	13,172	-	-
Derecognition	(7,732)	-	-
Change in exchange rates and others	10,724	-	-
Allowance for impairment loss, balance as of March 31, 2019	$ 361,984	$ -	$ -

The changes in balances of loss allowance of financial assets at FVTOCI and investments in debt instruments at amortised cost sorted by credit rating of the Bank are as follows:

	Credit Rating		
	Low Credit Risk (12-month ECLs)	Doubtful (Lifetime ECLs - Not Credit-impaired)	In default (Lifetime ECLs - Credit-impaired)
Balance as of January 1, 2018	$ 39,035	$ -	$ -
New debt instruments purchased	13,498	-	-
Derecognition	(6,051)	-	-
Change in exchange rates and others	4,472	-	-
Allowance for impairment loss, balance as of March 31, 2018	$ 50,954	$ -	$ -

12. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

	March 31, 2019	December 31, 2018	March 31, 2018
Foreign bonds	$ 3,052,348	$ 2,263,810	$ 1,715,140
Corporate bonds	21,462,663	14,034,493	26,768,412
Government bonds	28,151,082	24,004,355	41,955,744
Financial debentures	6,006,100	4,314,168	7,562,526
	58,672,193	44,616,826	78,001,822
Less: Allowance for impairment loss	(6,255)	(4,694)	(7,278)
	$ 58,665,938	$ 44,612,132	$ 77,994,544

As of March 31, 2019, December 31, 2018 and March 31, 2018, certain securities purchased under resale agreements were sold under repurchase agreements with notional amounts of $1,510,425 thousand, $1,505,917 thousand and $1,441,440 thousand, respectively. Such repurchase agreements amounting to $1,394,326 thousand, $1,390,165 thousand and $1,369,679 thousand, were recognized under the “securities sold under agreements to repurchase” account on the consolidated balance sheets. Repurchase agreements were settled at $1,409,372 thousand, $1,394,432 thousand and $1,373,374 thousand prior to the end of April 2019, April 2019 and 2018, respectively.

13. RECEIVABLES, NET

	March 31, 2019	December 31, 2018	March 31, 2018
Notes and accounts receivables	$ 70,050,479	$ 71,947,102	$ 66,183,227
Interest receivable	9,630,111	9,480,747	7,486,243
Acceptance	1,635,786	1,591,399	958,124
Factoring receivable	2,207,701	2,607,455	3,360,704
Others	8,734,779	2,413,972	9,621,201
	92,258,856	88,040,675	87,609,499
Less: Allowance for doubtful accounts	(2,046,371)	(2,061,949)	(2,211,226)
	$ 90,212,485	$ 85,978,726	$ 85,398,273

Refer to Note 50 the for impairment loss analysis of receivables.

The changes in the gross carrying amounts of the Company's receivables for the three months ended March 31, 2019 were as follows:

	12-month Expected-credit Losses	Lifetime Expected-credit Losses (Collectively Assessed)	Lifetime Expected-credit Losses (Non-purchased or Originated Credit-impaired Financial Assets)	Total
Balance, beginning of the period	$ 83,956,813	$ 1,660,989	$ 2,422,873	$ 88,040,675
Transferred to Lifetime ECLs	(1,110,791)	1,119,279	(8,488)	-
Transferred to credit-impaired financial assets	(77,982)	(57,324)	135,306	-
Transferred to 12-month ECLs	511,354	(509,253)	(2,101)	-
Derecognition of financial assets in the current reporting period	(211,435,953)	(832,127)	(166,881)	(212,434,961)
New financial assets purchased or originated	215,769,228	704,100	127,753	216,601,081
Effects of exchange rate changes and others	164,684	3,799	(2,260)	166,223
Recovery of written-off receivables	-	(70)	(114,092)	(114,162)
Balance, end of the period	$ 87,777,353	$ 2,089,393	$ 2,392,110	$ 92,258,856

The changes in the gross carrying amounts of the Bank's receivables on March 31, 2018 were as follows:

	12-month Expected-credit Losses	Lifetime Expected-credit Losses (Collectively Assessed)	Lifetime Expected-credit Losses (Non-purchased or Originated Credit-impaired Financial Assets)	Total
Balance, beginning of the period	$ 74,405,217	$ 2,064,086	$ 2,909,423	$ 79,378,726
Transferred to Lifetime ECLs	(595,204)	600,615	(5,411)	-
Transferred to credit-impaired financial assets	(48,992)	(42,437)	91,429	-
Transferred to 12-month ECLs	678,637	(674,746)	(3,891)	-
Derecognition of financial assets in the current reporting period	(32,981,030)	(1,249,771)	(275,655)	(34,506,456)
New financial assets purchased or originated	42,054,995	368,899	116,149	42,540,043

(Continued)

	12-month Expected-credit Losses	Lifetime Expected-credit Losses (Collectively Assessed)	Lifetime Expected-credit Losses (Non-purchased or Originated Credit-impaired Financial Assets)	Total
Effects of exchange rate changes and others	$ (16,580)	$ (812)	$ (34)	$ (17,426)
Recovery of written-off receivables	-	-	(102,220)	(102,220)
Balance, end of the period	$ 83,497,043	$ 1,065,834	$ 2,729,790	$ 87,292,667

(Concluded)

The changes in the allowance for doubtful accounts of the Company's receivables for the three months ended March 31, 2019 were as follows:

	12-month Expected-credit Losses	Lifetime Expected-credit Losses	Lifetime Expected-credit Losses (Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under (Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-accrual Loans)	Total
Receivables						
Balance, beginning of the period	$ 126,022	$ 116,965	$ 1,768,492	$ 2,011,479	$ 50,470	$ 2,061,949
Changes of financial instruments recognized at the beginning of the current reporting period						
Transferred to Lifetime ECLs	(4,779)	101,085	(6,001)	90,305	-	90,305
Transferred to credit-impaired financial assets	(368)	(4,330)	90,178	85,480	-	85,480
Transferred to 12-month ECLs	2,834	(49,241)	(1,475)	(47,882)	-	(47,882)
Derecognition of financial assets in the current reporting period	(68,681)	(26,336)	(80,760)	(175,777)	-	(175,777)
New financial assets purchased or originated	60,014	23,725	73,469	157,208	-	157,208
Effects of exchange rate changes and others	-	-	-	-	(5,207)	(5,207)
Recovery of written-off receivables	-	(70)	(114,092)	(114,162)	-	(114,162)
Effects of exchange rate changes and others	11,952	(24,463)	6,991	(5,520)	(23)	(5,543)
Balance, end of the period	$ 126,994	$ 137,335	$ 1,736,802	$ 2,001,131	$ 45,240	$ 2,046,371

The changes in the allowance for doubtful accounts of the Bank's receivables for the three months ended March 31, 2018 were as follows:

	12-month Expected-credit Losses	Lifetime Expected-credit Losses	Lifetime Expected-credit Losses (Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under (Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-accrual Loans)	Total
Receivables						
Balance, beginning of the period	$ 77,568	$ 63,923	$ 2,101,183	$ 2,242,674	$ 14,830	$ 2,257,504
Changes of financial instruments recognized at the beginning of the current reporting period						
Transferred to Lifetime ECLs	(1,958)	69,158	(3,848)	63,352	-	63,352
Transferred to credit-impaired financial assets	(400)	(2,100)	62,463	59,963	-	59,963
Transferred to 12-month ECLs	3,350	(26,755)	(2,465)	(25,870)	-	(25,870)
Derecognition of financial assets in the current reporting period	(40,767)	(19,181)	(200,405)	(260,353)	-	(260,353)
New financial assets purchased or originated	65,344	17,069	64,926	147,339	-	147,339
Effects of exchange rate changes and others	-	-	-	-	8,734	8,734
Recovery of written-off receivables	-	-	(102,220)	(102,220)	-	(102,220)
Effects of exchange rate changes and others	21,902	(18,287)	52,073	55,688	-	55,688
Balance, end of the period	$ 125,039	$ 83,827	$ 1,971,707	$ 2,180,573	$ 23,564	$ 2,204,137

14. DISCOUNTS AND LOANS, NET

	March 31, 2019	December 31, 2018	March 31, 2018
Discounts and overdrafts	$ 1,967,092	$ 2,031,672	$ 2,703,728
Short-term loans	484,558,828	447,675,391	439,120,182
Medium-term loans	380,407,187	373,978,341	345,591,255
Long-term loans	778,095,366	793,036,173	735,243,314
Export negotiations	1,522,617	1,722,435	1,523,535
Overdue loans	2,905,411	2,306,480	2,822,757
	1,649,456,501	1,620,750,492	1,527,004,771
Less: Allowance for doubtful accounts	(26,415,245)	(25,427,241)	(23,309,446)
	$ 1,623,041,256	$ 1,595,323,251	$ 1,503,695,325

As of March 31, 2019, December 31, 2018 and March 31, 2018, the loan and credit balances of nonaccrual loans were $2,905,411 thousand, $2,306,480 thousand and $2,822,757 thousand, respectively. The Company wrote off certain credits after completing the required legal procedures.

Refer to Note 50 for the impairment loss analysis of discounts and loans.

The changes in the gross carrying amounts of the Company's discounts and loans on March 31, 2019 are as follows:

	12-month Expected-credit Losses	Lifetime Expected-credit Losses (Collectively Assessed)	Lifetime Expected-credit Losses (Non-purchased or Originated Credit-impaired Financial Assets)	Total
Balance, beginning of the period	$ 1,549,705,049	$ 59,275,734	$ 11,769,709	$ 1,620,750,492
Transferred to Lifetime ECLs	(22,955,924)	23,113,721	(157,797)	-
Transferred to credit-impaired financial assets	(1,271,927)	(822,913)	2,094,840	-
Transferred to 12-month ECLs	10,231,211	(10,058,984)	(172,227)	-
Derecognition of financial assets in the current reporting period	(189,119,827)	(11,380,580)	(686,500)	(201,186,907)
New financial assets purchased or originated	224,979,421	3,920,493	248,245	229,148,159
Effects of exchange rate changes and others	830,458	115,837	(4,061)	942,234
Recovery of written-off receivables	-	-	(197,477)	(197,477)
Balance, end of the period	$ 1,572,398,461	$ 64,163,308	$ 12,894,732	$ 1,649,456,501

The changes in the gross carrying amounts of the Bank's discounts and loans on March 31, 2018 are as follows:

	12-month Expected-credit Losses	Lifetime Expected-credit Losses (Collectively Assessed)	Lifetime Expected-credit Losses (Non-purchased or Originated Credit-impaired Financial Assets)	Total
Balance, beginning of the period	$ 1,365,235,427	$ 47,046,794	$ 9,838,017	$ 1,422,120,238
Transferred to Lifetime ECLs	(26,680,839)	26,756,396	(75,557)	-
Transferred to credit-impaired financial assets	(514,476)	(390,782)	905,258	-
Transferred to 12-month ECLs	7,115,199	(6,765,374)	(349,825)	-
Derecognition of financial assets in the current reporting period	(161,882,113)	(7,607,219)	(662,679)	(170,152,011)
New financial assets purchased or originated	238,640,519	3,278,367	197,823	242,116,709
Effects of exchange rate changes and others	(3,156,628)	(456,227)	(43,356)	(3,656,211)
Recovery of written-off receivables	-	-	(426,907)	(426,907)
Balance, end of the period	$ 1,418,757,089	$ 61,861,955	$ 9,382,774	$ 1,490,001,818

The changes in the allowance for doubtful accounts of the Company's discounts and loans for the three months ended March 31, 2019 were as follows:

	12-month Expected-credit Losses	Lifetime Expected-credit Losses	Lifetime Expected-credit Losses (Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under (Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-accrual Loans)	Total
Balance, beginning of the period	$ 3,914,449	$ 1,667,321	$ 4,912,617	$ 10,494,387	$ 14,932,854	$ 25,427,241
Changes of financial instruments recognized at the beginning of the current reporting period						
Transferred to Lifetime ECLs	(76,573)	894,706	(2,363)	815,770	-	815,770
Transferred to credit-impaired financial assets	(4,387)	(41,332)	356,584	310,865	-	310,865
Transferred to 12-month ECLs	67,643	(432,140)	(35,155)	(399,652)	-	(399,652)
Derecognition of financial assets in the current reporting period	(499,381)	(108,712)	(36,857)	(644,950)	-	(644,950)
New financial assets purchased or originated	454,543	47,796	118,615	620,954	-	620,954
Effects of exchange rate changes and others	-	(3,041)	-	(3,041)	2,060,190	2,057,149
Recovery of written-off receivables	-	-	(197,477)	(197,477)	-	(197,477)
Effects of exchange rate changes and others	(1,402,455)	(718,547)	552,982	(1,568,020)	(6,635)	(1,574,655)
Balance, end of the period	$ 2,453,839	$ 1,306,051	$ 5,668,946	$ 9,428,836	$ 16,986,409	$ 26,415,245

The changes in the allowance for doubtful accounts of the Bank's discounts and loans for the three months ended March 31, 2018 were as follows:

	12-month Expected-credit Losses	Lifetime Expected-credit Losses	Lifetime Expected-credit Losses (Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Difference of Impairment Loss under (Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-accrual Loans)	Total
Balance, beginning of the period	$ 3,502,390	$ 1,036,509	$ 4,226,097	$ 8,764,996	$ 13,788,238	$ 22,553,234
Changes of financial instruments recognized at the beginning of the current reporting period						
Transferred to Lifetime ECLs	(64,199)	610,882	(13,617)	533,066	-	533,066
Transferred to credit-impaired financial assets	(916)	(22,343)	182,400	159,141	-	159,141
Transferred to 12-month ECL	126,043	(323,871)	(61,370)	(259,198)	-	(259,198)
Derecognition of financial assets in the current reporting period	(331,222)	(69,566)	(97,251)	(498,039)	-	(498,039)
New financial assets purchased or originated	607,191	71,033	105,852	784,076	-	784,076
Effects of exchange rate changes and others	-	-	-	-	(123,843)	(123,843)
Recovery of written-off receivables	-	-	(426,907)	(426,907)	-	(426,907)
Effects of exchange rate changes and others	(21,981)	(23,277)	25,172	(20,086)	-	(20,086)
Balance, end of the period	$ 3,817,306	$ 1,279,367	$ 3,940,376	$ 9,037,049	$ 13,664,395	$ 22,701,444

15. RESERVES FOR LOSSES ON GUARANTEES, LETTER OF CREDIT RECEIVABLE AND FINANCING COMMITMENTS

The changes in the Company's guarantee liability provisions, letter of credit receivable and provision of commitments for the three months ended March 31, 2019 are as follows:

	12-month Expected-credit Losses	Lifetime Expected-credit Losses	Lifetime Expected-credit Losses (Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Differences of Impairment Loss under the (Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans)	Total
Balance, beginning of the period	$ 251,972	$ 73,536	$ 5,118	$ 330,626	$ 71,327	$ 401,953
Changes of financial instruments recognized at the beginning of the current reporting period						
Transferred to Lifetime ECLs	(5,271)	56,110	(11)	50,828	-	50,828
Transferred to credit-impaired financial assets	(6)	(25)	1,327	1,296	-	1,296
Transferred to 12-month ECLs	2,620	(34,961)	(295)	(32,636)	-	(32,636)
Derecognition of financial assets in the current reporting period	(49,545)	(9,232)	(990)	(59,767)	-	(59,767)
New financial assets purchased or originated	36,292	9,829	907	47,028	148	47,176
Differences of Impairment Loss under the (Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans)	-	-	-	-	43,367	43,367
Effects of exchange rate changes and others	(79,998)	(25,337)	(828)	(106,163)	11,294	(94,869)
Balance, end of the period	$ 156,064	$ 69,920	$ 5,228	$ 231,212	$ 126,136	$ 357,348

The changes in the bank's guarantee liability provisions, letter of credit receivable and provision of commitments for the three months ended March 31, 2018 are as follows:

	12-month Expected-credit Losses	Lifetime Expected-credit Losses	Lifetime Expected-credit Losses (Credit-impaired Financial Assets)	Impairment Loss under IFRS 9	Differences of Impairment Loss under the (Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans)	Total
Balance, beginning of the period	$ 103,781	$ 21,997	$ 17,008	$ 142,786	$ 52,952	$ 195,738
Changes of financial instruments recognized at the beginning of the current reporting period						
Transferred to Lifetime ECLs	(544)	16,304	(4)	15,756	-	15,756
Transferred to credit-impaired financial assets	(5)	(14)	1,214	1,195	-	1,195
Transferred to 12-month ECLs	661	(8,060)	(269)	(7,668)	-	(7,668)
Derecognition of financial assets in the current reporting period	(14,837)	(5,868)	(1,171)	(21,876)	-	(21,876)
New financial assets purchased or originated	47,234	13,958	4,789	65,981	-	65,981
Differences of Impairment Loss under the (Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans)	-	-	-	-	(7,521)	(7,521)
Effects of exchange rate changes and others	8,812	(3,561)	(14,143)	(8,892)	-	(8,892)
Balance, end of the period	$ 145,102	$ 34,756	$ 7,424	$ 187,282	$ 45,431	$ 232,713

16. SUBSIDIARIES

Subsidiaries Included in the Consolidated Financial Statement

The subsidiaries included in the consolidated financial statements are as follows:

Investor	Subsidiary	Nature of Activities	Proportion of Ownership (%) March 31, 2019	December 31, 2018	March 31, 2018	Description
The Bank	Indovina Bank Limited (Indovina Bank)	Bank business	50%	50%	50%	Incorporated in Vietnam on November 21, 1990
	Cathay United Bank (Cambodia) Corporation Limited (CUBC Bank)	Bank business	100%	100%	100%	SBC Bank was incorporated in Cambodia on July 5, 1993, and renamed as CUBC as of January 14, 2014
	Cathay United Bank (China) Co., Ltd.(UBCN Bank (Notes 1 and 2)	Bank business	100%	100%	-	Incorporated in China on September 3, 2018

Note 1: Upon approval by the authorities, the Shanghai Branch, Qingdao Branch and Shenzhen Branch of Cathay United Bank merged into Cathay United Bank (China) Co., Ltd. Please refer to Table 3 for the relevant investment information.

Note 2: As a major subsidiary, its financial statements were reviewed.

17. INVESTMENTS MEASURED BY EQUITY METHOD, NET

	March 31, 2019	December 31, 2018	March 31, 2018
Associates that are not individually material			
Taiwan Real-estate Management Corp.	$ 102,296	$ 103,185	$ 101,048
Taiwan Finance Corp.	1,688,220	1,665,689	1,657,438
	$ 1,790,516	$ 1,768,874	$ 1,758,486

Aggregate information on the Bank's associates that are not individually material is as follows:

	2019.01.01-2019.03.31	2018.01.01-2018.03.31
The Bank's share of		
Current net profit	$ 21,642	$ 14,439
Current other comprehensive income	-	-
Current comprehensive income	$ 21,642	$ 14,439

Investments accounted for using the equity method and the Bank's share of profit and loss and other comprehensive income are calculated based on the financial statements which were not reviewed; however, management believes there is no material impact on the equity method of accounting or the calculation of the share of profit or loss and other comprehensive income from the financial statements which have not been reviewed.

18. PROPERTY AND EQUIPMENT, NET

	Land	Buildings	Equipments	Transportation Equipments	Other Equipments	Leasehold Improvements	Construction in Progress and Prepayment for Equipments	Total
Cost								
Balance at January 1, 2019	$ 15,379,376	$ 10,311,364	$ 4,875,823	$ 109,873	$ 7,712,030	$ 63,049	$ 489,005	$ 38,940,520
Additions	-	-	96,909	2,772	9,861	337	131,448	241,327
Disposals	-	-	(382,631)	(824)	(88,520)	(151)	(19,400)	(491,526)
Reclassification	-	-	52,696	-	(37,152)	110,465	(77,354)	48,655
Others (Note)	(600)	-	-	-	-	-	-	(600)
Exchange differences	399	1,016	(5,254)	329	26,243	723	(19,622)	3,834
Balance at March 31, 2019	15,379,175	10,312,380	4,637,543	112,150	7,622,462	174,423	504,077	38,742,210
Accumulated depreciation and impairment								
Balance at January 1, 2019	-	4,355,181	3,103,465	81,073	5,934,810	25,427	-	13,499,956
Depreciation	-	53,976	129,273	1,857	126,381	2,265	-	313,752
Disposals	-	-	(391,008)	(824)	(63,777)	(65)	-	(455,674)
Reclassification	-	-	-	-	(88,577)	88,577	-	-
Exchange differences	-	2,806	604	(27)	(13,629)	5,643	-	(4,603)
Balance at March 31, 2019	-	4,411,963	2,842,334	82,079	5,895,208	121,847	-	13,353,431
Net								
Balance at March 31, 2019	$ 15,379,175	$ 5,900,417	$ 1,795,209	$ 30,071	$ 1,727,254	$ 52,576	$ 504,077	$ 25,388,779
Cost								
Balance at January 1, 2018	$ 15,377,939	$ 10,303,217	$ 4,234,054	$ 108.381	$ 7,707,438	$ 59,762	$ 532,452	$ 38,323,243
Additions	-	-	337,456	-	52,348	833	145,355	535,992
Disposals	-	-	(20,556)	(1,115)	(240,837)	-	-	(262,508)
Reclassification	-	-	78,544	-	67,787	-	(147,432)	(1,101)
Others (Note)	(600)	-	-	-	-	-	-	(600)
Exchange differences	(3,157)	(8,076)	(11,850)	(2,572)	(4,064)	(1,458)	(1,839)	(33,016)
Balance at March 31, 2018	15,374,182	10,295,141	4,617,648	104,694	7,582,672	59,137	528,536	38,562,010

(Continued)

	Land	Buildings	Equipments	Transportation Equipments	Other Equipments	Leasehold Improvements	Construction in Progress and Prepayment for Equipments	Total
Accumulated depreciation and impairment								
Balance at January 1, 2018	$ -	$ 4,137,330	$ 3,118,151	$ 75,243	$ 6,099,041	$ 20,180	$ -	$ 13,449,945
Depreciation	-	53,897	104,758	2,057	117,734	1,974	-	280,420
Disposals	-	-	(20,138)	(1,115)	(237,566)	-	-	(258,819)
Reclassification	-	-	1	-	(1)	-	-	-
Exchange differences	-	(2,302)	(8,395)	(1,792)	(2,619)	(503)	-	(15,611)
Balance at March 31, 2018	-	4,188,925	3,194,377	74,393	5,976,589	21,651	-	13,455,935
Net								
Balance at March 31, 2018	$ 15,374,182	$ 6,106,216	$ 1,423,271	$ 30,301	$ 1,606,083	$ 37,486	$ 528,536	$ 25,106,075

(Concluded)

Note: The urban renewal demolition and resettlement compensation fees.

Depreciation of the above-mentioned items of property and equipment is calculated on a straight-line basis over their estimated useful lives as follows:

Buildings	
Main buildings	50 to 60 years
Buildings renovation	5 years
Equipments	3 to 8 years
Transportation equipments	3 to 7 years
Miscellaneous equipments	3 to 15 years

19. RENTAL AGREEMENTS

a. Right-of-use assets - 2019

	March 31, 2019
Carrying amount of right-of-use assets	
Real estate rent	$ 4,260,650
Equipment	1,637
Transportation equipment	23,434
	$ 4,285,721

	For the Three Months Ended March 31, 2019
Additions of right-of-use assets	$ 147,744
Depreciation expense of right-of-use assets	
Real estate rent	$ 273,878
Equipment	209
Transportation equipment	2,965
	$ 277,052

b. Lease liabilities - 2019

	March 31, 2019
Carrying amount of lease liabilities	$ 4,340,904

The discount rate intervals of lease liabilities are as follows:

	March 31, 2019
Land and buildings	0.35%-5.22%
Equipment	0.70%-2.99%
Transportation equipment	0.70%-5.38%

c. Other lease information

	For the Three Months Ended March 31, 2019
Short-term rental expense	$ 228,373
Low value assets rental expense	$ 115,642
Variable lease payment expense not included in measurable lease liabilities	$ 100
Gross cash outflow for leases	$ 569,742

The Company leases certain assets which qualify as short-term leases and certain assets which qualify as low-value asset leases. The Company has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

2018

The Bank

The total future minimum lease payments for non-cancellable operating leases are as follows:

	December 31, 2018	March 31, 2018
Within a year	$ 1,435,798	$ 1,414,662
Over one year and up to five years	3,501,147	2,042,089
Over five years	277,120	81,495
	$ 5,214,065	$ 3,538,246

Indovina Bank

As of December 31, 2018 and March 31, 2018, Indovina Bank has signed an effective tenancy operating lease agreement, and the estimated rent payable for the future lease period is as follows:

	December 31, 2018	March 31, 2018
Within a year	$ 35,813	$ 33,706
Over one year and up to five years	70,604	60,363
Over five years	9,342	15,309
	$ 115,759	$ 109,378

CUBC Bank

As of December 31, 2018 and March 31, 2018, CUBC Bank has signed an effective tenancy operating lease agreement, and the estimated rent payable for the future lease period is as follows:

	December 31, 2018	March 31, 2018
Within a year	$ 2,912	$ 16,813
Over one year and up to five years	23,114	41,511
Over five years	49,341	10,891
	$ 75,367	$ 69,215

CUBCN Bank

As of December 31, 2018, CUBCN Bank has signed an effective tenancy operating lease agreement, and the estimated rent payable for the future lease period is as follows:

	December 31, 2018
Within a year	$ 114,211
Over one year and up to five years	25,107
Over five years	-
	$ 139,318

20. INVESTMENT PROPERTIES, NET

	March 31, 2019	December 31, 2018	March 31, 2018
Land	$ 1,311,785	$ 1,311,785	$ 1,414,476
Buildings	127,901	127,901	132,896
	$ 1,439,686	$ 1,439,686	$ 1,547,372

a. As of March 31, 2019, December 31, 2018 and March 31, 2018, no investment property was pledged.

b. Part of the purpose of holding certain real estate of the Bank is to earn rent or capital surplus, the other part is for self-use. When the part held for self-use is less than 5% of the individual real estate, the real estate is classified as investment properties.

c. The Bank appointed appraisers from REPro Valuation and Professional Services (Fu-Xue Shi, Zhi-Hao Wu, Hong-Xu Wu, You-Xiang Cai) to evaluate the fair value of investment property at December 31, 2018 and 2017, respectively. The appraisers had reviewed the original valuation reports issued on the aforementioned valuation date and clarified that the valuation reports were in effect on March 31, 2019 and 2018, respectively.

   Fair value determination is supported by observable market evidence. The appraisal approaches used are mainly the income approach (such as discounted cash flow model and direct capitalization approach), sales comparison approach and cost approach, etc.

   1) As office buildings have market liquidity and their rent levels are similar to comparable properties in the same neighborhood, their fair values have been determined using the comparison approach and the income approach.

      Net rental income is based on current market practices, assuming an annual rent increase of between 0% to 1.5% to extrapolate the total income of the underlying property, excluding losses as a result of idle and other reasons and related operation costs.

      According to the ROC Real Estate Appraisers Association Gazette No.5, the house tax has been determined based on the reference tables of current house values assessed for each city/county to estimate the total current house value assessed. House tax is calculated based on the tax rates provided by the House Tax Act and the actual payment date.

      Land value tax is based on the changes in the announced land values of the underlying property in the past few years and the actual payment data, to further extrapolate the announced land value in the future.

      The replacement allowance for significant renovation costs is based on 15% of construction costs, assuming at useful life of 20 years, according to the ROC Real Estate Appraisers Association Gazette No.5, the replacement allowance is based on 0.5% to 1.5% of construction or building costs.

      The main parameters are as follows:

	March 31, 2019	December 31, 2018	March 31, 2018
Direct capitalization rate	1.98%-5.73%	1.98%-5.73%	2.03%-5.83%
Overall capital interest rate	0.76%-2.89%	0.76%-2.89%	0.76%-2.89%

   2) The fair value has been determined by the method of land development analysis and comparison. Reserved area in hillside land, scenic land site, areas for agriculture, animal husbandry and forestry had fewer market transactions as their uses are restricted by law, and will not have significant changes in the market in the near future.

	March 31, 2019	December 31, 2018	March 31, 2018
Rate of return	15%	15%	15%-20%
Overall capital interest rate	2.11%	2.11%	1.63%-2.11%

The direct operating expenses generated from the investment properties are summarized as follows:

	2019.01.01-2019.03.31	2018.01.01-2018.03.31
Rental income from investment properties	$ -	$ -
Less: Direct operating expenses of investment properties that generate rental income	(451)	(459)
	$ (451)	$ (459)

21. GOODWILL

The Bank acquired China United Trust & Investment Corporation on December 29, 2007 and recognized goodwill amounting to $6,673,083 thousand.

The Bank acquired 70% of the shares of Cambodia CUBC Bank on December 13, 2012 and recognized goodwill amounting to US$10,570 thousand, then further acquired the remaining 30% of shares on September 16, 2013.

During impairment testing for goodwill, the Bank treated individual business units as cash-generating units (CGUs). Goodwill resulting from the merger was allocated to the relevant CGUs. The recoverable amount was determined by the value in use of each CGU and was calculated at the present values of the cash flow forecast for the next five years based on the going-concern assumption. Future cash flows were estimated on the basis of present operations and will be adjusted depending on the business outlook and economic trends.

22. OTHER ASSETS, NET

	March 31, 2019	December 31, 2018	March 31, 2018
Prepayments	$ 1,742,338	$ 1,290,579	$ 1,892,548
Temporary payments and suspense accounts	208,914	262,216	886,989
Interbank clearing funds	5,392,072	6,388,757	3,210,821
Refundable deposits, net	21,552,675	26,380,549	18,772,729
Operating deposits, net	647,950	647,932	726,407
Others	90,855	91,215	92,695
	$ 29,634,804	$ 35,061,248	$ 25,582,189

23. DEPOSITS FROM THE CENTRAL BANK AND BANKS

	March 31, 2019	December 31, 2018	March 31, 2018
Call loans from banks	$ 49,154,174	$ 38,548,992	$ 72,952,289
Due to Chunghwa Post Co., Ltd.	18,035,686	18,044,685	18,481,118
Banks overdrafts	555,905	250,092	112,592
Deposits from the Central Bank and banks	30,320,759	24,588,464	22,379,782
	$ 98,066,524	$ 81,432,233	$ 113,925,781

24. NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENTS

	March 31, 2019	December 31, 2018	March 31, 2018
Asset-based securities	$ 409,962	$ 9,190,302	$ 12,378,258
Corporate bonds	4,017,287	8,797,043	14,168,621
Real estate mortgages securities	2,971,804	-	-
Asset collateral guarantee securities	-	529,543	-
Government bonds	23,868,753	22,326,980	23,146,267
Financial debentures	12,710,379	15,130,641	49,592,028
	$ 43,978,185	$ 55,974,509	$ 99,285,174

25. PAYABLES

	March 31, 2019	December 31, 2018	March 31, 2018
Accounts payable	$ 7,407,922	$ 7,412,232	$ 2,507,026
Accrued expenses	5,833,807	7,615,684	4,972,293
Interest payable	5,427,651	4,625,435	4,367,378
Dividends payable	393,414	-	-
Receipts under custody	338,825	424,823	355,349
Banker's acceptances	1,643,411	1,600,282	1,003,833
Others	9,588,236	3,234,514	7,309,461
	$ 30,633,266	$ 24,912,970	$ 20,515,340

26. DEPOSITS AND REMITTANCES

	March 31, 2019	December 31, 2018	March 31, 2018
Checking deposits	$ 13,342,212	$ 16,283,818	$ 12,304,656
Demand deposits	524,370,197	532,446,775	484,779,139
Demand savings deposits	876,623,803	847,465,305	815,302,130
Time deposits	455,086,522	457,517,789	432,364,937
Time savings deposits	374,090,774	367,920,662	366,024,039
Negotiable certificates of deposits	3,277,000	4,313,300	3,961,798
Outward remittances and remittances payable	1,309,113	1,714,041	2,429,428
	$ 2,248,099,621	$ 2,227,661,690	$ 2,117,166,127

27. FINANCIAL DEBENTURES PAYABLE

	March 31, 2019	December 31, 2018	March 31, 2018
2nd issue of subordinated financial debentures in 2009; fixed rate at 2.6%; maturity: July 2019	$ 1,500,000	$ 1,500,000	$ 1,500,000
1st issue of subordinated financial debentures in 2011; fixed rate at 1.72%; maturity: March 2021	1,500,000	1,500,000	1,500,000
2nd issue of subordinated financial debentures in 2011; fixed rate at 1.65%; maturity: June 2018	-	-	3,900,000
2nd issue of subordinated financial debentures in 2011; fixed rate at 1.72%; maturity: June 2021	2,500,000	2,500,000	2,500,000
1st issue of subordinated financial debentures in 2012; fixed rate at 1.48%; maturity: June 2019	200,000	200,000	200,000
1st issue of subordinated financial debentures in 2012; fixed rate at 1.65%; maturity: June 2022	4,200,000	4,200,000	4,200,000
2nd issue of subordinated financial debentures in 2012; fixed rate at 1.65%; maturity: August 2022	5,600,000	5,600,000	5,600,000
1st issue of subordinated financial debentures in 2013; fixed rate at 1.55%; maturity: April 2020	100,000	100,000	100,000
1st issue of subordinated financial debentures in 2013; fixed rate at 1.7%; maturity: April 2023	9,900,000	9,900,000	9,900,000
1st issue of subordinated financial debentures in 2014; fixed rate at 1.7%; maturity: May 2021	3,000,000	3,000,000	3,000,000
1st issue of subordinated financial debentures in 2014; fixed rate at 1.85%; maturity: May 2024	12,000,000	12,000,000	12,000,000
2nd issue of subordinated financial debentures in 2017; fixed rate at 1.85%; maturity: April 2027	12,700,000	12,700,000	12,700,000
2nd issue of subordinated financial debentures in 2017; fixed rate at 1.5%; maturity: April 2024	2,400,000	2,400,000	2,400,000
	$ 55,600,000	$ 55,600,000	$ 59,500,000

28. OTHER FINANCIAL LIABILITIES

	March 31, 2019	December 31, 2018	March 31, 2018
Principal of structured products	$ 74,526,718	$ 76,509,334	$ 70,085,247

29. PROVISIONS

	March 31, 2019	December 31, 2018	March 31, 2018
Reserve for employee benefits			
Defined benefit plan	$ 2,376,048	$ 2,401,044	$ 2,481,996
Preferential interest rate deposits	592,394	595,751	575,815
Reserve for losses on guarantees	156,867	163,715	90,889
Reserve for finance commitments	197,137	233,938	151,840
Other operating reserve	22,680	22,680	22,680
Other reserve - letter of credit	3,344	4,299	6,580
	$ 3,348,470	$ 3,421,427	$ 3,329,800

30. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

The Bank adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, the Bank makes monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts in the Bureau of Labor Insurance.

For the three months ended March 31, 2019 and 2018, the Company recognized expenses of $102,333 thousand and $86,979 thousand in the consolidated statements of comprehensive income in accordance with the defined contribution plan, respectively.

b. Defined benefit plan

The Bank adopted the defined benefit plan under the Labor Standards Law operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement.

The Bank contributes a fixed proportion of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name.

For the three months ended March 31, 2019 and 2018, pension expenses under the defined benefit plan recognized in the consolidated statements of comprehensive income amounted to $49,140 thousand and $55,846 thousand, respectively.

c. Employee preferential interest rate deposit plan

For the three months ended March 31, 2019 and 2018, employee preferential interest rate deposit plan expenses amounted to $88,488 thousand and $83,144 thousand, respectively.

31. OTHER LIABILITIES

	March 31, 2019	December 31, 2018	March 31, 2018
Advance receipts	$ 584,930	$ 592,919	$ 563,187
Temporary receipts and suspense accounts	2,183,065	1,917,586	1,556,117
Guarantee deposits received	3,399,259	3,418,257	5,887,986
Contract liabilities	1,623,009	1,382,319	1,620,769
Others	1	2	9,561
	$ 7,790,264	$ 7,311,083	$ 9,637,620

32. EQUITY

a. Capital Stock

Common stock

	March 31, 2019	December 31, 2018	March 31, 2018
Number of shares authorized (in thousands)	9,119,762	9,119,762	7,860,406
Amount of shares authorized	$ 91,197,623	$ 91,197,623	$ 78,604,060
Number of shares issued and fully paid (in thousands)	9,119,762	9,119,762	7,860,406
Amount of shares issued	$ 91,197,623	$ 91,197,623	$ 78,604,060

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

On April 26, 2018, the Bank's board of directors resolved on behalf of the shareholders to transfer the retained earnings of $12,593,563 thousand to an increase in capital and issued 12,593,563 thousand common shares. After the capital increase, the authorized and paid-in capital was $91,197,623 thousand.

On May 3, 2018, the Bank's board of directors resolved on behalf of the shareholders to transfer the retained earnings in the form of shareholders' dividends to an increase in capital and issued 546,073 thousand new shares, increasing the authorized capital to $96,658,353 thousand. The aforementioned capital increase case is pending approval from the authorities before the relevant procedures can be completed.

b. Capital surplus

	March 31, 2019	December 31, 2018	March 31, 2018
Capital surplus from the merger	$ 10,949,303	$ 10,949,303	$ 10,949,303
Additional paid in capital	22,648,873	22,648,873	22,648,873
Others	12,807	12,807	12,807
	$ 33,610,983	$ 33,610,983	$ 33,610,983

c. Legal reserve

A legal reserve should be appropriated until it equals the Company's paid-in-capital. The legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of its paid-in capital, the excess may be transferred to capital or distributed in cash. In addition, based on the Banking Act, if the legal reserve is less than the Company's paid-in capital, the amount that may be distributed in cash should not exceed 15% of the Company's paid-in-capital. In the event that the accumulated legal reserve equals or exceeds the Company's paid-in capital or the Company is sound in both its finance and business operations and have set aside legal reserve in compliance with the Company Law, the restrictions stipulated in the preceding paragraph shall not apply.

d. Special reserve

According to Rule No. 1030006415 issued by the FSC, on the first-time adoption of the fair value model for investment properties, the Bank shall set aside the same amount of special reserve as the net fair value increment transferred to retained earnings. After transferring the fair value increment of investment properties to retained earnings, if the Bank could not set aside a sufficient amount to the special reserve, the Bank could only set aside the amount according to the retained earnings balance, and the special reserve that is not enough to be set aside would not be counted in the accumulated fair value increment of investment properties.

When the Bank adopts the fair value model for subsequent measurement of investment properties, the Bank shall set aside an equal to amount of special reserve when transfer the fair value increment of investment properties.

For any subsequent reversal of accumulated fair value increment of investment properties or disposal of investment properties, the amount reversed may be distributed.

The Bank has reversed special reserve of investment properties to retained earnings during the three months ended March 31, 2019 and 2018 as results of the use, disposal or reclassification of related assets in the amounts set out below:

	Investment Properties	**Others**	**Total**
Balance at January 1, 2018	$ 1,620,294	$ 357,069	$ 1,977,363
Increase	-	-	-
Balance at March 31, 2018	$ 1,620,294	$ 357,069	$ 1,977,363
Balance at January 1, 2019	$ 1,625,296	$ 1,308,512	$ 2,933,808
Increase	-	-	-
Balance at March 31, 2019	$ 1,625,296	$ 1,308,512	$ 2,933,808

e. Retained earnings and dividends policy

According to the Bank's Articles of Incorporation, if the Bank made a profit in a fiscal year, the profit shall be first utilized for paying taxes and offsetting deficits of prior years, if any. If the legal reserve is less than the paid-in capital, the legal reserve and the special reserve shall be appropriated in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Bank's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders.

In response to a competitive environment and business growth while considering capital adequacy, the Bank adopts a residual dividend policy. According to the Bank's business plan, except for a necessary amount of capital to be reserved for dividend distribution, the remainder shall be distributed as cash dividends as a principle. However, the maximum cash dividend may not exceed the regulatory limit.

The appropriations of earnings for 2018 and 2017 which were approved by the board of directors on behalf of the shareholders in accordance with the Company Act on May 3, 2019 and April 26, 2018, respectively, are as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	2018	**2017**	**2018**	**2017**
Legal reserve	$ 6,304,671	$ 5,807,539		
Special reserve	(749,830)	951,443		
Cash dividends	10,000,000	-	$ 1.1	$ -
Stock dividends	5,460,730	12,593,563	0.6	1.6

f. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

	For the Three Months Ended March 31	
	2019	**2018**
Balance, beginning of the period	$ (1,008,735)	$ (532,567)
Exchange differences on translating the net assets of foreign operations	402,585	(163,830)
Related income tax on translating the net assets of foreign operations	(80,517)	52,015
Balance, end of the period	$ (686,667)	$ (644,382)

2) Unrealized gain (loss) on financial assets at FVTOCI

	For the Three Months Ended March 31	
	2019	**2018**
Balance, beginning of the period	$ 2,730,681	$ 5,598,353
Recognized for the period		
Unrealized gain (loss)		
Debt instruments	3,139,416	(1,136,736)
Equity instruments	1,797,168	303,909
Net remeasurement of loss allowance	12,222	11,910
Reclassification adjustment		
Disposal of investment in debt instruments	(482,011)	(708,121)
Other comprehensive income recognized for the period	4,466,795	(1,529,038)
Cumulated unrealized gain of equity instruments transferred to retained earnings due to disposal	(232,402)	(398,382)
Balance, end of the period	$ 6,965,074	$ 3,670,933

3) Non-controlling interests

	For the Three Months Ended March 31	
	2019	2018
Balance, beginning of the period	$ 4,041,481	$ 3,844,089
Net income attributable to non-controlling interests	224,529	133,678
Exchange differences on translating the financial statements of foreign entities	11,865	(90,873)
Change in non-controlling interests	(393,414)	-
Gains from investments in debt instruments measured at fair value through other comprehensive income	15,541	101,226
Balance, end of the period	$ 3,900,002	$ 3,988,120

33. NET INTEREST REVENUE

	For the Three Months Ended March 31	
	2019	2018
Interest income		
Discounts and loans	$ 10,141,050	$ 8,773,180
Securities	2,726,040	2,257,313
Revolving credit	577,204	559,748
Due from banks and call loans to banks	658,768	626,470
Others	246,653	190,415
	14,349,715	12,407,126
Interest expense		
Deposits	3,714,785	3,040,136
Financial debentures	243,187	274,370
Structured products	660,506	515,291
Due to the Central Bank and other banks	518,815	384,329
Others	368,635	481,620
	5,505,928	4,695,746
	$ 8,843,787	$ 7,711,380

34. NET SERVICE FEE REVENUE

	For the Three Months Ended March 31	
	2019	2018
Service fee income		
Credit card business	$ 1,606,714	$ 1,571,033
Trust business	715,454	897,259
Loan business	354,887	224,531
Cross-selling marketing	2,525,903	2,042,303
Others	655,397	497,618
	5,858,355	5,232,744

(Continued)

	For the Three Months Ended March 31	
	2019	2018
Service fee expenses		
Credit card business	$ 884,018	$ 508,534
Others	303,335	241,461
	1,187,353	749,995
	$ 4,671,002	$ 4,482,749

(Concluded)

The Bank also engaged in the business for online pay services. For the three months ended March 31, 2019 and 2018, service fee revenue were $235 thousand and $157 thousand, respectively, and the yield from online pay services and other income were both $0 thousand.

35. GAIN (LOSS) ON FINANCIAL ASSETS OR LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	For the Three Months Ended March 31	
	2019	2018
Stock	$ 33,747	$ 50,871
Short-term bills	306,360	333,213
Fund beneficiary certificates	10,955	(78,172)
Investment in debt instrument	(1,719,721)	(612,932)
Derivative financial instruments	3,874,571	1,601,088
	$ 2,505,912	$ 1,294,068
Realized gain (loss) on financial assets at fair value through profit or loss		
Gain (loss) on disposal	$ 888,608	$ (133,600)
Interest income	396,024	1,113,732
Dividend income	-	937
Interest expense	(554,259)	(411,928)
Unrealized gain (loss) on financial assets at fair value through profit or loss		
Valuation gain	1,775,539	724,927
	$ 2,505,912	$ 1,294,068

36. REALIZED GAIN OR LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	For the Three Months Ended March 31	
	2019	2018
Net gain on disposal - debt instruments	$ 482,011	$ 708,121
Dividend income	3,602	43,545
	$ 485,613	$ 751,666

37. IMPAIRMENT LOSS ON ASSETS (REVERSAL)

	For the Three Months Ended March 31	
	2019	2018
Debt instruments at FVTOCI	$ 18,732	$ 68,706
Debt instruments at amortised cost	(3,601)	48,969
	$ 15,131	$ 117,675

38. BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION (REVERSAL)

	For the Three Months Ended March 31	
	2019	2018
Discounts and loans	$ 767,770	$ 294,672
Receivables	24,706	77,250
Guarantee liability provisions	(6,866)	18,052
Financial commitment provisions	(37,157)	35,265
Others	1,303	7,986
	$ 749,756	$ 433,225

39. EMPLOYEE BENEFITS EXPENSES

	For the Three Months Ended March 31	
	2019	2018
Salaries	$ 3,865,799	$ 3,646,483
Insurance	261,154	235,789
Post-employment benefits	173,811	166,366
Remuneration of directors	1,005	1,056
Others	96,286	86,452
	$ 4,398,055	$ 3,954,148

For the three months ended March 31, 2019 and 2018, the average number of the Company's employees were 12,167 and 11,748, respectively. Among them, the number of directors who were not concurrently serving as employees were 17 and 14, respectively.

As of March 31, 2019 and 2018, the number of employees in the Company were 12,111 and 11,748, respectively.

Under the Articles of Incorporation of the Bank, the Bank accrued employees' compensation and remuneration of directors at the rates of 0.05% and no higher than 0.1%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors (after offsetting accumulated deficits). For the three months ended March 31, 2019 and 2018, employees' compensation and the remuneration of directors were as follows:

	For the Three Months Ended March 31	
	2019	2018
Employees' compensation - cash	$ 3,600	$ 3,346
Remuneration of directors - cash	$ 1,005	$ 1,058

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.

Employees' compensation and the remuneration of directors for the years ended December 31, 2018 and 2017 which have been approved by the Bank's board of directors on May 15, 2019 and March 15, 2018, respectively, were as follows:

	2018		2017	
	Cash	Shares	Cash	Shares
Employees' compensation	$ 12,022	$ -	$ 10,922	$ -
Remuneration of directors	6,300	-	7,000	-

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2018 and 2017, respectively.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

40. DEPRECIATION AND AMORTIZATION EXPENSES

	For the Three Months Ended March 31	
	2019	2018
Depreciation expense - property and equipment	$ 313,752	$ 280,420
Amortization expense - intangible assets	117,070	76,196
Depreciation expense - right-of-use assets	277,052	-
	$ 707,874	$ 356,616

41. OTHER GENERAL AND ADMINISTRATIVE EXPENSE

	For the Three Months Ended March 31	
	2019	2018
Rental expenses	$ 320,099	$ 523,923
Tax expenses	584,805	553,377
Product promotion expenses	1,005,456	597,986
Insurance expenses	184,474	173,963
Others	1,414,173	915,038
	$ 3,509,007	$ 2,764,287

42. INCOME TAX

a. Income tax recognized in profit or loss

Main components of income tax expense were as follows:

	For the Three Months Ended March 31	
	2019	2018
Current tax		
In respect of the current period	$ 893,493	$ 777,563
Deferred tax		
In respect of the current period	76,507	289,941
Effect of change in tax rate	-	(35,504)
Income tax of overseas subsidiaries	100,011	104,197
Income tax expense recognized in profit or loss	$ 1,070,011	$ 1,136,197

In 2018, it was announced that the Income Tax Act in the ROC was amended and the corporate income tax rate was adjusted from 17% to 20%. The effect of the change in tax rate on deferred tax expense has been fully recognized in the period of tax rate change. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings has been reduced from 10% to 5%.

According to the Ministry of Finance’s Taiwan Finance Tax No. 910458039, “The joint declaration of business income tax by profit-seeking enterprises in accordance with Article 49 of the Financial Holding Company Act and Article 40 of the Business Mergers and Acquisitions Act” released on February 12, 2012, where a Financial Holding Company holds more than or equal to 90% of the outstanding issued shares of a domestic subsidiary, and the period of shareholdings in the subsidiary has reached 12 months of the tax year, the Financial Holding Company may elect to be the taxpayer and jointly declare profit-seeking enterprise tax. The Bank elected to jointly declare the profit-seeking enterprise income tax since 2003 and the undistributed retained earnings since 2002 with its parent company Cathay Financial Holdings Co., Ltd. and its subsidiaries. Additional tax payable or receivable due to the joint declaration of income tax is recognized under the receivables (payables) for allocation of integrated income tax systems account.

b. Income tax recognized in other comprehensive income

	For the Three Months Ended March 31	
	2019	2018
Deferred tax		
Recognized in other comprehensive income		
Remeasurement of defined benefit plans	$ -	$ 48,344
Gain on property revaluation	-	2,193
Changes of financial liabilities designated at fair value through profit or loss resulting from credit risk	243,156	(98,507)
Exchange differences resulting from translating the financial statements of foreign operations	(80,517)	52,015
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	(287,598)	106,042
Income tax benefits recognized in other comprehensive income	$ (124,959)	$ 110,087

c. Assessment of income tax returns

The Bank's income tax returns through 2014 had been assessed; however, the Bank has invoked the administrative remedy for cases on employee benefits from 2011 to 2014.

43. EARNINGS PER SHARE

The numerator and denominator used in calculating earnings per share are as follows:

Unit: Dollar Per Share

	For the Three Months Ended March 31	
	2019	2018
Basic earnings per share	$ 0.67	$ 0.62

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share are as follows:

Net income

	For the Three Months Ended March 31	
	2019	2018
Net income for calculating basic earnings per share	$ 6,148,933	$ 5,669,662

Number of shares

Unit: In Thousands

	For the Three Months Ended March 31	
	2019	**2018**
Weighted average number of ordinary shares used for calculating basic earnings per share	9,119,762	9,119,762

44. RELATED-PARTY TRANSACTIONS

All transactions, balances, income and expenses between the Bank and its subsidiaries (related parties of the Bank) were fully eliminated on consolidation are not disclosed in this note. Transactions between the Company and its related parties are summarized as follows:

a. Related parties and relationships

Related Party	Relationship with the Company
Cathay Financial Holding Co., Ltd.	Parent company
Taiwan Real-estate Management Corp.	Associate
Taiwan Finance Corp.	Associate
Cathay Life Insurance Co., Ltd.	Other related party
Cathay Century Insurance Co., Ltd.	Other related party
Cathay Securities Co., Ltd.	Other related party
Cathay Securities (Hong Kong) Ltd.	Other related party
Cathay Venture Inc.	Other related party
Cathay Securities Investment Trust Co., Ltd.	Other related party
Cathay Securities Investment Consulting Co., Ltd.	Other related party
Conning Asia Pacific Ltd.	Other related party
Cathay Life Insurance (Vietnam) Co., Ltd.	Other related party
Cathay Insurance (Vietnam) Co., Ltd.	Other related party
Cathay Futures Co., Ltd.	Other related party
Symphox Information Co., Ltd.	Other related party
Seaward Card Co., Ltd.	Other related party
Cathay Dragon Fund etc.	Other related party
Cathay United Bank Culture and Charity Foundation	Other related party
Cathay Life Insurance Employees’ Welfare Committee	Other related party
Cathay Real Estate Development Employees’ Welfare Committee	Other related party
Cathay Private Equity Co., Ltd.	Other related party
Vietinbank	Other related party
Cathay Real Estate Development Co., Ltd.	Other related party
Lin Yuan Property Management and Maintenance Co., Ltd.	Other related party
Lin Yuan (Shanghai) Real Estate Co., Ltd.	Other related party
Cathay Hospitality Management Co., Ltd.	Other related party
Cathay Healthcare Management Co., Ltd.	Other related party
Neo Cathay Co., Ltd.	Other related party
PSS Co., Ltd	Other related party
Kao-Yi International Investment Co., Ltd.	Other related party
Yua-Yung Marketing (Taiwan) Co., Ltd.	Other related party
Directors, managers, and their relatives and affiliates	Other related party

b. Significant transactions between the Company and related parties

1) Loans

March 31, 2019

Type	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Loan Classification		Collaterals	Differences in Terms of Transaction with Those for Unrelated Parties	Bad debt Expense 01.01-03.31	Allowance for Bad Debt Expense - Ending Balance
				Normal Loans	Nonperforming Loans				
Consumer loans	12	$ 31,210	$ 4,163	V	$ -	None	None	$ 20	$ 124
Self-used housing mortgage loans	225	1,750,425	1,636,157	V	-	Real estate	None	539	20,676
Others	Cathay Real Estate Development Co., Ltd.	870,000	-	V	-	Real estate	None	(4,000)	-
Others	Taiwan Real-estate Management Corp.	33,000	33,000	V	-	Real estate	None	(69)	330

December 31, 2018

Type	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Loan Classification		Collaterals	Differences in Terms of Transaction with Those for Unrelated Parties	Bad debt Expense 01.01-03.31	Allowance for Bad Debt Expense - Ending Balance
				Normal Loans	Nonperforming Loans				
Consumer loans	11	$ 18,875	$ 3,107	V	$ -	None	None	$ 157	$ 31
Self-used housing mortgage loans	208	1,762,016	1,455,805	V	-	Real estate	None	(1,046)	18,481
Others	Cathay Real Estate Development Co., Ltd.	400,000	210,000	V	-	Real estate	None	4,000	4,000
Others	Taiwan Real-estate Management Corp.	32,000	30,000	V	-	Real estate	None	79	399
Others	Cathay Securities Co., Ltd.	423,000	-	V	-	Stock	None	-	-
Others	PSS Co., Ltd.	5,000	-	V	-	Real estate	None	-	-

March 31, 2018

Type	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Loan Classification		Collaterals	Differences in Terms of Transaction with Those for Unrelated Parties	Bad debt Expense 01.01-03.31	Allowance for Bad Debt Expense - Ending Balance
				Normal Loans	Nonperforming Loans				
Consumer loans	8	$ 17,575	$ 2,646	V	$ -	None	None	$ 15	$ 39
Self-used housing mortgage loans	195	1,573,507	1,472,954	V	-	Real estate	None	(451)	19,076
Others	Taiwan Real-estate Management Corp.	32,000	32,000	V	-	Real estate	None	-	320

	Interest Revenue	
	2019.01.01-2019.03.31	2018.01.01-2018.03.31
Associates		
Taiwan Real-estate Management Corp.	$ 143	$ 141
Other related parties		
Cathay Real Estate Development Co., Ltd.	470	-
Others	6,756	6,190
	7,226	6,190
	$ 7,369	$ 6,331

Deposits

	March 31, 2019	December 31, 2018	March 31, 2018
Parent company			
Cathay Financial Holding Co., Ltd.	$ 102,240	$ 139,920	$ 118,913
Other related parties			
Cathay Life Insurance Co., Ltd.	20,633,677	30,744,095	27,387,862
Cathay Century Insurance Co., Ltd.	2,069,221	2,724,193	1,514,519
Cathay Securities Co., Ltd.	2,855,941	2,550,090	3,032,972
Cathay Securities (Hong Kong) Ltd.	65	66	63
Cathay Futures Co., Ltd.	1,697,977	1,345,519	1,284,386
Cathay Venture Inc.	36,057	113,380	28,030
Cathay Securities Investment Trust Co., Ltd.	132,853	149,076	131,472
Cathay Securities Investment Consulting Co., Ltd.	207,981	187,533	170,627
Cathay Real Estate Development Co., Ltd.	297,458	199,127	319,155
Cathay Hospitality Management Co., Ltd.	2,052	16,523	56,390
Cathay Life Insurance (Vietnam) Co., Ltd.	1,070,933	1,809,689	18,430
Cathay Insurance (Vietnam) Co., Ltd.	168,495	147,705	156,229
Cathay Dragon Fund etc.	18,068	137,823	38,001
Symphox Information Co., Ltd.	124,740	122,139	88,892
Conning Asia Pacific - Limited	79,211	78,721	30,174
Cathay Private Equity Co., Ltd.	30,739	33,114	34,750
Cathay United Bank Culture and Charity Foundation	541,501	541,888	549,768
Cathay Life Insurance Employees' Welfare Committee	2,261,408	2,221,665	3,218,071
Cathay Real Estate Development Employees' Welfare Committee	384,346	386,529	362,235
Neo Cathay Co., Ltd.	95,979	137,979	221,774
Lin Yuan (Shanghai) Real Estate Co., Ltd.	704,115	623,035	-
Others	8,918,358	7,457,000	12,461,258
	42,331,175	51,726,889	51,105,058
	$ 42,433,415	$ 51,866,809	$ 51,223,971

	Interest Expense	
	2019.01.01-2019.03.31	2018.01.01-2018.03.31
Parent company		
Cathay Financial Holding Co., Ltd.	$ (90)	$ (66)
Other related parties		
Cathay Life Insurance Co., Ltd.	(13,648)	(7,318)
Cathay Century Insurance Co., Ltd.	(2,152)	(1,763)
Cathay Securities Co., Ltd.	(974)	(1,055)
Cathay Futures Co., Ltd.	(1,813)	(2,587)
Cathay Venture Inc.	(1)	(10)
Cathay Securities Investment Trust Co., Ltd.	(40)	(53)
Cathay Securities Investment Consulting Co., Ltd.	(163)	(147)
Cathay Real Estate Development Co., Ltd.	(13)	(11)
Cathay Hospitality Management Co., Ltd.	(1)	(5)
Cathay Life Insurance (Vietnam) Co., Ltd.	(18,695)	(110)
Cathay Insurance (Vietnam) Co., Ltd.	(2,248)	(1,378)
Symphox Information Co., Ltd.	(177)	(150)
Conning Asia Pacific Ltd.	(329)	(123)
Cathay Private Equity Co., Ltd.	(4)	(1)
Cathay United Bank Culture and Charity Foundation	(1,394)	(1,412)
Cathay Life Insurance Employees' Welfare Committee	(5,489)	(5,799)
Cathay Real Estate Development Employees' Welfare Committee	(1,028)	(919)
Neo Cathay Co., Ltd.	(14)	(120)
Lin Yuan (Shanghai) Real Estate Co., Ltd.	(4,864)	-
Others	(20,117)	(16,345)
	(73,164)	(39,306)
	$ (73,254)	$ (39,372)

Accounts/Related Parties	Account Balance March 31, 2019	December 31, 2018	March 31, 2018
Due from commercial banks			
Other related parties			
Vietinbank	$ 5,391,452	$ 5,309,375	$ 5,226,749
Due to commercial banks			
Other related parties			
Vietinbank	5,349,695	5,360,670	5,197,946

Accounts/Related Parties	Interest Income (Expense) 2019.01.01-2019.03.31	Interest Income (Expense) 2018.01.01-2018.03.31
Due from commercial banks		
Other related parties		
Vietinbank	$ 1,330	$ 1,300
Due to commercial banks		
Other related parties		
Vietinbank	(1,312)	(1,291)

Transactions terms with related parties are similar to those with third parties, expect for the preferential interest rates set by the employees' interest rates on deposits and loans within prescribed limits.

2) Guarantees

March 31, 2019

Related Parties	Highest Balance	Ending Balance	Balance of Guarantee Liability Provisions	Rate Interval	Collaterals
Other related party Yua-Yung Marketing (Taiwan) Co., Ltd.	$ 42,277	$ 41,815	$ 5	0.65%	Securities

3) Derivatives

March 31, 2019

Related Parties	Derivative Contracts	Contract Period	Nominal Principal	Evaluation (Loss) Gain	Balance Sheet Amount	
					Account	Balance
Cathay Life Insurance Co., Ltd.	SWAP - exchange between customers (USD)	2018.06.28-2020.03.23	$ 112,973,625	$ 2,609,378	Valuation adjustment for FVTPL financial assets	$ 2,157,861
					Valuation adjustment for FVTPL financial liabilities	-
Cathay Century Insurance Co., Ltd.	SWAP - exchange between customers (USD)	2018.05.07-2020.02.20	2,610,878	47,900	Valuation adjustment for FVTPL financial assets	31,039
					Valuation adjustment for FVTPL financial liabilities	-
	SWAP - exchange between customers (EUR)	2019.02.20-2019.08.22	25,967	(298)	Valuation adjustment for FVTPL financial assets	-
					Valuation adjustment for FVTPL financial liabilities	(255)

December 31, 2018

Related Parties	Derivative Contracts	Contract Period	Nominal Principal	Evaluation (Loss) Gain	Balance Sheet Amount	
					Account	Balance
Cathay Life Insurance Co., Ltd.	SWAP - exchange between customers (USD)	2018.01.18-2019.12.09	$ 115,310,216	$ 3,885,814	Valuation adjustment for FVTPL financial assets	$ 1,852,498
					Valuation adjustment for FVTPL financial liabilities	(64,937)
Cathay Century Insurance Co., Ltd.	SWAP - exchange between customers (USD)	2018.05.07-2019.05.28	2,726,017	85,529	Valuation adjustment for FVTPL financial assets	21,757
					Valuation adjustment for FVTPL financial liabilities	(3,143)
	SWAP - exchange between customers (EUR)	2018.10.18-2019.01.22	26,402	(1,011)	Valuation adjustment for FVTPL financial assets	-
					Valuation adjustment for FVTPL financial liabilities	(302)

March 31, 2018

Related Parties	Derivative Contracts	Contract Period	Nominal Principal	Evaluation (Loss) Gain	Balance Sheet Amount	
					Account	Balance
Cathay Life Insurance Co., Ltd.	SWAP - exchange between customers (USD)	2017.06.05-2019.02.01	$ 120,673,280	$ (1,337,700)	Valuation adjustment for FVTPL financial assets	$ 7,462
					Valuation adjustment for FVTPL financial liabilities	(1,800,614)
Cathay Century Insurance Co., Ltd.	SWAP - exchange between customers (USD)	2016.04.07-2018.10.11	2,582,944	(43,180)	Valuation adjustment for FVTPL financial liabilities	(54,685)
	SWAP - exchange between customers (EUR)	2017.10.12-2018.05.21	174,047	(497)	Valuation adjustment for FVTPL financial assets	434
					Valuation adjustment for FVTPL financial liabilities	(459)

4) Lease agreement

Accounts/Related Parties	For the Three Months Ended March 31	
	2019	**2018**
Acquisition of right-of-use assets		
Other related parties		
Cathay Real Estate Development Co., Ltd.	$ 7,458	$ -

The lease period and contract method are in accordance with the contract provisions, the general lease terms are two to five years and the payments are mainly made on a monthly basis.

Related Parties	**Lease Liabilities**		
	March 31, 2019	**December 31, 2018**	**March 31, 2018**
Other related parties			
Cathay Life Insurance Co., Ltd.	$ 2,171,374	$ -	$ -
Cathay Real Estate Development Co., Ltd.	17,197	-	-

Accounts/Related Parties	**2019.01.01-2019.03.31**	**2018.01.01-2018.03.31**	**Payment Term**
Rental expense			
Other related parties			
Cathay Life Insurance Co., Ltd.	$ 57,222	$ 165,353	Monthly
Cathay Real Estate Development Co., Ltd.	2,502	4,923	Monthly

Related Parties	**Refundable Deposits**		
	March 31, 2019	**December 31, 2018**	**March 31, 2018**
Other related parties			
Cathay Life Insurance Co., Ltd.	$ 189,738	$ 189,738	$ 164,798
Cathay Real Estate Development Co., Ltd.	4,625	4,608	4,549

5) Rental agreement

Accounts/Related Parties	**2019.01.01-2019.03.31**	**2018.01.01-2018.03.31**	**Payment Term**
Rental income			
Other related parties			
Cathay Life Insurance Co., Ltd.	$ 12,147	$ 15,648	Monthly

Related Parties	**Guarantee Deposits**		
	March 31, 2019	**December 31, 2018**	**March 31, 2018**
Other related parties			
Cathay Life Insurance Co., Ltd.	$ 12,019	$ 12,019	$ 15,367

The lease period and contract method are in accordance with the provisions, the general lease terms are two to five years and the payments are mainly monthly.

Related Parties	Lease Liabilities March 31, 2019	December 31, 2018	March 31, 2018
Other related parties			
Cathay Life Insurance Co., Ltd.	$ 2,171,374	$ -	$ -
Cathay Real Estate Development Co., Ltd.	17,197	-	-

6) Others

Accounts/Related Parties	2019.01.01-2019.03.31	2018.01.01-2018.03.31
Commissions and handling fees income		
Other related parties		
Cathay Life Insurance Co., Ltd.	$ 2,395,810	$ 1,919,500
Cathay Century Insurance Co., Ltd.	36,216	46,274
Cathay Securities Co., Ltd.	15,838	16,857
Cathay Securities Investment Trust Co., Ltd.	8,625	10,724
Cathay Securities Investment Consulting Co., Ltd.	4,544	4,270
Insurance expenses paid		
Other related parties		
Cathay Life Insurance Co., Ltd.	3,903	5,838
Cathay Century Insurance Co., Ltd.	43,921	38,837
Commissions and handling fees expense		
Other related parties		
Cathay Life Insurance Co., Ltd.	36,357	37,649
Symphox Information Co., Ltd.	142,060	156,273
Cathay Healthcare Management Co., Ltd.	7,230	9,215
Seaward Card Co., Ltd	59,814	65,518

Related Parties	March 31, 2019	December 31, 2018	March 31, 2018
Related party receivable for allocation of integrated income tax systems			
Parent company			
Cathay Financial Holding Co., Ltd.	$ -	$ 485,773	$ -
Receivables			
Other related parties			
Cathay Securities Investment Trust Co., Ltd.	2,837	3,356	5,145

(Continued)

Related Parties	March 31, 2019	December 31, 2018	March 31, 2018
Related party receivables for commission of collecting insurances			
Other related parties			
Cathay Life Insurance Co., Ltd.	$ 656,257	$ 89,605	$ 613,733
Refundable deposit			
Other related parties			
Cathay Futures Co., Ltd.	77,526	78,095	79,544
Accrued expenses			
Other related parties			
Seaward Card Co., Ltd.	25,079	34,034	10,900
Accounts payable			
Other related parties			
Cathay Century Insurance Co., Ltd.	23,531	51,461	27,880
Symphox Information Co., Ltd.	138,348	19,680	124,842
Related party payables for allocation of integrated income tax systems account			
Parent company			
Cathay Financial Holding Co., Ltd.	117,608	-	395,116

(Concluded)

The Bank paid construction planning and design maintenance services fees to Lin Yuan Property Management and Maintenance Co., Ltd. in the amount of $1,823 thousand and $1,794 thousand during the three months ended March 31, 2019 and 2018, respectively.

The Bank purchased bonus points in exchange for merchandise for the Bank’s customer from Symphox Information Co., Ltd. As of March 31, 2019, December 31, 2018 and March 31, 2018, the unconverted bonus points amounted to $21,114 thousand, $15,150 thousand and $16,458 thousand, respectively.

The terms of the foregoing transactions with related parties are similar to those with third parties.

Combined disclosures have been made for transactions with related parties that are under a certain percentage of the total amount of all transactions with related parties and non-related parties.

c. Compensation of directors, supervisors and management personnel

	For the Three Months Ended March 31	
	2019	2018
Short-term employment benefits	$ 77,112	$ 64,299
Post-employment benefits	1,316	1,276
Others	34	26
	$ 78,462	$ 65,601

Compensation of directors and management personnel is determined by the remuneration committee on the basis of individual performance and market trends.

45. PLEDGED ASSETS

The Company had been used as collaterals to apply for loans, central bank overdraft and apply for provisional seizure of certain assets were as follows:

	March 31, 2019	December 31, 2018	March 31, 2018
Financial assets at fair value through profit or loss	$ 14,319	$ 14,353	$ 261,378
Investments in debt instruments at amortised cost	64,441,414	64,423,052	64,171,935

46. CONTINGENCIES AND COMMITMENTS

As of March 31, 2019, December 31, 2018 and March 31, 2018, the Company had the following commitments and contingent liabilities, which are not reflected in the consolidated financial statements:

a. The Bank

1) Entrusted items and guarantees:

Account/Name of Related Party	March 31, 2019	December 31, 2018	March 31, 2018
Trust and security held for safekeeping	$ 752,645,748	$ 750,988,804	$ 699,742,983
Travelers checks for sale	277,506	299,765	332,606
Bills for collection	35,622,519	36,044,907	40,123,245
Book-entry for government bonds and depository for short-term marketable securities under management	406,756,292	400,999,309	441,359,848
Entrusted financial management business	20,881,895	21,016,659	8,785,096
Guarantees on duties and contracts	14,154,307	13,534,956	7,322,523
Unused commercial letters of credit	4,385,758	4,217,682	4,422,974
Irrevocable loan commitments	114,802,247	154,605,389	153,205,922
Unused credit card line commitments	602,250,597	591,612,472	566,220,309
Underwritten securities	3,380,000	1,000,000	21,840,000

2) As of March 31, 2019, the Bank's significant lawsuits and proceedings arising due to normal business relationships are as follows:

Lee & Li, Attorneys-at-Law and SanDisk Corporation of USA alleged that the embezzlement case of Liu Wei-Chieh (an employee of Lee & Li), which occurred in October 2003 was caused by the negligence of the Bank in its operation, and the plaintiffs claimed damages from the Bank in the amount of approximately $991,002 thousand. The case has been pending in the court since July 2007, and the Bank won favorable decisions in both the first and second instances. The proceedings are currently pending in the Supreme Court. Both the Bank and its attorneys hold that this case will not have a material adverse effect on the financial position of the Bank.

b. Indovina Bank

Entrusted item and guarantees:

	March 31, 2019	December 31, 2018	March 31, 2018
Financial guarantee contracts	$ 1,769,409	$ 2,262,842	$ 2,211,362
Unused commercial letters of credit	1,230,038	1,017,801	1,532,583
Irrevocable loan commitments	663	-	-

c. CUBC Bank

Entrusted item and guarantees:

	March 31, 2019	December 31, 2018	March 31, 2018
Financial guarantee contracts	$ 75,609	$ 78,161	$ 60,713
Credit card line commitments	406,139	447,040	406,664

d. CUBCN Bank

Entrusted item and guarantees:

	March 31, 2019	December 31, 2018	March 31, 2018
Financial guarantee contracts	$ 82,044	$ 170,835	$ -
Unused commercial letters of credit	574,674	773,078	-
Irrevocable loan commitments	834,577	623,837	-

47. ASSETS AND LIABILITIES MANAGED UNDER THE BANK'S TRUST IN ACCORDANCE WITH THE TRUST ENTERPRISE ACT

As of March 31, 2019, December 31, 2018 and March 31, 2018 the trust assets (liabilities) were in the amount of $493,211,924 thousand, $503,895,252 thousand and $467,576,647 thousand, respectively.

48. IMPLEMENTATION OF CROSS-SELLING MARKETING STRATEGIES BETWEEN THE BANK, CATHAY FINANCIAL HOLDING CO., LTD., AND ITS SUBSIDIARIES

The Bank has entered into cross-selling marketing contracts with Cathay Life Insurance Co., Ltd., Cathay Century Insurance Co., Ltd. and Cathay Securities Corp. The contracts cover joint use of operation sites and facilities as well as cross-selling marketing personnel. Remuneration apportionment and expenses allocation for cross-selling marketing personnel follow the "Cathay Financial Company Scope of Cross-selling Marketing and Rules for Reward".

The Bank has entered into cooperation contracts with Cathay Financial Holding Co., Ltd., Cathay Life Insurance Co., Ltd., Cathay Century Insurance Co., Ltd., and Cathay Securities Corp. for the joint use of information equipment and the development, operation, maintenance and management of information systems. Calculation methodologies for expenses allocation have been established.

49. FINANCIAL INSTRUMENTS

a. Information on fair value hierarchy

Fair value is the price that a market participant can receive from selling an asset or charge from transferring a liability in an orderly transaction on a measurement date.

Financial instruments are accounted for at fair value when they are originally recognized, and in many cases, usually refer to the transaction price. After the measurement, except for some financial instruments that are measured by amortised cost, they are measured at fair value. The best evidence of fair value is the open quote for the active market. If the market for financial instruments is not active, the Company uses an evaluation model or a reference to Bloomberg, Reuters or counterparty quotes to measure the fair value of financial instruments.

b. The definitions of each level of the fair value hierarchy are shown below:

1) Level 1

Level 1 financial instruments are traded in an active market in which there are quoted prices for identical assets and liabilities. An active market has the following characteristics:

a) All financial instruments in the market are homogeneous.

b) There are willing buyers and sellers in the market all the time.

c) The public can access the price information easily.

The products in this level, such as listed stock and beneficial securities, usually have high liquidity or are traded in the futures market or exchanges.

2) Level 2

The products in this level have fair values that can be inferred from either directly or indirectly observable inputs other than quoted prices in an active market. The observation inputs were as follows:

a) Quoted prices from similar products in an active market. This means the fair value can be derived from the current trading prices of similar products, and whether they are similar products should be judged on the characteristics and trading rules. The fair price valuation in this circumstance may be adjusted due to time differences, trading rule differences, interested parties' prices, and the correlation of price between itself and similar goods;

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

c) For the marking-to-model method, the inputs to this model should be observable (such as interest rates, yield curves and volatilities). The observable inputs mean that they can be obtained from the market and can reflect the expectation of market participants;

d) Inputs that are derived from observable market data through correlation or other means.

The fair values of products categorized in this level are usually calculated using a valuation model generally accepted by the market. Such as forward contracts, cross-currency swap contracts, simple interest bearing bonds, convertible bonds and commercial paper.

3) Level 3

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

The products in this level are complex derivate financial instruments or products with prices that are provided by brokers, such as complex foreign exchange options.

c. Measured at fair value on a recurring basis

1) The fair value hierarchies of the Company's financial instruments, which measured at fair value on a recurring basis, were as follows:

(In Thousands of New Taiwan Dollars)

Item	March 31, 2019			
	Total	Level 1	Level 2	Level 3
Measured at fair value on a recurring basis				
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Financial assets mandatorily classified as at fair value through profit or loss				
Stocks	$ 769,522	$ 766,118	$ -	$ 3,404
Bonds	50,102,792	13,384,955	36,717,837	-
Others	149,953,374	97,920	149,855,454	-
Financial assets at fair value through other comprehensive income				
Stocks	15,800,610	11,672,871	789	4,126,950
Bonds	216,002,785	106,380,841	109,621,944	-
Liabilities				
Financial liabilities at fair value through profit or loss				
Designated as at fair value through profit or loss				
Bonds	55,223,461	-	55,223,461	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	49,432,107	107,413	37,605,415	11,719,279
Liabilities				
Financial liabilities at fair value through profit or loss	48,190,865	133,327	36,338,259	11,719,279

Item	December 31, 2018			
	Total	Level 1	Level 2	Level 3
Measured at fair value on a recurring basis				
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Financial assets mandatorily classified as at fair value through profit or loss				
Stocks	$ 3,657	$ -	$ -	$ 3,657
Bonds	38,630,552	10,621,146	28,009,406	-
Others	162,575,301	-	162,575,301	-
Financial assets at fair value through other comprehensive income				
Stocks	12,087,150	8,529,100	787	3,557,263
Bonds	188,485,752	80,964,720	107,521,032	-
Liabilities				
Financial liabilities at fair value through profit or loss				
Designated as at fair value through profit or loss				
Bonds	51,441,482	-	51,441,482	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	49,475,706	43,421	37,348,068	12,084,217
Liabilities				
Financial liabilities at fair value through profit or loss	51,966,296	81,433	39,800,646	12,084,217

Item	March 31, 2018			
	Total	Level 1	Level 2	Level 3
Measured at fair value on a recurring basis				
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Financial assets mandatorily classified as at fair value through profit or loss				
Stocks	$ 4,390,312	$ 4,386,856	$ -	$ 3,456
Bonds	82,457,585	77,526,221	4,931,364	-
Others	178,530,627	69,194	178,461,433	-
Financial assets at fair value through other comprehensive income				
Stocks	18,080,295	14,397,616	746	3,681,933
Bonds	185,704,456	108,274,998	77,429,458	-
Others	464,295	-	464,295	-
Liabilities				
Financial liabilities at fair value through profit or loss				
Designated as at fair value through profit or loss				
Bonds	50,542,565	-	50,542,565	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	36,710,346	5,388	30,488,552	6,216,406
Liabilities				
Financial liabilities at fair value through profit or loss	41,088,353	139,237	34,636,467	6,312,649

2) Financial instruments measured at fair value

   Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between willing market participants with full understanding of the sale or transfer transaction. The fair values of financial instruments at fair value, financial assets at fair value through other comprehensive income and hedging derivative financial instruments with quoted prices in an active market are based on their market prices; financial instruments with no quoted prices in an active market are estimated by valuation methods.

   a) Marking to market

      This method should be considered first when determining fair value. The following are the principles to follow when marking to market:

      i. Ensure the consistency and integrity of market data.

      ii. The source of market data should be transparent and easy to access and can be referred to by independent resources.

      iii. Listed securities with tradable prices should be valued at closing prices.

      iv. Evaluating unlisted securities that lack tradable closing prices should use quoted prices from independent brokers.

   b) Marking to model

      The use of marking to model is suggested if marking to market is infeasible. This valuation methodology is based upon model inputs that are used to derive the value of the trading positions. The Company uses the same estimations and assumptions as those used by market participants to determine the fair value.

      The Company uses the forward rates provided by Reuters to estimate the fair values of forward contracts, foreign exchange swap contracts, interest rate swap and cross-currency swap contacts and the discounted cash flow method to calculate the fair values of each contract. For foreign exchange option transactions, the Company uses the option pricing models which are generally used by other market participants (e.g., the Black-Scholes model) to calculate the fair value of the contracts.

3) Fair value adjustments

   Credit risk evaluation adjustment refers to the fair value of the Over The Counter (OTC) derivative financial commodity contracts, which also reflects the credit risk of both parties. It can be mainly divided into "credit evaluation adjustment" and "debit evaluation adjustment":

   a) Credit value adjustments (CVA): A transaction in a non-concentrated trading market, that is, the adjustment of the derivatives contract evaluation in the OTC transaction, which reflects the possibility that the Company may not be able to collect the full market value or the counterparty may default on the repayment on the fair value.

b) Debit value adjustments (DVA): It refers to the transactions of the non-concentrated trading market, that is, the adjustment of the derivatives contract evaluation in the OTC transaction, which reflects the possibility that the Company may not be able to collect the full market value or the counterparty may default on the repayment of the fair value.

Both CVA and DVA are concepts of estimated loss, calculated as the probability of default (PD) multiplied by the default loss rate (LGD) and multiplied by the exposure at default (EAD).

For customers with external credit ratings, the default probability is based on the default probability corresponding to the external rating; for customers without external credit ratings, the impairment rate calculated according to the Bank's loan and receivable impairment assessment and the average incidence of impairment is taken as the default probability.

The Bank uses the fair value of OTC derivatives to calculate the amount of default risk (EAD).

The Company uses 60% as the default loss rate based on the recommendation of "IFRS 13 CVA and DVA Related Disclosure Guidelines" of the Stock Exchange.

The Company incorporates the credit risk assessment adjustment into the fair value calculation of financial instruments to reflect the counterparty's credit risk and the Company's credit quality.

4) Transfers between Level 1 and Level 2 during the period

There were no significant transfers between Level 1 and Level 2 for the three months ended March 31, 2019 and 2018.

5) Reconciliation of Level 3 fair value measurements

a) Reconciliation of Level 3 fair value measurements

<u>For the three months ended March 31, 2019</u>

(In Thousands of New Taiwan Dollars)

Item	Beginning Balance	Valuation Gains (Losses)		Amount of Increase		Amount of Decrease		Ending Balance
		In Net Income	In Other Comprehensive Income	Purchase or Change in Fair Value	Transferred to Level 3	Sale or Change in Fair Value	Transferred from Level 3	
Financial assets at fair value through profit or loss								
Stock	$ 3,657	$ (253)	$ -	$ -	$ -	$ -	$ -	$ 3,404
Derivative financial assets	12,084,217	(128,027)	-	11,153	-	(248,064)	-	11,719,279
Financial assets at fair value through other comprehensive income								
Stock	3,557,263	-	573,051	-	-	(3,364)	-	4,126,950

<u>For the three months ended March 31, 2018</u>

(In Thousands of New Taiwan Dollars)

Item	Beginning Balance	Valuation Gains (Losses)		Amount of Increase		Amount of Decrease		Ending Balance
		In Net Income	In Other Comprehensive Income	Purchase or Change in Fair Value	Transferred to Level 3	Sale or Change in Fair Value	Transferred from Level 3	
Financial assets at fair value through profit or loss								
Stock	$ -	$ -	$ -	$ -	$ 3,456	$ -	$ -	$ 3,456
Derivative financial assets	8,720,347	(2,102,721)	-	29,712	-	(430,932)	-	6,216,406
Financial assets at fair value through other comprehensive income								
Stock	3,396,372	-	1,907,764	-	-	-	(1,622,203)	3,681,933

Total gains or losses recognized in the table above that contain unrealized gains and losses related to assets on hand as of March 31, 2019 and 2018 amounted to losses of $128,280 thousand and losses of $2,102,721 thousand, respectively.

b) Reconciliation of Level 3 fair value measurement of financial liabilities

For the three months ended March 31, 2019

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gains (Losses)		Amount of Increase		Amount of Decrease		Ending Balance
		In Net Income	In Other Comprehensive Income	Purchase or Change in Fair Value	Transfer to Level 3	Sale or Change in Fair Value	Transfer from Level 3	
Financial liabilities at fair value through profit or loss								
Derivative financial liabilities	$ 12,084,217	$ (128,027)	$ -	$ 11,153	$ -	$ (248,064)	$ -	$ 11,719,279

For the three months ended March 31, 2018

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gains (Losses)		Amount of Increase		Amount of Decrease		Effect of exchange rate	Ending Balance
		In Net Income	In Other Comprehensive Income	Purchase or Change in Fair Value	Transfer to Level 3	Sale or Change in Fair Value	Transfer from Level 3		
Financial liabilities at fair value through profit or loss									
Derivative financial liabilities	$ 8,822,872	$ (2,106,530)	$ -	$ 29,712	$ -	$ (430,932)	$ -	$ (2,473)	$ 6,312,649

Total gains or losses recognized in the table above that contain unrealized gains and losses related to liabilities on hand as of March 31, 2019 and 2018 amounted to gains of $128,027 thousand and gains of $2,106,530 thousand, respectively.

6) Information on significant unobservable inputs for Level 3 fair value measurement

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

March 31, 2019

Item	Product	Fair Value at March 31, 2019	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted Average)	Relationship between Inputs and Fair Value
Measured at fair value on a recurring basis						
Financial assets						
Financial assets at fair value through profit or loss	Stock	$ 3,404	Market approach	Discount for lack of marketability	15%-20%	The higher the discount for lack of marketability, the lower the fair value of the stock
Financial assets at fair value through other comprehensive income	Stock	3,111,748	Market approach	Discount for lack of marketability	15%-20%	The higher the discount for lack of marketability, the lower the fair value of the stock
		41,822	Income approach	Cost of equity rate	6%-7%	The higher the cost of equity rate, the lower the fair value of the stock
		973,380	Value of net assets approach	Value of net assets	Not applicable	The higher the value of net assets, the higher the fair value of the stock

December 31, 2018

Item	Product	Fair Value at December 31, 2018	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted Average)	Relationship between Inputs and Fair Value
Measured at fair value on a recurring basis						
Financial assets						
Financial assets at fair value through profit or loss	Stock	$ 3,657	Market approach	Discount for lack of marketability	15%-20%	The higher the discount for lack of marketability, the lower the fair value of the stock
Financial assets at fair value through other comprehensive income	Stock	2,616,122	Market approach	Discount for lack of marketability	15%-20%	The higher the discount for lack of marketability, the lower the fair value of the stock
		38,864	Income approach	Cost of equity rate	6%-7%	The higher the cost of equity rate, the lower the fair value of the stock
		902,277	Value of net assets approach	Value of net assets	Not applicable	The higher the value of net assets, the higher the fair value of the stock

March 31, 2018

Item	Product	Fair Value at March 31, 2018	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted Average)	Relationship between Inputs and Fair Value
Measured at fair value on a recurring basis						
Financial assets						
Financial assets at fair value through profit or loss	Stock	$ 3,456	Market approach	Discount for lack of marketability	15%-20%	The higher the discount for lack of marketability, the lower the fair value of the stock
Financial assets at fair value through other comprehensive income	Stock	2,542,876	Market approach	Discount for lack of marketability	15%-20%	The higher the discount for lack of marketability, the lower the fair value of the stock
		37,260	Income approach	Cost of equity rate	6%-7%	The higher the cost of equity rate, the lower the fair value of the stock
		1,101,797	Value of net assets approach	Value of net assets	Not applicable	The higher the value of net assets, the higher the fair value of the stock

7) Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Company's risk management department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The department analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies at each reporting date.

c. Fair value measurement hierarchy of the Bank's assets and liabilities not measured at fair value but for which the fair value is disclosed

1) Information on fair value

Except for the items listed in the table below, the carrying amount of financial assets and liabilities of the Company and its subsidiaries that are not measured at fair value is close to fair value or fair value cannot be reliably measured:

	March 31, 2019		December 31, 2018		March 31, 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets						
Investments in debt instruments at amortised cost	$ 385,359,714	$ 384,669,986	$ 421,022,506	$ 417,858,953	$ 348,648,261	$ 347,715,890

2) Information on fair value hierarchy

Item	March 31, 2019			
	Total	Level 1	Level 2	Level 3
Financial assets				
Investments in debt instruments at amortised cost	$ 384,669,986	$ 48,762,947	$ 330,555,298	$ 5,351,741

Item	December 31, 2018			
	Total	Level 1	Level 2	Level 3
Financial assets				
Investments in debt instruments at amortised cost	$ 417,858,953	$ 46,326,059	$ 365,471,606	$ 6,061,288

Item	March 31, 2018			
	Total	Level 1	Level 2	Level 3
Financial assets				
Investments in debt instruments at amortised cost	$ 347,715,890	$ 45,001,579	$ 297,275,349	$ 5,438,962

3) Valuation techniques

The methods and assumptions used by the Company to estimate financial instruments that are not measured at fair value are as follows:

a) Cash and cash equivalents, due from the central bank and call loans to other banks, securities purchased under resale agreements, receivables, certain other financial assets, due to the central bank and other banks, call loans from central bank and other banks, securities sold under repurchase agreements, payables, deposits and remittances and financial debentures whose maturity date is very close or the future payment price is similar to the carrying amount, so the fair value of the book is calculated based on the amount of the book on the balance sheet date.

b) Discounts and loans, deposits, financial debentures and structured commodity principals are all interest-bearing financial assets/liabilities whose book value is similar to the current fair value. The book value of the collection is deducted from the estimated recoverable amount after the allowance for bad debts, so the book value is the fair value.

c) If an investment in a debt instrument at amortised cost has a public quoted price in an active market, the market price is the fair value; if no market price is available for reference, the evaluation method is used to estimate the fair value. The estimates and assumptions used by the Bank in the use of the valuation method are consistent with the information used by market participants in the estimation of financial products and the assumptions.

d. Maximum exposure to credit risk

	March 31, 2019	**December 31, 2018**	**March 31, 2018**
Financial assets at fair value through profit or loss			
Commercial papers	$ 93,216,729	$ 99,829,343	$ 109,150,500
Negotiable certificates of deposit	56,541,596	62,649,172	69,310,933
Debt investments	50,102,792	38,630,552	82,457,585
Stock investments	769,522	3,657	4,390,312
Mutual funds and beneficiary certificates	195,049	96,786	69,194
Derivative financial products	49,432,107	49,475,706	36,710,346
	250,257,795	250,685,216	302,088,870
Financial assets at fair value through other comprehensive income			
Stock investments	15,800,610	12,087,150	18,080,295
	$ 266,058,405	$ 262,772,366	$ 320,169,165

50. FINANCIAL RISK MANAGEMENT

The Bank’s risk control and hedging strategy follows the requirement of customer service-oriented banking industry and regulatory environment. In order to comply with the above requirements, the Bank adopted different risk management methods to identify its risks and the Bank followed the spirit and regulation of the “Basel Accord” to keep strengthening its assets and the practices of capital management to maintain the best capital adequacy ratio.

The Bank setup the risk management committee, whose responsibilities are as follows:

a. To amend the risk management policies, risk appetite or risk tolerance and report the above issues to board of directors for approval.

b. To manage and decide the strategy about the Bank's credit risk, market risk and operational risk.

c. To report the significant risk management issues, such as credit ratings, market assessment and risk indicators.

d. To analyze the issues that the Bank's business unit brought up for discussion.

e. Other issues.

The Bank organized a risk management group to monitor, lead, develop, and establish the integral risk management framework.

a. Credit risk

   Credit risk represents the risk of loss that the Bank would incur if counterparty fails to perform its contractual obligations. Sources of credit risk cover both on and off balance sheet accounts.

   <u>The Bank, Indovina Bank and CUBCN Bank</u>

   To centralize risk management functions currently handled by different departments, the Bank, Indovina Bank and CUBCN Bank board of directors resolved that a risk management department would be established to manage the credit risk. The objectives of a credit risk management are to improve asset quality and to generate stable profits while reducing risk through a diversified and balanced loan portfolio. The Bank, Indovina Bank and CUBCN Bank board of directors sets the counterparty credit limits, which are then implemented by the credit committee. The credit committee also monitors current and potential credit exposure to individual counterparties and on an aggregate basis to counterparties and their affiliates. The Bank and Indovina Bank perform periodic and systematic detailed reviews of its lending portfolios to identify credit risks and to assess the overall collectability of those portfolios.

   The Bank, Indovina Bank and CUBCN Bank maintain a strict policy to evaluate customers' credit ratings when providing loan commitments and commercial letters of credit transactions. Certain customers are required to provide appropriate collateral for the related loans, and the Bank, Indovina Bank and CUBCN Bank retains the legal right to foreclose on or liquidate the collateral. The disclosure of the maximum credit exposure shall not take account of any collateral held or other enhancements.

   <u>CUBC Bank</u>

   CUBC Bank board of directors resolved that a risk management department would be established to manage the credit risk. CUBC Bank board of directors sets the counterparty credit limits, which are then implemented by the credit committee.

   Loan Committee is the top lending authority within CUBC Bank. It is in charged with approval of all credit in excess of CUBC Bank lending authorities. Certain customers are required to provide appropriate collateral for the related loans, and CUBC Bank retains the legal right to foreclose on or liquidate the collateral. The disclosure of the maximum credit exposure shall not take account of any collateral held or other enhancements.

The judgement of significant increase in credit risk after initial recognition

The Bank and CUBCN Bank

The Bank and CUBCN Bank assess the movement in default risk during the expected lifetime of various types of credit assets at each reporting date to determine if the credit risk has increased significantly since the initial recognition. To make this assessment, the Company has considered to show the reasonable and corroborative information (including prospective information) on the significant increase in credit risk after the initial recognition. The key indicators for consideration include:

1) Quantitative indicators

   a) Changes on credit rating

      When the credit rating at the reporting date has decreased to some extent compared with that on initial recognition and the credit rating has not met the investment grade, it is determined that the credit risk has increased significantly since the initial recognition.

   b) Information on the overdue status of the contract

      When the contract payment was overdue for more than 30 days as at the reporting date, it is determined that the credit risk has increased significantly since the initial recognition.

2) Qualitative indicators

   When the information observed at the reporting date meets the following conditions, it is determined that the credit risk has increased significantly since the initial recognition.

   a) The refund records are reported.

   b) Accountants have expressed significant doubt on its ability to continue as a going concern.

   c) Other internal or external information on judging the credit quality changes.

Indovina Bank

Indovina Bank assesses the movement in default risk during the expected lifetime of various types of financial assets at each reporting date to determine if the credit risk has increased significantly since the initial recognition:

1) Notch downgrade

   A notch downgrade of obligor’s internal or external ratings between the current grade and the grade at initial recognition greater than specific threshold would be classified as a significant increase in credit risk since initial recognition.

2) Low credit risk criteria

   An exposure rated below Moody’s investment grade (i.e. the credit rating is lower than the credit rating Baa3 of Moody’s, an international credit rating agency) at the reporting date would be classified as a significant increase in credit risk since initial recognition.

3) Past due information

   The contract payment over 30 days past due would be classified as a significant increase in credit risk since initial recognition.

4) Internal credit assessment indicators

   The indicators with credit quality information that is weaker than upon initial recognition would be classified as a significant increase in credit risk since initial recognition.

<u>CUBC Bank</u>

CUBC Bank assesses the movement in default risk during the expected lifetime of various types of financial assets at each reporting date to determine if the credit risk has increased significantly since the initial recognition

1) Past due information

   The contract payment over 30 days past due would be classified as a significant increase in credit risk since initial recognition.

2) Loan classification from NBC

   A loan contract with special mention position at reporting date would be classified as a significant increase in credit risk since initial recognition.

3) Internal credit assessment indicators

   The indicators with credit quality information that is weaker than upon initial recognition would be classified as a significant increase in credit risk since initial recognition.

<u>Default and credit impairment of financial asset</u>

<u>The Bank and CUBCN Bank</u>

The Bank and CUBCN Bank definition of default on financial assets is the same with the one of judging the credit impairment of financial assets. Where one or more of the following conditions are met, the Bank determines the financial assets to be subject to default and credit impairment.

1) Quantitative indicator

   a) Changes on credit rating

      When the credit rating at the reporting date fell into the default level, it is determined as credit impairment.

   b) Information on the overdue status of the contract

      When the contract payment was overdue for more than 90 days as at the reporting date, it is determined as credit impairment.

2) Qualitative indicator

When the information observed at the reporting date meets the following conditions, it is determined as credit impairment.

a) Bailout, reorganization, individual agreement due to debtor's financial difficulties.

b) Lawsuit action has been taken.

c) Debt settlement, debt negotiation.

d) Other internal or external information on judging the deterioration in credit quality.

The aforementioned definition of default and credit impairment applies to all financial assets held by the Bank, and is consistent with the definition applied on the significant financial assets for the purpose of internal credit risk management, and is also applied in the relevant impairment assessment model.

Indovina Bank

Indovina Bank assesses the movement in default risk during the expected lifetime of various types of financial assets at each reporting date to determine if the credit risk subjected to default:

1) Notch downgrade

An obligor who has failed to pay one or more of its financial obligations or is rated as default at the reporting date is considered to be credit-impaired.

2) Past due information

The contract payment over 90 days past due would be classified as a credit-impaired loan.

3) Internal credit assessment indicators

The indicators with credit deterioration information used for internal credit risk management purpose at the reporting date would be recognized as credit-impaired assets.

CUBC Bank

CUBC Bank assesses the movement in default risk during the expected lifetime of various types of financial assets at each reporting date to determine if the credit risk subjected to default:

1) Past due information

The contract payment over 90 days past due would be classified as a credit-impaired loan.

2) Loan classification from NBC

A loan contract with specific positions, such as substandard, doubtful and loss, at reporting date would be classified as a significant increase in credit risk since initial recognition.

3) Internal credit assessment indicators

The indicators with credit deterioration information used for internal credit risk management purpose at the reporting date would be recognized as credit-impaired assets.

The measurement of expected credit loss

The Bank and CUBCN Bank

For the purpose of assessing the expected credit losses, the Bank and CUBCN Bank classify the credit assets into the following groups based on credit category, credit rating, risk characteristics, enterprise size, product category and so on.

Credit Category	Definition
Enterprise loan	Grouped by risk characteristics, enterprise size and internal/external credit rating
Consumer loan	Grouped by product category and internal credit rating
Credit card	Grouped by product category and internal credit rating

When the credit risk of the financial instrument has not increased significantly after the initial recognition (Stage 1), the allowance for losses should be measured at the expected credit losses over 12 months by the Bank and CUBCN Bank. When the credit risk of the financial instrument has increased significantly (Stage 2) or the credit impairment has existed (Stage 3) after the initial recognition, the allowance for losses should be measured at the expected credit losses over the life time by the Bank and CUBCN Bank.

For the measurement of the expected credit losses, the Bank and CUBCN Bank calculate its expected credit losses over 12 months and the life time respectively by multiplying three factors, i.e. probability of default (“PD”), loss given default (“LGD”) and exposure at default (“EAD”) of the borrower over the next 12 months and the life time, also considering the effect of the life time value of money.

The PD and LGD applied in the impairment assessment of the credit business of the Bank and CUBCN Bank are adjusted and calculated based on the internal and external information of each group as well as the currently observable data and the forward-looking macroeconomic information (such as economic growth rate, etc.).

The Bank and CUBCN Bank assessed the EAD of loan at the reporting date. According to internal and external information, the Bank considers the portion of the loan commitment that is expected to be drawn on over 12 months after the reporting date and the lifetime, to determine the EAD for calculating the expected credit losses.

The PD used in the impairment assessment of the Bank and CUBCN Bank debt instrument measured at fair value through other comprehensive income and measured at amortised cost, represents the PD of the issuer, guarantee agency or borrower. The LGD represents the loss rate resulted from the default of the issuer, guarantee agency or borrower. The LGD used in the Bank and CUBCN Bank relevant impairment assessment is based on the information regularly published by Moody’s, an international credit rating agency; the PD is based on the information regularly published by Taiwan Ratings and Moody’s, and calculated after adjusting the historical data based on the currently observable data and the looking-forward macroeconomic information (e.g., gross domestic product and economic growth rate, etc.). The EAD is measured at the amortised cost of financial assets and interests receivable.

The valuation techniques or significant assumptions for assessing the expected credit losses have no significant change in 2019.

Indovina Bank

Indovina Bank has grouped their exposures on the basis of shared credit risk characteristic, including product and counterparty types as follows.

Category	Description
Loan portfolio	Grouped by product class, counterparty type and enterprise size, such as large corporate, SME and retail loans.
Bond portfolio	Grouped by product class, external credit rating and payment ranks, such as sovereign and corporate bonds.

1) Loan portfolio

   The segmentation of Indovina Bank's loan portfolio is based on its risk characteristics, such as product class, counterparty type and enterprise size. The measurement of expected credit loss is estimated by three main parameters, including probability of default, loss given default and exposure at default. The probability of default and loss given default were built by the bank's historical delinquent information and recovery data and calibrated by selected macroeconomic factors for forward-looking adjustment. The estimated amounts of exposure at default were calculated by the amortised cost and interest receivable. At each financial reporting date, the above criteria for a significant increase in credit risk since initial recognition are not hit, the allowance loss shall be measured on the basis of the 12-month expected credit loss method. If financial assets meet the foregoing conditions of significant increases in credit risk or credit deterioration since initial recognition, the allowance losses shall be estimated according to the respective methods on the basis of lifetime expected credit losses.

2) Bond portfolio

   The segmentation of Indovina Bank's bond portfolio is based on its product class, external rating and payment rank. The measurement of expected credit loss is estimated by three main parameters, including probability of default, loss given default and exposure at default. The probability of default and loss given default were built by external information with sufficient historical default data and recovery rates and calibrated by selected macroeconomic factors for forward-looking adjustment. The estimated amounts of exposure at default were calculated by the amortised cost and interest receivable. At each financial reporting date, the above criteria for a significant increase in credit risk since initial recognition are not hit, the allowance loss shall be measured on the basis of the 12-month expected credit loss method. If financial assets meet the foregoing conditions of significant increases in credit risk or credit deterioration since initial recognition, the allowance losses shall be estimated according to the respective methods on the basis of lifetime expected credit losses.

CUBC Bank

CUBC Bank measures their expected credit losses by the following segments.

Category	Description
Loan	Grouped by product, counterparty types and loan classification by NBC, such as retail annuity and non-retail annuity.
Credit Card	Grouped as a whole by product characteristic

The segmentation of CUBC Bank's loan portfolio is based on its risk characteristics, such as product class, counterparty type and loan classification by NBC. The measurement of expected credit loss is estimated by three main parameters, including probability of default, loss given default and exposure at default. The probability of default and loss given default were built by the internal and external historical delinquent information, default rates and written-off amounts and calibrated by selected macroeconomic factors for forward-looking adjustment. The estimated amounts of exposure at default were calculated by the amortised cost and interest receivable. At each financial reporting date, the above criteria for a significant increase in credit risk since initial recognition are not hit, the allowance loss shall be measured on the basis of the 12-month expected credit loss method. If financial assets meet the foregoing conditions of significant increases in credit risk or credit deterioration since initial recognition, the allowance losses shall be estimated according to the respective methods on the basis of lifetime expected credit losses.

Write-off policy

If any of the following conditions apply, the Company writes off its non-performing and nonaccrual loans as uncollectible, less the estimated recoverable amount.

The Company can't expect reasonably to collected the financial assets that including the following index:

1) The recovery activity has stopped.

2) Assessed the borrower doesn't have sufficient assets or sources of income to pay the overdraft.

Financial assets have been written-off by the Company may still have ongoing recovery activity, and continue to follow the relevant policies to litigation proceedings.

The consideration of forward-looking information

The Bank and CUBCN Bank

The Bank and CUBCN Bank use historical data to analyze and identify the significant economic factors that affect the credit risks and expected credit losses of each group of assets, and use the regression model or imputation adjustment method to estimate the impairment parameter after the prospective adjustment. The significant economic factors and their impact on PD and LGD differ depending on the type of financial instruments.

The significant economic factors identified by the Bank and CUBCN Bank in 2019 are as follows:

Credit Category	Probability of Default (PD)	Loss Given Default (LGD)
Enterprise loan	Consumer Price Index Government Expenditures GDP % Proportion of investment in GDP (%)	GDP %
Consumer loan	Proportion of investment in GDP (%) Proportion of savings in GDP (%) Unemployment rate % Price Index	
Credit Card	Price Index Proportion of government revenue in GDP (%)	

Indovina Bank

Based on the qualitative and quantitative analysis of historical default data and macroeconomic factors, Indovina Bank applies the selected local and global economic factors in different portfolios. Regression models and interpolation adjustment were used to estimate the forward-looking parameters complied with regulatory requirements. The selected economic factors and their effects on PDs and LGDs varied from different types of portfolios.

The macroeconomic factors selected by the bank for the forward-looking adjustments in 2019 are as follows.

Segment	Selected Factors
Loan portfolio	Vietnam GDP growth rate
Bond portfolio	Global GDP growth rate Global inflation index

CUBC Bank

Based on the qualitative and quantitative analysis of historical default data and regional macroeconomic factors, CUBC Bank chooses the local macroeconomic factor for parameter adjustments. The weighted average method and interpolation adjustment were used to estimate the forward-looking parameters complied with regulatory requirements. The selected economic factors and their effects on PDs varied from different groups of products.

The macroeconomic factors selected by CUBC Bank for the forward-looking adjustments in 2019 are as follows.

Segment	Selected Factors
Retail loan	Cambodia GDP growth rate
Non-retail loan	
Credit Card	

The category of credit asset and the grade of credit quality were narrated as follow:

1) Category of credit risk

   The credit risk of the Bank was classified into five categories. Normal credit assets shall be classified as “Category One.” The remaining unsound credit assets shall be evaluated based on the status of the loan collaterals and the length of time overdue. Assets that require special mention shall be classified as “Category Two,” assets that are substandard shall be classified as “Category Three,” assets that are doubtful shall be classified as “Category Four,” and assets for which there is loss shall be classified as “Category Five”. For managing the default credits, the Bank established the regulations governing the procedure to deal with non-performing loans, non-accrual loans and bad debts.

2) Grade of credit quality

   The Bank sets the level of credit quality based on the characteristics and scale of business (such as establishing the internal rating model of credit risk, setting the credit rating table or relevant rules to classify) to proceed with risk management.

   In order to measure the credit risk of the clients, the Bank employs the statistic methods and the professional judgment from the experts. The Bank develops the rating model of business credit after considering the clients’ relevant information. The model shall be reviewed periodically to verify if the calculated results conform to the reality and revise every parameter to optimize the results.

With respect to consumer credit assets such as mortgages, credit cards, and small-amount credit loans, the Bank also evaluates default risk of clients by using the credit rating scores developed by the Bank and the external due diligence services.

The credit quality of the Bank’s corporate borrowers is classified as excellent, good, average, and bad.

To ensure the reasonable estimated values of credit rating system’s design, process, and relevant risk factors, the Bank executes the relevant verification and tests the model according to the actual default every year so that the calculated results will be close to actual default.

The Bank evaluates the counterparties’ credit quality before transactions and refers to the domestic and foreign credit rating agencies, when rendering different lines of credit based on the credit quality.

3) Hedge of credit risk and easing policy

a) Collateral

The Bank adopts a series of policies to lower the credit risk, and one of the frequently-used methods is requesting borrowers to provide collaterals. To ensure the creditor’s rights, the Bank sets the scope available as collaterals and the procedures of appraising, managing, and disposing the collaterals. In addition, a credit contract is in place to provide the credit claim preservation, collaterals, and offset provisions to stipulate when a credit trigger event occurs, the Bank may reduce the limit, cut down the payback period, or deem all debts mature. Also, the Bank will use the deposits that the borrowers saved in the Bank to offset the liabilities to lower the credit risk.

Other non-credit business collaterals shall depend on the characteristics of the financial instruments. Only the asset-backed securities and other similar financial instruments are secured by an asset pool of financial instruments.

b) Limit of credit risk and control of credit risk concentration

To avoid the excessive risk concentration, the Bank limits the credit amounts of single counterparties and groups; the Bank also sets the investment guide and regulation of risk control of equity investment to restrict the investment limits of single person (company) or related company (group). Furthermore, the Bank establishes relevant regulations to control the concentration risk of assets, and sets the credit limits by industry, group, country, and stock types to monitor the credit concentration risk.

c) Net settlement agreement

The Bank usually settles by the gross balance, but signs contract with some counterparties to settle by net balance. If a default happens, the Bank will terminate all transactions with the counterparty and settle by net balance in order to lower the credit risk.

4) Maximum exposures to credit risk

Without taking into account the collateral or other credit enhancement instrument, the maximum credit risk exposure of on-balance-sheet financial assets equals their carrying values. The maximum credit risk exposure of off-balance-sheet items (without considering the collaterals or other credit enhancement is irrevocable) are as follows:

a) The Bank

Off Balance Sheet Items	Maximum Exposure to Credit Risk		
	March 31, 2019	December 31, 2018	March 31, 2018
Irrevocable loan commitments	$ 114,802,247	$ 154,605,389	$ 153,205,922
Credit card commitments	674,289,020	669,232,204	630,569,223
Unused commercial letters of credit	4,385,758	4,217,682	4,422,974
Guarantees on duties and contracts	14,154,307	13,534,956	7,322,523

b) Indovina Bank

Off Balance Sheet Items	Maximum Exposure to Credit Risk		
	March 31, 2019	December 31, 2018	March 31, 2018
Unused commercial letters of credit	$ 1,230,038	$ 1,017,801	$ 1,532,583
Financial guarantee contracts	1,769,409	2,262,842	2,211,362
Irrevocable loan commitments	663	-	-

c) CUBC Bank

Off Balance Sheet Items	Maximum Exposure to Credit Risk		
	March 31, 2019	December 31, 2018	March 31, 2018
Credit card commitments	$ 406,139	$ 447,040	$ 406,664
Financial guarantee contracts	75,609	78,161	60,713

d) CUBCN Bank

Off Balance Sheet Items	Maximum Exposure to Credit Risk		
	March 31, 2019	December 31, 2018	March 31, 2018
Irrevocable loan commitments	$ 834,577	$ 623,837	$ -
Unused commercial letters of credit	574,674	773,078	-
Financial guarantee contracts	82,044	170,835	-

To reduce the risk from any businesses, the bank conducts an overall assessment and takes appropriate risk reduction measures, such as obtaining collateral and guarantors. For obtaining of collateral, the Bank has Guidelines Governing Collaterals, to ensure that collateral meet the specific criteria and has the effect of reducing the business risk.

The management deems the Company is able to control and minimize the credit risk exposures in off-balance-sheet items as the Company uses more strict rating procedures when extending credits and conduct reviews regularly.

The carry amount of the maximum credit risk exposure of on-balance-sheet financial assets are as follow:

March 31, 2019

	Discounts and Loans				
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Difference from Impairment Charged in Accordance with "Guidelines for Handling Assessment of Assets"	Total
Total carrying amount	$ 1,572,398,461	$ 64,163,308	$ 12,894,732	$ -	$ 1,649,456,501
Less: Allowance impairment	(2,453,839)	(1,306,051)	(5,668,946)	-	(9,428,836)
Difference from impairment charged in accordance with "Guidelines for Handling Assessment of Assets"	-	-	-	(16,986,409)	(16,986,409)
	$ 1,569,944,622	$ 62,857,257	$ 7,225,786	$ (16,986,409)	$ 1,623,041,256

	Receivable				
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Difference from Impairment Charged in Accordance with "Guidelines for Handling Assessment of Assets"	Total
Total carrying amount	$ 87,777,353	$ 2,089,393	$ 2,392,110	$ -	$ 92,258,856
Less: Allowance impairment	(126,994)	(137,335)	(1,736,802)	-	(2,001,131)
Difference from impairment charged in accordance with "Guidelines for Handling Assessment of Assets"	-	-	-	(45,240)	(45,240)
	$ 87,650,359	$ 1,952,058	$ 655,308	$ (45,240)	$ 90,212,485

December 31, 2018

	Discounts and Loans				
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Difference from Impairment Charged in Accordance with "Guidelines for Handling Assessment of Assets"	Total
Total carrying amount	$ 1,549,705,049	$ 59,275,734	$ 11,769,709	$ -	$ 1,620,750,492
Less: Allowance impairment	(3,914,449)	(1,667,321)	(4,912,617)	-	(10,494,387)
Difference from impairment charged in accordance with "Guidelines for Handling Assessment of Assets"	-	-	-	(14,932,854)	(14,932,854)
	$ 1,545,790,600	$ 57,608,413	$ 6,857,092	$ (14,932,854)	$ 1,595,323,251

	Receivable				
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Difference from Impairment Charged in Accordance with "Guidelines for Handling Assessment of Assets"	Total
Total carrying amount	$ 83,956,813	$ 1,660,989	$ 2,422,873	$ -	$ 88,040,675
Less: Allowance impairment	(126,022)	(116,965)	(1,768,492)	-	(2,011,479)
Difference from impairment charged in accordance with "Guidelines for Handling Assessment of Assets"	-	-	-	(50,470)	(50,470)
	$ 83,830,791	$ 1,544,024	$ 654,381	$ (50,470)	$ 85,978,726

March 31, 2018

	Discounts and Loans				
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Difference from Impairment Charged in Accordance with “Guidelines for Handling Assessment of Assets”	Total
Total carrying amount	$ 1,454,853,635	$ 61,861,955	$ 10,289,181	$ -	$ 1,527,004,771
Less: Allowance impairment	(4,020,156)	(1,279,367)	(4,345,528)	-	(9,645,051)
Difference from impairment charged in accordance with “Guidelines for Handling Assessment of Assets”	-	-	-	(13,664,395)	(13,664,395)
	$ 1,450,833,479	$ 60,582,588	$ 5,943,653	$ (13,664,395)	$ 1,503,695,325

	Receivable				
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Difference from Impairment Charged in Accordance with “Guidelines for Handling Assessment of Assets”	Total
Total carrying amount	$ 83,799,467	$ 1,065,834	$ 2,744,198	$ -	$ 87,609,499
Less: Allowance impairment	(125,589)	(83,827)	(1,978,246)	-	(2,187,662)
Difference from impairment charged in accordance with “Guidelines for Handling Assessment of Assets”	-	-	-	(23,564)	(23,564)
	$ 83,673,878	$ 982,007	$ 765,952	$ (23,564)	$ 85,398,273

5) Credit concentration risk of the Company

When the counterparties are obviously the same party, or there are several counterparties but engaging in similar business activities and sharing similar economic characteristics, and vulnerable to the same economic impacts or other changes, the credit concentration risk is apparent.

Credit concentration risk of the Company derives from the assets, liabilities and off-balance-sheet items, and arise from performing obligations or engaging in transactions or cross-line portfolio of risk exposures including credit extension, due from and call loans to other banks, securities investment, receivables and derivatives. The Company does not significantly concentrate on a single client or counterparty, and the transaction amount with a single client or counterparty accounted for the Company’s total bills discounts and loans and overdue receivables is not significant. Discounts and loans, guarantees, bills purchased, and acceptances receivable of the Company according to industry and country are listed below:

Industry Type	March 31, 2019		December 31, 2018		March 31, 2018	
Item	Amount	%	Amount	%	Amount	%
Manufacturing	$ 114,774,844	6.90	$ 117,141,000	7.16	$ 102,912,389	6.70
Financial institutions and insurance	68,559,748	4.12	74,995,593	4.58	71,313,905	4.64
Leasing and real estate	127,220,969	7.64	140,808,012	8.60	124,262,807	8.08
Individuals	891,035,204	53.54	900,573,664	55.03	837,807,863	54.50
Others	462,790,076	27.81	403,005,618	24.63	400,916,341	26.08
	$ 1,664,380,841	100.00	$ 1,636,523,887	100.00	$ 1,537,213,305	100.00

Geographic Region	March 31, 2019		December 31, 2018		March 31, 2018	
Item	Amount	%	Amount	%	Amount	%
Domestic	$ 1,454,408,819	87.38	$ 1,360,278,586	83.12	$ 1,285,948,239	83.66
Asia	105,180,735	6.32	160,134,030	9.78	123,195,671	8.01
America	36,127,352	2.17	31,418,258	1.92	48,093,547	3.13
Others	68,663,935	4.13	84,693,013	5.18	79,975,848	5.20
	$ 1,664,380,841	100.00	$ 1,636,523,887	100.00	$ 1,537,213,305	100.00

b. Liquidity risk

1) Source and definition of liquidity risk

Liquidity risk means banks cannot provide sufficient funding for asset size growth and for meeting obligations on matured liabilities or have to make late payments to counterparties or raise emergency funding to cover funding gaps.

2) Liquidity risk management strategy and principles

The purpose of liquidity risk management is to ensure the availability of funds to meet present and future financial obligations. Liquidity risk is also managed by ensuring that the excess of maturing liabilities over maturing assets in any period is kept to manageable levels relative to the amount of funds the Bank believes it can generate within that period. As part of our liquidity risk management, the Bank focuses on a number of components, including tapping available sources of liquidity, preserving necessary funds at reasonable cost and continuous contingency planning.

3) Analysis of financial assets and non-derivative financial liabilities by remaining contractual maturities

a) Financial assets were held to manage liquidity risk

The Company holds highly marketable and diverse financial assets that are assumed to be easily liquidated in the event of an unforeseen interruption of cash flow. The financial assets were held to manage liquidity risk including cash and cash equivalents, due from the Central Bank and call loans to other banks, financial assets at fair value through profit and loss, financial assets at fair value through other comprehensive income, discounts and loans, and securities purchased under resell agreements.

b) Maturity analysis of non-derivative financial liabilities of the Bank

The table below shows the analysis of the cash outflow of non-derivative financial liabilities on time remaining until the contractual maturity date. The amount disclosed is based on the contractual cash flows and may be different from that included in the consolidated balance sheets.

	March 31, 2019				
	0-30 Days	31-90 Days	91 Days-1 Year	Over 1 Year	Total
Due to the Central Bank and call loans from banks	$ 47,458,618	$ 7,247,832	$ 28,553,291	$ 185,111	$ 83,444,852
Non-derivative financial liabilities at fair value through profit or loss	-	778,177	195,533	52,341,468	53,315,178
Securities sold under agreements to repurchase	16,827,453	6,960,580	-	20,404,209	44,192,242
Payables	15,595,171	4,262,339	3,105,541	474,272	23,437,323
Deposits and remittances	322,162,596	859,555,048	895,074,914	120,980,513	2,197,773,071
Financial debentures payable	425,064	2,063,970	-	53,900,000	56,389,034
Lease liabilities	-	-	49,061	4,064,583	4,113,644
Other capital outflow at maturity	25,485,413	39,975,676	7,988,244	1,068,911	74,518,244

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	$ 49,061	$ 3,721,874	$ 342,709	$ -	$ -	$ -

	December 31, 2018				
	0-30 Days	31-90 Days	91 Days-1 Year	Over 1 Year	Total
Due to the Central Bank and call loans from banks	$ 33,388,821	$ 17,227,043	$ 17,187,533	$ 147,450	$ 67,950,847
Non-derivative financial liabilities at fair value through profit or loss	-	-	610,767	51,992,332	52,603,099
Securities sold under agreements to repurchase	30,140,774	10,582,338	-	15,436,901	56,160,013
Payables	12,118,626	6,512,187	909,069	402,186	19,942,068
Deposits and remittances	353,788,658	872,227,988	834,010,982	116,509,145	2,176,536,773
Financial debentures payable	7,800	727,699	1,537,213	53,900,000	56,172,712
Other capital outflow at maturity	27,116,530	40,057,002	8,599,063	1,251,007	77,023,602

	March 31, 2018				
	0-30 Days	31-90 Days	91 Days-1 Year	Over 1 Year	Total
Due to the Central Bank and call loans from banks	$ 73,117,001	$ 4,707,254	$ 24,639,352	$ 116,828	$ 102,580,435
Non-derivative financial liabilities at fair value through profit or loss	-	735,144	184,708	48,971,382	49,891,234
Securities sold under agreements to repurchase	84,806,661	9,974,562	-	4,659,404	99,440,627
Payables	10,686,876	5,821,691	3,590,832	622,705	20,722,104
Deposits and remittances	274,299,660	831,329,789	861,048,082	110,510,760	2,077,188,291
Financial debentures payable	425,063	4,259,372	-	55,600,000	60,284,435
Other capital outflow at maturity	17,186,277	44,209,333	7,630,505	1,369,668	70,395,783

c) Maturity analysis of derivative financial liabilities

Net settled derivatives financial instruments engaged by the Bank include:

i. Foreign exchange derivative instruments: Foreign exchange options, non-delivery forwards;

ii. Interest rate derivative instruments: Swaptions, net settled interest rate swaps and other interest rate agreements.

The table below shows the net settled derivative financial instruments on time remaining until the contractual maturity date. Analysis of contractual maturity date helps to illustrate all derivative financial instruments listed in the consolidated balance sheet. The amount disclosed is based on contractual cash flow and may be different from that included in the consolidated balance sheet. Maturity analysis of net settled derivative financial liabilities was as follows:

	March 31, 2019				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss					
Foreign exchange derivative instruments	$ 73,096	$ 268,518	$ 23,292	$ 368	$ 365,274
Interest rate derivative instruments	13,488	359,293	461,478	22,616,015	23,450,274
	$ 86,584	$ 627,811	$ 484,770	$ 22,616,383	$ 23,815,548

	December 31, 2018				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss					
Foreign exchange derivative instruments	$ 86,688	$ 45,095	$ 229,800	$ 199	$ 361,782
Interest rate derivative instruments	21,092	285,082	543,248	23,522,719	24,372,141
	$ 107,780	$ 330,177	$ 773,048	$ 23,522,918	$ 24,733,923

	March 31, 2018				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss					
Foreign exchange derivative instruments	$ 65,239	$ 151,367	$ 64,302	$ 674	$ 281,582
Interest rate derivative instruments	2,570,548	108,402	244,740	12,538,416	15,462,106
	$ 2,635,787	$ 259,769	$ 309,042	$ 12,539,090	$ 15,743,688

Gross settled derivatives financial instruments engaged by the Bank include:

i. Foreign exchange derivative instruments: Currency futures and swaps;

ii. Interest rate derivative instruments: Cross currency swaps;

iii. Credit derivative instruments: All derivatives shown in gross pay a periodic fee in return for a payment by the protection seller upon the occurrence, if any, of such a credit event.

The contract maturity date is the basic element to understand the Bank's gross settled derivative instruments as at balance sheet dates. The disclosed amounts are based on contract cash flows and part of the disclosed are not in conformity with related items on consolidated balance sheet. Maturity analysis of gross settled derivative financial liabilities was as follows:

	March 31, 2019				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss					
Foreign exchange derivative instruments					
Cash outflow	$ (1,992,871)	$ (3,810,448)	$ (782,024)	$ (287,866)	$ (6,873,209)
Cash inflow	38,506	35,269	8,699	-	82,474
Interest rate derivative instruments					
Cash outflow	(9,773)	(119,745)	(91,375)	(591,511)	(812,404)
Cash inflow	-	-	-	-	-
Cash outflow subtotal	(2,002,644)	(3,930,193)	(873,399)	(879,377)	(7,685,613)
Cash inflow subtotal	38,506	35,269	8,699	-	82,474
Net cash flow	$ (1,964,138)	$ (3,894,924)	$ (864,700)	$ (879,377)	$ (7,603,139)

	December 31, 2018				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss					
Foreign exchange derivative instruments					
Cash outflow	$ (3,875,082)	$ (4,718,572)	$ (558,507)	$ (296,855)	$ (9,449,016)
Cash inflow	24,170	17,928	717	-	42,815
Interest rate derivative instruments					
Cash outflow	(10,384)	(56,742)	(107,229)	(423,860)	(598,215)
Cash inflow	-	-	-	-	-
Cash outflow subtotal	(3,885,466)	(4,775,314)	(665,736)	(720,715)	(10,047,231)
Cash inflow subtotal	24,170	17,928	717	-	42,815
Net cash flow	$ (3,861,296)	$ (4,757,386)	$ (665,019)	$ (720,715)	$ (10,004,416)

	March 31, 2018				
	0-30 Days	31-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial liabilities at fair value through profit or loss					
Foreign exchange derivative instruments					
Cash outflow	$ (3,297,348)	$ (6,179,852)	$ (1,265,664)	$ (344,572)	$ (11,087,436)
Cash inflow	9,568	22,645	-	-	32,213
Interest rate derivative instruments					
Cash outflow	(60,419)	(206,044)	(180,681)	(363,889)	(811,033)
Cash inflow	-	-	-	-	-
Cash outflow subtotal	(3,357,767)	(6,385,896)	(1,446,345)	(708,461)	(11,898,469)
Cash inflow subtotal	9,568	22,645	-	-	32,213
Net cash flow	$ (3,348,199)	$ (6,363,251)	$ (1,446,345)	$ (708,461)	$ (11,866,256)

d) Maturity analysis of off-balance sheet items

i. Irrevocable commitments: Include the Bank's irrevocable loan commitments and credit card commitments.

ii. Financial guarantee contracts: The Bank acts as a guarantor or an issuer of credit line in a financing guarantee agreement.

Maturity analysis of off-balance sheet items are shown as follows:

March 31, 2019

	Not Later Than 1 Year	1-5 Years	Later Than 5 Years	Total
Irrevocable loan commitments	$ 66,510,820	$ 39,872,087	$ 8,419,340	$ 114,802,247
Credit card commitments	12,282,486	239,085,443	422,921,091	674,289,020
Financial guarantee contracts	13,264,151	4,939,063	336,851	18,540,065

December 31, 2018

	Not Later Than 1 Year	1-5 Years	Later Than 5 Years	Total
Irrevocable loan commitments	$ 109,990,204	$ 35,237,143	$ 9,378,042	$ 154,605,389
Credit card commitments	55,543,412	237,450,848	376,237,944	669,232,204
Financial guarantee contracts	12,492,672	4,793,131	466,835	17,752,638

March 31, 2018

	Not Later Than 1 Year	1-5 Years	Later Than 5 Years	Total
Irrevocable loan commitments	$ 129,677,097	$ 21,619,215	$ 1,909,610	$ 153,205,922
Credit card commitments	13,265,815	236,819,923	380,483,485	630,569,223
Financial guarantee contracts	10,783,344	891,754	70,399	11,745,497

c. Market risk

1) Source and definition of market risk

Market risk is the potential loss arising from adverse movements of market price, such as interest rates, foreign exchange rates and equity securities.

The Bank organized market risk management department and the committee of assets and liabilities management is responsible for monitoring the market risk management. The department and committee periodically examine the Bank's structure of assets and liabilities; plan the pricing principle of deposit and loan and financing and using scheme of medium and long term funding while executing the market risk management, the market risk management department periodically provides the related information of management and reports to the authorized managers of the Bank for the management system, such as valuating position, risk limit management, calculating of profit and loss, pricing model and risk analysis, in order to control the overall market risk.

2) Market risk management strategy and process

Market risk management process

a) Identification and measurement

The operations department and risk management department of the Bank identified the market risk factors of risk exposure position, and measured the market risk further. Market risk factors are the components that could have an impact on value of financial instrument, such as interest rates, foreign exchange rates, equity securities…etc., including position, gain and loss, the loss of stress test, sensitivity (DV01, Delta, Vega, Gamma) and Value at Risk (VaR) etc., to measure the extent of investment portfolio that is influenced by interest risk, foreign exchange risk and equity securities.

b) Monitoring and reporting

The risk management department periodically reports the execution of market risk management target, position and gain/loss control, sensitivity analysis, stress test, and VaR of equity securities to the board of directors, and helps the board of directors to fully understand the status of market risk management. The Bank also establishes a clear reporting process. Each transaction has the requirements about limitation and stop-loss points. If the transaction reaches its stop-loss limitation, stop-loss process will be implemented immediately. If the stop-loss process is not implemented, the transaction department should document the reason of non-implementing stop loss process and responding plan. Furthermore, the department shall report to the executive management for approval and report to the board of directors regularly.

3) Risk management policy of the trading book

The trading book is the portfolio of financial instruments and physical investment for the purpose of trading or the hedge on the trading book. Portfolio is held for trading, which is intended to earn the profit from bid-ask spread. Any positions aside from the above trading book will be in the banking book.

a) Strategy

In order to control market risk effectively and ensure flexibility in operating the transaction strategy, the Bank carries out various assessment and control. The portfolio of trading book has the risk limitation of each investment portfolio which is set according to the transaction strategy, category of investment and the annual profit target.

b) Policy and procedure

The Bank sets the "Rules of Market Risk Management" as the important regulation that should be complied with when holding trading portfolio.

c) Valuation policy

If the financial instruments of trading book have market values, they should be evaluated at least once each day by the information that is from an independent source and easily accessible. If it's evaluated by a model, a mathematical model should be used prudently, and the assumptions and parameters of the valuation model should be regularly reviewed and examined.

d) Method of measurement

i. The assumption and calculation of VaR: See VaR section.

ii. The Bank executes the stress test monthly with the following scenarios: The fluctuation of interest rate at 100bp, equity securities at 15% and foreign exchange rate at 3%, and reports to the risk management committee regularly.

4) Interest risk management of trading book

a) Definition of interest risk

Interest risk is the risk that the trading portfolios suffer losses or the change of its fair value which is caused by the fluctuation of interest rate. The main instruments include the securities and derivatives that relate to interest rates.

b) Interest risk management procedure of trading book

The Bank prudently choose its investment target by studying the credibility and financial position of the securities issuers, their sovereign risk and the trend of interest rates. According to the operating strategy and the circumstances of the market, the Bank sets the transaction limit and stop-loss limit (including the limits of dealing room, traders, and investment…etc.) of the trading book that are reported to the executive management or the board of directors for approval.

c) Method of measurement

i. The assumption and calculation of VaR: See VaR section.
ii. The Bank measures the investment portfolio's interest risk exposure monthly.

5) Interest risk management of banking book

The main objective of interest risk management of the banking book is to enhance the interest risk management, increase the operating efficiency of the fund and strengthen the business operation.

a) Strategy

Interest risk management enhances the Bank's ability take responsive actions to measure, to manage and avoid the risk that the fluctuation of interest rate may cause on the profit and the economic value of assets/liabilities.

b) Management procedure

When undertaking the operations relating to interest rate instruments, the Bank identifies the repricing risk of interest rate, yield curve risk, basis risk and options risk characteristics. In additional, the Bank also measures the potential impact of interest rate changes on the profit and economic value of the Bank. The Bank analyzes and monitors the interest risk limits and each target of interest risk management monthly. The results of analysis and monitoring are regularly reported to not only the risk management committee but also the board of directors.

If any risk management targets is found to exceed the limit during the monitoring process, it will be reported to the risk management committee and a solution should be proposed.

c) Method of measurement

The interest risk of the Bank mainly measures the repricing risk that is caused by the difference between maturity date and repricing date of the assets, liabilities, and off balance sheet items in banking book. To stabilize long-term profitability and ensure business growth, the Bank sets the monitoring indicators of interest sensitivity in major terms and implements stress test. Each interest risk indicator and the result of stress test are reported to the executive management regularly for review.

6) Foreign exchange risk management

a) Definition of foreign exchange risk

Foreign exchange risk is the gain/loss caused by two currencies exchange at different times. The Bank's foreign exchange risk arises from the derivative instruments, such as spot exchange, forward exchange and foreign exchange option…etc. The Bank's foreign exchange transactions are implemented daily to offset clients' position. Thus, the Bank suffers little foreign exchange risk.

b) Policy, procedure and measurement methodology of foreign exchange risk management

In order to control foreign exchange risk, the Bank sets the limits of transaction and stop-loss limits for the dealing room and traders. Meanwhile, the Bank also sets the maximum annual loss limit to control the loss within the tolerable extent. Foreign exchange risk is controlled based on VaR. The assumption and calculation of VaR is described in VaR section.

For foreign exchange risk, the Bank sets the scenario at 3% fluctuation of interest rate of major currencies to execute the stress test quarterly, and reports to the risk management committee.

c) The significant portfolio of foreign currency financial assets and liabilities are as follows:

	March 31, 2019		
	Foreign Currency	Exchange Rate	NTD
Financial assets			
Monetary items			
USD	$ 14,544,873	30.8250	$ 448,345,710
CNY	4,029,158	4.5808	18,456,767
HKD	8,664,832	3.9268	34,025,062
Financial liabilities			
Monetary items			
USD	12,489,696	30.8250	384,994,879
CNY	8,267,840	4.5808	37,873,321
AUD	1,653,327	21.8534	36,130,186

	December 31, 2018		
	Foreign Currency	Exchange Rate	NTD
Financial assets			
Monetary items			
USD	$ 13,372,308	30.7330	$ 410,971,142
CNY	5,166,157	4.4742	23,114,420
HKD	8,325,249	3.9240	32,668,277
Financial liabilities			
Monetary items			
USD	12,941,117	30.7330	397,719,349
CNY	8,476,523	4.4742	37,925,659
AUD	1,808,396	21.6775	39,201,504

	March 31, 2018		
	Foreign Currency	Exchange Rate	NTD
Financial assets			
Monetary items			
USD	$ 13,678,870	29.1200	$ 398,328,694
CNY	13,619,718	4.6470	63,290,830
HKD	6,636,895	3.7101	24,623,544
Financial liabilities			
Monetary items			
USD	12,967,799	29.1200	377,622,307
CNY	8,644,638	4.6470	40,171,633
AUD	1,567,460	22.4253	35,150,761

As the Company has a large variety of foreign currencies, it is not possible to disclose foreign currency exchange gain or loss based on each foreign currency's exposure to major impact. The foreign currency exchange gains were $203,172 thousand and $132,667 thousand for the three months ended March 31, 2019 and 2018, respectively.

7) Risk management of equity securities price

a) Definition of risk of equity securities price

The market risk of equity securities held by the Bank includes the individual risk from the fluctuation of individual equity securities' market price and general market risk from the fluctuation of the overall price trend.

b) Purpose of risk management in equity securities prices

To avoid the massive fluctuation of equity securities price to worsen the Bank's financial situation or earnings. Also, to raise the operating efficiency of capital and strengthen the business operation.

c) Procedure of risk management of equity securities prices

The Bank sets investment limit on industries, using the β value to measure the investment portfolio affected by the systemic risk monthly. The stop-loss point must be authorized by the board of directors, and the equity investment should be authorized by the executives if the stop-loss point is reached but the investment is not going to be disposed of.

d) Measured methodology

The risk of equity securities prices in trading book is mainly controlled by VaR.

The Bank's risk of equity securities prices from its non-trading portfolio should be controlled by each bank according to its own business scale to develop a stress test under appropriate scenarios and report to the risk management committee.

The Bank adopts many methodologies to manage its market risk. Value-at-risk (VaR) is one of the methodologies. VaR is a statistical measure that assesses potential losses that might be caused by changes in risk factors over a specified period of time and at a specific level of statistical confidence. The Bank applies historical simulation with a statistic confidence of 99% to extrapolate the VaR of one-year fluctuations. The following form indicates the VaR which is the estimation of potential amount of loss within one day. While the statistic confidence of 99% represents the possible fluctuations that would be included in assumed adverse market changes. Base on the assumption, the VaR may exceed the amounts listed in 1 of 100 days due to the price changes in the market. The overall VaR in the market may be less than the aggregate VaR of individual market risk factors.

March 31, 2019			
Factors of Market Risk (Note)	**Average Balance**	**Maximum Balance**	**Minimum Balance**
Interest rate	$ 189,613	$ 479,859	$ 40,550
Foreign exchange	151,994	202,948	104,364
Equity securities price	297,861	413,402	219,244

December 31, 2018			
Factors of Market Risk (Note)	**Average Balance**	**Maximum Balance**	**Minimum Balance**
Interest rate	$ 307,882	$ 701,219	$ 52,816
Foreign exchange	147,353	202,948	104,364
Equity securities price	318,530	424,067	230,176

March 31, 2018			
Factors of Market Risk (Note)	**Average Balance**	**Maximum Balance**	**Minimum Balance**
Interest rate	$ 633,739	$ 858,800	$ 479,859
Foreign exchange	186,823	554,769	115,940
Equity securities price	258,018	424,067	165,345

Note: Above information about factors of market risks is defined by risk management of the trading book.

The Bank enters into a variety of derivatives transactions for both trading and non-trading purposes. The objectives in using derivative instruments are to meet customers' needs, to manage the Bank's exposure to risks and to generate revenues through trading activities. The Bank trades derivative instruments on behalf of customers and for its own positions. The Bank provides derivative contracts to address customers' demands for customized derivatives and also takes proprietary positions for its own accounts.

8) Stress testing

The stress testing is used to measure the maximum losses of risk asset portfolio under the worst scenario. The Bank's stress testing considers various types of risk factors and reporting the results will be reported to the executive management.

Stress Test				
Market/Product	**Scenarios**	**March 31, 2019**	**December 31, 2018**	**March 31, 2018**
Stock market	Major stock exchanges +15%	$ 1,547,204	$ 990,610	$ 2,584,261
	Major stock exchanges -15%	(1,547,204)	(935,918)	(2,584,261)
Interest rate/bond market	Major interest rate + 100bp	(1,269,412)	(417,490)	(557,674)
	Major interest rate (100bp)	1,481,628	701,613	591,608
Foreign exchange market	Major currencies +3%	183,304	245,686	42,543
	Major currencies -3%	(171,237)	(233,535)	(41,681)
Composite	Major Stock Exchanges -15% Major Interest Rate +100bp Major Currencies +3%	(2,633,312)	(1,107,722)	(78,616)

Note: The information of stress test is defined by risk management policy of the trading book.

9) Sensitivity analysis

a) Interest rate risk

Interest rate factor sensitivities (the present value of one basis point, or “PVBP”) represent the change in the net present value of the interest rate derivatives portfolios caused by a parallel unit shift of 0.01% (1 basis point) in the interest rates in various yield curves affecting the portfolio. The Bank’s interest rate-sensitive portfolios include bonds, interest rate swaps and structured products composed of such products.

b) Foreign exchange risk

Foreign exchange rate factor sensitivities (“FX delta”) represent the change of the foreign exchange portfolios caused by the underlying currency exchange rate fluctuation.

c) Equity securities price risk

Equity securities price factor sensitivities (“Equity delta”) represent the change of the equity securities price portfolio caused by a parallel unit shift of 1% (100 basis points) in the underlying stocks prices fluctuation. The Bank’s equity portfolios include stocks and equity index options.

		March 31, 2019	
		Sensitivity of Profit or Loss	**Sensitivity of Equity**
Foreign exchange rate factor sensitivity (FX Delta)	USD+1%	$ 10,404	$ -
	HKD+1%	3,350	-
	JPY+1%	416	-
	AUD+1%	(1,778)	-
	CNY+1%	7,409	-
Interest rate factor sensitivity (PVBP)	Yield curves (USD) parallel shift+1bp	(140)	-
	Yield curves (HKD) parallel shift+1bp	35	-
	Yield curves (AUD) parallel shift+1bp	(656)	-
	Yield curves (CNY) parallel shift+1bp	(1,087)	-
Equity securities price factor sensitivity (Equity Delta)	Equity securities price +1bp	8,644	94,642

		December 31, 2018	
		Sensitivity of Profit or Loss	**Sensitivity of Equity**
Foreign exchange rate factor sensitivity (FX Delta)	USD+1%	$ 108,556	$ -
	HKD+1%	(6,980)	-
	JPY+1%	(905)	-
	AUD+1%	(354)	-
	CNY+1%	2,563	-
Interest rate factor sensitivity (PVBP)	Yield curves (USD) parallel shift+1bp	1,347	-
	Yield curves (HKD) parallel shift+1bp	183	-
	Yield curves (JPY) parallel shift+1bp	(1)	-
	Yield curves (AUD) parallel shift+1bp	(359)	-
	Yield curves (CNY) parallel shift+1bp	(210)	-
Equity securities price factor sensitivity (Equity Delta)	Equity securities price +1bp	(1,011)	66,545

		March 31, 2018	
		Sensitivity of Profit or Loss	**Sensitivity of Equity**
Foreign exchange rate factor sensitivity (FX Delta)	USD+1%	$ 24,051	$ -
	HKD+1%	(28,325)	-
	JPY+1%	6,907	-
	AUD+1%	33,280	-
	CNY+1%	10,231	-
Interest rate factor sensitivity (PVBP)	Yield curves (USD) parallel shift+1bp	(303)	-
	Yield curves (HKD) parallel shift+1bp	12	-
	Yield curves (AUD) parallel shift+1bp	60	-
	Yield curves (CNY) parallel shift+1bp	(202)	-
Equity securities price factor sensitivity (Equity Delta)	Equity securities price +1bp	44,537	127,754

d. Transfers of financial assets

Financial assets transferred that have not been fully removed

Transferred financial assets that are part of the Bank daily operations that do not meet the criteria for full removal are mostly made up of debt securities used as counterparty collateral for repurchase agreements or equity securities lent out as part of securities lending agreement. The nature of these transactions are secured loans, and reflects the liability where the Bank are obligated to repurchase the transferred financial assets according to a fixed price in future periods. With respect to such transactions, the Bank will not be able to use, sell or pledge such transferred financial assets during the effective period. However the Bank is still exposed to interest rate risk and credit risk, hence they are not removed.

The following table analyses financial assets and financial liabilities that have not been fully removed:

March 31, 2019					
Category of Financial Assets	Transferred Financial Assets Carrying Value	Related Financial Liabilities Carrying Value	Transferred Financial Assets Fair Value	Related Financial Liabilities Fair Value	Net Fair Value
Financial assets at fair value through other comprehensive income					
Repurchase agreements	$ 42,252,062	$ 40,609,441	$ 42,637,437	$ 40,609,441	$ 2,027,996
Investment in debt instrument measured at amortised cost					
Repurchase agreements	2,311,286	1,974,418	2,311,286	1,974,418	336,868
Securities purchased under resell agreements					
Repurchase agreements	1,533,806	1,394,326	1,533,806	1,394,326	139,480

December 31, 2018					
Category of Financial Assets	Transferred Financial Assets Carrying Value	Related Financial Liabilities Carrying Value	Transferred Financial Assets Fair Value	Related Financial Liabilities Fair Value	Net Fair Value
Financial assets at fair value through profit or loss					
Repurchase agreements	$ 583,745	$ 523,342	$ 581,159	$ 523,342	$ 57,817
Financial assets at fair value through other comprehensive income					
Repurchase agreements	45,534,737	42,613,744	44,424,315	42,613,744	1,810,571
Investment in debt instrument measured at amortised cost					
Repurchase agreements	14,649,885	11,447,258	14,649,885	11,447,258	3,202,627
Securities purchased under resell agreements					
Repurchase agreements	1,493,132	1,390,165	1,493,132	1,390,165	102,967

March 31, 2018					
Category of Financial Assets	Transferred Financial Assets Carrying Value	Related Financial Liabilities Carrying Value	Transferred Financial Assets Fair Value	Related Financial Liabilities Fair Value	Net Fair Value
Financial assets at fair value through profit or loss					
Repurchase agreements	$ 42,017,121	$ 39,330,218	$ 41,427,715	$ 39,330,218	$ 2,097,497
Financial assets at fair value through other comprehensive income					
Repurchase agreements	45,929,404	44,375,883	44,760,295	44,375,883	384,412
Investment in debt instrument measured at amortised cost					
Repurchase agreements	16,682,256	14,209,394	16,624,920	14,209,394	2,415,526
Securities purchased under resell agreements					
Repurchase agreements	1,558,989	1,369,679	1,428,429	1,369,679	58,750

e. Offsetting financial assets and liabilities

The Bank own financial instruments that do not offset in accordance with IAS 32.42 but it executed enforceable master netting arrangement or other similar agreements with counterparties. Financial instruments subject to enforceable master netting arrangement or other similar agreements could be settled at net amount as chosen by the counterparties, or the financial instruments could be settled at gross amount if not. However, if one of the counterparty defaults, the other party could choose to settle the transaction at net amount.

Information related to offsetting of financial assets and financial liabilities is disclosed as follows:

March 31, 2019						
Financial Assets Subject to Offsetting, Master Netting Arrangement or Similar Agreement						
Item	Gross Amount of Recognized Financial Assets (a)	Gross Amount Offset in the Balance Sheet (b)	Amount Presented in the Balance Sheet (c)= (a)-(b)	Amount Not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received/Pledged	
Derivative financial instruments	$ 49,432,107	$ -	$ 49,432,107	$ 48,190,865	$ 1,241,242	$ -

March 31, 2019						
Financial Liabilities Subject to Offsetting, Master Netting Arrangement or Similar Agreement						
Item	**Gross Amount of Recognized Financial Liabilities (a)**	**Gross Amount Offset in the Balance Sheet (b)**	**Amount Presented in the Balance Sheet (c)= (a)-(b)**	**Amount Not Offset in the Balance Sheet (d)**		**Net Amount (e)=(c)-(d)**
				Financial Instruments (Note)	**Cash Collateral Received/Pledged**	
Derivative financial instruments	$ 48,190,865	$ -	$ 48,190,865	$ 48,190,865	$ -	$ -

December 31, 2018						
Financial Assets Subject to Offsetting, Master Netting Arrangement or Similar Agreement						
Item	**Gross Amount of Recognized Financial Assets (a)**	**Gross Amount Offset in the Balance Sheet (b)**	**Amount Presented in the Balance Sheet (c)= (a)-(b)**	**Amount Not Offset in the Balance Sheet (d)**		**Net Amount (e)=(c)-(d)**
				Financial Instruments (Note)	**Cash Collateral Received/Pledged**	
Derivative financial instruments	$ 49,475,706	$ -	$ 49,475,706	$ 49,475,706	$ -	$ -

December 31, 2018						
Financial Liabilities Subject to Offsetting, Master Netting Arrangement or Similar Agreement						
Item	**Gross Amount of Recognized Financial Liabilities (a)**	**Gross Amount Offset in the Balance Sheet (b)**	**Amount Presented in the Balance Sheet (c)= (a)-(b)**	**Amount Not Offset in the Balance Sheet (d)**		**Net Amount (e)=(c)-(d)**
				Financial Instruments (Note)	**Cash Collateral Received/Pledged**	
Derivative financial instruments	$ 51,966,013	$ -	$ 51,966,013	$ 49,475,706	$ 2,490,307	$ -

March 31, 2018						
Financial Assets Subject to Offsetting, Master Netting Arrangement or Similar Agreement						
Item	**Gross Amount of Recognized Financial Assets (a)**	**Gross Amount Offset in the Balance Sheet (b)**	**Amount Presented in the Balance Sheet (c)= (a)-(b)**	**Amount Not Offset in the Balance Sheet (d)**		**Net Amount (e)=(c)-(d)**
				Financial Instruments (Note)	**Cash Collateral Received/Pledged**	
Derivative financial instruments	$ 36,710,338	$ -	$ 36,710,338	$ 36,710,338	$ -	$ -

March 31, 2018						
Financial Liabilities Subject to Offsetting, Master Netting Arrangement or Similar Agreement						
Item	**Gross Amount of Recognized Financial Liabilities (a)**	**Gross Amount Offset in the Balance Sheet (b)**	**Amount Presented in the Balance Sheet (c)= (a)-(b)**	**Amount Not Offset in the Balance Sheet (d)**		**Net Amount (e)=(c)-(d)**
				Financial Instruments (Note)	**Cash Collateral Received/Pledged**	
Derivative financial instruments	$ 40,992,110	$ -	$ 40,992,110	$ 36,710,338	$ 4,281,772	$ -

Note: Master netting arrangement and non-cash collateral are included.

51. CAPITAL MANAGEMENT

a. The eligible capital of the Company must conform to the regulatory capital requirements and achieve the minimum adequacy ratio. The calculation of the eligible capital and regulatory capital should comply with the rules issued by the authorities.

b. To ensure the Company possesses sufficient capital to assume various risk, the Company assesses required capital for the portfolios and characteristics of risk and execute risk management through capital allocation to realize optimization of resources.

52. UNCONSOLIDATED STRUCTURED ENTITIES

The Company does not provide financial support or other support to the unconsolidated structured entities. The Company's maximum exposure to loss from its interests in these structured entities is limited to the carrying amount of assets the Company recognized. The information of the recognized unconsolidated structured entities is disclosed as follows:

Type of Structured Entity	Nature and Purpose	Interests Owned
Securitization vehicle	Investment in asset-backed securities to receive returns	Investment in securitization vehicles issued by the entity

The carrying amount of assets recognized by company relating to its interests in unconsolidated structured entities is disclosed as follows:

	March 31, 2019	December 31, 2018	March 31, 2018
Financial assets at fair value through other comprehensive income	$ 17,490,306	$ 3,191,683	$ 2,147,357
Investments in debt instruments measured at amortised cost	47,313,234	47,970,374	35,019,170
	$ 64,803,540	$ 51,162,057	$ 37,166,527

53. ASSET QUALITY, CONCENTRATION OF CREDIT EXTENSIONS, INTEREST RATE SENSITIVITY, PROFITABILITY AND MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The Bank

a. Credit risk

1) Asset quality: Please refer to Table 2.

2) Concentration of credit extensions

(In Thousands of New Taiwan Dollars, %)

March 31, 2019			
Rank	**Company Name**	**Credit Extension Balance**	**% to Net Asset Value**
1	Group A - real estate development activities	$ 26,743,119	12.63
2	Group B - packaging and testing of semi-conductors	13,623,906	6.43
3	Group C - air transport	9,685,755	4.57
4	Group D - other	9,454,796	4.47
5	Group E - other financial intermediation	9,386,625	4.43
6	Group F - real estate development activities	6,600,000	3.12
7	Group G - manufacture of computers	5,236,497	2.47
8	Group H - wired telecommunications activities	4,587,518	2.17
9	Group I - other financial intermediation	4,470,865	2.11
10	Group J - other	3,998,000	1.89

December 31, 2018			
Rank	Company Name	Credit Extension Balance	% to Net Asset Value
1	Group A - real estate development activities	$ 25,830,822	12.80
2	Group B - packaging and testing of semi-conductors	13,815,191	6.85
3	Group C - air transport	9,874,541	4.89
4	Group D - other	9,386,625	4.65
5	Group E - other financial intermediation	8,282,950	4.11
6	Group F - real estate development activities	6,600,000	3.27
7	Group G - manufacture of computers	5,006,283	2.48
8	Group H - wired telecommunications activities	4,668,713	2.31
9	Group I - other financial intermediation	4,497,900	2.23
10	Group J - other	3,963,056	1.96

March 31, 2018			
Rank	Company Name	Credit Extension Balance	% to Net Asset Value
1	Group A - real estate development activities	$ 30,551,402	16.39
2	Group B - other financial intermediation	9,153,375	4.91
3	Group C - air transport	8,603,184	4.62
4	Group D - real estate development activities	6,413,000	3.44
5	Group E - wired telecommunications activities	4,912,298	2.64
6	Group F - manufacture of liquid crystal panel and components	4,645,170	2.49
7	Group G - rolling and extruding of iron and steel	4,055,632	2.18
8	Group H - offshore securities unit	3,989,880	2.14
9	Group I - real estate development activities	3,812,025	2.05
10	Group J - real estate activities for sale and rental with own or leased property	3,387,054	1.82

b. Market risk

Interest Rate Sensitivity (New Taiwan Dollar)

(In Thousands of New Taiwan Dollars, %)

March 31, 2019

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 1,860,118,190	$ 35,517,498	$ 33,630,445	$ 103,707,912	$ 2,032,974,045
Interest rate-sensitive liabilities	182,503,216	1,251,173,528	266,478,830	96,065,840	1,796,221,414
Interest rate-sensitive gap	1,677,614,974	(1,215,656,030)	(232,848,385)	7,642,072	236,752,631
Net worth					211,730,721
Ratio of interest rate-sensitive assets to liabilities					113.18%
Ratio of interest rate sensitivity gap to net worth					111.82%

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	$ 1,870,199,137	$ 13,593,852	$ 54,020,269	$ 107,243,806	$ 2,045,057,064
Interest rate-sensitive liabilities	201,956,305	1,214,221,810	254,655,405	94,382,693	1,765,216,213
Interest rate-sensitive gap	1,668,242,832	(1,200,627,958)	(200,635,136)	12,861,113	279,840,851
Net worth					201,765,546
Ratio of interest rate-sensitive assets to liabilities					115.85%
Ratio of interest rate sensitivity gap to net worth					138.70%

March 31, 2018

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 1,778,770,120	$ 53,641,651	$ 24,099,356	$ 99,419,006	$ 1,955,930,133
Interest rate-sensitive liabilities	192,919,572	1,158,747,744	261,307,094	93,537,945	1,706,512,355
Interest rate-sensitive gap	1,585,850,548	(1,105,106,093)	(237,207,738)	5,881,061	249,417,778
Net worth					186,351,038
Ratio of interest rate-sensitive assets to liabilities					114.62%
Ratio of interest rate sensitivity gap to net worth					133.84%

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

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

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

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

Interest Rate Sensitivity (U.S. Dollars)

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

March 31, 2019

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 7,860,303	$ 906,711	$ 370,645	$ 7,584,512	$ 16,722,171
Interest rate-sensitive liabilities	10,229,384	2,309,338	2,863,356	4,012,272	19,414,350
Interest rate-sensitive gap	(2,369,081)	(1,402,627)	(2,492,711)	3,572,240	(2,692,179)
Net worth					6,868,799
Ratio of interest rate-sensitive assets to liabilities					86.13%
Ratio of interest rate sensitivity gap to net worth					(39.19%)

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	$ 7,132,274	$ 877,879	$ 591,620	$ 6,360,102	$ 14,961,875
Interest rate-sensitive liabilities	10,756,895	2,777,985	2,711,257	3,756,461	20,002,598
Interest rate-sensitive gap	(3,624,621)	(1,900,106)	(2,119,637)	2,603,641	(5,040,723)
Net worth					6,565,111
Ratio of interest rate-sensitive assets to liabilities					74.80%
Ratio of interest rate sensitivity gap to net worth					(76.78%)

March 31, 2018

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	$ 6,448,454	$ 868,366	$ 584,246	$ 7,891,343	$ 15,792,409
Interest rate-sensitive liabilities	12,165,383	2,441,467	3,399,549	4,258,630	22,265,029
Interest rate-sensitive gap	(5,716,929)	(1,573,101)	(2,815,303)	3,632,713	(6,472,620)
Net worth					6,399,418
Ratio of interest rate-sensitive assets to liabilities					70.93%
Ratio of interest rate sensitivity gap to net worth					(101.14%)

Note 1: The above amounts included only U.S. dollar amounts held by the Bank and excluded contingent assets and contingent liabilities.

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

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

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

c. Liquidity risk

1) Profitability (consolidated information)

Unit: %

Items		For the Three Months Ended March 31, 2019	For the Three Months Ended March 31, 2018
Return on total assets	Before income tax	0.26	0.25
	After income tax	0.22	0.21
Return on equity	Before income tax	3.53	3.69
	After income tax	3.02	3.09
Net income ratio		37.92	40.17

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

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

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

Note 4: Income before (after) income tax represents income for the three months ended March 31, 2019 and 2018.

2) Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities (New Taiwan Dollar)

(In Thousands of New Taiwan Dollars)

March 31, 2019

	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	$ 2,741,891,088	$ 467,845,664	$ 408,091,723	$ 397,885,203	$ 194,220,129	$ 265,550,195	$ 1,008,298,174
Main capital outflow on maturity	3,177,237,256	156,631,710	261,696,622	519,774,781	510,390,897	535,972,042	1,192,771,204
Gap	(435,346,168)	311,213,954	146,395,101	(121,889,578)	(316,170,768)	(270,421,847)	(184,473,030)

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	$ 2,718,291,477	$ 539,138,622	$ 289,490,379	$ 304,254,308	$ 240,773,167	$ 326,519,393	$ 1,018,115,608
Main capital outflow on maturity	3,200,692,054	175,442,094	257,319,919	516,766,947	538,442,232	536,045,170	1,176,675,692
Gap	(482,400,577)	363,696,528	32,170,460	(212,512,639)	(297,669,065)	(209,525,777)	(158,560,084)

March 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	$ 2,697,626,558	$ 442,932,522	$ 365,271,030	$ 357,682,746	$ 255,016,710	$ 309,928,658	$ 966,794,892
Main capital outflow on maturity	3,143,445,774	144,067,429	222,961,708	529,708,922	601,303,071	543,704,621	1,101,700,023
Gap	(445,819,216)	298,865,093	142,309,322	(172,026,176)	(346,286,361)	(233,775,963)	(134,905,131)

Note: The above amounts included only New Taiwan dollar amounts held by the Bank (i.e., excluding foreign currency).

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

(In Thousands of U.S. Dollars)

March 31, 2019

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	$ 66,351,601	$ 20,684,384	$ 14,759,616	$ 10,895,313	$ 9,333,156	$ 10,679,132
Main capital outflow on maturity	72,294,983	22,889,406	17,698,456	9,580,041	13,454,854	8,672,226
Gap	(5,943,382)	(2,205,022)	(2,938,840)	1,315,272	(4,121,698)	2,006,906

December 31, 2018

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	$ 63,719,960	$ 19,395,558	$ 12,804,626	$ 10,573,356	$ 11,043,349	$ 9,903,071
Main capital outflow on maturity	70,142,653	18,987,216	15,884,692	12,103,998	14,955,130	8,211,617
Gap	(6,422,693)	408,342	(3,080,066)	(1,530,642)	(3,911,781)	1,691,454

March 31, 2018

	Total	Remaining Period to Maturity				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	$ 60,839,381	$ 16,937,287	$ 13,736,933	$ 11,479,143	$ 6,395,221	$ 12,290,797
Main capital outflow on maturity	65,782,496	20,898,071	15,405,093	8,999,589	10,851,218	9,628,525
Gap	(4,943,115)	(3,960,784)	(1,668,160)	(2,479,554)	(4,455,997)	2,662,272

Note: The above amounts included only U.S. dollar amounts held by the Bank and excluded contingent assets and contingent liabilities.

54. ADDITIONAL DISCLOSURES

a. Related information of significant transactions and investees and b. Proportionate share in investees:

1) Financing provided: The Bank - not applicable; investee - none

2) Endorsement/guarantee provided: The Bank - not applicable; investee - none

3) Marketable securities held: The Bank - not applicable; investee - none

4) Marketable securities acquired or disposed of at costs or prices of at least $300 million or 10% of the paid-in capital: The Bank - not applicable; investee - none

5) Acquisition of individual real estate at costs of at least $300 million or 10% of the paid-in capital: None

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

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

8) Receivables from related parties amounting to at least $300 million or 10% of the paid-in capital: Table 1 (attached)

9) Sale of nonperforming loans: None

10) Asset securitization under the "Regulations for Financial Asset Securitization": None

11) Other significant transactions which may affect the decisions of users of financial reports: Table 2 (attached)

12) Related information of investees and proportionate share: Quarterly report is exempt from disclosure.

13) Derivative transactions: Note 8

c. Investments in mainland China: Table 3 (attached)

d. Intercompany relationships and significant intercompany transactions.

   For the detailed information of intercompany relationships and significant intercompany transactions, refer to Table 4 (attached).

55. OPERATING SEGMENTS

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

a. Corporate banking unit: Corporate banking, foreign exchange business, debt management and public treasury business;

b. Individual banking unit: Deposits and consumer loans, foreign exchange service, endorsement guarantees business, note discounting, safe deposits boxes, credit card - related products, and trust business;

c. International banking unit: Offshore banking units, overseas branches and representative office; and

d. Other units: These parts contain the Bank's assets, liabilities, revenues and expenses that cannot be attributed to or allocated reasonably to certain operation segments.

Management monitors the operating results of its business units separately for the purpose of making decisions. Segment performance is evaluated based on operating profit or loss.

The analysis of the Bank's operating revenue and results by reportable segment was as follows:

	For the Three Months Ended March 31, 2019				
	Corporate Banking	**Individual Banking**	**International Banking**	**Others**	**Total**
Net interest	$ 2,194,648	$ 3,140,611	$ 1,902,189	$ 1,606,339	$ 8,843,787
Segment revenue (expense)	$ (937,714)	$ 3,171,545	$ (216,400)	$ (2,017,431)	$ -
Segment net income	$ 799,800	$ 6,192,224	$ 1,509,075	$ (1,057,626)	$ 7,443,473
Income tax expense					(1,070,011)
Income after income tax					$ 6,373,462

	For the Three Months Ended March 31, 2018				
	Corporate Banking	**Individual Banking**	**International Banking**	**Others**	**Total**
Net interest	$ 2,023,985	$ 3,121,689	$ 1,503,951	$ 1,061,755	$ 7,711,380
Segment revenue (expense)	$ (744,940)	$ 2,611,159	$ (16,126)	$ (1,850,093)	$ -
Segment net income	$ 1,233,019	$ 5,169,909	$ 791,464	$ (254,855)	$ 6,939,537
Income tax expense					(1,136,197)
Income after income tax					$ 5,803,340

Note 1: No revenue from transactions with a single external customer amounted to 10% or more of the Company total revenue for the three months ended March 31, 2019 and 2018.

Note 2: Operating segments' profit are measured on a pre-tax income basis, the income taxes are not allocated to reporting segments for the purpose of making decisions about resource allocation and performance assessment.

Note 3: As the Company provided the average amount of deposits and loans to measure assets and liabilities, the measured amount of assets and liabilities is not disclosed.

TABLE 1

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$300 MILLION OR 10% OF THE PAID-IN CAPITAL
MARCH 31, 2019
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Cathay United Bank Co., Ltd.	Indovina Bank Limited (Note 1)	Parent subsidiary	$ 393,414	-	$ -	-	$ -	$ -
	Cathay Life Insurance Co., Ltd. (Note 2)	Other related party	656,257	-	-	-	-	-

Note 1: Dividends receivable.

Note 2: Insurance commission receivable.

TABLE 2

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

ASSET QUALITY - NONPERFORMING LOANS
AS OF MARCH 31, 2019, DECEMBER 31, 2018 AND MARCH 31, 2018
(In Thousands of New Taiwan Dollars, %)

Period			March 31, 2019					March 31, 2018				
Items			Nonperforming Loan (Note 1)	Loan	Ratio of Nonperforming Loan (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)	Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)
Corporate banking	Secured		$ 573,892	$ 222,254,139	0.26%	$ 2,967,994	517.17%	$ 1,304,619	$ 230,822,015	0.57%	$ 3,880,668	297.46%
	Unsecured		399,021	413,384,456	0.10%	7,119,908	1,784.34%	154,308	369,803,115	0.04%	6,020,098	3,901.36%
Consumer banking	Housing mortgage (Note 4)		756,104	350,852,192	0.22%	5,615,322	742.67%	598,021	358,588,312	0.17%	5,642,343	943.50%
	Cash card		-	-	-	-	-	-	-	-	-	-
	Small-scale credit loans (Note 5)		173,366	71,665,788	0.24%	2,436,479	1,405.39%	121,732	61,523,834	0.20%	1,592,797	1,308.45%
	Other (Note 6)	Secured	849,953	502,065,177	0.17%	6,229,719	732.95%	661,478	447,113,109	0.15%	5,152,925	779.00%
		Unsecured	117,245	25,165,224	0.47%	434,419	370.52%	76,513	21,804,368	0.35%	412,613	539.27%
Loan			2,869,581	1,585,386,976	0.18%	24,803,841	864.37%	2,916,671	1,489,654,753	0.20%	22,701,444	778.33%
			Nonperforming Receivables (Note 1)	Receivables	Ratio of Nonperforming Receivables (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)	Nonperforming Receivables (Note 1)	Receivables	Ratio of Nonperforming Receivables (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)
Credit cards			99,538	69,957,653	0.14%	1,472,374	1,479.21%	94,128	66,124,288	0.14%	1,379,285	1,465.32%
Accounts receivable factored without recourse (Note 7)			-	2,207,701	-	60,360	-	-	3,360,704	-	34,429	-

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 credit card 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 loan balance.
Ratio of nonperforming credit card receivables: Nonperforming credit card receivables ÷ Outstanding credit card receivables balance.

Note 3: Coverage ratio of loans: Allowance for possible losses for loans ÷ Nonperforming loans.
Coverage ratio of credit card receivables: Allowance for possible losses for credit card receivables ÷ Nonperforming credit card 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 consumer 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. 094000494), 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.

(Continued)

Period			December 31, 2018				
Items			Nonperforming Loan (Note 1)	Loan	Ratio of Nonperforming Loan (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Corporate banking	Secured		$ 592,658	$ 233,463,729	0.25%	$ 3,600,918	607.59%
	Unsecured		321,166	372,650,615	0.09%	6,367,224	1,982.53%
Consumer banking	Housing mortgage (Note 4)		594,249	358,859,786	0.17%	5,649,230	950.65%
	Cash card		-	-	-	-	-
	Small-scale credit loans (Note 5)		164,226	71,310,220	0.23%	1,876,794	1,142.81%
	Other (Note 6)	Secured	780,457	498,067,264	0.16%	5,946,347	761.91%
		Unsecured	110,551	23,068,954	0.48%	438,172	396.35%
Loan			2,563,307	1,557,420,568	0.16%	23,878,685	931.56%
			Nonperforming Receivables (Note 1)	Receivables	Ratio of Nonperforming Receivables (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)
Credit cards			107,314	71,887,117	0.15%	1,466,464	1,366.52%
Accounts receivable factored without recourse (Note 7)			-	2,607,455	-	47,734	-

Not reported as nonperforming loans or nonperforming receivables

Items / Types	March 31, 2019		December 31, 2018		March 31, 2018	
	Not Reported as Nonperforming Loan	Not Reported as Nonperforming Receivable	Not Reported as Nonperforming Loan	Not Reported as Nonperforming Receivable	Not Reported as Nonperforming Loan	Not Reported as Nonperforming Receivable
Amounts of executed contracts on negotiated debts not reported as nonperforming loans and receivables (Note 1)	$ 2,530	$ 94,435	$ 2,721	$ 102,330	$ 4,279	$ 139,395
Amounts of discharged and executed contracts on clearance of consumer debts not reported as nonperforming loans and receivables (Note 2)	39,790	1,179,943	37,404	1,182,172	30,552	1,196,510
Total	42,320	1,274,378	40,125	1,284,502	34,831	1,335,905

Note 1: 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 2: Amounts of discharged and executed contracts on clearance of consumer debts that are not reported as nonperforming loans or receivables are reported in accordance with the Banking Bureau's letter dated September 15, 2008 and September 20, 2016 (Ref. No. 09700318940 and No. 10500134790).

(Concluded)

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

INVESTMENTS IN MAINLAND CHINA
FOR THE THREE MONTHS ENDED MARCH 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2019	Investee Net Income (Loss)	% Ownership of Direct or Indirect Investment	Investment Income	Carrying Value as of March 31, 2019	Accumulated Inward Remittance of Earnings as of March 31, 2019	Note
					Outflow	Inflow							
Cathay United Bank (China) Limited	Local government approved banking	$ 14,377,562 (CNY 3,000,000)	Direct	$ 14,377,562 (CNY 3,000,000)	$ -	$ -	$ 14,377,562 (CNY 3,000,000)	$ 11,572	100	$ 11,572	$ 16,396,844	$ -	

Accumulated Investment in Mainland China as of March 31, 2019	Investment Amount Approved by the Investment Commission, MOEA (Note 5)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 4)
$ 14,377,562 (CNY 3,000,000)	$ 14,377,562 (CNY 3,000,000)	$ 129,378,434

Note 1: Direct investment in mainland China.

Note 2: Indirect investment in mainland China through a company located in a third area.

Note 3: Indirect investment via the Bank's subsidiary in mainland China.

Note 4: Based on the Investment Commission's "Regulation on Examination of Investment or Technical Corporation in Mainland China" investments are limited to the larger of 60% of the Bank's net asset value or 60% of the Company's consolidated net asset value.

Note 5: The Investment Commission of the Ministry of Economic Affairs ("MOEAIC") authorized the Bank to remit US$60,067,239 (CNY400,000,000). Based on the capital verification report issued by local accountants in mainland China, the Shanghai branch of the Bank was authorized to remit the total amount of working capital of US$59,768,397.46, and the remaining amount of US$298,841.54 was repatriated on November 5, 2010. The Bank reported to MOEAIC to revise the amount of the investment on January 18, 2011, and it was authorized by MOEAIC on January 24, 2011. Also, MOEAIC authorized the Bank to remit US$95,024,128 (CNY600,000,000). Based on the capital verification report issued by local accountants in mainland China, Shanghai branch of the Bank was authorized to remit the total amount of working capital US$94,929,198.64, and the remaining amount of US$94,929.36 was repatriated on February 1, 2012. The Bank reported to MOEAIC to revise the amount of the investment on March 20, 2012, and it was authorized by MOEAIC on March 26, 2012.The Bank was agreed by MOEAIC to increase working capital of Shanghai branch by US$164,000,000 (CNY1,000,000,000) on February 27, 2014, and was authorized by MOEAIC on July 10,2014. The Bank was agreed by MOEAIC to increase the working capital of the Qingdao branch by US$98,199,673 (CNY600,000,000) on January 21, 2014, and was authorized by MOEAIC on October 30,2014. The Bank obtained approval from MOEAIC to increase the working capital of Shenzhen branch by US$60,708,160.7 (CNY400,000,000) on January 5, 2015, and was authorized by MOEAIC on December 22, 2016.

Note 6: The registered capital of Cathay United Bank (China) Limited is CNY3,000,000, which was transferred to the working capital of Cathay United Bank (China) Limited after merger of Cathay United Bank Shanghai branch, Qingdao branch and Shenzhen branch was approved by the authorities.

CATHAY UNITED BANK CO., LTD. AND SUBSIDIARIES

BUSINESS RELATIONSHIP AND SIGNIFICANT TRANSACTIONS AMONG THE BANK AND SUBSIDIARIES
FOR THE THREE MONTHS ENDED MARCH 31, 2019
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Transacting Company	Counterparty	Flow of Transaction (Note 2)	Description of Transaction			
				Financial Statement Account	Amounts	Terms of Transaction	Percentage of Total Revenue or Total Assets (Note 3)
0	Cathay United Bank	Indovina Bank	a	Due from banks - interest revenue	$ 123	Note 4	0.00
		Indovina Bank	a	Call loan to banks - interest revenue	36,380	Note 4	0.22
		Indovina Bank	a	Due to banks	45,832	Note 4	0.00
		Indovina Bank	a	Due from bank	64,484	Note 4	0.00
		Indovina Bank	a	Call loan to banks	4,747,050	Note 4	0.16
		Indovina Bank	a	Dividend receivable	393,414	Note 4	0.01
1	Indovina Bank	Cathay United Bank	b	Due to banks - interest expense	123	Note 4	0.00
		Cathay United Bank	b	Call loan from banks - interest expense	36,380	Note 4	0.22
		Cathay United Bank	b	Due from bank	45,832	Note 4	0.00
		Cathay United Bank	b	Due to banks	64,484	Note 4	0.00
		Cathay United Bank	b	Call loan from banks	4,747,050	Note 4	0.16
		Cathay United Bank	b	Dividend payable	393,414	Note 4	0.01
0	Cathay United Bank	CUBC Bank	a	Call loan to banks - interest revenue	52	Note 4	0.00
		CUBC Bank	a	Call loan from banks - interest expense	3,579	Note 4	0.02
		CUBC Bank	a	Due to banks	25,385	Note 4	0.00
		CUBC Bank	a	Due from bank	62,573	Note 4	0.00
		CUBC Bank	a	Call loan from banks	277,452	Note 4	0.01
		CUBC Bank	a	Dividend receivable	211,784	Note 4	0.01
		CUBC Bank	a	Interest payable	418	Note 4	0.00
2	CUBC Bank	Cathay United Bank	b	Call loan from banks - interest expense	52	Note 4	0.00
		Cathay United Bank	b	Call loan to banks - interest revenue	3,579	Note 4	0.02
		Cathay United Bank	b	Due from bank	25,385	Note 4	0.00
		Cathay United Bank	b	Due to banks	62,573	Note 4	0.00
		Cathay United Bank	b	Call loan to banks	277,452	Note 4	0.01
		Cathay United Bank	b	Dividend payable	211,784	Note 4	0.01
		Cathay United Bank	b	Interest receivable	418	Note 4	0.00

(Continued)

No. (Note 1)	Transacting Company	Counterparty	Flow of Transaction (Note 2)	Description of Transaction			
				Financial Statement Account	**Amounts**	**Terms of Transaction**	**Percentage of Total Revenue or Total Assets (Note 3)**
0	Cathay United Bank	CUBCN Bank	a	Call loans to banks - interest revenue	$ 69,449	Note 4	0.41
		CUBCN Bank	a	Due to banks	12,075	Note 4	0.00
		CUBCN Bank	a	Due from bank	10,082,020	Note 4	0.35
		CUBCN Bank	a	Call loans to banks	10,477,507	Note 4	0.36
		CUBCN Bank	a	Interest receivable	200,720	Note 4	0.01
3	CUBCN Bank	Cathay United Bank	b	Call loan from banks - interest expense	69,449	Note 4	0.41
		Cathay United Bank	b	Due from banks	12,075	Note 4	0.00
		Cathay United Bank	b	Due to banks	10,082,020	Note 4	0.35
		Cathay United Bank	b	Call loan from banks	10,477,507	Note 4	0.36
		Cathay United Bank	b	Interest payable	200,720	Note 4	0.01

Note 1: The transacting company is identified in the No. column as follows:

a. 0 for parent company.
b. Sequentially from 1 for subsidiaries.

Note 2: The flow of transactions is as follows:

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

Note 3: The percentage is calculated as follows:

a. Assets and liabilities: Ending balance divided by total consolidated assets.
b. Income and expenses: The amount for the year ended divided by consolidated net income.

Note 4: The terms of the transactions between the Bank and related parties were similar to those for unrelated parties.

(Concluded)