

**SinoPac Financial Holdings Company
Limited and Subsidiaries**

**Consolidated Financial Statements for the
Six Months Ended June 30, 2018 and 2017 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
SinoPac Financial Holdings Company Limited

Opinion

We have audited the accompanying financial statements of SinoPac Financial Holdings Company Limited and its subsidiaries (collectively referred to as the Group), which comprise the consolidated balance sheets as of June 30, 2018, December 31, 2017 and June 30, 2017, and the related consolidated statements of comprehensive income for the three months ended June 30, 2018 and 2017, six months ended June 30, 2018 and 2017, and changes in equity and cash flows for the six months ended June 30, 2018 and 2017, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of June 30, 2018, December 31, 2017 and June 30, 2017, and its consolidated financial performance for the three months ended June 30, 2018 and 2017, and their consolidated financial performance and cash flows for the six months ended June 30, 2018 and 2017 in conformity with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Issuers, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, the guidelines issued by the authority, and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the six months ended June 30, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements for the six months ended June 30, 2018 are stated as follows:

Estimated Impairment of Loans, Components of Unused Commitment and Receivables

As detailed in Note 5 to the accompanying consolidated financial statements, to assess collectively and the estimated impairment of loans, components of unused commitment and receivables, management makes judgments on assumptions of probability of default and loss given default are based on historical experience, current market situation and forward-looking information. Assessing the evidences which would result in default and credit impairment, whether the credit risk has increased significantly since the original recognition (including the adoption of forward-looking factors) and the methodology and assumptions used for estimating objective evidence of impairment and the amount and timing of future cash flows are critical judgments and estimates; therefore, the provision of the estimated impairment of loans, components of unused commitment and receivables is identified as a key audit matter for the six months ended June 30, 2018.

Refer to Notes 4, 5 and 53 to the accompanying consolidated financial statements for the relevant accounting policies, judgments for estimations, estimate uncertainty and other related disclosures of the estimated impairment of loans, components of unused commitment and receivables.

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

We understood and assessed management's methodology, assumptions and inputs used in the impairment model to verify whether they appropriately reflected the actual outcome. We assessed the rationality and consistency of the probability of default, the estimation of forward-looking factors and loss given default, etc. used in estimating expected future cash flows including the sale of collateral or other credit enhancement and recovery time. We performed sampling on loans, components of unused commitment and receivables to verify their completeness and calculation accuracy. Finally, we considered related guidelines issued by the authorities and examined whether the provision of the impairment for loans, the parts of unused commitment and receivables complied with the related regulation.

Impairment of Goodwill

As detailed in Note 5 to the accompanying consolidated financial statements, in determining the impairment of goodwill, management estimates the future cash flows expected to arise from the cash-generating unit and decides on a discount rate for calculating the present value of these cash flows to evaluate the fair value of the cash-generating units which have been allocated to goodwill. The inputs, assumptions and expected growth rate used for estimating the expected future cash flows and used in the impairment model are critical judgments and estimates; therefore, the impairment of goodwill is identified as a key audit matter for the six months ended June 30, 2018.

Refer to Notes 4, 5 and 22 to the accompanying consolidated financial statements for the relevant accounting policies, judgments for estimations, estimation uncertainty and other related disclosures of the impairment of goodwill.

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

The audit procedures we performed in response to the key audit matter including accessing possibility of impairment. If any impairment indication exists, the recoverable amount of the goodwill is estimated.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Issuers, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, the guidelines issued by the authority, and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the six months ended June 30, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

August 24, 2018

Notice to Readers

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

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

SINOPAC FINANCIAL HOLDINGS COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2018		December 31, 2017		June 30, 2017	
	Amount	%	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS, NET (Notes 4, 6 and 48)	\$ 26,895,906	2	\$ 28,881,355	2	\$ 34,907,734	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS, NET (Notes 4, 7 and 48)	81,325,798	5	95,212,951	6	114,112,235	7
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 3, 4, 8, 17, 48 and 58)	121,671,401	8	132,109,580	8	121,980,108	7
AVAILABLE-FOR-SALE FINANCIAL ASSETS (Notes 4, 9, 16, 17, 48, 49 and 55)	-	-	231,553,240	15	244,043,969	14
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 3, 4, 10 and 48)	238,577,061	15	-	-	-	-
INVESTMENTS IN DEBT INSTRUMENTS MEASURED AT AMORTIZED COST (Notes 3, 4, 11 and 49)	79,439,937	5	-	-	-	-
SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL (Notes 4, 13 and 48)	23,177,579	1	26,716,912	2	10,468,667	1
RECEIVABLES, NET (Notes 4, 5, 14, 48, 49 and 58)	86,547,956	5	81,073,680	5	80,217,792	5
CURRENT TAX ASSETS (Notes 4, 35 and 48)	326,818	-	353,015	-	259,205	-
DISCOUNTS AND LOANS, NET (Notes 4, 5, 15, 48 and 49)	880,440,674	55	869,373,052	54	917,115,761	55
HELD-TO-MATURITY FINANCIAL ASSETS (Notes 4, 16, 49 and 55)	-	-	56,607,945	4	68,871,527	4
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Notes 4, 18 and 58)	444,762	-	400,982	-	401,155	-
OTHER FINANCIAL ASSETS, NET (Notes 4, 19, 48 and 49)	35,395,716	2	34,933,428	2	43,277,507	3
INVESTMENT PROPERTIES, NET (Notes 3, 4, 20, 48 and 49)	2,614,662	-	2,606,685	-	2,622,941	-
PROPERTY AND EQUIPMENT, NET (Notes 4, 21, 48 and 49)	12,611,985	1	12,307,080	1	12,468,313	1
INTANGIBLE ASSETS, NET (Notes 3, 4, 5, 22 and 48)	2,309,664	-	2,334,566	-	3,051,425	-
DEFERRED TAX ASSETS (Notes 3, 4 and 35)	2,340,885	-	2,257,074	-	2,980,131	-
OTHER ASSETS, NET (Notes 4, 23, 48 and 49)	21,257,177	1	22,439,338	1	19,206,870	1
TOTAL	\$ 1,615,377,981	100	\$ 1,599,160,883	100	\$ 1,675,985,340	100
LIABILITIES AND EQUITY						
DEPOSITS FROM THE CENTRAL BANK AND BANKS (Notes 24 and 48)	\$ 53,634,753	3	\$ 29,620,926	2	\$ 36,038,227	2
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 3, 4, 8 and 48)	27,308,959	2	24,036,034	1	20,447,675	1
DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING (Notes 4 and 12)	-	-	-	-	13,540	-
SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE (Notes 4, 8, 9, 10, 11, 13, 25 and 48)	62,209,513	4	66,003,594	4	71,056,714	4
COMMERCIAL PAPER PAYABLES, NET (Notes 26, 48 and 49)	50,364,998	3	44,881,207	3	47,795,638	3
PAYABLES (Notes 27, 32, 44 and 48)	43,551,738	3	40,590,035	2	37,001,178	2
CURRENT TAX LIABILITIES (Notes 4, 35 and 48)	1,029,650	-	1,093,265	-	811,041	-
DEPOSITS AND REMITTANCES (Notes 28 and 48)	1,137,098,764	70	1,148,590,896	72	1,212,168,797	72
BONDS PAYABLE (Notes 29 and 48)	42,680,788	3	42,529,694	3	45,569,763	3
SHORT-TERM BORROWINGS (Notes 30, 48 and 49)	10,003,004	1	8,041,629	-	15,408,191	1
LONG-TERM BORROWINGS (Notes 30, 48 and 49)	3,475,089	-	9,270,968	1	9,641,103	1
LIABILITY COMPONENT OF PREFERRED STOCKS (Notes 4 and 36)	18,437	-	18,437	-	18,437	-
PROVISIONS (Notes 4, 5, 31 and 32)	3,296,321	-	3,121,843	-	3,138,238	-
OTHER FINANCIAL LIABILITIES (Notes 4, 33 and 48)	31,261,169	2	29,734,156	2	32,959,782	2
DEFERRED TAX LIABILITIES (Notes 4 and 35)	1,458,669	-	1,281,032	-	1,469,288	-
OTHER LIABILITIES (Notes 4, 34 and 48)	9,875,138	-	12,087,464	1	8,478,033	1
Total liabilities	1,477,266,990	91	1,460,901,180	91	1,542,015,645	92
EQUITY						
Equity attributable to owners of the parent						
Share capital						
Common shares	110,500,530	7	110,500,530	7	106,763,797	7
Reserve for capitalization	2,210,011	-	-	-	3,736,733	-
Total share capital	112,710,541	7	110,500,530	7	110,500,530	7
Capital surplus	2,228,771	-	2,228,771	-	2,228,771	-
Retained earnings						
Legal reserve	17,008,997	1	16,114,109	1	16,114,109	1
Special reserve	503,729	-	483,818	-	483,818	-
Unappropriated earnings	5,208,870	1	8,948,881	1	4,334,674	-
Total retained earnings	22,721,596	2	25,546,808	2	20,932,601	1
Other equity	446,557	-	(19,910)	-	304,331	-
Total equity attributable to owners of the parent	138,107,465	9	138,256,199	9	133,966,233	8
Non-controlling interests	3,526	-	3,504	-	3,462	-
Total equity	138,110,991	9	138,259,703	9	133,969,695	8
TOTAL	\$ 1,615,377,981	100	\$ 1,599,160,883	100	\$ 1,675,985,340	100

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

SINOPAC FINANCIAL HOLDINGS COMPANY LIMITED AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2018		2017		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%
INTEREST REVENUE	\$ 7,250,988	90	\$ 7,143,080	83	\$ 14,175,888	88	\$ 14,184,229	85
INTEREST EXPENSE	(3,316,076)	(41)	(2,989,559)	(35)	(6,396,465)	(40)	(5,961,360)	(36)
NET INTEREST (Notes 4, 37 and 48)	3,934,912	49	4,153,521	48	7,779,423	48	8,222,869	49
NET REVENUES OTHER THAN INTEREST (Note 4)								
Commission and fee revenues, net (Notes 38 and 48)	2,538,351	31	2,301,825	27	5,459,039	34	4,688,933	28
Gains on financial assets and liabilities at fair value through profit or loss, net (Notes 39 and 48)	397,079	5	1,356,003	16	1,436,445	9	2,813,888	17
Realized gains on available-for-sale financial assets, net (Notes 40 and 48)	-	-	208,049	2	-	-	233,356	1
Realized gains on financial assets at fair value through other comprehensive income (Notes 41 and 48)	78,625	1	-	-	75,258	1	-	-
Foreign exchange gains, net	991,370	12	411,666	5	1,190,493	7	432,294	3
Impairment loss on assets (Notes 5 and 42)	(13,104)	-	(79,980)	(1)	(10,942)	-	(58,465)	-
Share of the gains (losses) of associates (Note 18)	12,199	-	3,060	-	43,302	-	(8,599)	-
Other noninterest net revenues (Notes 43 and 48)	126,650	2	245,554	3	225,533	1	376,969	2
Total net revenues other than interest	4,131,170	51	4,446,177	52	8,419,128	52	8,478,376	51
TOTAL NET REVENUES	8,066,082	100	8,599,698	100	16,198,551	100	16,701,245	100
ALLOWANCE FOR DOUBTFUL ACCOUNTS COMMITMENTS AND GUARANTEES (Notes 4, 5, 6, 7, 14, 15, 19, 23 and 31)	(791,493)	(10)	(1,307,523)	(15)	(745,904)	(5)	(1,615,105)	(10)
OPERATING EXPENSES								
Employee benefits (Notes 32, 44 and 48)	(3,067,083)	(38)	(3,186,411)	(37)	(6,248,719)	(39)	(6,409,292)	(38)
Depreciation and amortization (Note 45)	(242,890)	(3)	(260,607)	(3)	(479,213)	(3)	(548,698)	(3)
Others (Notes 46 and 48)	(1,519,847)	(19)	(1,533,643)	(18)	(2,971,116)	(18)	(2,968,221)	(18)
Total operating expenses	(4,829,820)	(60)	(4,980,661)	(58)	(9,699,048)	(60)	(9,926,211)	(59)
INCOME BEFORE INCOME TAX	2,444,769	30	2,311,514	27	5,753,599	35	5,159,929	31
INCOME TAX EXPENSE (Notes 4 and 35)	(324,603)	(4)	(350,959)	(4)	(994,109)	(6)	(835,525)	(5)
NET INCOME	2,120,166	26	1,960,555	23	4,759,490	29	4,324,404	26

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SINOPAC FINANCIAL HOLDINGS COMPANY LIMITED AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2018		2017		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that may not be reclassified subsequently to profit or loss								
Revaluation gains on investments in equity instruments measured at fair value through other comprehensive income	\$ 93,648	1	\$ -	-	\$ 76,351	1	\$ -	-
Changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss	11,917	-	9,889	-	16,950	-	9,889	-
Income tax relating to items that may not be reclassified subsequently to profit or loss (Notes 4 and 35)	828	-	-	-	6,000	-	-	-
Items that may not be reclassified subsequently to profit or loss	106,393	1	9,889	-	99,301	1	9,889	-
Items that may be reclassified subsequently to profit or loss								
Exchange differences on translating foreign operations	382,201	5	99,701	1	(59,873)	-	(1,674,246)	(10)
Unrealized gain on available-for-sale financial assets	-	-	401,346	5	-	-	859,188	5
Losses from investments in debt instruments measured at fair value through other comprehensive income	(21,405)	-	-	-	(109,002)	(1)	-	-
Share of the other comprehensive income of associates accounted for using the equity method (Note 18)	(5,124)	-	(246)	-	(479)	-	4,826	-
Income tax relating to the components of other comprehensive income (Notes 4 and 35)	(71,686)	(1)	(19,899)	-	32,870	-	272,037	2
Items that may be reclassified subsequently to profit or loss	283,986	4	480,902	6	(136,484)	(1)	(538,195)	(3)
Other comprehensive income (loss) for the period, net of income tax	390,379	5	490,791	6	(37,183)	-	(528,306)	(3)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	\$ 2,510,545	31	\$ 2,451,346	29	\$ 4,722,307	29	\$ 3,796,098	23

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SINOPAC FINANCIAL HOLDINGS COMPANY LIMITED AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2018		2017		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%
NET PROFIT ATTRIBUTABLE TO:								
Owners of the parent	\$ 2,120,199	26	\$ 1,960,329	23	\$ 4,759,468	29	\$ 4,325,336	26
Non-controlling interests	<u>(33)</u>	<u>-</u>	<u>226</u>	<u>-</u>	<u>22</u>	<u>-</u>	<u>(932)</u>	<u>-</u>
	<u>\$ 2,120,166</u>	<u>26</u>	<u>\$ 1,960,555</u>	<u>23</u>	<u>\$ 4,759,490</u>	<u>29</u>	<u>\$ 4,324,404</u>	<u>26</u>
COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owners of the parent	\$ 2,510,578	31	\$ 2,451,120	29	\$ 4,722,285	29	\$ 3,797,030	23
Non-controlling interests	<u>(33)</u>	<u>-</u>	<u>226</u>	<u>-</u>	<u>22</u>	<u>-</u>	<u>(932)</u>	<u>-</u>
	<u>\$ 2,510,545</u>	<u>31</u>	<u>\$ 2,451,346</u>	<u>29</u>	<u>\$ 4,722,307</u>	<u>29</u>	<u>\$ 3,796,098</u>	<u>23</u>
EARNINGS PER SHARE (Note 47)								
Basic	<u>\$ 0.19</u>		<u>\$ 0.17</u>		<u>\$ 0.42</u>		<u>\$ 0.38</u>	
Diluted	<u>\$ 0.19</u>		<u>\$ 0.17</u>		<u>\$ 0.42</u>		<u>\$ 0.38</u>	

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

(Concluded)

SINOPAC FINANCIAL HOLDINGS COMPANY LIMITED AND SUBSIDIARIES

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

	Total Equity Attributable to Owners of Parent								Other Equity (Notes 4 and 36)							
	Share Capital (Note 36)			Capital Surplus (Note 36)	Retained Earnings (Note 36)				Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for- sale Financial Assets	Unrealized Gain (Loss) on Financial Assets Measured at Fair Value through Other Comprehensive Income	Changes in the Fair Value Attributable to Changes in the Credit Risk of Financial Liabilities Designated as at Fair Value through Profit or Loss	Total	Total Equity of the Parent	Non-controlling Interests	Total Equity
	Common Shares	Reserve for Capitalization	Total		Legal Reserve	Special Reserve	Unappropriated Earnings	Total								
BALANCE AT JANUARY 1, 2017	\$ 106,763,797	\$ -	\$ 106,763,797	\$ 2,227,009	\$ 15,289,804	\$ 483,818	\$ 8,243,050	\$ 24,016,672	\$ 585,505	\$ 247,132	\$ -	\$ -	\$ 832,637	\$ 133,840,115	\$ 57,838	\$ 133,897,953
Other changes in capital surplus	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in associates accounted for using the equity method	-	-	-	1,762	-	-	-	-	-	-	-	-	-	1,762	-	1,762
Appropriation and distribution of retained earnings generated in 2016	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	824,305	-	(824,305)	-	-	-	-	-	-	-	-	-
Cash dividends - common share	-	-	-	-	-	-	(3,672,674)	(3,672,674)	-	-	-	-	-	(3,672,674)	-	(3,672,674)
Stock dividends - common share	-	3,736,733	3,736,733	-	-	-	(3,736,733)	(3,736,733)	-	-	-	-	-	-	-	-
Net profit for the six months ended June 30, 2017	-	-	-	-	-	-	4,325,336	4,325,336	-	-	-	-	-	4,325,336	(932)	4,324,404
Other comprehensive income for the six months ended June 30, 2017, net of income tax	-	-	-	-	-	-	-	-	(1,391,680)	853,485	-	9,889	(528,306)	(528,306)	-	(528,306)
Total comprehensive income for the six months ended June 30, 2017	-	-	-	-	-	-	4,325,336	4,325,336	(1,391,680)	853,485	-	9,889	(528,306)	3,797,030	(932)	3,796,098
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(53,444)	(53,444)
BALANCE AT JUNE 30, 2017	\$ 106,763,797	\$ 3,736,733	\$ 110,500,530	\$ 2,228,771	\$ 16,114,109	\$ 483,818	\$ 4,334,674	\$ 20,932,601	\$ (806,175)	\$ 1,100,617	\$ -	\$ 9,889	\$ 304,331	\$ 133,966,233	\$ 3,462	\$ 133,969,695
BALANCE AT JANUARY 1, 2018	\$ 110,500,530	\$ -	\$ 110,500,530	\$ 2,228,771	\$ 16,114,109	\$ 483,818	\$ 8,948,881	\$ 25,546,808	\$ (683,250)	\$ 683,510	\$ -	\$ (20,170)	\$ (19,910)	\$ 138,256,199	\$ 3,504	\$ 138,259,703
Effect of retrospective application and retrospective restatement	-	-	-	-	-	-	126,702	126,702	-	(683,510)	1,210,815	-	527,305	654,007	-	654,007
BALANCE AT JANUARY 1, 2018 AS RESTATED	110,500,530	-	110,500,530	2,228,771	16,114,109	483,818	9,075,583	25,673,510	(683,250)	-	1,210,815	(20,170)	507,395	138,910,206	3,504	138,913,710
Appropriation and distribution of retained earnings generated in 2017	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	894,888	-	(894,888)	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	19,911	(19,911)	-	-	-	-	-	-	-	-	-
Cash dividends - common share	-	-	-	-	-	-	(5,525,026)	(5,525,026)	-	-	-	-	-	(5,525,026)	-	(5,525,026)
Stock dividends - common share	-	2,210,011	2,210,011	-	-	-	(2,210,011)	(2,210,011)	-	-	-	-	-	-	-	-
Net profit for the six months ended June 30, 2018	-	-	-	-	-	-	4,759,468	4,759,468	-	-	-	-	-	4,759,468	22	4,759,490
Other comprehensive income for the six months ended June 30, 2018, net of income tax	-	-	-	-	-	-	13,680	13,680	(23,009)	-	(44,804)	16,950	(50,863)	(37,183)	-	(37,183)
Total comprehensive income for the six months ended June 30, 2018	-	-	-	-	-	-	4,773,148	4,773,148	(23,009)	-	(44,804)	16,950	(50,863)	4,722,285	22	4,722,307
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	9,975	9,975	-	-	(9,975)	-	(9,975)	-	-	-
BALANCE AT JUNE 30, 2018	\$ 110,500,530	\$ 2,210,011	\$ 112,710,541	\$ 2,228,771	\$ 17,008,997	\$ 503,729	\$ 5,208,870	\$ 22,721,596	\$ (706,259)	\$ -	\$ 1,156,036	\$ (3,220)	\$ 446,557	\$ 138,107,465	\$ 3,526	\$ 138,110,991

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

SINOPAC FINANCIAL HOLDINGS COMPANY LIMITED AND SUBSIDIARIES

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

	For the Six Months Ended June 30	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 5,753,599	\$ 5,159,929
Adjustments to reconcile profit		
Depreciation expenses	343,576	350,368
Amortization expenses	135,637	198,330
Allowance for doubtful accounts	1,091,973	1,994,670
Interest expenses	6,396,465	5,961,360
Interest revenues	(14,175,888)	(14,184,229)
Dividend revenues	(139,352)	(132,523)
Net change in provisions for guarantee liabilities	11,845	1,630
Net change in other provisions	(62,073)	(1,654)
Share of the (gain) loss of associates	(43,302)	8,599
Losses (gains) on disposal and retirement of property and equipment	748	(24,128)
Expense through the transfer of property and equipment	-	158
Gains on disposal of investments	-	(227,336)
Impairment loss on financial assets	10,942	58,465
Changes in operating assets and liabilities		
(Increase) decrease in due from the Central Bank and call loans to other banks	(2,788,356)	13,829,174
Decrease (increase) in financial assets at fair value through profit or loss	12,485,937	(4,790,215)
Increase in financial assets at fair value through other comprehensive income	(29,097,483)	-
Decrease in investments in debt instruments measured at amortized cost	2,664,650	-
Decrease (increase) in securities purchased under resell agreements	306,957	(137,766)
Increase in receivables	(4,957,252)	(6,006,131)
Increase in discounts and loans	(11,499,276)	(23,044,797)
(Increase) decrease in other financial assets	(5,424,475)	330,834
Decrease (increase) in other assets	1,178,215	(2,351,548)
Increase in deposits from the Central Bank and banks	24,013,827	6,183,576
Increase (decrease) in financial liabilities at fair value through profit or loss	3,289,875	(6,344,176)
(Decrease) increase in securities sold under repurchase agreements	(3,794,081)	25,369,820
Decrease in payables	(3,611,371)	(1,634,469)
Decrease in deposits and remittances	(11,492,132)	(35,812,711)
Decrease in provisions for employee benefits	(83,801)	(76,791)
Increase in other financial liabilities	1,527,013	2,814,397
(Decrease) increase in other liabilities	(2,212,326)	815,694
Net cash used in operations	(30,169,909)	(31,691,470)
Interest received	14,047,941	14,650,544
Dividend received	83,100	91,597

(Continued)

SINOPAC FINANCIAL HOLDINGS COMPANY LIMITED AND SUBSIDIARIES

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

	For the Six Months Ended June 30	
	2018	2017
Interest paid	\$ (6,023,360)	\$ (5,727,752)
Income tax paid	<u>(875,569)</u>	<u>(496,594)</u>
Net cash used in operating activities	<u>(22,937,797)</u>	<u>(23,173,675)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	-	(980,582,607)
Proceeds from disposal of available-for-sale financial assets	-	976,140,898
Acquisition of non-active market debt instruments	-	(1,351,215)
Proceeds from repayments of non-active market debt instruments	-	2,725,718
Acquisition of held-to-maturity financial assets	-	(6,371,482)
Proceeds from repayments of held-to-maturity financial assets	-	15,233,658
Acquisition of unquoted equity instruments	-	(60,620)
Proceeds from disposal of unquoted equity instruments	-	94
Proceeds of the capital reduction of unquoted equity instruments	-	15,448
Acquisition of property and equipment	(715,187)	(278,879)
Proceeds from disposal of property and equipment	15,782	31,738
Acquisition of intangible assets	(64,358)	(53,393)
Acquisition of investment properties	<u>(653)</u>	<u>(4,210)</u>
Net cash (used in) generated from investing activities	<u>(764,416)</u>	<u>5,445,148</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	1,851,534	1,255,346
Increase in commercial paper payable	5,483,791	975,807
Bank debentures issued	1,150,000	5,990,000
Repayment of bank debentures on maturity	(1,000,000)	(2,200,000)
Proceeds from long-term borrowings	11,238,854	36,589,088
Repayments of long-term borrowings	(16,938,642)	(38,294,252)
Change in non-controlling interests	<u>-</u>	<u>(53,444)</u>
Net cash generated from financing activities	<u>1,785,537</u>	<u>4,262,545</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>17,661</u>	<u>(642,840)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(21,899,015)	(14,108,822)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>118,170,657</u>	<u>136,528,442</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 96,271,642</u>	<u>\$ 122,419,620</u>

(Continued)

SINOPAC FINANCIAL HOLDINGS COMPANY LIMITED AND SUBSIDIARIES

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

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets as of June 30, 2018 and 2017:

	<u>June 30</u>	
	<u>2018</u>	<u>2017</u>
Cash and cash equivalents in consolidated balance sheets	\$ 26,895,906	\$ 34,907,734
Due from the Central Bank and call loans to other banks reclassified as cash and cash equivalents under IAS 7 “Statement of Cash Flows”	46,845,810	77,930,640
Securities purchased under agreements to resell reclassified as cash and cash equivalents under IAS 7 “Statement of Cash Flows”	<u>22,529,926</u>	<u>9,581,246</u>
Cash and cash equivalents in consolidated statements of cash flows	<u>\$ 96,271,642</u>	<u>\$ 122,419,620</u>

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

(Concluded)

SINOPAC FINANCIAL HOLDINGS COMPANY LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

- May 9, 2002 Following its incorporation, SinoPac Financial Holdings Co., Ltd. (the Company or SPH) issued shares to swap with the shares of Bank SinoPac (BSP), National Securities Corporation (NSC), and SinoPac Securities Corporation (SPS), resulting in all three companies becoming wholly owned subsidiaries of SPH.
- December 26, 2005 The International Bank of Taipei became a wholly owned subsidiary of SPH through a share swap made in accordance with the Financial Holding Company Act. The share swap ratio was 1.3646 (with 1 representing the SPH's share). The trading of IBT's shares on the Taiwan Stock Exchange then ceased.
- June 2006 SPH convened a shareholders' meeting to reach the decision of changing SPH's Chinese name, and completed the registration on July 2006.

SPH invests and manages financial institutions.

The consolidated financial statements of the Company and its subsidiaries (collectively referred to as the Group) are presented in the New Taiwan dollar, the Company's functional currency.

The information on consolidated entities is shown in Note 4.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors on August 24, 2018.

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

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Issuers, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively referred to as IFRSs) endorsed and issued into effect by the Financial Supervisory Commission (FSC) and amendments that apply to IFRS 9 in advance

Except for the following, the initial application of the amendments to the Regulations and the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Group's accounting policies:

IFRS 9 "Financial Instruments" and related amendment

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

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

Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as at January 1, 2018, the Group has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods. The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Group's financial assets as at January 1, 2018.

Financial Assets	IAS 39		IFRS 9	
	Measurement Category	Carrying Amount	Measurement Category	Carrying Amount
Financial assets at FVTPL	Fair value through profit or loss	\$ 132,109,580	Fair value through profit or loss	\$ 132,109,580
Receivables	Amortized cost	81,073,680	Amortized cost	80,825,935
Discounts and loans	Amortized cost	869,373,052	Amortized cost	869,366,915
Available-for-sale financial assets	Fair value through other comprehensive income	231,553,240	Fair value through profit or loss	1,176,331
			Fair value through other comprehensive income	206,242,341
			Amortized cost	24,097,487
Held-to-maturity financial assets	Amortized cost	56,607,945	Amortized cost	56,644,369
Other financial assets				
Unquoted equity instruments	Measured at cost	1,984,088	Fair value through profit or loss	871,427
			Fair value through other comprehensive income	2,345,830
Debt instruments without active market	Amortized cost	2,282,825	Fair value through other comprehensive income	915,312
			Amortized cost	1,361,138
Others	Amortized cost	28,494,227	Amortized cost	28,460,488

	Carrying Amount as of January 1, 2018 (IAS 39)	Reclassifications	Remeasurements	Carrying Amount as of January 1, 2018 (IFRS 9)	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
Financial Assets at FVTPL	\$ 132,109,580	\$ -	\$ -	\$ 132,109,580	\$ -	\$ -	
Add: From available-for-sale (IAS 39)	-	1,176,331	-	1,176,331	676,410	(676,410)	Note 1
Add: From unquoted equity instruments (IAS 39)	-	909,650	(38,223)	871,427	(36,642)	-	Note 2
Total change in financial assets at FVTPL	<u>\$ 132,109,580</u>	<u>\$ 2,085,981</u>	<u>\$ (38,223)</u>	<u>\$ 134,157,338</u>	<u>\$ 639,768</u>	<u>\$ (676,410)</u>	
FVTOCI	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Debt instruments							
Add: From available-for-sale (IAS 39)	-	202,885,156	-	202,885,156	(30,997)	30,997	Note 3
Add: From amortized cost - debt investments without active market (IAS 39)	-	915,613	(301)	915,312	(273)	(28)	Note 4
Equity instruments							
Add: From available-for-sale (IAS 39)	-	3,357,185	-	3,357,185	-	-	
Add: From unquoted equity instruments (IAS 39)	-	1,074,438	1,271,392	2,345,830	67,628	1,166,289	Note 5
Total change in financial assets at FVTOCI	<u>\$ -</u>	<u>\$ 208,232,392</u>	<u>\$ 1,271,091</u>	<u>\$ 209,503,483</u>	<u>\$ 36,358</u>	<u>\$ 1,197,258</u>	
Amortized cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Add: From available-for-sale (IAS 39)	-	24,134,568	(37,081)	24,097,487	(6,913)	(30,168)	Note 6
Add: From amortized cost - held-to-maturity (IAS 39)	-	56,607,945	36,424	56,644,369	(201)	36,625	Note 7
Add: From amortized cost - debt investments without active market (IAS 39)	-	1,367,212	(6,074)	1,361,138	(5,041)	-	Note 8
Total change in financial assets at amortized cost	<u>\$ -</u>	<u>\$ 82,109,725</u>	<u>\$ (6,731)</u>	<u>\$ 82,102,994</u>	<u>\$ (12,155)</u>	<u>\$ 6,457</u>	
Receivables	<u>\$ 81,073,680</u>	<u>\$ -</u>	<u>\$ (247,745)</u>	<u>\$ 80,825,935</u>	<u>\$ (203,978)</u>	<u>\$ -</u>	Note 9
Discounts and loans	<u>\$ 869,373,052</u>	<u>\$ -</u>	<u>\$ (6,137)</u>	<u>\$ 869,366,915</u>	<u>\$ (5,093)</u>	<u>\$ -</u>	Note 9
Others	\$ 32,761,140	\$ -	\$ (33,739)	\$ 32,727,401	\$ (21,610)	\$ -	Note 9
Less: To debt instruments measured at amortized cost (IFRS 9)	-	(1,367,212)	-	(1,367,212)	-	-	
Less: To equity instruments at fair value through profit or loss (IFRS 9)	-	(909,650)	-	(909,650)	-	-	
Less: To debt instruments at fair value through other comprehensive income (IFRS 9)	-	(915,613)	-	(915,613)	-	-	
Less: To equity instruments at fair value through other comprehensive income (IFRS 9)	-	(1,074,438)	-	(1,074,438)	-	-	
Total change in others	<u>\$ 32,761,140</u>	<u>\$ (4,266,913)</u>	<u>\$ (33,739)</u>	<u>\$ 28,460,488</u>	<u>\$ (21,610)</u>	<u>\$ -</u>	

Note 1: Mutual funds previously classified as available-for-sale under IAS 39 were classified mandatorily as at FVTPL under IFRS 9, because the contractual cash flows are not solely payments of principal and interest on the principal outstanding and they are not equity instruments. In addition, equity instruments previously classified as available-for-sale were classified as FVTPL. The retrospective adjustment resulted in a decrease of \$676,410 in other equity - unrealized gain (loss) on available-for-sale financial assets and an increase of \$676,410 in retained earnings on January 1, 2018.

Note 2: Stocks previously classified as unquoted equity instruments under IAS 39 were classified mandatorily as at FVTPL under IFRS 9, because the contractual cash flows are not solely payments of principal and interest on the principal outstanding. The resulting adjustment is a decrease in retained earnings of \$36,642 and an increase of \$1,581 in deferred tax assets on January 1, 2018.

- Note 3: Debt investments previously classified as available-for-sale under IAS 39 were classified as at fair value through other comprehensive income with an assessment of expected credit losses under IFRS 9, because on January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows and available for sale. The resulting adjustment is a decrease in retained earnings of \$30,997 and an increase of \$30,997 in other equity - unrealized gain (loss) on financial assets at FVTOCI on January 1, 2018.
- Note 4: Debt investments previously classified as debt investments with no active market and measured at amortized cost under IAS 39 were classified as FVTOCI with an assessment of expected credit losses under IFRS 9, because on January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows and available for sale. The resulting adjustment is a decrease in retained earnings of \$273 and a decrease of \$28 in other equity - unrealized gain (loss) on financial assets at FVTOCI on January 1, 2018.
- Note 5: The Group recognized under IAS 39 impairment loss on certain investments in equity securities previously measured at cost and the loss was accumulated in retained earnings. Since those investments were designated as at FVTOCI under IFRS 9 and no impairment assessment is required, an adjustment was made that resulted in an increase of \$1,166,289 in other equity - unrealized gain (loss) on financial assets at FVTOCI, an increase of \$67,628 in retained earnings and an increase of \$37,475 in deferred tax liabilities on January 1, 2018.
- Note 6: Investments in bank debentures and corporate bonds previously classified as available-for-sale under IAS 39 were classified as measured at amortized cost and assessed for expected credit losses under IFRS 9, because on January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows. The resulting adjustment is a decrease in retained earnings of \$6,913 and a decrease of \$30,168 in other equity - unrealized gain (loss) on available-for-sale financial assets on January 1, 2018.
- Note 7: Debt investments previously classified as held-to-maturity financial assets and measured at amortized cost under IAS 39 were classified as measured at amortized cost and assessed for expected credit losses under IFRS 9, because on January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows. The resulting adjustment is an increase in loss allowance of \$201 and a decrease of \$201 in retained earnings on January 1, 2018.

Bank SinoPac reclassified available-for-sale financial assets into held-to-maturity financial assets on September 25, 2013 (Note 55). The carrying value of these financial assets after reclassification are the fair value of the reclassification day and recalculate the effective interest rate by residual period to amortize premium and discount. Unrealized gain or loss of available-for sale cumulated in other equity before reclassification are amortized as gain or loss by the above recalculated effective interest rate on January 1, 2018. These remaining financial assets are classified as measured at amortized cost under IAS 39 and the carrying amount should be measured at amortized cost by original effective interest rate. Therefore, the difference between the above amortized cost and the amortized cost after IAS 39 reclassification was adjusted an increase of \$36,625 in other equity - unrealized gain (loss) on financial assets at FVTOCI.

- Note 8: Debt investments previously classified as debt investments with no active market and measured at amortized cost under IAS 39 were classified as measured at amortized cost with an assessment of expected credit losses under IFRS 9, because on January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows. The resulting adjustment is an increase in loss allowance of \$6,074, a decrease in retained earnings of \$5,041 and an increase of \$1,033 in deferred tax assets on January 1, 2018.
- Note 9: Receivables, discounts and loans and other financial assets-others that were previously classified as loans and receivables under IAS 39 were classified as measured at amortized cost with an assessment of expected credit losses under IFRS 9. The adjustments comprised an increase in the loss allowance of \$247,745, an increase in deferred tax assets of \$40,120, a decrease in deferred tax liabilities of \$3,647 and a decrease in retained earnings of \$203,978 on January 1, 2018. Comprising an increase of \$6,137 in allowance for credit loss of discounts and loans, a decrease of \$1,044 in deferred tax liabilities, and a decrease in retained earnings of \$5,093 on January 1, 2018. And comprising an increase of \$33,739 in allowance for credit loss of other financial assets-others, an increase of \$11,426 in deferred tax assets, a decrease of \$703 in deferred tax liabilities and a decrease in retained earnings of \$21,610 on January 1, 2018.
- b. Regulations Governing the Preparation of Financial Reports by Securities Issuers, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, and IFRSs endorsed by the FSC for application starting from 2019

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

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

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

IFRS 16 “Leases”

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

Definition of a lease

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

The Group as lessee

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

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

For leases classified as operating leases 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 their carrying amount as if IFRS 16 had been applied since the commencement date, but discounted using the aforementioned incremental borrowing rate. Except for the following practical expedients (b) which are to be applied, the Group will apply IAS 36 to all right-of-use assets.

The Group expects to apply the following practical expedients:

- a) The Group will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- b) The Group will adjust the right-of-use assets on January 1, 2019 by the amount of any provisions for onerous leases recognized as of December 31, 2018 rather than assess the impairment in accordance with IAS 36.
- c) The Group will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- d) The Group will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- e) The Group will use hindsight, such as in determining lease terms, to measure lease liabilities.

For leases currently classified as finance leases under IAS 17, the carrying amount of right-of-use assets and lease liabilities on January 1, 2019 will be determined as the carrying amount of the leased assets and finance lease payables as of December 31, 2018.

The Group as lessor

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value, net defined benefit liability which present value of defined benefit obligation deduct fair value of plan assets and properties and equipment that are chosen the deemed cost as exemptions by IFRS 1 through the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Issuers, Regulations Governing the Preparation of Financial Reports by Securities Firms and Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants on the IFRS transition date. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- c. Level 3 inputs are unobservable inputs for the asset or liability.

Classification of Current and Non-current Assets and Liabilities

Since the operating cycle in the finance industry cannot be reasonably identified, the accounts included in the Group's consolidated financial statements were not classified as current or noncurrent. Nevertheless, accounts were properly categorized in accordance with the nature of each account and sequenced by their liquidity. Please refer to Note 53 for the maturity analysis of assets and liabilities.

Principles for Preparing Consolidated Financial Statements

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

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

All intragroup transactions, balances, income and expenses are eliminated in full upon consolidation. Related information is shown in Table 12.

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

The consolidated entities were as follows:

Investor	Investee	Main Business	% of Ownership			Note	
			December 31, June 30, 2018	2017	June 30, 2017		
SinoPac Financial Holdings Company Limited	Bank SinoPac	Commercial bank, trust and foreign exchange services	100	100	100		
	SinoPac Securities Corporation ("SinoPac Securities")	Securities brokering, dealing and underwriting	100	100	100		
	SinoPac Venture Capital Co., Ltd. ("SinoPac Venture Capital")	Venture capital investment	100	100	100		
	SinoPac Management Co., Ltd ("SinoPac Management")	Completed liquidation	-	-	100	Note 1	
	SinoPac Call Center Co., Ltd. ("SinoPac Call Center")	Data processing, client service and client relationship management	100	100	100		
	SinoPac Securities Investment Trust Corporation ("SinoPac Securities Investment Trust")	Securities investment trust, discretionary investment and investment consulting services	100	100	100		
	SinoPac Leasing Corporation ("SinoPac Leasing")	Leasing and installment sales	100	100	100		
Bank SinoPac	SinoPac Bancorp	Sold	-	-	100	Note 2	
	SinoPac Capital Limited (H.K.) ("SinoPac Capital (H.K.)")	Credit and investment service	100	100	100	Note 3	
	SinoPac Life Insurance Agent Co., Ltd. ("SinoPac Life Insurance Agent")	Life insurance agent	100	100	100	Note 4	
	SinoPac Property Insurance Agent Co., Ltd. ("SinoPac Property Insurance Agent")	Property insurance agent	100	100	100	Note 4	
	Bank SinoPac (China) Ltd. ("Bank SinoPac (China)")	Commercial bank	100	100	100		
	SinoPac Insurance Brokers Ltd. ("SinoPac Insurance Brokers")	Insurance brokerage business	100	100	100	Note 3	
	SinoPac Bancorp	Far East National Bank	Sold	-	-	100	Note 2
SinoPac Capital (H.K.)	SinoPac Capital (B.V.I.) Ltd.	Financial advisory	100	100	100	Note 3	
	SinoPac Capital (B.V.I.) Ltd.	RSP Information Service Company Limited	100	100	100	Note 3	
SinoPac Securities	SinoPac Futures Corporation ("SinoPac Futures")	Future contract brokering and dealing and consulting business	100	100	100		
	SinoPac Securities Investment Service Corporation ("SinoPac Securities Investment Service")	Investment consulting and discretionary investment business	100	100	100		
	SinoPac Securities (Cayman) Holdings Ltd. ("SinoPac Securities (Cayman)")	Holding company	100	100	100		
	SinoPac Financial Consulting (Shanghai) Ltd. ("SinoPac Financial Consulting (Shanghai)")	Corporation management, investment and business information consulting	100	100	100		
	SinoPac Securities (Cayman)	SinoPac Securities (Europe) Ltd. ("SinoPac Securities (Europe)")	European stock agent business	100	100	100	
		SinoPac Asset Management (Asia) Ltd. ("SinoPac Asset Management (Asia)")	Asset management and investment consulting	100	100	100	
		SinoPac Securities (Asia) Ltd. ("SinoPac Securities (Asia)")	Hong Kong stock and future contract brokerage and dealing business	100	100	100	Notes 5 and 9
SinoPac Asia Ltd. ("SinoPac Asia")		Completed liquidation	-	100	100	Note 6	
SinoPac International Holdings Limited ("SinoPac International Holdings")	Investment Holdings	100	100	100	Note 10		

(Continued)

Investor	Investee	Main Business	% of Ownership			Note
			June 30, 2018	December 31, 2017	June 30, 2017	
SinoPac Securities (Asia)	SinoPac (Asia) Nominees Ltd. ("SinoPac (Asia) Nominees")	Nominee trust account for overseas stock holdings	100	100	100	
	SinoPac Capital (Asia) Ltd. ("SinoPac Capital (Asia)")	Securities dealing	100	100	100	
	SinoPac Solutions and Services Ltd. ("SinoPac Solutions and Services")	Fund management	100	100	100	
SinoPac International Holdings	SinoPac Bullion (Brokers) Limited ("SinoPac Bullion (Brokers)")	In liquidation	100	100	100	Note 7
	SinoPac Financial Service (Brokers) Limited ("SinoPac Financial Service (Brokers)")	In liquidation	100	100	100	Note 7
	SinoPac Service (Brokers) Limited ("SinoPac Service (Brokers)")	The management service	100	100	100	Note 7
	ICEA Capital Limited ("ICEA Capital")	Completed liquidation	-	100	100	Note 8
SinoPac Leasing	Grand Capital International Limited	Leasing and installment sales	100	100	100	
	SinoPac International Leasing Corp. ("SinoPac International Leasing")	Financing and leasing	100	100	100	
	SinoPac Leasing (Tianjin) Limited ("SinoPac Leasing (Tianjin)")	Financing, leasing, factoring and trade financing	100	100	100	
SinoPac Venture Capital	SinoPlus Venture Capital Corp. ("SinoPlus Venture Capital")	Venture capital investment	70	70	70	Note 11

(Concluded)

Note 1: The board of directors of SinoPac Management Co., Ltd. resolved to dissolve SinoPac Management Co., Ltd. in July 2013, and the liquidation was completed on December 20, 2017.

Note 2: The board of directors of Bank SinoPac approved to sell 100% equity of SinoPac Bancorp on July 8, 2016. The case was approved by the FSC on July 6, 2017, and the settlement was completed on July 14, 2017 (US time). For relevant information please refer to Note 58.

Note 3: To adjust the investment structure of the Group, the board of directors of Bank SinoPac approved the purchase of 100% shares of SinoPac Insurance Brokers Ltd., a subsidiary of SinoPac Capital Limited (H.K.). The board of Bank SinoPac also used the book value of SinoPac Insurance Brokers Ltd. before the day of the transferred price. The board of Bank SinoPac also resolved to transfer 100% shares of RSP Information Service Company Limited, a subsidiary of SinoPac Capital (B.V.I.) Ltd., to SinoPac Venture Capital Co., Ltd. Upon completion of the transfer, SinoPac Capital (B.V.I.) Ltd. will be under the liquidation process. The Bank obtained 100% equity of SinoPac Insurance Broker Ltd., on November 1, 2017.

Note 4: Under legal permission, a bank may also operate within the insurance industry. The board of directors of the Bank SinoPac has planned to apply for the qualification to operate as an insurance agency and for the rights to merge, through 100% shareholdings, SinoPac Life Insurance Agent and SinoPac Property Insurance Agent, which are both subsidiaries of Bank SinoPac. After the merger, Bank SinoPac will be the surviving company, and the two subsidiaries will be liquidated, and hence Bank SinoPac can achieve the integration of resources, reduced operating costs and improved operational efficiency. However, the case will be executed after approval by the authorities.

Note 5: To improve the operating efficiency of the Hong Kong subsidiary, the board of directors of SinoPac Securities resolved in December 2016 to merge its subsidiaries Tung Shing Securities (Brokers) Limited and Tung Shing Futures (Brokers) Limited, which are wholly owned subsidiaries of SinoPac Securities (Asia) Ltd. The merger case was approved by the FSC under letter No. 1050053605 in January 2017. After the merger, SinoPac Securities (Asia) Ltd. is the surviving company and the two merged subsidiaries were liquidated. The liquidation date was February 13, 2017.

Note 6: The board of directors of SinoPac Asia Ltd. resolved in August 2017 to liquidate the Company, and was approved by the FSC under letter No. 1060037175 in October 2017, and repaid its capital to shareholders and completed liquidation in March 2018.

- Note 7: Tung Shing Bullion (Brokers) Limited, Tung Shing Financial Service (Brokers) Limited and Tung Shing Service (Brokers) Limited changed their names to SinoPac Bullion (Brokers) Limited, SinoPac Financial Service (Brokers) Limited and SinoPac Service (Brokers) Limited. The above changes were resolved by the board of SinoPac Securities Corporation in December 2016 and were approved by the FSC under letter No. 1050053605 in January 2017. The board resolved the liquidation of SinoPac Bullion (Brokers) Limited and SinoPac Service (Brokers) Limited in March 2017 and was approved by the FSC under letter No. 1060012731 in April 2017. SinoPac Financial Service (Brokers) Limited has returned shares in June 2018. As of the date these financial statements were authorized for issue, the liquidation is still in process.
- Note 8: The board of directors of ICEA Capital Limited resolved to liquidate the Company in March 2016, and was approved by the FSC under letter, No. 1050015503 in April 2016. Share capital of ICEA Capital Limited has been repaid to SinoPac International Holdings Limited in September 2017 and liquidation was completed in January 2018.
- Note 9: To improve financial structure and capital efficiency, the board of directors of SinoPac Securities (Asia) passed the resolution to reduce capital and cover accumulated deficits of HK\$181,740 (capital reduction rate 18%). After the capital reduction, the paid in capital held by the SinoPac Securities (Asia) was HK\$821,060 and the registration was completed in December 2017. The capital reductions was approved by the FSC under letter No. 1060040172 in October 2017.
- Note 10: To improve capital efficiency, the board of directors of SinoPac International Holdings passed the resolution to reduce capital in order to offset accumulated deficit of HK\$139,392 thousand (capital reduction rate 90%). After the capital reduction, the paid in capital held by SinoPac International Holdings was HK\$15,488 thousand and the registration was completed in December 2017. The capital reductions was approved by the FSC under letter No. 1060040172 in October 2017.
- Note 11: For efficiency of capital and allocation of resources, the board resolved the capital reduction of SinoPlus Venture Capital Corp on June 1, 2017. The total amount of reduction was \$180,000 to cover accumulated deficit of \$1,856 and return of capital of \$178,144. After the capital reduction, the paid in capital held by the Group was \$20,000 with 70% equity.

Other Significant Accounting Policies

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

a. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

2018

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

i. Financial asset at FVTPL

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

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 52.

ii. Financial assets at amortized cost

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

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, receivables and discount and loans, are measured at amortized cost, which equals to gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

- i) Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset; and
- ii) Financial asset that has subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset.

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

iii. Investments in debt instruments at FVTOCI

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

- i) The financial asset is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of the financial assets; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

iv Investments in equity instruments at FVTOCI

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

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

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

2017

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

i. Financial assets at fair value through profit or loss

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

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

- i) The designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise without this designation; or
- ii) The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and has performance evaluated on a fair value basis in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

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

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on the financial asset. Fair value is determined in the manner described in Note 52.

- ii. Available-for-sale financial assets

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

Fair value is determined in the manner described in Note 52.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amounts of available-for-sale monetary financial assets pertaining to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss that previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

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

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

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

- iii. Held-to-maturity investments

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

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

iv. Loans and receivables

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

b) Impairment of financial assets

2018

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

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

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

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

Under the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Nonaccrual Loans” (the Regulations), Bank SinoPac evaluates credit losses on the basis of the estimated collectability. In accordance with the Regulations, credit assets are classified as normal assets, assets that require special mentioned, assets with substandard, assets with doubtful collectability, and assets on which there is loss. The Group evaluates value of collaterals of specified loans and assesses recover abilities of nonperforming loans. These will be written off after approved by the board of directors when evaluated as unrecoverable.

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

For enhanced risk management by banks, FSC issued Official Letter No. 10300329440, which requires domestic banks to allocate an allowance of at least 1.5% of repair loans and construction loans before 2016 yearend. In addition, under FSC Official Letter No. 10410001840, Category 1 credits granted to enterprises in the China region should be covered by an allowance of at least 1.5% of the balance of these credits.

SinoPac (China) conforms to the “Guidelines for the Provision of Bank Loan Loss” for the special provisions, issued by the People's Bank of China. For the special-mentioned loan, substandard loans, doubtful loans and loss loans, respectively, 2% of the loan balance, 20% to 30%, 40% to 60%, and 100% special preparation. According to “Administrative Measures for the Loan Loss Reserves of Commercial Banks” issued by China Banking Regulatory Commission, SinoPac (China) has to meet higher of two regulatory standards of loan loss reserves of commercial banks, which are 2.5 percent of loan provisioning ratio base standard and 150 percent of nonperforming loan ratio base standard.

2017

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

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

Loans and receivables are assessed for impairment at the end of each reporting period and considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the foregoing discounts and loans, receivables, and other financial assets, the estimated future cash flows of the asset have been affected. Objective evidence of impairment could include:

- i. Significant financial difficulty of the debtor;
- ii. The foregoing discounts and loans, receivables, and other financial assets becoming overdue;
or
- iii. Probability that the debtor will enter into bankruptcy or undergo financial reorganization.

Discounts and loans, receivables, and other financial assets that are assessed as not impaired individually are further assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of discounts and loans, receivables, and other financial assets could include the Group's past experience collecting payments and an increase in the number of delayed payments, as well as observable changes in national or local economic conditions that correlate with defaults on loans and receivables.

The amount of the impairment loss recognized is the difference between the asset carrying amount and the present value of estimated future cash flows, after taking into account the related collaterals and guarantees, discounted at the original effective interest rates. The carrying amount of the discounts and loans, receivables, and other financial assets is reduced through the use of an allowance account.

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

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

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

The People's Bank of China issued the "Guidelines for the Provision of Bank Loan Loss" for the special provisions. For the special-mentioned loan, substandard loans, doubtful loans and loss loans, respectively, 2% of the loan balance, 20% to 30%, 40% to 60%, and 100% special preparation. According to "Administrative Measures for the Loan Loss Reserves of Commercial Banks" issued by China Banking Regulatory Commission, SinoPac (China) has to meet higher of two regulatory standards of loan loss reserves of commercial banks, which are 2.5 percent of loan provisioning ratio base standard and 150 percent of nonperforming loan ratio base standard.

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

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

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

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

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

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

Before 2017, the difference between the carrying amount and consideration of the transaction plus any accumulated gain or loss recognized in other comprehensive income would be recognized in profit or loss. As of 2018, on derecognition of a financial assets amortized at cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of a debt instruments at FVTOCI in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss. On derecognition of a equity instruments at FVTOCI in its entirety, cumulative gain or loss transferred directly to retained earnings instead of reclassifying as profit or loss.

2) Financial liabilities and equity instruments

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

Repurchase of the Company's own equity instruments is recognized in and deducted directly from 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.

For the issuance of convertible preferred stock, the Company first determines the carrying amount of the liability component by measuring the fair value of a similar liability that does not have an associated equity component, then determines the carrying amount of the equity component, representing the equity conversion option, by deducting the fair value of the liability component from the fair value of the convertible preferred shares as a whole. The liability component (excluding embedded derivatives) is measured at amortized cost using the effective interest method. Upon preferred stock conversion, the Company uses the aggregate carrying amount of the liability and equity components of the convertible preferred shares at the time of conversion as a basis for recording the common shares issued.

a) Subsequent measurement

Except the following situation, all financial liabilities are measured at amortized cost using the effective interest method:

i. Financial liabilities at FVTPL

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

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest or dividend paid on the financial liability. Fair value is determined in the manner described in Note 52.

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

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

- ii) The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and has performance evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- iii) The contract contains one or more embedded derivatives so that the entire combined contract (asset or liability) can be designated as at FVTPL.

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

ii. Financial guarantee contracts

2018

Financial guarantee contracts issued by the Group, if not designated as at FVTPL, are subsequently measured at the higher of the amount of the loss allowance reflecting expected credit loss and the amount initially recognized less cumulative amortization recognized.

2017

Financial guarantee contracts issued by the Group is initially recognized at their fair values and, if not designated as at fair value through profit or loss, are subsequently measured at amortized cost.

If obligation of a financial guarantee contract will most likely to be paid, it will be measured at the higher of the best estimate or the amortized amount of the obligation under the contract.

b) Derecognition of financial liabilities

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

b. Derivative financial instruments and hedge accounting

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

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

Before 2017, derivatives embedded in non-derivative host contracts were treated as separate derivatives when they met the definition of a derivative; their risks and characteristics were not closely related to those of the host contracts; and the contracts were not measured at FVTPL. Since 2018, derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

The Group designates certain hedging instruments as fair value hedges.

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

Before 2017, hedge accounting was discontinued prospectively when the Group revoked the designated hedging relationship; when the hedging instrument expired or was sold, terminated, or exercised; or when the hedging instrument no longer met the criteria for hedge accounting. Since 2018, the Group discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria; for instance, when the hedging instrument expires or is sold, terminated or exercised.

c. Retirement benefits

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

d. Income tax

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

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Estimated impairment of financial assets - 2018

The estimate of impairment for loan, parts of unused commitment, receivables and investments in debt instruments is based on assumptions about probability of default and loss given default. The Group uses judgement in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Note 52. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Impairment loss on loans and receivables - 2017

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

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

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

Impairment losses on loans and receivables are shown in Notes 14, 15, 19, 23 and 53.

c. Impairment of goodwill

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

Impairment of goodwill is shown in Note 22.

6. CASH AND CASH EQUIVALENTS, NET

	June 30, 2018	December 31, 2017	June 30, 2017
Cash on hand	\$ 6,655,853	\$ 6,813,675	6,760,805
Notes and checks for clearing	5,031,341	4,869,392	1,554,485
Deposits in banks and due from other banks	12,974,638	16,314,929	26,075,827
Short-term bills	<u>2,235,679</u>	<u>886,135</u>	<u>519,660</u>
	26,897,511	28,884,131	34,910,777
Less: Allowance for credit losses	<u>(1,605)</u>	<u>(2,776)</u>	<u>(3,043)</u>
	<u>\$ 26,895,906</u>	<u>\$ 28,881,355</u>	<u>\$ 34,907,734</u>

Cash equivalents include short-term bills acquired by SinoPac Securities and SinoPac Securities Investment Trust that have a maturity of three months or less from the date of acquisition, are readily convertible to a known amount of cash, and are subject to an insignificant risk of change in value; these were held for the purpose of meeting short-term cash commitments.

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

The ranges of market rates for intervals of short-term bills at the end of the reporting period are as follows:

	June 30, 2018	December 31, 2017	June 30, 2017
Short-term bills	0.30%-0.51%	0.37%-0.70%	0.35%-0.40%

The carrying amounts of time deposits with original maturities of over three months or without early termination option were classified as other financial assets. Related information is shown in Note 19.

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

	June 30, 2018	December 31, 2017	June 30, 2017
Call loans to banks	\$ 38,353,759	\$ 54,485,681	\$ 73,905,848
Trade finance advance - interbank	2,485,968	472,236	2,877,753
Deposit reserve - checking accounts	11,708,571	11,994,437	5,437,689
Due from the Central Bank - interbank settlement funds	1,522,993	1,521,064	1,527,640
Deposit reserve - demand accounts	25,911,717	25,851,784	26,565,461
Deposit reserve - foreign currencies	1,349,649	900,289	665,005
Due from the U.S. Federal Reserve Bank	<u>-</u>	<u>-</u>	<u>3,138,839</u>
	81,332,657	95,225,491	114,118,235
Less: Allowance for credit losses	<u>(6,859)</u>	<u>(12,540)</u>	<u>(6,000)</u>
Net amount	<u>\$ 81,325,798</u>	<u>\$ 95,212,951</u>	<u>\$ 114,112,235</u>

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

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

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2018	December 31, 2017	June 30, 2017
<u>Financial assets mandatorily classified as at fair value through profit or loss</u>			
Operating securities - dealing	\$ 48,401,872	\$ -	\$ -
Government bonds	20,617,269	-	-
Bank debentures	13,134,784	-	-
Corporate bonds	6,434,097	-	-
Operating securities - hedging	4,636,257	-	-
Stocks	2,698,116	-	-
Certificates of deposit purchased	2,561,074	-	-
Operating securities - underwriting	734,619	-	-
Currency swap and hybrid FX swap structured instruments	15,572,038	-	-
Interest rate swap contracts	3,144,333	-	-
Forward contracts	1,469,051	-	-
Futures margins - own funds	453,249	-	-
Others	<u>1,814,642</u>	<u>-</u>	<u>-</u>
	<u>121,671,401</u>	<u>-</u>	<u>-</u>
<u>Holding for trading financial assets</u>			
Operating securities - dealing	-	54,681,513	56,526,537
Government bonds	-	30,888,732	32,363,926
Bank debentures	-	11,013,367	9,598,118
Corporate bonds	-	5,474,954	4,452,258
Operating securities - hedging	-	4,589,315	3,533,557
Stocks (Note)	-	1,770,705	331,722
Certificates of deposit purchased	-	1,505,782	116,392
Operating securities - underwriting	-	1,115,003	686,523
Currency swap and hybrid FX swap structured instruments	-	16,480,955	9,730,237
Interest rate swap contracts	-	1,787,027	2,117,345
Forward contracts	-	425,759	370,889

(Continued)

	June 30, 2018	December 31, 2017	June 30, 2017
Futures margins - own funds	\$ -	\$ 332,532	\$ 400,263
Others	<u>-</u>	<u>1,114,113</u>	<u>844,836</u>
	<u>-</u>	<u>131,179,757</u>	<u>121,072,603</u>
<u>Financial assets designated as at fair value through profit or loss</u>			
Convertible bonds	<u>-</u>	<u>929,823</u>	<u>907,505</u>
	<u>\$ 121,671,401</u>	<u>\$ 132,109,580</u>	<u>\$ 121,980,108</u>
<u>Held-for-trading financial liabilities</u>			
Securities purchased under agreements to resell - short sales	\$ 1,922,617	\$ 2,024,165	\$ 1,406,537
Currency swap contracts and hybrid FX swap structured instruments	14,131,232	16,178,277	9,675,842
Liabilities for issuance of warrants	9,555,914	6,426,103	7,036,345
Repurchase of issued warrants	(8,543,317)	(5,721,732)	(6,661,082)
Option contracts	2,725,655	530,656	469,794
Interest rate swap contracts	2,107,295	1,716,465	2,190,958
Forward contracts	1,589,013	465,475	337,986
Others	<u>1,059,233</u>	<u>693,888</u>	<u>901,215</u>
	<u>24,547,642</u>	<u>22,313,297</u>	<u>15,357,595</u>
<u>Financial liabilities designated as at fair value through profit or loss</u>			
	1,456,351	1,357,121	1,383,547
Bank debentures	<u>1,304,966</u>	<u>365,616</u>	<u>3,706,533</u>
Liabilities for structured notes	<u>2,761,317</u>	<u>1,722,737</u>	<u>5,090,080</u>
	<u>\$ 27,308,959</u>	<u>\$ 24,036,034</u>	<u>\$ 20,447,675</u>
			(Concluded)

Note: Including acquiring Cathay General Bancorp stock by disposing SinoPac Bancorp; please refer to Note 58 for further information.

- a. The Group designated hybrid instruments and eliminating accounting inconsistencies as financial assets and liabilities at FVTPL.
- b. As of June 30, 2018, December 31, 2017 and June 30, 2017, the par values of financial assets at FVTPL under agreements to repurchase were \$47,667,140, \$55,265,156 and \$60,285,832, respectively.
- c. Information on financial liabilities designated as at fair value through profit or loss was as follows:

	June 30, 2018	December 31, 2017	June 30, 2017
Difference between carrying amounts and the amounts due on maturity			
Fair value	\$ 1,456,351	\$ 1,357,121	\$ 1,383,547
Amounts due on maturity	<u>(1,710,707)</u>	<u>(1,674,347)</u>	<u>(1,707,056)</u>
	<u>\$ (254,356)</u>	<u>\$ (317,226)</u>	<u>\$ (323,509)</u>

	Changes in Fair Value Attributable to Changes in Credit Risk
Change in amount in the period	
For the three months ended June 30, 2018	<u>\$ 11,917</u>
For the three months ended June 30, 2017	<u>\$ 9,889</u>
For the six months ended June 30, 2018	<u>\$ 16,950</u>
For the six months ended June 30, 2017	<u>\$ 9,889</u>
Accumulated amount of change	
As of June 30, 2018	<u>\$ (3,220)</u>
As of December 31, 2017	<u>\$ (20,170)</u>
As of June 30, 2017	<u>\$ 9,889</u>

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

On May 19, 2017, Bank SinoPac issued unsecured senior bank debentures amounting to US\$45,000 thousand with a 30-year maturity, 0% coupon issued and an implicit internal, rate of return of 4.5%. In accordance with the terms of the bank debentures, the Bank may either redeem the bonds at an agreed-upon price after five years from the issue date, or make bond repayments on the maturity date.

- d. The Group engages in derivative transactions mainly to accommodate customers' needs and manage its own exposure positions. Outstanding derivative contracts (nominal) as of June 30, 2018, December 31, 2017 and June 30, 2017 are shown as follows:

	Contract Amount		
	June 30, 2018	December 31, 2017	June 30, 2017
Currency swap contracts and hybrid FX swap structured instruments	\$ 1,347,397,003	\$ 1,678,532,005	\$ 1,185,454,633
Interest rate swap contracts	762,178,152	626,580,221	648,827,841
Forward contracts	108,652,527	47,783,229	39,742,262
Option contracts	66,330,389	29,517,902	38,472,511
Futures contracts	25,347,652	17,842,071	17,628,895
Cross-currency swap contracts	23,681,802	20,792,732	29,821,064
Asset swap contracts	3,937,600	5,246,203	6,487,466
Equity derivative instrument contracts	1,390,544	1,431,620	1,466,094
Principal guaranteed contracts	1,035,000	175,481	3,689,993
Equity-linked swap contracts	734,218	439,565	299,574
Credit-linked swap contracts	71,000	120,000	575,000
Commodity-linked swap contracts	-	113,087	122,088

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET

	December 31, 2017	June 30, 2017
Negotiable certificates of deposits	\$ 100,112,949	\$ 98,305,381
Bank debentures	56,933,476	58,759,307
Commercial paper	45,329,901	52,085,999
Corporate bonds	20,461,448	25,207,148
Stocks	3,634,952	4,447,401
Others	<u>4,381,263</u>	<u>4,207,260</u>
	230,853,989	243,012,496
Adjustments for change in value of available-for-sale financial assets	725,017	1,147,615
Less: Accumulated impairments	<u>(25,766)</u>	<u>(116,142)</u>
Net amount	<u>\$ 231,553,240</u>	<u>\$ 244,043,969</u>

At December 31, 2017 and June 30, 2017, the par values of available-for-sale financial assets under agreements to repurchase were \$1,698,173 and \$4,639,669.

Please refer to Note 49 for information on available-for-sale financial assets pledged as security.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	June 30, 2018
Equity instruments at fair value through other comprehensive income	\$ 6,161,735
Debt instruments at fair value through other comprehensive income	<u>232,415,326</u>
	<u>\$ 238,577,061</u>

a. Equity instruments at fair value through other comprehensive income

	June 30, 2018
Listed common shares	\$ 3,715,044
Unlisted common shares	<u>2,446,691</u>
	<u>\$ 6,161,735</u>

Since the Group holds part of equity instruments for long-term strategic investment purpose than as held-for-trading, the equity investments are designated as at fair value through other comprehensive income. The management believes that recognition of short term changes in fair value in profit or loss would be inconsistent with the Group's strategy to hold the investments for long-term strategic purposes; therefore, designation of the investment as at fair value through other comprehensive income is appropriate. These investments were classified as available-for sale financial assets and unquoted instruments under IAS 39. Their reclassification and information in 2017 are shown in Notes 3, 9 and 19.

SinoPac Securities and its subsidiaries regularly assess the dividend policy and change in yield of the issuing company, in order to adjust the amount of investment or dispose of the stocks. Fair value at the date of disposal was \$382,399 and the cumulative gain or loss transferred from other equity to retained earnings was \$9,975.

b. Debt instrument at fair value through other comprehensive income

	June 30, 2018
Certificates of deposits	114,359,750
Commercial paper	69,216,078
Bank debentures	32,972,372
Corporate bonds	12,006,405
Others	<u>3,860,721</u>
	<u>\$ 232,415,326</u>

- 1) Part of debt instruments was classified as available-for-sale financial assets under IAS 39, their reclassification and information of 2017 are shown in Notes 3 and 9.
- 2) Part of debt instruments was classified as non-active market debt instruments under IAS 39, their reclassification and information of 2017 are shown in Notes 3 and 19.
- 3) Loss allowance of debt instruments at fair value through other comprehensive income was \$22,926 on June 30, 2018.
- 4) Credit risk management and information of impairment valuation of debt instruments at fair value through other comprehensive income are shown in Note 53.
- 5) As of June 30, 2018, the par value of debt instruments at FVTOCI had been under agreements to repurchase was \$4,377,138.

11. DEBT INSTRUMENTS MEASURED AT AMORTIZED COST

	June 30, 2018
Government bonds	\$ 27,719,552
Certificates of deposits	25,697,854
Bank debentures	16,763,361
Corporate bonds	7,548,928
Others	<u>1,721,926</u>
	79,451,621
Less: Loss allowance	<u>(11,684)</u>
	<u>\$ 79,439,937</u>

- a. Part of debt instruments was classified as held-to-maturity financial assets under IAS 39, their reclassification and information of 2017 are shown in Notes 3 and 16.
- b. Part of debt instruments was classified as non-active market debt instruments under IAS 39, their reclassification and information of 2017 are shown in Notes 3 and 19.
- c. Part of debt instruments was classified as available-for-sale financial assets under IAS 39, their reclassification and information of 2017 are shown in Notes 3 and 9.
- d. Credit risk management and information of impairment valuation of financial assets measured at amortized cost are shown in Note 53.
- e. Please refer to Note 49 for information relating to financial assets measured at amortized cost pledged as security.

- f. As of June 30, 2018, the par value of financial assets measured at amortized cost under agreements to repurchase was \$12,042,100.

12. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

The Group' management authorities had regulated related risk management policy.

	June 30, 2018	December 31, 2017	June 30, 2017
Derivative financial liabilities under hedge <u>accounting</u>			
Fair value hedges - interest rate swap	\$ _____ -	\$ _____ -	\$ <u>13,540</u>

The fair value risk on the interest of the fixed rate loans may fluctuate as market rates change. Bank SinoPac and its subsidiaries used interest rate swap contracts as hedging instruments.

For the six months ended June 30, 2017

Hedged Item	Hedging Instrument	Notional Amount	Fair Value	Adjustment for Change in Value of Derivative Financial Instruments under Hedge Accounting	Adjustment for Change in Value of Hedged Item
Fixed rate loans	Interest rate swap	\$ 1,128,179	\$ (13,540)	\$ 5,079	\$ (5,079)

13. SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

	June 30, 2018	December 31, 2017	June 30, 2017
Bonds	\$ 15,688,579	\$ 9,553,948	\$ 3,767,402
Bills	<u>7,489,000</u>	<u>17,162,964</u>	<u>6,701,265</u>
	<u>\$ 23,177,579</u>	<u>\$ 26,716,912</u>	<u>\$ 10,468,667</u>
Agreed-upon resell amount	\$ 23,222,437	\$ 26,735,571	\$ 10,470,165
Par value	\$ 24,944,264	\$ 27,538,962	\$ 10,569,812
Expiry	December 2018	December 2018	December 2017

As of June 30, 2018, December 31, 2017 and June 30, 2017, the par value of securities purchased under agreements to resell which were underlying for agreements to repurchase were \$981,609, \$1,684,519 and \$2,016,195, respectively.

14. RECEIVABLES, NET

	June 30, 2018	December 31, 2017	June 30, 2017
Margin loans receivable	\$ 22,368,645	\$ 23,210,090	\$ 22,962,155
Credit card receivables	16,678,521	15,205,884	16,169,321
Accounts receivable - settlement	10,989,823	9,236,699	7,405,678
Accounts receivable - factoring	10,799,806	12,252,832	8,198,443
Accounts receivable - forfeiting	8,311,723	7,988,912	7,997,861
Accounts and notes receivable	4,909,291	2,844,189	4,079,067
Interest and revenue receivables	3,710,841	4,391,689	3,807,183
Acceptances	2,318,636	1,641,862	1,503,355
Lease receivables and installment	2,150,730	2,005,975	5,361,194
Receivables from securities sale	1,633,073	389,567	1,285,729
Accounts receivable - disposal of subsidiary (Note 58)	1,072,433	1,049,639	-
Factoring receivables	588,334	718,075	1,296,913
Others	<u>2,371,831</u>	<u>2,449,444</u>	<u>2,399,280</u>
	87,903,687	83,384,857	82,466,179
Less: Allowance for credit losses	(1,355,629)	(2,311,081)	(2,248,299)
Premium or discount on receivables	<u>(102)</u>	<u>(96)</u>	<u>(88)</u>
Net amount	<u>\$ 86,547,956</u>	<u>\$ 81,073,680</u>	<u>\$ 80,217,792</u>

The lease receivables and installments listed in the above periods refer to the receivables due within one year and the balance of unrealized interest income.

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

	For the Six Months Ended June 30	
	2018	2017
Balance, January 1	\$ 2,311,081	\$ 1,202,139
Adjustments of IFRS 9 application	247,745	-
Provision	160,469	1,423,088
Write-off	(1,300,814)	(324,792)
Recovery of written-off credits	(699)	-
Reclassification	(91,858)	-
Effect of exchange rate changes	<u>29,705</u>	<u>(52,136)</u>
Balance, June 30	<u>\$ 1,355,629</u>	<u>\$ 2,248,299</u>

Please refer to Note 53 and Tables 8, 10 and 11 for the analysis of receivable impairment loss and Note 49 for information on pledged as security. The recovery of receivables write-off as deduction of provision for the six months ended June 30, 2018 and 2017 were \$92,415 and \$101,333, respectively.

Some of the borrowers of SinoPac Securities (Asia) pledged shares of Huishan Dairy as collateral. The collateral value was lack of value after the downfall of Huishan Dairy's stock price and application for suspension in HKEx on March 24, 2017. The amount of margin loans receivable related to Huishan Dairy shares as collateral was HK\$261,000 thousands which has been fully recognized as allowance for credit loss for the six months ended June 30, 2017, and wrote-off it for the six months ended June 30, 2018.

SinoPac Securities (Asia) will trace continuously related issues of Huishan Dairy and take care of the aftermath in order to protect the Company's right and interest, including appoint a lawyer to take legal actions against the borrowers who cannot pay off debts to reclaim the debts.

15. DISCOUNTS AND LOANS, NET

	June 30, 2018	December 31, 2017	June 30, 2017
Export negotiation	\$ 811,672	\$ 592,801	\$ 473,248
Overdrafts	7,018	-	392
Secured overdrafts	84,577	124,150	169,424
Accounts receivable - financing	1,214,821	1,388,164	1,337,262
Short-term loans	161,355,006	151,962,972	160,650,724
Secured short-term loans	96,974,588	97,517,050	95,750,523
Medium-term loans	154,129,970	144,058,714	151,475,440
Secured medium-term loans	59,936,765	62,069,557	81,330,238
Long-term loans	5,095,446	4,723,295	5,083,080
Secured long-term loans	411,836,899	417,770,856	431,998,596
Nonperforming loans transferred from loans	<u>1,921,100</u>	<u>2,021,188</u>	<u>2,463,483</u>
	893,367,862	882,228,747	930,732,410
Less: Allowance for credit losses	(12,619,159)	(12,556,743)	(13,287,390)
Less: Premium or discount on discounts and loans	(308,029)	(298,952)	(342,799)
Add: Adjustment of hedge valuation	<u>-</u>	<u>-</u>	<u>13,540</u>
Net amount	<u>\$ 880,440,674</u>	<u>\$ 869,373,052</u>	<u>\$ 917,115,761</u>

Please refer to Note 53 and Tables 8, 9 and 11 for the analysis of impairment loss on discounts and loans. Please refer to Note 49 for information on discounts and loans pledged as security.

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

	For the Six Months Ended June 30	
	2018	2017
Balance, January 1	\$ 12,556,743	\$ 13,339,952
Adjustments of IFRS 9 application	6,137	-
Provision	386,875	488,358
Write-off	(369,238)	(415,136)
Recovery of written-off credits	-	45,492
Reclassifications	-	(7,207)
Effect of exchange rate changes	<u>38,642</u>	<u>(164,069)</u>
Balance, June 30	<u>\$ 12,619,159</u>	<u>\$ 13,287,390</u>

The Group received loans previous written-off \$191,857 and \$274,448 for the six months ended June 30, 2018 and 2017, respectively, which recognized as deductions on provision expenses.

16. HELD-TO-MATURITY FINANCIAL ASSETS

	December 31, 2017	June 30, 2017
Government bonds	\$ 32,977,165	\$ 39,911,199
Certificates of deposit purchased	23,179,984	26,369,984
Others	<u>450,796</u>	<u>2,590,344</u>
	<u>\$ 56,607,945</u>	<u>\$ 68,871,527</u>

Bank SinoPac and subsidiaries as of December 31, 2017 and June 30, 2017, the par value of held-to-maturity financial assets under agreements to repurchase were \$10,309,100 and \$6,614,200, respectively

A change of intention led Bank SinoPac to reclassify available-for-sale financial assets (government bonds \$8,410,928 and corporate bonds \$1,753,088) into held-to-maturity financial assets. Please refer to Note 55 for the related information.

Please refer to Note 49 for information relating to held-to-maturity financial assets pledged as security.

17. INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

The tables below show the information of unconsolidated structures entities in which the Group had an interest at the reporting date:

<u>Type of Structured Entity</u>	<u>Nature and Purpose</u>	<u>The Group's Ownership</u>
Funds	Funds under management by the third party The Group also invests units in these funds	a. The Group invests in those funds under management by the third party. b. The Group entitled to receive management fee based on the assets under management.

The total assets of Funds unrecognized in the consolidated balance sheets were as follows:

	June 30, 2018	December 31, 2017	June 30, 2017
Funds	<u>\$ 56,345,605</u>	<u>\$ 56,886,017</u>	<u>\$ 60,664,188</u>

The carrying amounts of the funds in which the Group also invests were as follows:

	June 30, 2018	December 31, 2017	June 30, 2017
Financial assets at fair value through profit or loss	<u>\$ 819,035</u>	<u>\$ 841,860</u>	<u>\$ 1,048,012</u>
Available-for-sale financial assets		<u>\$ 22,090</u>	<u>\$ 27,090</u>

The maximum exposure of loss was the carrying amount of the funds.

As of June 30, 2018, December 31, 2017 and June 30, 2017, the Group did not provide any financial support to those unconsolidated structures.

18. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	June 30, 2018	December 31, 2017	June 30, 2017
Golden Trust SinoPac Fund Management	\$ 347,843	\$ 304,114	\$ 258,819
Telexpress	96,919	96,868	94,050
DBL Partners III-A, L.P.	<u>-</u>	<u>-</u>	<u>48,286</u>
	<u>\$ 444,762</u>	<u>\$ 400,982</u>	<u>\$ 401,155</u>

Name of Associate	Nature of Activities	Principal Place of Business	Proportion of Ownership and Voting Rights		
			June 30, 2018	December 31, 2017	June 30, 2017
Golden Trust SinoPac Fund Management	Fund raising and sale, asset management business approved by CSRC	China	49.00%	49.00%	49.00%
Telexpress	Stockholding	Cayman Islands/ Taiwan	34.21%	34.21%	34.21%
DBL Partners III-A, L.P.	Venture capital	U.S.A.	-/-	-/-	44.00%/-

The board of directors of SinoPac Security Investment Trust Co. (SITC) determined to dispose of 49% of its shares in Golden Trust SinoPac Fund Management Co., Ltd. on October 21, 2016. However due to the fact that the transaction schedule was not as expected, the Company announced on April 20, 2018 that the aforementioned equity transfer agreement was terminated and the disciplinary action was terminated.

To conform with the provision of the local community act - Community Reinvestment Act, Far East National Bank invested in the DBL Partners III-A, L.P. venture capital. As of June 30, 2017, Far East National Bank has invested a total of US\$1,871 thousand and obtained 44% of the ownership in the Company. This investment is recognized using the equity method. As of July 14, 2017, the above investment was derecognized with the settlement of SinoPac Bancorp.

The Group accounts for investments using the equity method, and hence the profit or loss and other comprehensive income resulting from the investments thereof are prorated accordingly based on the shares. The calculation of the shares of the investment in Golden Trust SinoPac Fund Management was based on the investee's audited financial statements. The calculation of the share of other investments was based on the investee's unaudited financial statements; however, the management of the Group believes that the aforesaid investment should not cause material impact to the Group's financial statements.

The associates' reviewed financial information is summarized as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
The Group's share of:				
Net profit (loss)	\$ 12,199	\$ 3,060	\$ 43,302	\$ (8,599)
Other comprehensive income	<u>(5,124)</u>	<u>(246)</u>	<u>(479)</u>	<u>4,826</u>
	<u>\$ 7,075</u>	<u>\$ 2,814</u>	<u>\$ 42,823</u>	<u>\$ (3,773)</u>

19. OTHER FINANCIAL ASSETS, NET

	June 30, 2018	December 31, 2017	June 30, 2017
Customer margin deposits	\$ 17,356,407	\$ 16,832,260	\$ 15,982,766
Time deposits not belong to cash and cash equivalents	11,527,952	5,397,101	5,161,246
Long-term lease receivables and installment	4,628,964	5,678,519	6,327,377
Purchase of the PEM Group's instruments	4,360,747	4,211,044	4,294,278
Nonperforming receivables transferred from other than loans	298,515	215,413	534,187
Account to retain customer payment	114,918	107,905	1,604,137
Cash surrender value of managers' life insurance	-	-	1,401,618
Unquoted equity instruments - 2017			
Unlisted equity investments	-	1,984,088	2,787,592
Beneficial certificates	-	-	155,603
Debt investments without active market - 2017			
Certificates of deposit purchased	-	1,064,900	5,606,796
Beneficial debt products	-	1,217,925	1,166,425
Others	<u>60,543</u>	<u>486,554</u>	<u>582,660</u>
	38,348,046	37,195,709	45,604,685
Less: Allowance for credit loss	(848,014)	(223,525)	(316,654)
Less: Accumulated impairment	<u>(2,104,316)</u>	<u>(2,038,756)</u>	<u>(2,010,524)</u>
Net amount	<u>\$ 35,395,716</u>	<u>\$ 34,933,428</u>	<u>\$ 43,277,507</u>

Above time deposits not belong to cash and cash equivalent include over three months, no advanced termination time deposits, or pledged time deposits. The long-term leases receivable and installments presented in each period are the balance of deducting unrealized interest income.

Please refer to Note 49 for information on other financial assets pledged as security.

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

	For the Six Months Ended June 30	
	2018	2017
Balance, January 1	\$ 223,525	\$ 245,566
Adjustments of IFRS 9 application	33,739	-
Provision	546,781	83,794
Write off	(49,443)	(6,984)
Recovery of written-off credits	(60)	(18)
Reclassifications	91,899	-
Effect of exchange rate changes	<u>1,573</u>	<u>(5,704)</u>
Balance, June 30	<u>\$ 848,014</u>	<u>\$ 316,654</u>

The Group's recovery of written-off credits of other financial assets for the six months ended June 30, 2018 and 2017 was \$6,551 and \$6,365, respectively. It was recognized as deduction of bad debt expense.

Bank SinoPac was delegated by professional investors to sell the PEM Group's investment products amounting to US\$146,000 thousand through private placement. A U.S. Federal Court appointed a receiver for all assets that belonged to, were being managed by, or were in the possession of or control of the PEM Group. To protect the client's interests, Bank SinoPac bought back the products at the price of the initial payment net of the distribution and redemption costs. On December 24, 2010, Bank SinoPac's board of directors resolved to abide by the Court's appointment of a PEM Group receiver to take the PEM Group's insurance policies at the price of approximately US\$40.4 million, and Bank SinoPac thus recognized impairment losses of US\$11,152 thousand. On March 7, 2011, the receiver transferred a portion of the insurance policies to a trustee established jointly by certain banks to hold insurance policies. And Bank SinoPac had submitted to the authorities the results of this policy transfer. As of June 30, 2018, a reserve of US\$68,981 thousand (NT\$2,104,316) had been set aside to cover the accumulated impairment losses.

20. INVESTMENT PROPERTY, NET

The movements of investment property are summarized as follows:

	For the Six Months Ended June 30, 2018			
	Land	Land Improvements	Buildings	Total
<u>Cost</u>				
Balance, January 1	\$ 2,010,455	\$ 6,583	\$ 993,057	\$ 3,010,095
Addition	-	-	653	653
Deduction	-	-	-	-
Reclassifications	8,128	-	15,398	23,526
Balance, June 30	<u>2,018,583</u>	<u>6,583</u>	<u>1,009,108</u>	<u>3,034,274</u>
<u>Accumulated depreciation</u>				
Balance, January 1	-	1,278	377,745	379,023
Addition	-	833	10,943	11,776
Deduction	-	-	-	-
Reclassifications	-	-	4,426	4,426
Balance, June 30	<u>-</u>	<u>2,111</u>	<u>393,114</u>	<u>395,225</u>
<u>Accumulated impairment</u>				
Balance, January 1	5,087	-	19,300	24,387
Addition	-	-	-	-
Deduction	-	-	-	-
Reclassifications	-	-	-	-
Balance, June 30	<u>5,087</u>	<u>-</u>	<u>19,300</u>	<u>24,387</u>
<u>Net amount</u>				
Balance, June 30	<u>\$ 2,013,496</u>	<u>\$ 4,472</u>	<u>\$ 596,694</u>	<u>\$ 2,614,662</u>

For the Six Months Ended June 30, 2017

	Land	Land Improvements	Buildings	Total
<u>Cost</u>				
Balance, January 1	\$ 2,053,801	\$ 713	\$ 956,628	\$ 3,011,142
Addition	776	3,219	215	4,210
Deduction	-	-	-	-
Reclassifications	(9,002)	-	(17,009)	(26,011)
Balance, June 30	<u>2,045,575</u>	<u>3,932</u>	<u>939,834</u>	<u>2,989,341</u>
<u>Accumulated depreciation</u>				
Balance, January 1	-	226	361,077	361,303
Addition	-	416	10,646	11,062
Deduction	-	-	-	-
Reclassifications	-	-	(5,965)	(5,965)
Balance, June 30	<u>-</u>	<u>642</u>	<u>365,758</u>	<u>366,400</u>
<u>Net amount</u>				
Balance, June 30	<u>\$ 2,045,575</u>	<u>\$ 3,290</u>	<u>\$ 574,076</u>	<u>\$ 2,622,941</u>

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

<u>Category</u>	<u>Useful Lives</u>
Land improvements	3-10 years
Buildings	5-61 years

The investment property of Bank SinoPac was held for earning rentals and/or for capital appreciation. The fair values of properties used mainly or partially for Bank SinoPac's investment properties as of June 30, 2018, December 31, 2017 and June 30, 2017 were \$9,537,535, \$9,321,657 and \$9,211,404, respectively. The fair values, which were based on an internal valuation yearly report instead of an assessment by an independent professional appraiser, were unobservable inputs (Level 3).

The fair values of SinoPac Securities' investment properties as of June 30, 2018, December 31, 2017 and June 30, 2017 were \$255,954, \$22,954 and \$203,760, respectively. The fair values were arrived at not through the valuations of independent experts but by reference to unobservable inputs (Level 3), i.e., neighboring area transaction prices from 2016 to 2018.

The fair values of SinoPac Leasing's investment properties as of June 30, 2018, December 31, 2017 and June 30, 2017 were \$7,117,606, \$7,117,606 and \$7,089,111, respectively. The fair values were evaluated by independent experts using level 2 inputs from August 2015 to November 2017.

Please refer to Note 49 for information on investment properties pledged as security. Fair value information was described in Note 52.

21. PROPERTY AND EQUIPMENT, NET

The movements of property and equipment are summarized as follows:

For the Six Months Ended June 30, 2018								
	Land	Buildings	Machinery and Computer Equipment	Transportation Equipment	Other Equipment	Leasehold Improvement	Prepayments for Equipment and Construction in Progress	Total
Cost								
Balance, January 1	\$ 7,274,721	\$ 7,094,671	\$ 2,138,840	\$ 175,778	\$ 1,607,390	\$ 2,045,191	\$ 141,682	\$ 20,478,273
Addition	-	365,066	138,012	20,734	44,142	21,846	125,387	715,187
Deduction	-	-	(65,912)	(32,931)	(49,881)	(69,122)	(699)	(218,545)
Reclassifications	(8,128)	18,779	7,750	-	5,031	23,826	(115,022)	(67,764)
Effect of exchange rate changes	-	-	4,664	17	790	(856)	1,257	5,872
Balance, June 30	<u>7,266,593</u>	<u>7,478,516</u>	<u>2,223,354</u>	<u>163,598</u>	<u>1,607,472</u>	<u>2,020,885</u>	<u>152,605</u>	<u>20,913,023</u>
Accumulated depreciation								
Balance, January 1	-	3,625,510	1,602,926	92,990	1,225,099	1,624,668	-	8,171,193
Depreciation	-	83,308	99,770	14,199	57,159	77,364	-	331,800
Deduction	-	-	(62,732)	(22,862)	(48,201)	(68,220)	-	(202,015)
Reclassification	-	(4,426)	-	-	-	-	-	(4,426)
Effect of exchange rate changes	-	(47)	4,545	17	241	(270)	-	4,486
Balance, June 30	-	<u>3,704,345</u>	<u>1,644,509</u>	<u>84,344</u>	<u>1,234,298</u>	<u>1,633,542</u>	-	<u>8,301,038</u>
Net amount								
Balance, June 30	<u>\$ 7,266,593</u>	<u>\$ 3,774,171</u>	<u>\$ 578,845</u>	<u>\$ 79,254</u>	<u>\$ 373,174</u>	<u>\$ 387,343</u>	<u>\$ 152,605</u>	<u>\$ 12,611,985</u>

For the Six Months Ended June 30, 2017								
	Land	Buildings	Machinery and Computer Equipment	Transportation Equipment	Other Equipment	Leasehold Improvement	Prepayments for Equipment and Construction in Progress	Total
Cost								
Balance, January 1	\$ 7,317,436	\$ 7,040,225	\$ 2,253,720	\$ 205,474	\$ 1,724,905	\$ 2,177,189	\$ 135,584	\$ 20,854,533
Addition	-	13,352	92,595	14,956	33,289	20,625	104,062	278,879
Deduction	-	-	(41,028)	(23,815)	(22,032)	(41,851)	-	(128,726)
Reclassifications	9,002	20,691	4,781	-	3,354	676	(50,173)	(11,669)
Effect of exchange rate changes	(1,939)	(1,064)	(26,884)	(309)	(12,399)	(25,268)	(1,409)	(69,272)
Balance, June 30	<u>7,324,499</u>	<u>7,073,204</u>	<u>2,283,184</u>	<u>196,306</u>	<u>1,727,117</u>	<u>2,131,371</u>	<u>188,064</u>	<u>20,923,745</u>
Accumulated depreciation								
Balance, January 1	-	3,479,066	1,693,669	109,590	1,309,563	1,697,175	-	8,289,063
Depreciation	-	82,599	104,462	16,006	58,741	77,498	-	339,306
Deduction	-	-	(40,333)	(18,190)	(21,473)	(41,120)	-	(121,116)
Reclassifications	-	5,965	(2)	-	-	-	-	5,963
Effect of exchange rate changes	-	(1,219)	(22,906)	(308)	(10,275)	(23,076)	-	(57,784)
Balance, June 30	-	<u>3,566,411</u>	<u>1,734,890</u>	<u>107,098</u>	<u>1,336,556</u>	<u>1,710,477</u>	-	<u>8,455,432</u>
Net amount								
Balance, June 30	<u>\$ 7,324,499</u>	<u>\$ 3,506,793</u>	<u>\$ 548,294</u>	<u>\$ 89,208</u>	<u>\$ 390,561</u>	<u>\$ 420,894</u>	<u>\$ 188,064</u>	<u>\$ 12,468,313</u>

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

Category	Useful Lives
Buildings	2-60 years
Machinery and computer equipment	0.58-15 years
Transportation equipment	5-6 years
Other equipment	1-15 years
Leasehold improvement	1-15 years

Please refer to Note 49 for the information on property and equipment pledged as security.

22. INTANGIBLE ASSETS, NET

Items	June 30, 2018	December 31, 2017	June 30, 2017
Goodwill	\$ 1,205,797	\$ 1,203,298	\$ 1,895,619
Computer software	573,982	571,817	553,471
Customer relationships	480,235	518,038	560,922
Membership fees	41,413	41,413	41,413
Others	<u>8,237</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,309,664</u>	<u>\$ 2,334,566</u>	<u>\$ 3,051,425</u>

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

	Goodwill	Computer Software	Customer Relationships	Membership Fees	Others	Total
Balance, January 1	\$ 1,203,298	\$ 571,817	\$ 518,038	\$ 41,413	\$ -	\$ 2,334,566
Addition	-	56,029	-	-	8,329	64,358
Deduction	-	(736)	-	-	-	(736)
Amortization	-	(95,298)	(40,246)	-	(93)	(135,637)
Reclassifications	-	44,238	-	-	-	44,238
Effect of exchange rate changes	<u>2,499</u>	<u>(2,068)</u>	<u>2,443</u>	<u>-</u>	<u>1</u>	<u>2,875</u>
Balance, June 30	<u>\$ 1,205,797</u>	<u>\$ 573,982</u>	<u>\$ 480,235</u>	<u>\$ 41,413</u>	<u>\$ 8,237</u>	<u>\$ 2,309,664</u>

	Goodwill	Computer Software	Customer Relationships	Membership Fees	Total
Balance, January 1		\$ 1,873,286	\$ 606,434	\$ 688,173	\$ 3,209,306
Addition		-	53,393	-	53,393
Amortization		-	(139,139)	(59,191)	(198,330)
Reclassifications		59,412	37,520	(59,412)	37,520
Effect of exchange rate changes		<u>(37,079)</u>	<u>(4,737)</u>	<u>(8,648)</u>	<u>(50,464)</u>
Balance, June 30		<u>\$ 1,895,619</u>	<u>\$ 553,471</u>	<u>\$ 560,922</u>	<u>\$ 3,051,425</u>

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

Items	Years
Computer software	3-10 years
Customer relationships	8-15 years

Goodwill in each above periods will be tested for impairment annually and whenever there is an indication that it may be impaired. In assessing whether goodwill on an equity investment or an unamortized difference between the acquisition cost and the equity is impaired, the Company considered the credit card department of Bank SinoPac, SinoPac Securities Investment Trust domestic sales group or the Company's investee company as a cash generating unit and estimated the recoverable amount of the investee's value in use. The Group used an investee's actual profitability and estimated salvage value in making key assumptions to predict the investee's future cash flows and thus calculate the investee's value in use. Under a going concern assumption, the Group predicted the net cash flows generated from the investee's operating activities in the next 5 years and estimated the salvage value and used the Company's weighted average cost of capital to calculate the value in use. The goodwill impairment test had been proceeded on October 31, 2017 and 2016 recently.

Information on goodwill is summarized as follow:

- a. The Company acquired SinoPac Securities Investment Trust from Bank SinoPac and other shareholders in 2007. The purchase price in excess of the fair value of the net tangible assets acquired in the amount of \$559,543 originally, was recorded as goodwill. As of June 30, 2018 and December 31, 2017, the book value of goodwill was \$0 after impairment loss were incurred over the years.

For the year ended December 31, 2017 and the six months ended June 30, 2017, the amounts of net income affiliated with cash generating units were \$21,662 and \$12,610, respectively. The amounts of expected net income were \$37,813 and \$12,338. According to the impairment test result, the Company recognize goodwill impairment of \$195,709 in 2017.

- b. The amounts of \$876,717 was recognized as goodwill from Bank SinoPac's cash merger with SinoPac Card Services, and this merger was treated as a reorganization of the Company.

For the six months ended June 30, 2018, the year ended December 31, 2017 and the six months ended June 30, 2017, the amounts of net income affiliated with cash generating units were \$97,392, \$113,537 and \$61,121, respectively. The amounts of expected net income for the years 2018 and 2017 as assessed by the impairment test on goodwill would be \$62,319 and \$21,075, respectively. The recoverable amount was expected to be higher than the book value. Therefore, the Company found no objective evidence that goodwill had been impaired as of June 30, 2018, December 31, 2017 and June 30, 2017.

- c. Bank SinoPac's acquisition of Far East National Bank (FENB) through SinoPac Bancorp in August 1997, was accounted for using the purchase method. The assets and liabilities of FENB were revalued to estimate the fair market value as of the date of acquisition. The purchase price in excess of the fair market value of the net tangible assets acquired was US\$16,123 thousand, which was recorded as goodwill.

The goodwill on the Bank SinoPac and its subsidiaries' acquisition of FENB through SinoPac Bancorp was US\$16,123 thousand as of June 30, 2017. The board of directors of Bank SinoPac resolved the disposal of SinoPac Bancorp 100% acquisition on July 8, 2016 and the translation was completed with US\$351,551 thousand on July 14, 2017, US local time. The fact that transaction price higher than the book value of SinoPac Bancorp shows that there is no goodwill impairment evidence.

- d. As of June 30, 2018, SinoPac Securities and its subsidiaries had the following goodwill:

- 1) The goodwill on the merger of SinoPac Securities merged with Pacific Securities and BEA Securities Broker was \$147,944.

For the six months ended June 30, 2018, the year ended December 31, 2017 and the six months ended June 30, 2017, the amounts of actual net income were \$215,831, \$1,677,284 and \$499,884, respectively. The amounts of expected net income were \$1,073,630, and \$854,198 in 2018 and 2017, respectively. According to the test result, there was no significant difference from practical operation and expected benefit.

- 2) The goodwill on the merger of SinoPac Futures merged with Pacific Securities Futures Broker and the shares that bought from others shareholders of SinoPac Futures was \$63,582.

For the six months ended June 30, 2018, the year ended December 31, 2017 and the six months ended June 30, 2017, the amounts of actual net income were \$91,154, \$301,709 and \$127,401, respectively. The amounts of expected net income were \$276,166 and \$282,822 in 2018 and 2017, respectively. According to the test result, there was no significant difference from practical operation and expected benefit.

- 3) The goodwill on the merger of SinoPac Securities (Cayman) Holding Ltd. with Tung Shing Holding Ltd. was \$117,554.

For the six months ended June 30, 2018 and the year ended December 31, 2017, the amounts of actual net loss of Tung Shing Holding Ltd. affiliated with cash generating income were \$26,840 and \$999,229, respectively. The amounts of expected amounts of net income was \$82,482 in 2018. According to the test result, there was no significant difference from practical operation and expected benefit. The expected net income after tax for the year 2017 was \$147,337. However, due to the large amount of possible losses in financing bad debts in the year of 2017, the actual growth was not as expected.

- 4) As of December 31, 2017, the goodwill on the shares that SinoPac Asset Management (Asia) Ltd. bought from others shareholders was \$0.

Membership fees are considered to have an indefinite useful life. A membership fee will not be amortized until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

23. OTHER ASSETS, NET

	June 30, 2018	December 31, 2017	June 30, 2017
Amounts held for settlement	\$ 8,512,631	\$ 9,662,359	\$ 8,625,528
Guarantee deposits	4,768,640	3,960,616	3,512,133
Securities borrowing margins	4,563,426	5,189,591	3,844,586
The guarantee bond and clearing the settlement fund	1,372,827	1,402,145	1,446,669
Prepayment	923,527	422,525	445,104
Prepaid lease payments - surface rights	732,438	744,445	756,452
Temporary payment and suspense accounts	139,873	459,545	457,482
Collaterals	39,506	-	-
Others, net	<u>214,231</u>	<u>605,199</u>	<u>126,462</u>
	21,267,099	22,446,425	19,214,416
Less: Allowance for reduction of inventory to market - gold	(96)	(59)	(546)
Less: Allowance for credit losses	<u>(9,826)</u>	<u>(7,028)</u>	<u>(7,000)</u>
	<u>\$ 21,257,177</u>	<u>\$ 22,439,338</u>	<u>\$ 19,206,870</u>

The surface rights are amortized on a straight-line basis over 44 years.

Refer to Note 49 for information on other assets pledged as security.

The guarantee bond is mainly for using cash, governing bonds or bank debentures as the legal deposit paid to financial institutions designated by relevant authorities to hold these deposits when the domestic subsidiaries register or sets up a branch office in accordance with the Regulations Governing Securities Firms, Regulations Governing Futures Firms and overseas clearing regulations.

Under the Regulations Governing Securities Firms, Regulations Governing Futures Firms and overseas clearing regulations, when SinoPac Securities and its domestic and overseas subsidiaries accept consignments for trading on the centralized securities exchange market, they should deposit a settlement/clearing fund in the Taiwan Stock Exchange, Taipei Exchange, Taiwan Futures Exchange and overseas stock and futures exchanges before or after the start of business operation.

Collaterals are customer's debt assets of SinoPac International Leasing to offset its claim. Collaterals are measured at fair value of acquisition and perform the impairment test to assess the impairment periodically.

24. DEPOSITS FROM THE CENTRAL BANK AND BANKS

	June 30, 2018	December 31, 2017	June 30, 2017
Call loans from banks	\$ 52,776,084	\$ 28,308,774	\$ 34,425,951
Redeposits from Chunghwa Post	664,491	1,160,565	1,420,577
Due to banks	<u>194,178</u>	<u>151,587</u>	<u>191,699</u>
	<u>\$ 53,634,753</u>	<u>\$ 29,620,926</u>	<u>\$ 36,038,227</u>

25. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

	June 30, 2018	December 31, 2017	June 30, 2017
Government bonds	\$ 21,719,541	\$ 27,899,823	\$ 26,410,460
Bank debentures	20,713,959	17,766,622	22,302,562
Corporate bonds	15,612,176	15,925,371	17,259,378
Convertible bonds	3,519,691	3,737,321	4,484,314
Financial assets securitization	600,000	600,000	600,000
Financial preferred stocks	<u>44,146</u>	<u>74,457</u>	<u>-</u>
	<u>\$ 62,209,513</u>	<u>\$ 66,003,594</u>	<u>\$ 71,056,714</u>
Agreed-upon repurchase price	\$ 62,387,272	\$ 66,235,852	\$ 71,166,445
Pair value	65,067,987	68,956,948	73,555,896
Expiry	December 2018	December 2018	December 2017

26. COMMERCIAL PAPER PAYABLES, NET

	June 30, 2018	December 31, 2017	June 30, 2017
Commercial paper payables	\$ 50,390,000	\$ 44,920,000	\$ 47,820,000
Less: Unamortized discount	<u>(25,002)</u>	<u>(38,793)</u>	<u>(24,362)</u>
Net amount	<u>\$ 50,364,998</u>	<u>\$ 44,881,207</u>	<u>\$ 47,795,638</u>
Maturity date	2018.7-2018.12	2018.1-2018.12	2017.7-2017.12
Discount rate	0.39%-1.6897%	0.40%-1.6897%	0.40%-1.638%

Except for free-guarantee items commercial paper was guaranteed or acceptances were issued by the bill finance corporations or banks. For information on related collaterals, refer to Note 49.

27. PAYABLES

	June 30, 2018	December 31, 2017	June 30, 2017
Accounts payable for settlement	\$ 16,422,491	\$ 18,675,807	\$ 15,953,143
Cash dividends payable	5,525,026	-	3,672,674
Notes and checks in clearing	5,031,341	4,869,392	1,883,554
Accrued expense	2,684,586	3,563,351	2,732,623
Accounts payable	2,444,097	694,989	2,787,232
Accounts payable - factoring	2,373,266	2,411,752	2,186,807
Acceptances payable	2,318,636	1,641,862	1,503,355
Interest payables	2,269,342	1,897,332	1,933,540
Financing guarantees payable	1,529,615	2,882,815	1,596,553
Deposits on short sales	1,392,323	2,510,216	1,355,714
Others	<u>1,561,015</u>	<u>1,442,519</u>	<u>1,395,983</u>
	<u>\$ 43,551,738</u>	<u>\$ 40,590,035</u>	<u>\$ 37,001,178</u>

Bank SinoPac signed a business-university collaboration contract with National Chung Hsing University in July 2012, to donate for the construction of a Food Safety & Agricultural Chemicals and Machinery Research Building. With a budget not more than \$300,000, Bank SinoPac had obtained the construction permit and signed the contract with the building contractor in November 2016. The contract price is \$250,998 and will be paid with previously estimated accrued expenses of \$295,000. The balance of the accrued expenses was \$108,495 as of June 30, 2018.

28. DEPOSITS AND REMITTANCES

	June 30, 2018	December 31, 2017	June 30, 2017
Checking	\$ 13,090,036	\$ 14,053,731	\$ 18,270,711
Demand	240,855,927	242,650,459	256,305,273
Savings - demand	277,855,761	278,285,112	269,350,818
Time deposits	333,643,848	338,036,384	367,189,187
Negotiable certificates of deposit	27,578,700	25,848,400	42,943,900
Savings - time	243,147,156	248,546,739	257,032,390
Inward remittances	873,186	1,087,912	1,000,015
Outward remittances	<u>54,150</u>	<u>82,159</u>	<u>76,503</u>
	<u>\$ 1,137,098,764</u>	<u>\$ 1,148,590,896</u>	<u>\$ 1,212,168,797</u>

29. BONDS PAYABLE

	June 30, 2018	December 31, 2017	June 30, 2017
Bank debentures	\$ 39,680,788	\$ 39,529,694	\$ 45,569,763
Corporate bonds payable	<u>3,000,000</u>	<u>3,000,000</u>	<u>-</u>
	<u>\$ 42,680,788</u>	<u>\$ 42,529,694</u>	<u>\$ 45,569,763</u>

a. Bank SinoPac

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

	June 30, 2018	December 31, 2017	June 30, 2017	Maturity	Rates
First subordinated bank debentures issued in 2010 (A)	\$ -	\$ -	\$ 3,099,891	2010.12.09-2017.12.09 Principal is repayable on maturity date.	Fixed interest rate of 1.8%, interest is paid annually.
First subordinated bank debentures issued in 2010 (B)	-	-	2,899,900	2010.12.09-2017.12.09 Principal is repayable on maturity date.	Index rate plus 0.35%. Interest rate is reset quarterly since the issuance date and paid annually.
First subordinated bank debentures issued in 2011	-	999,980	999,931	2011.03.11-2018.03.11 Principal is repayable on maturity date.	Fixed interest rate of 1.92%, interest is paid annually.
Second subordinated bank debentures issued in 2011 (A)	3,799,958	3,799,810	3,799,658	2011.08.18-2018.08.18 Principal is repayable on maturity date.	Fixed interest rate of 1.95%, interest is paid annually.
Second subordinated bank debentures issued in 2011 (B)	2,999,470	2,999,390	2,999,309	2011.08.18-2021.08.18 Principal is repayable on maturity date.	Fixed interest rate of 2.18%, interest is paid annually.
Third subordinated bank debentures issued in 2011	3,199,907	3,199,777	3,199,644	2011.11.04-2018.11.04 Principal is repayable on maturity date.	Fixed interest rate of 1.85%, interest is paid annually.
First subordinated bank debentures issued in 2012 (A)	4,699,549	4,699,369	4,699,186	2012.09.18-2019.09.18 Principal is repayable on maturity date.	Fixed interest rate of 1.53%, interest is paid annually.
First subordinated bank debentures issued in 2012 (B)	1,299,696	1,299,662	1,299,627	2012.09.18-2022.09.18 Principal is repayable on maturity date.	Fixed interest rate of 1.65%, interest is paid annually.
First subordinated bank debentures issued in 2013	1,499,851	1,499,755	1,499,656	2013.09.27-2019.03.27 Principal is repayable on maturity date.	Fixed interest rate of 1.80%, interest is paid annually.
Second subordinated bank debentures issued in 2013	1,999,746	1,999,623	1,999,498	2013.12.23-2019.06.23 Principal is repayable on maturity date.	Fixed interest rate of 1.75%, interest is paid annually.
First subordinated bank debentures issued in 2014	1,999,687	1,999,561	1,999,439	2014.03.20-2019.09.20 Principal is repayable on maturity date.	Fixed interest rate of 1.70%, interest is paid annually.
Second subordinated bank debentures issued in 2014	2,499,539	2,499,387	2,499,239	2014.06.23-2019.12.23 Principal is repayable on maturity date.	Fixed interest rate of 1.65%, interest is paid annually.
Third subordinated bank debentures issued in 2014 (A)	1,879,551	1,879,429	1,879,304	2014.09.30-2020.03.30 Principal is repayable on maturity date.	Fixed interest rate of 1.75%, interest is paid annually.
Third subordinated bank debentures issued in 2014 (B)	699,672	699,647	699,623	2014.09.30-2024.09.30 Principal is repayable on maturity date.	Fixed interest rate of 2.05%, interest is paid annually.
First subordinated bank debentures issued in 2015	749,785	749,736	749,687	2015.07.22, no maturity date (Note 1)	Fixed interest rate of 3.90% (Note 4)
Second subordinated bank debentures issued in 2015	459,859	459,829	459,799	2015.09.08, no maturity date (Note 2)	Fixed interest rate of 3.90% (Note 4)
Third subordinated bank debentures issued in 2015	709,770	709,724	709,678	2015.11.05, no maturity date (Note 2)	Fixed interest rate of 3.90% (Note 4)
Fourth subordinated bank debentures issued in 2015	139,951	139,941	139,932	2015.12.15, no maturity date (Note 2)	Fixed interest rate of 3.90% (Note 4)
First subordinated bank debentures issued in 2016	1,499,499	1,499,408	1,499,323	2016.02.23, no maturity date (Note 2)	Fixed interest rate of 3.90% (Note 4)
Second subordinated bank debentures issued in 2016	1,029,617	1,029,550	1,029,486	2016.03.30, no maturity date (Note 2)	Fixed interest rate of 3.90% (Note 4)
Third subordinated bank debentures issued in 2016	1,419,315	1,419,256	1,419,196	2016.12.23-2023.12.23 Principal is repayable on maturity date.	Fixed interest rate of 1.50%, interest is paid annually.
First subordinated bank debentures issued in 2017 (A)	149,873	149,863	149,852	2017.02.24-2024.02.24 Principal is repayable on maturity date.	Fixed interest rate of 1.60%, interest is paid annually.
First subordinated bank debentures issued in 2017 (B)	2,099,010	2,098,957	2,098,905	2017.02.24-2027.02.24 Principal is repayable on maturity date.	Fixed interest rate of 1.90%, interest is paid annually.
Third subordinated bank debentures issued in 2017 (A)	199,883	199,874	200,000	2017.6.28-2024.6.28 Principal is repayable on maturity date.	Fixed interest rate of 1.70%, interest is paid annually.
Third subordinated bank debentures issued in 2017 (B)	499,701	499,685	540,000	2017.6.28-2027.6.28 Principal is repayable on maturity date.	Fixed interest rate of 1.95%, interest is paid annually.
Fourth subordinated bank debentures issued in 2017	2,998,619	2,998,481	3,000,000	2017.6.28, no maturity date (Note 3)	Fixed interest rate of 4.00% (Note 4)
First subordinated bank debentures issued in 2018 (A)	649,595	-	-	2018.04.30-2025.04.30 Principal is payable on maturity date.	Fixed interest rate of 1.40%, interest is paid annually.
First subordinated bank debentures issued in 2018 (B)	499,685	-	-	2018.04.30-2028.04.30 Principal is payable on maturity date.	Fixed interest rate of 1.65%, interest is paid annually.
	<u>\$ 39,680,788</u>	<u>\$ 39,529,694</u>	<u>\$ 45,569,763</u>		

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

- a) Bank SinoPac's ratio of regulatory capital to risk-weighted assets will still meet the minimum requirement prescribed in Article 5 of Section 1 of the Regulations Governing the Capital Adequacy and Capital Category of Banks after bond repayment.
- b) Bank SinoPac replaces the bond with another capital market instrument that offers interest equal to or higher than that on the bond that has been called.

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

- a) Bank SinoPac’s ratio of regulatory capital to risk-weighted assets still meets the minimum requirement prescribed in Article 5 of Section 1 of the Regulations Governing the Capital Adequacy and Capital Category of Banks after bond repayment.
- b) Bank SinoPac replaces the bond with another capital instrument that offers interest equal to or higher than that on the bond that has been called.

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

- a) Bank SinoPac’s ratio of regulatory capital to risk-weighted assets still meets the minimum requirement prescribed in Article 5 of Section 1 of the Regulations Governing the Capital Adequacy and Capital Category of Banks after bond repayment.
- b) Bank SinoPac replaces the bond with another capital instrument that offers interest equal to or higher than that on the bond that has been called.

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

b. SinoPac Securities

For the purpose of raising operating capital and strengthening financial structure, SinoPac Securities’s board resolved to offer domestic unsecured bonds within maximum issue amount of five billion on September 27, 2017. SinoPac Securities issued the first domestic unsecured bonds on December 8, 2018 as follows

	June 30, 2018	December 31, 2017	June 30, 2017	Maturity	Rates
First subordinated unsecured bonds issued in 2017	\$ 3,000,000	\$ 3,000,000	\$ -	Principal is repayable on maturity date 2017.12.08-2020.12.08	Fixed interest rate of 0.9%, interest is paid annually.

30. BORROWINGS

a. Short-term borrowings

	June 30, 2018	December 31, 2017	June 30, 2017
Credit loans	\$ 9,913,004	\$ 7,951,629	\$ 14,518,191
Guaranteed loans	<u>90,000</u>	<u>90,000</u>	<u>890,000</u>
	<u>\$ 10,003,004</u>	<u>\$ 8,041,629</u>	<u>\$ 15,408,191</u>
Maturity date	2018.7-2019.5	2018.1-2018.12	2017.7-2018.7
Range of interest rates per annum	1.05%-6.4707%	1.07%-5.5575%	1.07%-5.5575%

b. Long-term borrowings

	June 30, 2018	December 31, 2017	June 30, 2017
Credit loans	\$ 2,734,939	\$ 7,495,387	\$ 8,847,823
Guaranteed loans	<u>740,150</u>	<u>1,775,581</u>	<u>793,280</u>
	<u>\$ 3,475,089</u>	<u>\$ 9,270,968</u>	<u>\$ 9,641,103</u>
Maturity date	2018.7-2020.4	2018.1-2020.4	2017.7-2020.4
Range of interest rates per annum	1.15%-5.5575%	1.55%-5.5575%	1.38%-5.225%

SinoPac Securities

To the expansion capital requirements of SinoPac Securities (Cayman) Holdings Ltd., the Corporation's board of directors resolved enter into syndicated loan transactions with financial institutions on November 25, 2015. The term for syndicated loan transactions is three years from the first used date. The date of first drawdown is January 8, 2016. The credit line was US\$120,000 thousand and could be revolving by the Corporation for the term. The SinoPac Securities (Cayman) Holdings Ltd. could not pledge the subsidiaries to others in the term by the regulation of contract. As of June 30, 2018, since the term for syndicated loan transactions of SinoPac Securities (Cayman) Holdings Ltd. was shorter than 12 months after the balance sheet date, the amount of \$3,087,182 has been transferred to short-term borrowings.

SinoPac Leasing

To raise working capital, SinoPac Leasing entered into a syndicated loan agreement (the "2015 Agreement") of \$6,250,000 with a syndicate of 15 banks led by Mega International Commercial Bank in April 2015. The term for syndicated loan transactions is five years from the first used date, the date of first drawdown is May 20, 2015.

To raise working capital, SinoPac Leasing entered into a syndicated loan agreement (the "2017 Agreement") of \$3,000,000 with a syndicate of 13 banks led by Mega International Commercial Bank in November 2017. The term for syndicated loan transactions is four years from the first used date, the date of first drawdown is December 14, 2017.

To raise working capital, SinoPac Leasing entered into a syndicated loan agreement (the “2013 Agreement”) of \$4,000,000 with a syndicate of 15 banks led by Mega International Commercial Bank in November 2013. The term for syndicated loan transactions is four years from the first used date, the date of first drawdown is December 17, 2013.

To raise working capital, Grand Capital International Limited entered into a syndication loan agreement (the “2016 Agreement”) of US\$240,000 thousand with a syndicate of 15 banks led by Mega International Commercial Bank in March 2016. The term for syndicated loan transactions is three years from the first used date, the date of first drawdown is July 28, 2016. Grand Capital International Limited has the option to apply for extension of the maturity date by one year, if there will be no case of breaching the contract.

To raise working capital, Grand Capital International Limited entered into a syndication loan agreement (the “2015 Agreement”) of US\$75,000 thousand with a syndicate of 6 banks led by Mega International Commercial Bank in February 2015. The term for syndicated loan transactions is three years from the first used date, the date of first drawdown is July 27, 2015. As of June 30, 2018, the above syndicated loan has been cancelled.

The loans above were for the operating purposes of SinoPac Leasing and Grand Capital International Limited. According to the contract, the restriction conditions were as below.

- 1) During the term of the Agreement, the Group should maintain following financial ratios:
 - a) Debt ratio: Ratio of liability to equity not more than 800%.
 - b) Interest coverage ratio: Ratio of net income before interest expenses, taxation, depreciation and amortization to interest expenses not less than 110%.
- 2) The aforementioned financial ratios should be reviewed annually and determined based on annual consolidated financial statements audited by independent auditors.
- 3) Failing to meet the financial covenants, a penalty of 0.125% annual interest rate (calculated daily and paid monthly based on the outstanding principal, for the period starting from October 1 subsequent to the year breach to the date that the financial ratios were improved) would be imposed. Furthermore, during the period that the covenants were breached and the Group drew the second line of credit, additional guarantee fee with an annual rate of 0.125% would be charged, and the guarantee fee previously paid was not refundable.

To pay for the purchase of leased assets, SinoPac International Leasing entered into a syndicated loan agreement of CNY\$280,000 thousand with a syndicate of 5 banks led by Bank of Taiwan in March 2017. The term for syndicated loan transactions is three years from the first used date, the date of first drawdown is April 10, 2017.

Assets mortgaged or pledged as collaterals for borrowings are shown in Note 49.

31. PROVISIONS

	June 30, 2018	December 31, 2017	June 30, 2017
Provision for employee benefits	\$ 2,726,583	\$ 2,810,384	\$ 2,700,013
Provision for financing commitment	249,471	-	-
Provision for guarantee liabilities	204,489	199,563	315,021
Provision for decommissioning liabilities	<u>115,778</u>	<u>111,896</u>	<u>123,204</u>
	<u>\$ 3,296,321</u>	<u>\$ 3,121,843</u>	<u>\$ 3,138,238</u>

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

	For the Six Months Ended June 30, 2018
Balance, January 1	\$ -
Adjustments of IFRS 9 application	306,623
Reversal of provision	(65,955)
Reclassifications	7,571
Effect of exchange rate changes	<u>1,232</u>
Balance, June 30	<u>\$ 249,471</u>

32. PROVISION FOR EMPLOYEE BENEFITS

	June 30, 2018	December 31, 2017	June 30, 2017
Recognized in the consolidated balance sheets (payables and provisions)			
Defined contribution plans	\$ 56,834	\$ 54,298	\$ 55,065
Defined benefit plans	2,468,021	2,556,342	2,435,204
Preferential interest on employees' deposits	251,880	245,096	257,977
Deferred annual leave and retirement benefits	<u>6,682</u>	<u>8,946</u>	<u>6,832</u>
	<u>\$ 2,783,417</u>	<u>\$ 2,864,682</u>	<u>\$ 2,755,078</u>

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

	<u>June 30</u>	
	2018	2017
Operating expenses	\$ 79,153	\$ 116,631

33. OTHER FINANCIAL LIABILITIES

	June 30, 2018	December 31, 2017	June 30, 2017
Futures trader's equity	\$ 17,356,407	\$ 16,832,260	\$ 15,982,766
Principal of structured products	13,191,988	12,089,923	13,826,219
Equity for each customer in the account	114,918	107,905	1,604,137
Federal Home Loan Banks Fund	-	-	913,219
Others	<u>597,856</u>	<u>704,068</u>	<u>633,441</u>
	<u>\$ 31,261,169</u>	<u>\$ 29,734,156</u>	<u>\$ 32,959,782</u>

34. OTHER LIABILITIES

	June 30, 2018	December 31, 2017	June 30, 2017
Securities lending refundable deposits	\$ 4,867,016	\$ 5,275,319	\$ 5,045,470
Guarantee deposits received	2,301,048	3,918,759	1,759,363
Deferred revenue	1,205,712	1,191,775	162,570
Temporary receipts and suspense accounts	856,100	749,761	766,055
Receipts under custody	473,840	773,440	489,852
Others	<u>171,422</u>	<u>178,410</u>	<u>254,723</u>
	<u>\$ 9,875,138</u>	<u>\$ 12,087,464</u>	<u>\$ 8,478,033</u>

35. INCOME TAX

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

The Company has used the linked-tax system for income tax and unappropriated earnings tax filings with its qualified subsidiaries since 2003.

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Current tax				
Current period	\$ 300,920	\$ 373,295	\$ 852,961	\$ 737,396
Unappropriated earnings	28,971	261	28,971	261
Prior periods	<u>(9,786)</u>	<u>19,455</u>	<u>(9,786)</u>	<u>51,669</u>
	<u>320,105</u>	<u>393,011</u>	<u>872,146</u>	<u>789,326</u>

(Continued)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Deferred tax				
Temporary differences	\$ 4,459	\$ (42,052)	\$ 235,530	\$ 46,199
Adjustments of tax rate	<u>39</u>	<u>-</u>	<u>(113,567)</u>	<u>-</u>
Income tax expenses recognized in profit or loss	<u>\$ 324,603</u>	<u>\$ 350,959</u>	<u>\$ 994,109</u>	<u>\$ 835,525</u> (Concluded)

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

b. Income tax recognized in other comprehensive income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
<u>Deferred tax</u>				
Recognized in other comprehensive income				
Adjustments of tax rate	\$ 39	\$ -	\$ 28,857	\$ -
Exchange difference on translating foreign operations	(68,726)	(15,541)	14,463	278,431
Unrealized gain or loss on financial assets measured at fair value through other comprehensive income	(2,266)	-	(4,545)	-
Unrealized gain or loss on available-for-sale financial assets	-	(4,293)	-	(5,547)
Share of the other comprehensive income of associate and joint venture	<u>95</u>	<u>(65)</u>	<u>95</u>	<u>(847)</u>
Income tax recognized in other comprehensive income	<u>\$ (70,858)</u>	<u>\$ (19,899)</u>	<u>\$ 38,870</u>	<u>\$ 272,037</u>

Included in the effect of tax rate adjustments, \$13,680 is the effect of deferred tax of defined benefit plans remeasurement which is recognized as retained earnings transferred from other comprehensive income.

- c. The income tax returns of SinoPac Securities through 2013 have been examined by the tax authorities. However, the tax authorities disallowed the treatment of items such as operating expenses and interest expenses allocated to the dealing department and the assessment of warrants as deductions against SinoPac Securities' income tax obligations for 2007 to 2013. SinoPac Securities thus filed an appeal on its 2007 to 2013 returns for the authorities' reconsideration of the assessments. Even if this matter were still unresolved, SinoPac Securities accrued \$232,536 as additional income tax expense.

- d. The income tax returns of SinoPac Futures through 2015 have been examined by the tax authorities. However, the tax authorities disallowed the treatment of items such as futures brokerage business's amortization in 2012 to 2015, which was caused by acquisitions of Pacific Securities. SinoPac Futures thus filed an appeal for the authorities' reconsideration of the assessments. Even if this matter were still unresolved, SinoPac Futures accrued income tax expense in advance.
- e. The income tax returns of SinoPac Venture Capital through 2013 have been examined by the tax authorities. However, the tax authorities had a different opinion about SinoPac Venture Capital's amortizing certain operating expenses in 2007 to 2011. Thus, the tax authorities canceled the operating expense deduction and increased taxable income by \$158,086. SinoPac Venture Capital thus filed an appeal on its 2007 to 2011 returns for the authorities' reconsideration of the assessments.
- f. The income tax returns of SinoPac Leasing through 2013 have been examined by the tax authorities. However, the tax authorities had a different opinion about recognition of bad debt loss of \$160 in 2013. SinoPac Leasing has filed an appeal for the authorities' reconsideration of the assessments.
- g. The status of the subsidiaries' examined income tax returns is as follows:

	<u>Examined Year</u>
SPH	2013
Bank SinoPac	2013
SinoPac Life Insurance Agent	2016
SinoPac Property Insurance Agent	2016
SinoPac Securities Investment Service	2016
SinoPac Call Center	2013
SinoPac Securities Investment Trust	2013

36. EQUITY

a. Share capital

1) Common shares

The Company had an authorized capital of \$120,000,000 divided into 12,000,000 thousand shares, with a par value of NT\$10. The authorized capital can be issued in installments upon approval of the board of directors. Of the authorized capital, 500,000 thousand shares had been reserved for issuing stock option certificates, stock warrants associated with preferred stock and stock warrants associated with corporate bonds. The subscription shares issued on the exercise of employee stock options were subject to the regulations of the Securities and Futures Bureau.

In the meeting on June 15, 2018, the shareholders approved the issuance of stock dividends totaling \$2,210,011 or 221,001 thousand shares at the par value of NT\$10. Total capital stock thus increased to \$112,710,541. This stock dividend appropriation was approved by the Securities and Futures Bureau; the record date of earnings capitalization was August 21, 2018.

In the meeting on June 14, 2017, the shareholders approved the issuance of stock dividends totaling \$3,736,733 or 373,673 thousand shares at the par value of NT\$10. Total capital stock thus increased to \$110,500,530. This stock dividend appropriation was approved by the Securities and Futures Bureau; the record date of earnings capitalization was September 24, 2017.

2) Preferred shares

To strengthen its financial structure, raise its capital adequacy ratio and increase its operating capital, the Company proposed the issuance of preferred Class A shares, with the effective date of May 15, 2009, at a price of NT\$6.00 per share.

Major terms and conditions of the preferred Class A shares are as follows:

- a) The current year's earnings will be first used to cover losses of the past years as well as settle all taxes payable. The balance will then be used to appropriate legal reserve and special reserve and to reverse a special reserve in accordance with relevant laws and regulations and the corporate charter. The remainder will then be used to pay the accrued dividends of the past years and dividend of the current year.
- b) In the 15 years after the offering, dividends will be calculated at floating rates, using the annual deposit interest rates of Chunghwa Post Co., Ltd. for the period starting from the capital increase record date to the first anniversary of the offering plus 0.7%; from the 16th year and on, dividends will be calculated at the annual interest rates of Chunghwa Post Co., Ltd. at the anniversary of the offering, plus 1.5%. Dividend are payable in cash annually on the basis of the actual offering price. The date of dividend payment will be determined by the board after the shareholders' meeting approves the Company's audited operating results. The Board will then decide the record date for the payment of the previous year's dividend. Dividends for the year of initial share offering and for the buyback year are calculated using the number of days the shares have been outstanding, and the dividend for the buyback year should be paid when a notice is served after the following year's shareholders' meeting.
- c) If no earnings are available, earnings are insufficient to fully pay dividends of preferred Class A stock, or the dividend payout will result in the consolidated capital adequacy ratio falling below the minimum amount set by laws and regulations or administrative bodies, the current year's dividends should be accrued together with those of the past years and paid preferentially in the following surplus years.
- d) For the distribution of the Company's residual assets, preference is given to preferred Class A shareholders instead of common shareholders and preferred Class B shareholders, with the amount not exceeding the offering amount and accrued dividends payable.
- e) Preferred Class A shareholders do not have voting rights in shareholders' meetings but have the right to be elected as board directors or supervisors. Nonetheless, preferred Class A shareholders are entitled to in the meetings of preferred Class A shareholders.
- f) Preferred Class A shareholders are not entitled to payouts from earnings as well as capital reserve meant for common stock, but they may receive dividends mentioned in paragraph (b) above.
- g) If new shares are issued, preferred Class A shareholders have the preferential right of subscription.
- h) Within three years of the preferred Class A stock offering, preferred Class A shareholders are entitled to convert all or part of their holdings into common stock on a one-for-one basis at any time, except when the registration of the conversion is suspended in accordance with relevant laws and regulations and when the offering falls within a period starting from the third business day after the date of the board of directors' announcement of its decision on the ex-dividend dates for the stock dividends, cash dividends and rights issues - which involve the suspension of stock registration on certain dates - till the record dates on the above dividends and rights. After conversion, the rights of the holders of the converted shares become the same as those of the common shares.

- i) Preferred Class A shares are not entitled to preferred dividends of the current year and the following year's dividend payout for the preferred stock if they had been converted into common stock before the record date (for common dividend distribution). In addition, if preferred stock dividends have already been paid in the year when preferred Class A shares have been converted to common stock, holders of the converted shares are not entitled to common dividends paid out in the year of the conversion. In the following years, accrued preferred dividends should be paid ahead of common dividends in the year and thereafter.
- j) Preferred Class A stock has no maturity date. Within 15 years of share offering, all or part of the preferred Class A shares may be bought back at a price based on the offering price plus accrued dividends of the past years and on the basis of the number of days the shares have been outstanding in the current year. For this buyback, the Company will use the money raised through earnings generation, new share offerings or any other means as permitted by relevant laws and regulations. If the Company wants to buy back preferred Class A shares, a written notice should be given to the shareholders 30 days before the buyback. The right to convert the preferred shares into common shares within this period will not be affected by this notice.

There were 70,000 thousand preferred Class A shares. Under IAS 32 "Financial Instruments: Presentation", the Company bifurcated the conversion rights embedded in the preferred Class A stock and the liability component, which amounted to \$290,940, recorded as capital surplus - conversion rights, and \$129,060, respectively. The related public issuance procedures had been completed, with the registration of these procedures approved by the Financial Supervisory Commission (FSC) under guidelines No. 1010058323. As of June 30, 2018, preferred Class A shares had been converted into 60,000 thousand common shares.

b. Capital surplus

	June 30, 2018	December 31, 2017	June 30, 2017
Arising from issuance of common stock	\$ 2,080,001	\$ 2,080,001	\$ 2,080,001
Conversion rights	41,562	41,562	41,562
Employee share option - issuance of common stock	102,570	102,570	102,570
Others	<u>4,638</u>	<u>4,638</u>	<u>4,638</u>
	<u>\$ 2,228,771</u>	<u>\$ 2,228,771</u>	<u>\$ 2,228,771</u>

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

In accordance with the Company Act, the amount recognized from changes in equity of local associates and joint venture accounted for using equity method can be used to cover accumulated deficits. Besides, the capital surplus from employee share options may not be used for any purpose due to its transitional nature.

Under the Financial Holding Company Act and related directives of the Securities and Futures Bureau, if the capital surplus obtained by a financial holding company through a share swap comes from its subsidiaries' unappropriated retained earnings after legal and special reserves, the surplus is exempted from the restriction stated in the Securities and Exchange Act (Ref No. 0910016280). This surplus was distributed together with 2004 earnings.

c. Other equity items

	Exchange Differences Arising on Translating Foreign Operations	Unrealized Gain or Loss on Available-for- sale Financial Assets	Unrealized Gain or Loss on Financial Assets Measured at Fair Value Through Other Comprehensive Income	Changes in the Fair Value Attributable to Changes in the Credit Risk of Financial Liabilities Designated as at Fair Value Through Profit or Loss	Total
Balance January 1, 2018 (IAS 39)	\$ (683,250)	\$ 683,510	\$ -	\$ (20,170)	\$ (19,910)
Effect of retrospective application and restatement of IFRS 9	<u>-</u>	<u>(683,510)</u>	<u>1,210,815</u>	<u>-</u>	<u>527,305</u>
Restated balance January 1, 2018	<u>(683,250)</u>	<u>-</u>	<u>1,210,815</u>	<u>(20,170)</u>	<u>507,395</u>
Exchange differences					
Exchange differences arising on translating foreign operations	(59,873)	-	-	-	(59,873)
Related income tax	37,336	-	-	-	37,336
Financial assets at fair value through other comprehensive income					
Current adjustment for change in value (debt instruments)	-	-	(105,407)	-	(105,407)
Adjustment for loss allowance of debt instruments	-	-	(8,747)	-	(8,747)
Realization in amount (disposal of debt instruments)	-	-	5,152	-	5,152
Current adjustment for change in value (equity instruments)	-	-	76,351	-	76,351
Cumulative realized gain or loss of equity instruments transferred to retained earnings due to disposal	-	-	(9,975)	-	(9,975)
Related income tax	-	-	(12,153)	-	(12,153)
Share of the other comprehensive income of associates and joint venture accounted for using equity method					
Current differences	(479)	-	-	-	(479)
Related income tax	7	-	-	-	7
Changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss					
Change in amount	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,950</u>	<u>16,950</u>
Balance June 30, 2018	<u>\$ (706,259)</u>	<u>\$ -</u>	<u>\$ 1,156,036</u>	<u>\$ (3,220)</u>	<u>\$ 446,557</u>
Balance January 1, 2017	\$ 585,505	\$ 247,132	\$ -	\$ -	\$ 832,637
Exchange differences					
Exchange differences arising on translating foreign operations	(1,674,246)	-	-	-	(1,674,246)
Related income tax	278,431	-	-	-	278,431
Available-for-sale financial assets					
Unrealized gain or loss on revaluation	-	1,081,314	-	-	1,081,314
Cumulative gain or loss reclassified to profit or loss on sale of available-for-sale financial assets	-	(222,126)	-	-	(222,126)
Related income tax	-	(5,547)	-	-	(5,547)
Share of the other comprehensive income of associates and joint venture accounted for using equity method					
Current differences	4,982	(156)	-	-	4,826
Related income tax	(847)	-	-	-	(847)
Changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss					
Change in amount	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,889</u>	<u>9,889</u>
Balance June 30, 2017	<u>\$ (806,175)</u>	<u>\$ 1,100,617</u>	<u>\$ -</u>	<u>\$ 9,889</u>	<u>\$ 304,331</u>

d. Earnings distribution and dividend policy

The Company's Articles of Incorporation provide that annual net income should be appropriated after deducting any accumulated losses and taxes and providing legal and special reserves and reversing special reserve. The remaining earnings will be used to pay the accumulated and current year's dividends of Class-A preferred shares, the board of directors will then prepare a proposal for approval at the shareholders' meeting on the appropriation of the remaining earnings and the retained earnings from previous years.

When legal reserve reaches the full amount of the Company's paid-in capital, legal reserve appropriation could be suspended.

Based on the Company's operating plans, the dividend policy is to distribute most dividends in the form of stock to meet capital needs. The cash dividends will be declared only when there is an excess of cash and cash dividends should not be less than 10% of total dividends declared.

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

Legal reserve should be appropriated until it has reached the amount of the Company's paid-in capital. This reserve may be used to offset a deficit. Under the revised Company Act issued on January 4, 2012, when the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The Company appropriates or reverses a special reserve in accordance with Rule No. 1010012865 and the directive entitled "Questions and Answers on Special Reserves Appropriated Following the Adoption of IFRSs". Distributions can be made out of any subsequent reversal of the debit to other equity items.

The appropriation of earnings for 2016 had been approved in the shareholder's meeting on June 14, 2017. The appropriation and dividends per share are as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 824,305	
Cash dividends	3,672,674	\$0.344
Share dividends	3,736,733	0.350

The shareholders' meeting resolved to authorize the board of directors to adjust the amount of dividends to be distributed in these situations: (a) treasury stock buyback (b) preferred stock converted to common stock (c) shareholders renouncement of their rights to dividends and bonus distribution; or (d) other circumstances.

The appropriations of earnings for 2017 had been approved in the shareholder's meeting on June 15, 2018. The appropriation and dividends per share are as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 894,888	
Special reserve	19,911	
Cash dividends	5,525,026	\$0.5
Share dividends	2,210,011	0.2

The shareholders' meeting resolved to authorize the board of directors to adjust the amount of dividends to be distributed in these situations: (a) treasury stock buyback (b) preferred stock converted to common stock (c) shareholders renouncement of their rights to dividends and bonus distribution; or (d) other circumstances.

37. INTEREST REVENUE, NET

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Interest revenue				
Loans	\$ 4,969,542	\$ 4,790,323	\$ 9,582,456	\$ 9,480,001
Investment securities interest	987,725	1,046,760	1,956,492	2,100,040
Due from the Central Bank and other banks	366,850	376,055	801,665	755,158
Financing	428,760	575,775	874,907	1,138,439
Credit Card revolving interest rate income	146,047	141,928	289,396	286,405
Others	<u>352,064</u>	<u>212,239</u>	<u>670,972</u>	<u>424,186</u>
	<u>7,250,988</u>	<u>7,143,080</u>	<u>14,175,888</u>	<u>14,184,229</u>
Interest expense				
Deposits	(2,349,736)	(2,056,112)	(4,508,283)	(4,172,724)
Securities sold under agreements to repurchase	(230,971)	(174,438)	(464,262)	(316,879)
Bank debentures	(216,743)	(221,844)	(431,451)	(435,277)
Borrowing	(176,350)	(212,471)	(363,495)	(413,892)
Call loans from banks	(171,326)	(153,604)	(287,026)	(283,604)
Interest expense of structured products	(117,673)	(123,277)	(232,248)	(237,848)
Others	<u>(53,277)</u>	<u>(47,813)</u>	<u>(109,700)</u>	<u>(101,136)</u>
	<u>(3,316,076)</u>	<u>(2,989,559)</u>	<u>(6,396,465)</u>	<u>(5,961,360)</u>
	<u>\$ 3,934,912</u>	<u>\$ 4,153,521</u>	<u>\$ 7,779,423</u>	<u>\$ 8,222,869</u>

38. COMMISSION AND FEE REVENUES, NET

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Commissions and fees revenues				
Brokerage services	\$ 1,313,503	\$ 979,665	\$ 2,652,200	\$ 1,948,216
Insurance services	522,517	392,345	1,160,333	1,043,118
Trust and related services	497,145	514,473	1,113,100	1,008,386
Credit card services	273,658	270,373	540,376	547,894
Loan services	145,822	174,164	344,785	314,263
Underwriting services	53,515	176,098	182,622	233,046
Others	<u>207,082</u>	<u>208,819</u>	<u>418,779</u>	<u>426,626</u>
	<u>3,013,242</u>	<u>2,715,937</u>	<u>6,412,195</u>	<u>5,521,549</u>

(Continued)

	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2018	2017	2018	2017
Commissions and fees expense				
Brokerage services	\$ (138,060)	\$ (94,379)	\$ (280,286)	\$ (187,925)
Credit card services	(111,410)	(107,296)	(220,544)	(217,684)
Settlement and delivery services	(37,066)	(31,691)	(79,077)	(60,406)
Interbank services	(38,209)	(37,535)	(77,593)	(74,997)
Futures commission	(37,668)	(32,413)	(77,349)	(63,186)
Dealing services	(26,269)	(12,338)	(43,548)	(37,359)
Others	(86,209)	(98,460)	(174,759)	(191,059)
	<u>(474,891)</u>	<u>(414,112)</u>	<u>(953,156)</u>	<u>(832,616)</u>
	<u>\$ 2,538,351</u>	<u>\$ 2,301,825</u>	<u>\$ 5,459,039</u>	<u>\$ 4,688,933</u>
				(Concluded)

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

	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2018	2017	2018	2017
Realized gain (loss) on financial assets and liabilities at fair value through profit or loss				
Issuance of call (put) warrants	\$ 723,318	\$ (68,027)	\$ 3,578,861	\$ 2,179,764
Operating securities - dealing	222,773	532,299	719,924	1,165,454
Stocks	112,775	3,032	163,457	6,115
Operating securities - underwriting	53,564	6,682	145,546	5,181
Bank debentures	42,775	62,039	127,162	114,501
Operating securities - hedging	391,883	(285)	114,959	74,069
Government bonds	(383,874)	132,314	(259,444)	163,810
Interest rate swap contracts	604,217	(12,937)	488,715	(53,011)
Currency swap contracts and hybrid FX swap structured instruments	35,101	391,764	459,944	1,088,683
Option contracts	(35,442)	20,556	69,925	52,952
Futures contracts	(10,967)	(154,108)	(21,446)	(200,428)
Asset swap contracts	(20,295)	(17,462)	(42,266)	(127,888)
Forward contracts	(101,047)	312,159	(100,423)	304,767
Others	11,122	(86,660)	62,135	(124,761)
	<u>1,645,903</u>	<u>1,121,366</u>	<u>5,507,049</u>	<u>4,649,208</u>
Unrealized gain (loss) on financial assets and liabilities at fair value through profit or loss				
Securities purchased under agreements to resell - short sales	1,840	(5,699)	31,479	(75,569)
				(Continued)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Operating securities - underwriting	\$ (81,438)	\$ (29,593)	\$ (176,844)	\$ (26,037)
Operating securities - hedging	(345,622)	76,436	(183,380)	113,835
Bank debentures	(105,765)	(5,450)	(193,427)	34,749
Operating securities - dealing	(58,951)	209,213	(430,816)	245,908
Government bonds	184,346	670,011	(487,445)	970,801
Interest rate swap contracts	(35,277)	(493,305)	928,537	(544,087)
Currency swap contracts and hybrid FX swap structured instruments	(8,848)	(95,531)	156,050	308,647
Cross-currency swap contracts	84,951	26,715	54,045	(38,151)
Equity derivative instrument contracts	120,161	(63,303)	9,019	(79,174)
Forward contracts	(32,458)	(302,830)	(77,639)	(728,310)
Option contracts	8,805	65,518	(110,770)	72,789
Issuance of call (put) warrants	(794,018)	114,842	(3,350,083)	(2,136,932)
Others	(186,550)	67,613	(239,330)	46,211
	<u>(1,248,824)</u>	<u>234,637</u>	<u>(4,070,604)</u>	<u>(1,835,320)</u>
	<u>\$ 397,079</u>	<u>\$ 1,356,003</u>	<u>\$ 1,436,445</u>	<u>\$ 2,813,888</u>

(Concluded)

- a. For the three months ended June 30, 2018 and 2017, realized gains on financial assets and liabilities at fair value through profit or loss, including capital gain, were \$1,032,492 and \$523,910, respectively; related interest and dividend revenues were \$613,411 and \$597,456, respectively. For the six months ended June 30, 2018 and 2017, realized gains on financial assets and liabilities at fair value through profit or loss, including capital gain, were \$4,279,234 and \$3,537,520, respectively; related interest and dividend revenues were \$1,227,815 and \$1,111,688, respectively.
- b. Financial assets designated as at fair value through profit or loss and its derivatives changes in the fair value recognized as financial assets at fair value through profit or loss.

40. REALIZED GAINS ON AVAILABLE-FOR-SALE FINANCIAL ASSETS

	For the Three Months Ended June 30, 2017	For the Six Months Ended June 30, 2017
Gain from disposal of stocks	\$ 204,265	\$ 227,237
Dividends revenue	3,779	6,020
Gain from disposal of beneficial certificates	7	109
Others	<u>(2)</u>	<u>(10)</u>
	<u>\$ 208,049</u>	<u>\$ 233,356</u>

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

	For the Three Months Ended June 30, 2018	For the Six Months Ended June 30, 2018
Dividends revenue	\$ 80,124	\$ 80,410
Gain or loss from disposal of debt instruments	-	(3,653)
Others	<u>(1,499)</u>	<u>(1,499)</u>
	<u>\$ 78,625</u>	<u>\$ 75,258</u>

The Group recognized dividends revenue \$80,124 and \$80,410 for the three months ended June 30, 2018 and for the six months ended June 30, 2018, respectively. All dividends of the stocks are still hold on June 30, 2018.

42. IMPAIRMENT LOSS ON ASSETS

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Impairment loss on available-for-sale financial assets	\$ -	\$ (6,566)	\$ -	\$ (6,566)
Reversal of impairment loss on debt instruments measured at fair value through other comprehensive income	7,298	-	8,747	-
Reversal of impairment loss on debt instruments measured at amortized cost	733	-	1,593	-
Impairment loss on other financial assets	<u>(21,135)</u>	<u>(73,414)</u>	<u>(21,282)</u>	<u>(51,899)</u>
	<u>\$ (13,104)</u>	<u>\$ (79,980)</u>	<u>\$ (10,942)</u>	<u>\$ (58,465)</u>

43. OTHER NONINTEREST NET REVENUES

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Securities lending	\$ 27,699	\$ 31,661	\$ 55,529	\$ 55,317
Stock affairs agent revenue	29,981	32,569	53,025	55,049
Operating assets rental income	21,974	23,995	43,820	47,686
Administration fee revenue	22,167	16,728	37,570	32,821
Rental income	12,086	11,668	24,190	23,245
Transaction bonus	10,445	17,365	20,605	28,497
Gain on disposal of property and equipment	444	10,460	3,463	25,326

(Continued)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Net gain on unquoted equity instruments	\$ -	\$ 92,069	\$ -	\$ 103,935
Life insurance cash surrender revenue	-	8,977	-	18,008
Expense arising from issuance of call (put) warrants	(33,216)	(33,022)	(63,441)	(55,686)
Others	<u>35,070</u>	<u>33,084</u>	<u>50,772</u>	<u>42,771</u>
	<u>\$ 126,650</u>	<u>\$ 245,554</u>	<u>\$ 225,533</u>	<u>\$ 376,969</u>

(Concluded)

44. EMPLOYEE BENEFITS EXPENSE

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Salaries and wages	\$ 2,554,443	\$ 2,675,975	\$ 5,212,692	\$ 5,366,292
Labor insurance and national health insurance	167,619	164,109	352,456	361,664
Pension costs	120,162	134,894	239,343	268,836
Others	<u>224,859</u>	<u>211,433</u>	<u>444,228</u>	<u>412,500</u>
	<u>\$ 3,067,083</u>	<u>\$ 3,186,411</u>	<u>\$ 6,248,719</u>	<u>\$ 6,409,292</u>

The Company's Articles of Incorporation provide that the Company allocate from annual profit more than 0.01% as employees' compensation and not more than 1% as remuneration of directors. For the six months ended June 30, 2018 and 2017, the employees' compensation were \$478 and \$436, respectively and the remuneration of directors were \$15,295 and \$16,561, respectively. These amounts were estimated on the basis of the Company's Articles of Incorporation and past experience.

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

The board of directors approved \$1,000 as employees' compensation and \$26,267 as remuneration of directors on February 2, 2018. These amounts were the same as those recognized in the financial statements and will be delivered entirely in cash. The above approval has been reported in the shareholders' meeting on June 15, 2018.

The board of directors approved \$816 as employees' compensation and \$27,500 as remuneration of directors on March 24, 2017 and January 20, 2017, respectively. These amounts were the same as those recognized in the financial statements and will be delivered entirely in cash. The above approval has been reported in the shareholders' meeting on June 14, 2017.

The information on the proposed and approved compensations to employees and supervisor is available at the Market Observation Post System (M.O.P.S.) website of the Taiwan Stock Exchange.

45. DEPRECIATION AND AMORTIZATION

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Depreciation expense				
Buildings	\$ 48,521	\$ 45,612	\$ 94,251	\$ 93,245
Machinery and computer equipment	50,249	51,524	99,770	104,462
Transportation equipment	7,326	8,234	14,199	16,006
Other equipment	28,388	29,317	57,159	58,741
Leasehold improvements	42,221	37,838	77,364	77,498
Land improvements	417	219	833	416
	<u>177,122</u>	<u>172,744</u>	<u>343,576</u>	<u>350,368</u>
Amortization expense	<u>65,768</u>	<u>87,863</u>	<u>135,637</u>	<u>198,330</u>
	<u>\$ 242,890</u>	<u>\$ 260,607</u>	<u>\$ 479,213</u>	<u>\$ 548,698</u>

46. OTHER OPERATING EXPENSES

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Taxation and fees	\$ 334,745	\$ 322,052	\$ 667,032	\$ 635,494
Rent	235,825	254,092	464,322	511,408
Automated equipment	179,434	188,548	343,976	352,054
Marketing	153,329	139,762	302,377	283,662
Professional advisory	112,335	127,567	227,432	237,085
Location fee	105,730	105,351	206,770	203,294
Communications expense	77,916	82,731	153,690	174,271
Others	<u>320,533</u>	<u>313,540</u>	<u>605,517</u>	<u>570,953</u>
	<u>\$ 1,519,847</u>	<u>\$ 1,533,643</u>	<u>\$ 2,971,116</u>	<u>\$ 2,968,221</u>

47. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing net income by the weighted-average number of common shares outstanding.

In the calculation of diluted earnings per share, the preferred shares, which have a dilutive effect, are included in the weighted-average number of common shares outstanding by which net income will be divided. The Company has preferred stocks which are potential dilutive common shares.

	Dollars Per Share			
	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Basic EPS	<u>\$ 0.19</u>	<u>\$ 0.17</u>	<u>\$ 0.42</u>	<u>\$ 0.38</u>
Diluted EPS	<u>\$ 0.19</u>	<u>\$ 0.17</u>	<u>\$ 0.42</u>	<u>\$ 0.38</u>

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

Net Income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Net income for calculating Basic EPS	\$ 2,120,199	\$ 1,960,329	\$ 4,759,468	\$ 4,325,336
Effect of potentially dilutive common shares:				
Preferred shares	260	266	518	535
Employee stock bonus	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net income for calculating diluted EPS	<u>\$ 2,120,459</u>	<u>\$ 1,960,595</u>	<u>\$ 4,759,986</u>	<u>\$ 4,325,871</u>

Shares

	Shares in Thousands			
	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
The weighted-average number of common shares outstanding in computation of basic EPS	11,271,054	11,271,054	11,271,054	11,271,054
Effect of potentially dilutive common shares:				
Preferred shares	10,000	10,000	10,000	10,000
Employee stock bonus	<u>43</u>	<u>47</u>	<u>61</u>	<u>86</u>
The weighted-average number of common shares outstanding in computation of diluted EPS	<u>11,281,097</u>	<u>11,281,101</u>	<u>11,281,115</u>	<u>11,281,140</u>

When calculating the earning per share, the effects of changes in the number of shares resulted from bonus issue has already adjusted retrospectively and the bonus issue date is on August 21, 2018 and September 24, 2017, respectively. Due to the retrospectively adjusting, the basic EPS and diluted EPS are adjusted from \$0.18 to \$0.17 for the three months ended June 30, 2017, and from \$0.39 to \$0.38 for the six months ended June 30, 2017.

If the Group decides to give an employee bonus in the form of cash or shares, the Group should presume that the entire amount of the bonus will be in the form of shares and if the resulting potential shares have a dilutive effect, these shares should be included in the weighted-average number of shares outstanding to be used in the calculation of diluted earnings per share. The dilutive effect of the potential shares should be included in the computation of diluted earnings per share until the board of directors resolve at their meeting in the following year the number of shares to be distributed to employees.

48. RELATED-PARTY TRANSACTIONS

In addition to those disclosed in other notes to the financial statements, relationships with the Group and significant transactions, as well as the subsidiaries' related-party transactions, are summarized as follows:

a. Related parties and their relationships with the Group

<u>Related Party</u>	<u>Relationship with the Group</u>
Taiwan Futures Exchange Corporation (TAIFEX)	Affiliate of the Company's general manager
Taiwan Stock Exchange Corporation (TWSE)	Affiliate of the Company's general manager
YFY Inc.	The Company's corporate director
Taigen Biopharmaceuticals Holdings Limited	SinoPac Venture Capital is the corporate director of affiliate
Taiwan Global BioFund	SinoPac Venture Capital is the corporate director of affiliate
YFY International BVI Corp. (YFY International)	Affiliate of the Company's corporate director
YFY Cayman Co., Ltd. (YFY Cayman)	Affiliate of the Company's director
YFY Packaging Inc. (YFY Packaging)	Affiliate of the Company's director
Asia Cement Corporation (Asia Cement)	Affiliate of the Company's director
Chunghwa Telecom Co., Ltd. (Chunghwa Telecom)	Affiliate of Bank SinoPac' director
Taipei Fubon Commercial Bank Co., Ltd (Taipei Fubon Bank)	Affiliate of SPL's director
Boardtek Electronics Corporation (Boardtek Electronics)	Affiliate of the Company's manager
Financial Information Services Co., Ltd. (FISC)	Affiliate of the Company's manager
Carnival Industrial Corporation (Carnival Industrial)	Affiliate of Bank SinoPac managers' spouse
Cheng Da Industrial Co., Ltd. (Cheng Da)	Affiliate of Bank SinoPac managers' spouse (before January 2018)
Wafer Works Corporation (Wafer Works)	Affiliate of Bank SinoPac managers' spouse
Kim Great Co., Ltd. (Kim Great)	Affiliate of second-degree kin of the Bank SinoPac's manager
Bolin Company Ltd. (Bolin Company)	Affiliate of third-degree kin of the Bank SinoPac's manager
Shyang Yih Logistics Co., Ltd. (Shyang Yih Logistics)	Affiliate of third-degree kin of the Bank SinoPac's manager
Quanta Storage Inc. (Quanta Storage)	Affiliate of third-degree kin of the Bank SinoPac's manager (before January 2018)
Kung Sing Engineering Corporation (Kung Sing Engineering)	Affiliate of second-degree in-laws of the Bank SinoPac's manager
Cold Stone Creamery Taiwan Ltd. (Cold Stone Creamery)	Affiliate of second-degree in-laws of the Bank SinoPac's manager
Well Shine Biotechnology Development Co., Ltd. (Well Shine Bio)	Affiliate of second-degree in-laws of the Bank SinoPac's manager
Evercast Precision Industry Corporation (Evercast Precision)	Affiliate of first-degree kin of the Bank SinoPac's Lending committee member
Greatwell Enterprise Co., Ltd.	Affiliate of second-degree kin of the Bank SinoPac's Lending committee member
International Rice Noodle Corp.	Affiliate of second-degree kin of the Bank SinoPac's Lending committee member
Champion Building Materials Co., Ltd. (Champion Building Materials)	Affiliate of third-degree kin of the Bank SinoPac's Lending committee member
Hoss Venture Inc. (Hoss Venture)	Related party

(Continued)

Related Party	Relationship with the Group
Jelyte Infodata Inc. (Jelyte Infodata)	Related party
MiCareo Taiwan Co., Ltd. (MiCareo)	Related party
Foongtone Technology Co., Ltd. (Foongtone Technology)	Related party
SinoPac Multi Strategy Quant Fund Limited	Related party
SinoPac Multi-Series Fund II Limited	Related party
SinoPac Multi-Series Fund SPC	Related party
Chunghwa Post Co., Ltd. (Chunghwa Post)	Related party
Cathay Securities Corporation (Cathay Securities)	Related party
Ho, Show Chung	Related party
Mega Financial Holding Company Ltd. (Mega Holdings)	Related party
Chung Kuo Insurance Co., Ltd. (Chung Kuo Insurance)	Related party
Others	The Group's directors, supervisors, managers and their relatives, department chiefs, investments accounted for using the equity method and their subsidiaries, and investees of the Company's other subsidiaries, etc. (Concluded)

b. Significant transactions with related parties

1) Cash and cash equivalents

	June 30, 2018	December 31, 2017	June 30, 2017
Bank SinoPac and its subsidiaries			
Due from other bank			
Others	\$ 1,679	\$ 2,466	\$ 3,482

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

2018

	June 30, 2018		For the Six Months Ended June 30, 2018
	Ending Balance	Interest Rate (%)	Interest Revenue
Call loans to bank			
Others	\$ 1,435,702	0.05-4.10	\$ 5,499

2017

	December 31, 2017	
	Ending Balance	Interest (%)
Call loans to banks		
Others	\$ 1,149,889	0.03-2.05

3) Financial assets at fair value through profit or loss

	June 30, 2018	December 31, 2017	June 30, 2017
SinoPac Securities and its subsidiaries			
Others	\$ 1,307,689	\$ 1,121,115	\$ 1,159,210
SinoPac Securities Investment Trust			
Others	591	-	-
SinoPac Venture Capital and its subsidiaries			
Others	1,109,752	-	-

4) Derivative financial instruments

June 30, 2018					
	Contract (Notional) Amount	Contract Period	Valuation Gains or Losses	Account	Balance
Bank SinoPac and its subsidiaries					
Currency swap contracts					
Taipei Fubon Bank	\$ 12,202,300	2018.2.22- 2019.4.2	\$ 218,662	Financial assets at fair value through profit or loss	\$ 218,662
Taipei Fubon Bank	9,456,783	2018.2.21- 2018.12.17	(264,476)	Financial liabilities at fair value through profit or loss	264,476
Interest rate swap contracts					
Taipei Fubon Bank	4,730,000	2013.8.20- 2022.3.29	(7,939)	Financial assets at fair value through profit or loss	18,652
Taipei Fubon Bank	5,930,001	2013.10.28- 2022.6.20	8,021	Financial liabilities at fair value through profit or loss	41,682
Forward contracts					
YFY International	1,067,701	2018.4.17- 2018.11.5	(47,385)	Financial liabilities at fair value through profit or loss	47,385
YFY Cayman	2,287,931	2018.4.12- 2018.11.2	(107,541)	Financial liabilities at fair value through profit or loss	107,541
December 31, 2017					
	Contract (Notional) Amount	Contract Period		Account	Balance
Bank SinoPac and its subsidiaries					
Currency swap contracts					
Taipei Fubon Bank	\$ 5,225,038	2017.1.12-2018.6.20		Financial assets at fair value through profit or loss	\$ 137,919
Taipei Fubon Bank	3,284,310	2017.1.11-2018.6.4		Financial liabilities at fair value through profit or loss	260,754
Interest rate swap contracts					
Taipei Fubon Bank	5,758,920	2013.6.21-2022.3.29		Financial assets at fair value through profit or loss	28,096
Taipei Fubon Bank	7,928,920	2013.3.7-2022.6.20		Financial liabilities at fair value through profit or loss	52,656
Forward contracts					
YFY International	1,567,511	2017.2.8-2018.3.28		Financial assets at fair value through profit or loss	39,277
June 30, 2017					
	Contract (Notional) Amount	Contract Period	Valuation Gains or Losses	Account	Balance
Bank SinoPac and its subsidiaries					
Forward contracts					
YFY Cayman	\$ 1,522,032	2017.2.13- 2018.3.1	\$ 38,294	Financial assets at fair value through profit or loss	\$ 38,294
YFY International	761,016	2017.2.8- 2018.3.1	19,849	Financial assets at fair value through profit or loss	19,849

5) Available-for-sale financial assets

	December 31, 2017	June 30, 2017
Bank SinoPac and its subsidiaries		
Beneficial certificate		
Others	\$ -	\$ 2,083
SinoPac Securities and its subsidiaries		
Stock		
Others	864,049	71,932
SinoPac Securities Investment Trust		
Beneficial certificate		
Others	22,090	27,090
SinoPac Venture Capital and its subsidiaries		
Stock		
Others	745,876	854,317

6) Financial assets at fair value through other comprehensive income

	June 30, 2018
Bank SinoPac and its subsidiaries	
Others	\$ 650,656
SinoPac Securities and its subsidiaries	
Others	1,493,617
SinoPac Venture Capital and its subsidiaries	
Others	122,517

7) Securities purchased under agreements to resell

	June 30, 2018		For the Six Months Ended June 30, 2018
	Face Amount	Carrying Amount	Interest Revenue
SinoPac Securities and its subsidiaries			
Others	\$ -	\$ -	\$ 7
		December 31, 2017	
		Face Amount	Carrying Amount
SinoPac Securities and its subsidiaries			
Others		\$ 4,479	\$ 4,255

8) Receivables

	June 30, 2018	December 31, 2017	June 30, 2017
Bank SinoPac and its subsidiaries			
Others	\$ 46,246	\$ 436	\$ 38,110
SinoPac Securities and its subsidiaries			
Others	9,984	32,065	31,212
SinoPac Securities Investment Trust			
Others	19,120	16,213	18,252
SinoPac Leasing and its subsidiaries			
Lease receivable and installment receivable			
Others	1,178	1,357	1,531
Accounts and notes receivable			
Others	38	43	38

9) Loans

For the Six Months Ended June 30, 2018

	Ending Balance	Highest Balance	Interest/ Fee Rates (%)	Interest Revenue
Loans	<u>\$ 7,946,112</u>	<u>\$ 8,510,979</u>	0-8.66	<u>\$ 62,534</u>

Category	June 30, 2018						
	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collaterals	Is the Transaction at Arm's Length Commercial Term
Employees' consumer loans	514	\$ 192,882	\$ 160,049	V	-	None	Yes
Household mortgage loans	1,416	7,705,661	7,212,203	V	-	Real estate	Yes
Others:							
	Boardtek Electronics	400,000	400,000	V	-	Real estate	Yes
	Evercast Precision	39,034	37,999	V	-	Real estate	Yes
	Hoss Venture	30,000	30,000	V	-	Real estate	Yes
	Bolin Company	26,400	25,200	V	-	Real estate	Yes
	Kim Great	20,129	19,428	V	-	Real estate	Yes
	Jelyte Infodata	17,087	16,307	V	-	Real estate	Yes
	Greatwell Enterprise Co., Ltd.	8,200	8,200	V	-	Real estate	Yes
	Kung Sing Engineering	6,323	-	V	-	None, Note 1	Yes
	Shyang Yih Logistics	936	716	V	-	Vehicle	Yes
	Others	64,327	36,010	V	-	Vehicle, certificates of deposits and real estate	Yes
	Others subtotal	612,436	573,860				
	Total	\$ 8,510,979	\$ 7,946,112				

For the Year Ended December 31, 2017

	Ending Balance	Highest Balance	Interest/ Fee Rates (%)
Loans	<u>\$ 8,218,342</u>	<u>\$ 9,432,961</u>	0-16.14

Category	December 31, 2017						Is the Transaction at Arm's Length Commercial Term
	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collaterals	
Employees' consumer loans	557	\$ 236,105	\$ 185,676	V	-	None	Yes
Household mortgage loans	1,449	8,184,747	7,466,894	V	-	Real estate	Yes
Others:							
	Boardtek Electronics	400,000	400,000	V	-	Real estate	Yes
	Quanta Storage	242,758	-	V	-	None, Note 1	Yes
	Champion Building Materials	45,600	-	V	-	None, Note 1	Yes
	Cold Stone Creamery	44,500	-	V	-	None, Note 1	Yes
	Evercast Precision	41,074	39,034	V	-	Real estate	Yes
	Kung Sing Engineering	31,977	6,323	V	-	None, Note 1	Yes
	Hoss Venture	30,000	30,000	V	-	Real estate	Yes
	Bolin Company	28,800	26,400	V	-	Real estate	Yes
	Kim Great	21,507	20,129	V	-	Real estate	Yes
	Carnival Industrial	20,000	-	V	-	None, Note 1	Yes
	Jelyte Infodata	18,624	17,087	V	-	Real estate	Yes
	Well Shine Bio	15,000	-	V	-	Real estate	Yes
	Greatwell Enterprise Co., Ltd.	8,200	8,200	V	-	Real estate	Yes
	International Rice Noodle Corp.	403	-	V	-	Vehicle	Yes
	Cheng Da	33	-	V	-	Vehicle	Yes
	Others	63,633	18,599	V	-	Vehicle certificates of deposit and real estate	Yes
	Others subtotal	1,012,109	565,772				
	Total	\$ 9,432,961	\$ 8,218,342				

For the Six Months Ended June 30, 2017

	Ending Balance	Highest Balance	Interest/ Fee Rates (%)	Interest Revenue
Loans	<u>\$ 8,073,095</u>	<u>\$ 8,994,004</u>	0-16.14	<u>\$ 63,801</u>

Category	June 30, 2017						Is the Transaction at Arm's Length Commercial Term
	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collaterals	
Employees' consumer loans	512	\$ 190,345	\$ 160,166	V	-	None	Yes
Household mortgage loans	1,438	7,805,717	7,337,155	V	-	Real estate	Yes
Others:							
	Boardtek Electronics	400,000	400,000	V	-	Real estate	Yes
	Quanta Storage	242,758	-	V	-	None, Note 1	Yes
	Champion Building Materials	45,600	-	V	-	None, Note 1	Yes
	Cold Stone Creamery	44,500	-	V	-	None, Note 1	Yes
	Evercast Precision	41,074	25,058	V	-	Real estate	Yes
	Kung Sing Engineering	31,977	23,230	V	-	None, Note 1	Yes
	Hoss Venture	30,000	30,000	V	-	Real estate	Yes
	Bolin Company	28,800	27,600	V	-	Real estate	Yes
	Kim Great	21,507	20,821	V	-	Real estate	Yes
	Carnival Industrial	20,000	-	V	-	None, Note 1	Yes
	Jelyte Infodata	18,624	17,730	V	-	Real estate	Yes
	Well Shine Bio	15,000	-	V	-	Real estate	Yes
	Greatwell Enterprise Co., Ltd.	8,200	8,200	V	-	Real estate	Yes
	International Rice Noodle Corp.	403	325	V	-	Vehicle	Yes
	Cheng Da	33	-	V	-	Vehicle	Yes
	Others	49,466	22,810	V	-	Vehicle, certificates of deposit, real estate and securities	Yes
	Others subtotal	997,942	575,774				
	Total	\$ 8,994,004	\$ 8,073,095				

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

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

10) Guarantees

June 30, 2018

Related Party	Highest Balance in Current Period	Ending Balance	Provision	Rates	Type of Collaterals	Note
Kung Sing Engineering	\$ 39,027	\$ -	\$ -	1.00%	None, Note 1	

December 31, 2017

Related Party	Highest Balance in Current Year	Ending Balance	Provision	Rates	Type of Collaterals	Note
Wafer Works	\$ 101,003	\$ -	\$ -	0.75%	Certificates of deposit	
Kung Sing Engineering	39,027	39,027	-	1.00%	None, Note 1	
Quanta Storage	16,484	14,170	-	1.00%	Certificates of deposit	
MiCareo	15,910	-	-	1.25%	Certificates of deposit	

June 30, 2017

Related Party	Highest Balance in Current Period	Ending Balance	Provision	Rates	Type of Collaterals	Note
Wafer Works	\$ 101,003	\$ 20,373	\$ -	0.75%	Certificates of deposit	
Kung Sing Engineering	39,027	39,027	-	1.00%	None, Note 1	
Quanta Storage	16,484	16,484	-	0.45%	None, Note 1	
MiCareo	15,910	15,910	-	1.25%	Certificates of deposit	

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

11) Unquoted equity instruments (recorded as other financial assets)

	December 31, 2017	June 30, 2017
Bank SinoPac and its subsidiaries		
Others	\$ 119,290	\$ 119,290
SinoPac Securities and its subsidiaries		
Others	464,413	476,701
SinoPac Venture Capital and its subsidiaries		
Others	490,285	611,615

12) Property and equipment

For the six months ended June 30, 2017, the Company purchased machinery and computer equipment from its related parties with a total of \$48, recognized in property and equipment.

For the six months ended June 30, 2017, Bank SinoPac purchased machinery and computer equipment from its related parties with a total of \$5,566, recognized in property and equipment.

For the six months ended June 30, 2018, SinoPac Securities Investment Trust purchased machinery and computer equipment from its related parties with a total of \$185, recognized in property and equipment.

13) Intangible assets

For the six months ended June 30, 2018 and 2017, Bank SinoPac purchased computer software from its related parties for a total of \$48 and \$672, respectively, recognized under intangible assets.

For the six months ended June 30, 2018, SinoPac Securities and its subsidiaries purchased computer software from its related parties for a total of \$75, recognized under intangible assets.

14) Other assets

	June 30, 2018	December 31, 2017	June 30, 2017
Bank SinoPac and its subsidiaries			
Guarantee deposits			
Others	\$ 11,473	\$ 11,490	\$ 10,835
SinoPac Securities and its subsidiaries			
Securities borrowing margins			
Others	3,542,911	2,967,626	3,206,922
Clearing and settlement fund			
Others	230,745	235,359	235,156
Guarantee deposits			
Others	2,674	2,674	-
Other			
Others	601	5	-
SinoPac Securities Investment Trust			
Guarantee deposits			
Others	29	29	15
SinoPac Call Center			
Guarantee deposits			
Others	36	36	-
SinoPac Leasing and its subsidiaries			
Guarantee deposits			
Others	36	36	-

Bank SinoPac signed an agreement with Foongtone Technology for the purchase of a debit card with a second-generation chip. Bank SinoPac paid Foongtone Technology \$6,361 and \$12,874 for the six months ended June 30, 2018 and 2017, respectively, which were recorded as prepayments (other assets) on Bank SinoPac's acquisition of the debit cards or as other operating expenses on the issuance of the debit cards to bank clients.

15) Notes and bonds transaction

	For the Six Months Ended June 30, 2018	
	Purchase of Notes and Bonds	Sell of Notes and Bonds
Bank SinoPac and its subsidiaries		
Others	\$ 14,621,178	\$ 17,511,355
SinoPac Securities and its subsidiaries		
Others	-	1,894,210
	For the Six Months Ended June 30, 2017	
	Purchase of Notes and Bonds	Sell of Notes and Bonds
Bank SinoPac and its subsidiaries		
Others	\$ 369,641	\$ 369,664

16) Deposits from the Central Bank and other banks

	June 30, 2018		For the Six Months Ended June 30, 2018
	Ending Balance	Interest Rate (%)	Interest Expense
Bank SinoPac and its subsidiary			
Others	\$ 3,190,327	0.001-4.40	\$ 16,805
	December 31, 2017		
	Ending Balance	Interest Rate (%)	
Bank SinoPac and its subsidiary			
Others	\$ 1,964,471	0.001-4.4	
	June 30, 2017		For the Six Months Ended June 30, 2017
	Ending Balance	Interest Rate (%)	Interest Expense
Bank SinoPac and its subsidiary			
Others	\$ 1,420,577	1.06-1.2	\$ -

17) Securities sold under agreements to repurchase

	June 30, 2018		For the Six Months Ended June 30, 2018
	Face Amount	Carrying Amount	Interest Expense
SinoPac Securities and its subsidiaries			
Others	\$ 309,617	\$ 304,737	\$ 5,854
	June 30, 2017		For the Six Months Ended June 30, 2017
	Face Amount	Carrying Amount	Interest Expense
Bank SinoPac and its subsidiaries			
Others	\$ 195,200	\$ 197,957	\$ 296

21) Bond payable

Bank SinoPac paid for the interest of bank debenture for the six months ended June 30, 2018 in the amount of \$5,490 (for the six months ended June 30, 2017: None).

Third subordinated bank debentures issued in 2015 by Bank SinoPac were subscribed by related parties for a total amount of \$630,000. The balance has not changed after the prior interest payment date.

22) Other financial liabilities

	June 30, 2018	December 31, 2017	June 30, 2017
SinoPac Securities and its subsidiaries			
Futures traders' equity			
Others	\$ 193,635	\$ 210,490	\$ 201,559

23) Other liabilities

	June 30, 2018	December 31, 2017	June 30, 2017
Bank SinoPac and its subsidiaries			
Guarantee deposits received			
Others	\$ 2,114	\$ 2,114	\$ 2,235
SinoPac Securities Investment Trust			
Deferred revenue			
Others	44,401	55,896	67,668

24) Interest revenue

	For the Six Months Ended June 30	
	2018	2017
SinoPac Securities and its subsidiaries		
Others	\$ 3,536	\$ 2,945
SinoPac Leasing and its subsidiaries		
Others	37	48

25) Interest expense

	For the Six Months Ended June 30	
	2018	2017
SinoPac Securities and its subsidiaries		
Others	\$ 76	\$ 47
SinoPac Leasing and its subsidiaries		
Others	-	2

26) Commissions and fee revenues, net

	For the Six Months Ended June 30	
	2018	2017
Bank SinoPac and its subsidiaries		
Fee revenues		
Others	\$ 2,671	\$ 1,675
Fee expenses		
Others	79,353	66,316
SinoPac Securities and its subsidiaries		
Fee revenues		
Others	81,104	49,677
Fee expenses		
Others	297,812	207,273
SinoPac Securities Investment Trust		
Fee revenues		
Others	111,871	122,377

27) Gains (losses) on financial assets and liabilities at fair value through profit or loss

	For the Six Months Ended June 30	
	2018	2017
SinoPac Securities and its subsidiaries		
Others	\$ (6,598)	\$ (1,884)
SinoPac Securities Investment Trust		
Others	4,709	-
SinoPac Venture Capital and its subsidiaries		
Others	20,754	-

28) Realized gains or losses on available-for-sale financial assets

	For the Six Months Ended June 30, 2017
Bank SinoPac and its subsidiaries	
Gain on disposal of beneficial certificates	
Others	\$ 92
Dividends revenue	
Others	615
SinoPac Securities Investment Trust	
Gain on disposal of beneficial certificates	
Others	17
SinoPac Venture Capital and its subsidiaries	
Gains on stock disposition benefit	
Others	132

29) Realized gains (losses) on financial assets at fair value through other comprehensive income

	For the Six Months Ended June 30, 2018
Bank SinoPac and its subsidiaries	
Others	\$ 46,891
SinoPac Venture Capital and its subsidiaries	
Others	412

30) Other noninterest net revenues (expenses)

	For the Six Months Ended June 30	
	2018	2017
Bank SinoPac and its subsidiaries		
Operating assets rental revenue		
Others	\$ 5,677	\$ 6,038
Gain on unquoted instruments		
Others	-	40,830
Other revenues		
Others	1,882	513
SinoPac Securities and its subsidiaries		
Gain on unquoted instruments		
Others	-	8,814
Stock affairs agent revenue		
Others	6,414	6,056
Expenses arising from issuance of call (put) warrants		
Others	39,264	32,130
Other net revenues		
Others	42,148	73,269
SinoPac Venture Capital and its subsidiaries		
Gain on unquoted instruments		
Others	-	8,474
Other revenues		
Others	60	60
SinoPac Leasing and its subsidiaries		
Operating asset rental revenues		
Others	-	181
Other expenses		
Others	8	476

31) Operating expenses

	For the Six Months Ended June 30	
	2018	2017
The Company		
Others	\$ 3,513	\$ 3,741
Bank SinoPac and its subsidiaries		
Others	76,017	51,676
SinoPac Securities and its subsidiaries		
Others	56,194	36,306
SinoPac Securities Investment Trust		
Others	1,716	545
SinoPac Venture Capital and its subsidiaries		
Others	49	19
SinoPac Call Center		
Others	1,234	5
SinoPac Leasing and its subsidiaries		
Others	545	450

32) Other transactions

The subsidiaries of SinoPac Securities held a total of \$6 management shares from SinoPac Multi Strategy Quant Fund Limited, SinoPac Multi-Series Fund II Limited and SinoPac Multi-Series Fund SPC, and three corporate funds set up in Cayman Island in September 2017. Management shares were issued to the investment manager in compliance with specific legal procedures, and the holders do not have the rights to participate in profit, assets or distributions of surplus funds.

33) Compensation of key management personnel

	For the Six Months Ended June 30	
	2018	2017
Short-term employee benefits	\$ 68,320	\$ 57,486
Post-employment benefits	<u>1,462</u>	<u>1,371</u>
	<u>\$ 69,782</u>	<u>\$ 58,857</u>

The management personnel are composed of general manager, vice general manager and other employees with higher positions.

c. Related-party transactions amounting to over \$100,000

Bank SinoPac and its subsidiaries

1) Due from the Central Bank and call loans to other banks, net

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

	December 31, 2017	
	Ending Balance	Interest Rate (%)
Call loans to bank		
Taipei Fubon Bank	\$ 1,149,889	0.03-2.05

2) Derivative financial instruments

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

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

June 30, 2017					
	Contract (Notional) Amount	Contract Period	Valuation Gains or Losses	Account	Balance
Interest rate swap contracts					
SinoPac Securities	\$ 1,200,000	2014.4.22-2020.8.26	\$ 2,595	Financial assets at fair value through profit or loss	\$ 12,490
SinoPac Securities	1,700,000	2012.8.27-2020.9.1	(862)	Financial liabilities at fair value through profit or loss	5,573
Forward contracts					
YFY Cayman	1,522,032	2017.2.13-2018.3.1	38,294	Financial assets at fair value through profit or loss	38,294
YFY International	761,016	2017.2.8-2018.3.1	19,849	Financial assets at fair value through profit or loss	19,849

3) Securities purchased under agreements to resell

	June 30, 2018		For the Six Months Ended June 30, 2018
	Face Amount	Carrying Amount	Interest Revenue
SinoPac Securities	\$ 2,275,729	\$ 2,033,536	\$ 3,035

4) Payables

	June 30, 2018	December 31, 2017	June 30, 2017
Cash dividend payable to the Company	<u>\$ 6,839,244</u>	<u>\$ 1,435,025</u>	<u>\$ 3,935,025</u>

5) Current income tax assets and liabilities

	June 30, 2018	December 31, 2017	June 30, 2017
Receivable from adopting the linked-tax system	<u>\$ 1,273,998</u>	<u>\$ 1,273,998</u>	<u>\$ 1,273,487</u>
Payable from adopting the linked-tax system	<u>\$ 262,421</u>	<u>\$ 469,625</u>	<u>\$ 293,446</u>

6) Loan-to other related parties

	Ending Balance	Highest Balance	Interest/ Fee Rates (%)	Interest Revenue
For the six months ended June 30, 2018	<u>\$ 8,806,112</u>	<u>\$ 9,370,979</u>	0-8.66	<u>\$ 65,129</u>
	Ending Balance	Highest Balance	Interest/ Fee Rates (%)	Interest Revenue
For the year ended December 31, 2017	<u>\$ 8,578,342</u>	<u>\$ 9,792,961</u>	0-16.14	
	Ending Balance	Highest Balance	Interest/ Fee Rates (%)	Interest Revenue
For the six months ended June 30, 2017	<u>\$ 8,123,095</u>	<u>\$ 9,044,004</u>	0-16.14	<u>\$ 63,809</u>

7) Guarantees

December 31, 2017

Related Party	Highest Balance in Current Year	Ending Balance	Provision	Rates	Type of Collaterals	Note
Wafer Works	\$ 101,003	\$ -	\$ -	0.75%	Certificates of deposit	

June 30, 2017

Related Party	Highest Balance in Current Year	Ending Balance	Provision	Rates	Type of Collaterals	Note
Wafer Works	\$ 101,003	\$ 20,373	\$ -	0.75%	Certificates of deposit	

8) Financial assets at fair value through other comprehensive income

	June 30, 2018
FISC	\$ 363,984
TAIFEX	255,079

9) Other financial assets

	December 31, 2017	June 30, 2017
Excess margin of futures and options SinoPac Futures.	\$ 280,359	\$ 299,370

10) Other assets

	June 30, 2018	December 31, 2017	June 30, 2017
Guarantee deposits SinoPac Futures.	\$ 372,225	\$ -	\$ -

11) Notes and bonds transaction

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

	For the Six Months Ended June 30, 2017	
	Purchase of Notes and Bonds	Sell of Notes and Bonds
SinoPac Securities	\$ 951,471	\$ 328,871
YFY Packaging	249,958	249,973
SPL	149,980	149,987
YFY Inc.	119,683	119,691

12) Deposits from the Central Bank and other banks

	June 30, 2018		For the Six Months Ended June 30, 2018
	Ending Balance	Interest Rate (%)	Interest Expense
Taipei Fubon Bank	\$ 2,370,391	1.47-4.40	\$ 11,345
Chunghwa Post	819,936	0.001-1.11	5,460

	December 31, 2017	
	Ending Balance	Interest Rate (%)
Chunghwa Post	\$ 1,283,271	0.001-1.2
Taipei Fubon Bank	681,200	0.6-4.4

	June 30, 2017		For the Six Months Ended June 30, 2017
	Ending Balance	Interest Rate (%)	Interest Expense
Chunghwa Post	<u>\$ 1,420,577</u>	1.06-1.2	<u>\$ -</u> (Note)

Note: Chunghwa Post was considered as the Bank's related party from June 30, 2017.

13) Securities sold under agreements to repurchase

	Ending Balance at June 30, 2017		For the Six Months Ended June 30, 2017
	Face Amount	Carrying Amount	Interest Expense
Ho, Show Chung	\$ 195,200	\$ 197,957	\$ 296

14) Deposits

	June 30, 2018		For the Six Months Ended June 30, 2018
	Ending Balance	Interest Rates (%)	Interest Expense
Others	<u>\$ 26,614,972</u>	0-13	<u>\$ 125,769</u>

	December 31, 2017	
	Ending Balance	Interest Rates (%)
Others	<u>\$ 26,842,040</u>	0-13

	June 30, 2017		For the Six Months Ended June 30, 2017
	Ending Balance	Interest Rate (%)	Interest Expense
Others	<u>\$ 31,922,665</u>	0-13	<u>\$ 132,115</u>

15) Bank debentures

Third subordinated bank debentures issued in 2015 by Bank SinoPac were subscribed by related parties for a total amount of \$630,000. The balance has not changed after the prior interest payment date.

16) Commissions and fee expense

	For the Six Months Ended June 30	
	2018	2017
Others	<u>\$ 111,205</u>	<u>\$ 98,147</u>

17) Bank SinoPac and its subsidiaries paid \$160,860 and \$149,906 for the six months ended June 30, 2018 and 2017, respectively, as other operating expenses.

SinoPac Securities and its subsidiaries

1) Bank deposits

	June 30, 2018	December 31, 2017	June 30, 2017
Bank SinoPac	<u>\$ 2,667,207</u>	<u>\$ 2,887,480</u>	<u>\$ 5,586,991</u>

Bank deposits included cash and cash equivalents, other financial assets - current, other current assets - settlement, underwriting receipts under custody and separated account for customer.

	June 30, 2018	December 31, 2017	June 30, 2017
2) Customers' margin accounts			
Bank SinoPac	<u>\$ 308,106</u>	<u>\$ 381,172</u>	<u>\$ 1,242,647</u>
3) Operating securities			
Fund managed by SinoPac Asset Management (Asia)	\$ 818,447	\$ 841,858	\$ 1,048,012
Asia Cement Corporation domestic 1st unsecured corporation bond	299,998	-	-
Funds managed by SinoPac Securities Investment Trust	55,325	87,079	91,062
Mega Financial Holding Co., Ltd. domestic 2 nd non-secured convertible bond	<u>4,305</u>	<u>167,812</u>	<u>-</u>
	<u>\$ 1,178,075</u>	<u>\$ 1,096,749</u>	<u>\$ 1,139,074</u>
4) Securities borrowing deposits			
TWSE	<u>\$ 3,542,911</u>	<u>\$ 2,967,626</u>	<u>\$ 3,206,922</u>
5) Current tax assets			
The Company	<u>\$ 100,132</u>	<u>\$ 100,132</u>	<u>\$ 119,764</u>
6) Restricted assets - current			
Bank SinoPac	<u>\$ 1,525,000</u>	<u>\$ 1,125,000</u>	<u>\$ 1,125,000</u>
7) Guarantee deposits			
Bank SinoPac	\$ 760,255	\$ 760,255	\$ 800,255
TAIFEX	131,341	127,713	127,511
TWSE	<u>99,404</u>	<u>107,645</u>	<u>107,645</u>
	<u>\$ 991,000</u>	<u>\$ 995,613</u>	<u>\$ 1,035,411</u>
8) Financial assets at fair value through other comprehensive income			
Chunghwa Telecom	\$ 770,220	\$ -	\$ -
TWSE	347,348	-	-
TAIFEX	239,774	-	-
Mega Financial Holdings Co., Ltd.	<u>136,275</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,493,617</u>	<u>\$ -</u>	<u>\$ -</u>

	June 30, 2018	December 31, 2017	June 30, 2017
9) Available-for-sale financial assets			
Chunghwa Telecom	\$ -	\$ 742,212	\$ -
Mega Financial Holdings Co., Ltd.	<u>-</u>	<u>121,837</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 864,049</u>	<u>\$ -</u>
10) Unquoted equity instruments			
TWSE	<u>\$ -</u>	<u>\$ 285,361</u>	<u>\$ 285,360</u>
11) Liabilities for bonds with attached repurchase agreements			
Bank SinoPac	\$ 2,033,536	\$ 53,251	\$ -
Funds managed by SinoPac Securities Investment Trust	<u>304,737</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,338,273</u>	<u>\$ 53,251</u>	<u>\$ -</u>
12) Futures trader's equity			
Bank SinoPac	\$ 419,757	\$ 317,455	\$ 386,514
Funds managed by SinoPac Securities Investment Trust	<u>190,599</u>	<u>204,636</u>	<u>201,559</u>
	<u>\$ 610,356</u>	<u>\$ 522,091</u>	<u>\$ 588,073</u>
13) Current tax liabilities			
The Company	<u>\$ 157,635</u>	<u>\$ 269,263</u>	<u>\$ 151,724</u>
14) Other payables			
The Company	<u>\$ 506,251</u>	<u>\$ -</u>	<u>\$ 604,718</u>
15) Notes and bonds transaction			
		For the Six Months Ended June 30, 2018	
		Purchase of Notes and Bonds	Sell of Notes and Bonds
Chunghua Post		\$ -	\$ 1,748,465
Chung Kuo Insurance		-	145,745

	For the Six Months Ended June 30, 2017	
	Purchase of Notes and Bonds	Sell of Notes and Bonds
Bank SinoPac	\$ 328,871	\$ 951,471
16) Brokerage fee expenses		

	For the Three Months Ended June 30		For the Six Months Ended June 30, 2018	
	2018	2017	2018	2017
TAIFEX	<u>\$ 54,513</u>	<u>\$ 46,412</u>	<u>\$ 115,396</u>	<u>\$ 88,532</u>

SinoPac Securities Investment Trust

	June 30, 2018	December 31, 2017	June 30, 2017
Cash and cash equivalents and other financial assets			
Bank deposits			
Bank SinoPac	<u>\$ 229,922</u>	<u>\$ 518,065</u>	<u>\$ 185,863</u>

	For the Six Months Ended June 30, 2018	
	2018	2017
Fee revenues		
Fund managed by SinoPac Securities Investment Trust	<u>\$ 111,871</u>	<u>\$ 122,377</u>

SinoPac Venture Capital and its subsidiaries

	June 30, 2018	December 31, 2017	June 30, 2017
Cash and cash equivalents and other financial assets			
Bank deposits			
Bank SinoPac	<u>\$ 628,442</u>	<u>\$ 548,212</u>	<u>\$ 880,758</u>
Financial assets at fair value through profit or loss			
Taigen Biopharmaceuticals Holdings Limited	<u>\$ 708,738</u>	<u>\$ -</u>	<u>\$ -</u>
Available-for-sale financial assets			
Taigen Biopharmaceuticals Holding Limited	<u>\$ -</u>	<u>\$ 745,876</u>	<u>\$ 820,003</u>
Unquoted equity investment			
Taiwan Global BioFund	<u>\$ -</u>	<u>\$ 67,500</u>	<u>\$ 112,500</u>
Payables			
The Company	<u>\$ 45,528</u>	<u>\$ -</u>	<u>\$ 143,570</u>

SinoPac Leasing and its subsidiaries

	June 30, 2018	December 31, 2017	June 30, 2017
1) Cash and cash equivalents and other financial assets			
Bank deposits and compensating deposits			
Bank SinoPac	\$ 509,373	\$ 566,569	\$ 1,989,487
Bank SinoPac (China)	<u>488</u>	<u>231,721</u>	<u>59,553</u>
	<u>\$ 509,861</u>	<u>\$ 798,290</u>	<u>\$ 2,049,040</u>
2) Payables			
The Company	<u>\$ 414,371</u>	<u>\$ -</u>	<u>\$ 442,324</u>
3) Short-term and long-term borrowings			
Borrowings from banks			
Bank SinoPac	<u>\$ 860,000</u>	<u>\$ 360,000</u>	<u>\$ 50,000</u>
4) As of June 30, 2018, December 31, 2017 and June 30, 2017, borrowings, derivative financial instruments and guarantees from Bank SinoPac and its subsidiaries for SinoPac Leasing and its subsidiaries totaling \$1,375,058, \$1,383,574 and \$1,389,406, respectively, and investment properties were provided as collaterals for SinoPac Leasing's borrowings and issuance of commercial paper.			

49. PLEDGED OR MORTGAGED ASSETS

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

Restricted Assets	Object	June 30, 2018	December 31, 2017	June 30, 2017	Remarks
Available-for-sale financial assets	Government bonds	\$ -	\$ -	\$ 2,300	Note 1
Investment in debt instruments measured at amortized cost	Certificates of deposit	8,152,529	-	-	Note 2
Investment in debt instruments measured at amortized cost	Government bonds	1,616,691	-	-	Note 3
Accounts receivable	Expired government bonds	-	1,600	-	Note 1
Discounts and loans	Loans	3,706,022	4,442,118	15,256,952	Note 4
Held-to-maturity financial assets	Certificates of deposit	-	8,000,000	34,200,000	Note 2
Held-to-maturity financial assets	Agency bonds and US municipal bonds	-	-	1,120,972	Note 5
Held-to-maturity financial assets	Government bonds	-	1,351,731	1,649,893	Note 3
Other financial assets	Certificates of deposits and time deposits	2,970,006	2,175,643	2,144,039	Note 6
Investment properties	Land and land improvements and buildings	726,831	728,426	727,172	Note 7
Properties and equipment	Land and buildings	943,082	956,435	969,787	Note 7
Other assets	Surface rights	732,438	744,445	756,452	Note 8

Note 1: Pledged to court as collaterals for filing a provisional seizure.

- Note 2: Pledged, with the Central Bank for foreign-exchange, and with Mega Bank for USD foreign-exchange settlement and pledged in accordance with the requirements of the California Department of Financial Institutions and with Bank of Taiwan for NTD domestic - exchange transactions.
- Note 3: Guarantees of dealing and underwriting business, a trust reserve fund, guarantees of bills financial service, reserve for payment of VISA international card, pledged to court as collaterals for filing provisional seizure and disposition, Hong Kong branch's clearing system of real-time gross settlement and mortgage of derivative instrument outstanding.
- Note 4: Pledged with the Federal Reserve Bank under the discount window program and the Federal Home Loan Bank.
- Note 5: Pledged with the Federal Home Loan Bank, guarantee of foreign-exchange transaction and guarantee of the Federal Reserve Bank loan.
- Note 6: Pledged with intraday overdraft of settlement banks, pledged in accordance with the requirements of the California Department of Financial Institutions, and assets pledged to financial institutions as guarantees for commercial paper issued and pledged to obtain credit line for short-term borrowings and bank overdraft.
- Note 7: Assets pledged to financial institutions as guarantees for commercial paper issued and pledged to obtain credit line for borrowings and bank overdraft.
- Note 8: Loan collateral.

50. SIGNIFICANT CONTINGENCIES LIABILITIES AND UNRECOGNIZED COMMITMENTS

- a. In addition to those disclosed in other notes, significant unrecognized commitments of the Group as of June 30, 2018, December 31, 2017 and June 30, 2017 are as follows:

	June 30, 2018	December 31, 2017	June 30, 2017
Trust assets	\$ 277,023,932	\$ 253,166,523	\$ 255,760,496
Securities under custody	148,884,111	146,889,475	145,120,250
Receipts under custody	33,698,519	34,375,022	34,894,107
Agent for government bonds	28,388,600	35,259,600	47,665,800
Guarantee notes payable	12,217,735	11,066,443	37,493,739
Agent for marketable securities under custody	4,274,300	4,601,700	5,426,029
Appointment of investment	4,057,404	4,055,287	4,440,441
Goods under custody	1,149,046	1,194,913	1,194,414
Travelers' checks consigned-in	194,078	205,067	229,595
Investment commitment	-	-	201,329
Entrusted loans	28,903	114,874	169,401
Others	5,028	5,044	5,993

As of June 30, 2018, in addition to abovementioned unrecognized commitments, Bank SinoPac and SinoPac Securities had applied for tax concessions to the Ministry of Finance regarding their technical support service expenditure relating to their financial transaction system, and had jointly signed to the system manufacturer the letter of indemnity of the total compensation is not more than US\$1,300 thousand to obtain a proxy of the manufacturer thereof to apply for foresaid tax concession. The compensation distributable to Bank SinoPac is US\$867 thousand and to SinoPac Securities is US\$433 thousand.

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

b. The Group entered into contracts to buy computers and office equipment for \$580,623, of which \$152,605 had been paid as of June 30, 2018.

c. Contingencies

- 1) The Securities and Futures Investors Protection Center (SFIPC) filed a lawsuit against Bank SinoPac and SinoPac Leasing Corporation's (SPL) subsidiary, Grand Capital International Limited, on the ground that Procomp Informatics Ltd. (Procomp) deposited US\$10,000 thousand in Bank SinoPac's Shisung Branch (formally Sungshan Branch) and placed a restriction on the use of this deposit as a condition for a short-term loan to Addie International Limited granted by SPL and for allegedly helping Yeh, Sue-Fei and Procomp do irregular trading but, at the same time, Procomp used the restricted deposit for fictitious sale transactions. Later, when problems on Procomp's account arose, Bank SinoPac and Grand Cathay demanded compensation, which was taken from Procomp's account, resulting in damage to Procomp. Bank SinoPac was suspected of misleading investors by concealing the restricted status of Procomp's deposit and window dressing Procomp's financial statements. On behalf of investors, the SFIPC filed a lawsuit against Bank SinoPac, SPL and all other parties related to Procomp for \$4,207,212. Both the court of the first instance and the second instance ruled in favor of Bank SinoPac and SPL. However, the SFIPC decided to file an appeal on January 20, 2016. The Supreme Court reversed the declared judgement on July 26, 2017 and remanded the case to Taiwan High Court. The case is still under process.
- 2) The SFIPC filed a lawsuit against Bank SinoPac on the ground that Bank SinoPac's Tunpei Branch provided National Aerospace Fasteners Corporation (NAFCO) with its accounts receivable factoring services. NAFCO recorded this significant-amount loan transaction as an accounts receivable financing to window-dress its financial position in order to attract investments. The SFIPC filed a lawsuit against Bank SinoPac and other parties and demanded compensation approximately \$543,233 the court of the first instance ruled in favor of Bank SinoPac. However, the SFIPC decided to file an appeal to the second instance and stated to reduce the amount of compensation to \$293,940 on November 13, 2015, Taiwan High Court ruled in favor of Bank SinoPac on December 13, 2016. Nevertheless, the SFIPC filed another appeal to the Supreme Court on January 6, 2017. This case is still under process.
- 3) Bank SinoPac dealt with Skwentex International Corporation (Skwentex) regarding Skwentex's receivables from Siltrontech Electronics Corporation. The relevant accounts receivable transaction involved suspected false cycle trading and was investigated by the Taiwan New Taipei District Prosecutors in 2015. This case was still under process by the Taiwan New Taipei District Prosecutors in 2016. Due to the abnormal and suspected unlawful accounts receivable transaction, Bank SinoPac cannot pay the consideration of accounts receivable to Skwentex in accordance with the credit contract. Skwentex sued Bank SinoPac in July 2017 and demanded a compensation of \$214,471. This case was still under process.

- 4) A certain Mr. Jane, SinoPac Securities' brokerage client, sued an employee of SinoPac Securities, Mr. Jun, for allegedly committing fraud from 2012 to 2014. But evidence presented for this trial showed that SinoPac Securities was not jointly liable for the injury arising from its employee's actions. Had the Court determined otherwise, SinoPac Securities would have been required to make only a partial compensation payment. SinoPac Securities on this lawsuit with the Taiwan Taoyuan District Court. SinoPac Securities won the case. Taiwan High Court ruled in favor of SinoPac Securities without any compensation obligation in July 2016. Nevertheless, Mr. Jane filed another appeal to the Supreme Court. This case is still under process.
- 5) SinoPac Securities merge with East Asia Securities, the ex-salesman Mr. Xiao changed his job before the acquisition date, the bonus amount group is controversial in SinoPac securities after the merger, not issued securities. In November 2016 Mr. Xiao claimed that SinoPac Securities is liable for his severance pay and unpaid bonuses totaling \$8,802. In September 2017, the Taipei District Court decided that SinoPac should pay, and Taiwan High Court rejected the appeal of SinoPac Securities in June 2018. According to conservative principles, SinoPac Securities should also estimate possible interest payments. In consideration of the low probability to win the appeal, SinoPac Securities has already paid the amount in accordance with the judgement in July 2018.
- 6) During August 2017, the former operation manager Mr. Huang of SinoPac Securities accused SinoPac Securities in Taiwan Taichung District Court for unlawfully dismissing and wanted to reconfirm the employment relationship and advocated to reinstate with salaries until the reinstatement date on a monthly basis. Upon investigation, the job performance of the plaintiff did not reach the goals in a long run when he was on the job and SinoPac Securities already paid him severance fee. However, the plaintiff is not satisfied and applied for mediation by the Labor Bureau; he filed complaints one after another, but they did not reach a consensus. The appeal was rejected by Taiwan Taichung District Court and SinoPac Securities won the case. This case can still be appealed. After the evaluation, this case has no significant effect on the operation of SinoPac Securities.
- 7) Plaintiff Mr. Tang filed a civil complaint against SinoPac Securities (Asia) in January 2018. The plaintiff claimed that the company committed a breach of obligation and liable for HK\$59,670 thousand for his loss in stock transfer without authorization. However, the company transferred the stocks based on stock purchase and sale agreement and Mr. Tang's order and was not liable for the loss. The company entrusted an external lawyer to handle the case and would take all necessary actions to defend the company against the claim.

51. LEASE AGREEMENT

a. The Group as lessee

All the Group's lease agreements on business space and transportation equipment are operating leases with terms of between 1 year and 15 years. The Group has no bargain purchase option.

The future minimum lease payments for the Group's lease commitments are as follows:

	Within 1 Year	1 Year to 5 Years	Over 5 Years	Total
As of June 30, 2018	\$ 734,992	\$ 1,404,257	\$ 524,985	\$ 2,664,234
As of December 31, 2017	696,841	1,300,509	529,693	2,527,043
As of June 30, 2017	806,681	1,266,862	580,552	2,654,095

b. The Group as lessor

Leased properties are mainly from the investment properties owned by the Group. All lease agreements have market review clauses when lessees exercise lease renewal options. The lessees have no bargain purchase option on the leased properties.

The Group's lease commitments are as follows:

June 30, 2018	Within 1 Year	1 Year to 5 Years	Over 5 Years	Total
Operating lease revenue	\$ 97,566	\$ 231,230	\$ 491,099	\$ 819,895
Financial lease revenue	1,279,688	2,127,281	-	3,406,969
Financial lease revenue, present value	1,046,283	1,909,194	-	2,955,477

December 31, 2017	Within 1 Year	1 Year to 5 Years	Over 5 Years	Total
Operating lease revenue	\$ 86,919	\$ 224,514	\$ 510,993	\$ 822,426
Financial lease revenue	1,407,571	2,603,207	-	4,010,778
Financial lease revenue, present value	1,139,367	2,282,871	-	3,422,238

June 30, 2017	Within 1 Year	1 Year to 5 Years	Over 5 Years	Total
Operating lease revenue	\$ 87,533	\$ 204,572	\$ 525,668	\$ 817,773
Financial lease revenue	1,517,858	3,191,512	-	4,709,370
Financial lease revenue, present value	1,209,342	2,748,158	-	3,957,500

52. HIERARCHY AND FAIR VALUE INFORMATION OF FINANCIAL INSTRUMENTS

a. The definition of the hierarchy:

1) Level one

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

- a) All financial instruments in the market are homogeneous;
- b) Willing buyers and sellers exist in the market all the time;
- c) The public can access the price information easily.

2) Level two

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

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

- b) Quoted prices for identical or similar financial instruments in inactive markets.
- c) When marking-to-model, the input of model in this level should be observable (such as interest rates, yield curves and volatilities). The observable inputs mean that they can be attained from market and can reflect the expectation of market participants.
- d) Inputs which can be derived from other observable prices or whose correlation can be verified through other observable market data.

3) Level three

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

b. Financial instrument measured at fair value

1) Hierarchy information of fair value of financial instruments

Financial Instruments Measured at Fair Value	June 30, 2018			
	Total	Level 1	Level 2	Level 3
<u>Measured on a recurring basis</u>				
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
Financial assets mandatorily classified as at FVTPL				
Stocks	\$ 10,368,428	\$ 8,767,371	\$ 57,468	\$ 1,543,589
Bonds	82,983,695	66,935,310	16,048,385	-
Others	6,621,989	2,803,156	3,817,880	953
Financial assets at fair value through other comprehensive income				
Equity instruments at fair value through other comprehensive income				
Stocks	6,161,735	3,715,044	-	2,446,691
Debt instruments at fair value through other comprehensive income				
Bonds	48,839,498	33,785,428	15,054,070	-
Certificates of deposit purchased and others	183,575,828	-	183,575,828	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss				
Held-for-trading financial liabilities	1,981,857	1,981,857	-	-
Financial liabilities designated at fair value through profit or loss	1,456,351	-	1,456,351	-
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
Financial assets mandatorily classified as at FVTPL	21,697,289	643,788	19,538,758	1,514,743
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss				
Held-for-trading financial liabilities	22,565,785	1,216,830	20,171,961	1,176,994
Financial liabilities designated as at fair value through profit or loss	1,304,966	-	1,106,385	198,581

Financial Instruments Measured at Fair Value	December 31, 2017			
	Total	Level 1	Level 2	Level 3
<u>Measured on a recurring basis</u>				
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
Held-for-trading financial assets				
Stocks	\$ 9,029,638	\$ 8,299,882	\$ 43,721	\$ 686,035
Bonds	98,009,649	82,891,528	15,118,121	-
Others	4,380,119	1,679,459	2,700,660	-
Financial assets designated as at fair value through profit or loss	929,823	-	929,823	-
Available-for-sale financial assets				
Stocks	4,507,072	4,151,586	-	355,486
Bonds	81,587,212	39,624,852	41,962,360	-
Certificates of deposit purchased and others	145,458,956	1,887,715	143,571,241	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss				
Held-for-trading financial liabilities	2,052,345	2,052,345	-	-
Financial liabilities designated as at fair value through profit or loss	1,357,121	-	1,357,121	-
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
Held-for-trading financial assets	19,760,351	442,158	18,663,586	654,607
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss				
Held-for-trading financial liabilities	20,260,952	794,165	18,780,376	686,411
Financial liabilities designated as at fair value through profit or loss	365,616	-	296,530	69,086

Financial Instruments Measured at Fair Value	June 30, 2017			
	Total	Level 1	Level 2	Level 3
<u>Measured on a recurring basis</u>				
<u>Non-derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
Held-for-trading financial assets				
Stocks	\$ 5,859,736	\$ 5,497,569	\$ 88,231	\$ 273,936
Bonds	98,554,978	81,952,192	16,602,786	-
Others	3,352,891	2,071,840	1,281,051	-
Financial assets designated as at fair value through profit or loss	907,505	-	907,505	-
Available-for-sale financial assets				
Stocks	4,447,401	4,096,745	-	350,656
Bonds	89,179,835	42,411,271	46,768,564	-
Certificates of deposit purchased and others	150,416,733	-	150,416,733	-
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss				
Held-for-trading financial liabilities				
Financial liabilities designated as at fair value through profit or loss	1,524,165	1,524,165	-	-
Financial liabilities designated as at fair value through profit or loss	1,383,547	-	1,383,547	-
<u>Derivative financial instruments</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss				
Held-for-trading financial assets	13,304,998	469,454	11,844,032	991,512
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss				
Held-for-trading financial liabilities				
Financial liabilities designated as at fair value through profit or loss	13,833,430	425,958	12,395,232	1,012,240
Financial liabilities designated as at fair value through profit or loss	3,706,533	-	3,658,071	48,462
Derivative financial liabilities for hedging	13,540	-	13,540	-

2) Fair value measurement technique

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

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

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

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

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

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

The Group assessed the fair value of unlisted counters using the following method.

The market method uses the price and other relevant information generated by the market transactions involving comparable or comparable assets, liabilities or assets and liabilities.

The asset approach assesses the total value of individual assets and individual liabilities covered by the evaluation target to reflect the overall value of the enterprise or business.

The income approach is based on evaluating the flow of future profits created by the subject and through the process of capitalization or discounting, converts the flow of future profits into the value of the subject matter of evaluation.

3) Credit risk valuation adjustment is set out below:

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

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

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

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

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

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

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

4) Transfer between Levels 1 and 2

For the six months ended June 30, 2018, the Group transferred part of the NTD corporate bonds and foreign bank debentures from Levels 1 and 2 because the Group determined these investments were not in an active market.

For the six months ended June 30, 2017, the Group transferred part of the NTD corporate bonds and foreign bank debentures from Levels 1 and 2 because the Group determined these investments were not in an active market.

5) Reconciliation of Level 3 items of financial instruments

a) Reconciliation of Level 3 items of financial assets

Items	Beginning Balance (Note 1)	For the Six Months Ended June 30, 2018						Effects of Changes in Exchange Rate	Ending Balance
		Gains (Losses) on Valuation		Increase		Decrease			
		Profit and Loss	Other Comprehensive Income	Purchase/ Issued	Transfer to Level 3	Disposed/Sold	Transfer Out of Level 3 (Note 2)		
Non-derivative financial instruments									
Financial assets at fair value through profit or loss									
Financial assets mandatorily classified as at FVTPL									
Stock	\$ 1,839,234	\$ 118,062	\$ -	\$ 23,757	\$ -	\$ (361,143)	\$ (76,321)	\$ -	\$ 1,543,589
Other	2,485	(1,532)	-	-	-	-	-	-	953
Financial assets at fair value through other comprehensive income									
Equity instruments at FVTOCI									
Stock	2,417,060	-	24,296	-	-	-	-	5,335	2,446,691
Derivative financial instruments									
Financial assets at fair value through profit or loss									
Financial assets mandatorily classified as at FVTPL	654,607	860,136	-	-	-	-	-	-	1,514,743

Note 1: The beginning balance of equity instruments at FVTOCI contains unlisted shares classified as available-for-sale and unlisted shares measured at cost under IAS 39.

Note 2: Items transferring out of Level 3 are because the price can be attained from the securities markets.

Items	Beginning Balance	For the Six Months Ended June 30, 2017						Effect of Changes in Exchange Rate	Ending Balance
		Gains (Losses) on Valuation		Increase		Decrease			
		Profit and Loss	Other Comprehensive Income	Purchase/ Issued	Transfer to Level 3	Disposed/Sold	Transfer Out of Level 3		
Non-derivative financial instruments									
Financial assets at fair value through profit or loss									
Held-for-trading financial assets	\$ 914,387	\$ (165,714)	\$ -	\$ 815,914	\$ 23,547	\$ (204,944)	\$ (732,460)	\$ (376,794)	\$ 273,936
Available-for-sale financial assets	217,037	132	63,122	70,788	-	(423)	-	-	350,656
Derivative financial instruments									
Financial assets at fair value through profit or loss									
Held-for-trading financial assets	1,670,854	(679,342)	-	-	-	-	-	-	991,512

Note: Items are transferred to Level 3 for the six months ended June 30, 2017 for lack of observable price (due to the inactive transaction in the securities market); items are transferred out of Level 3 because the price can be obtained from the securities market.

For the six months ended June 30, 2018 and 2017, the gain or loss on valuation included in net gain and loss with assets still held were gain \$974,865 and loss \$728,986, respectively.

For the six months ended June 30, 2018 and 2017, the gain or loss on valuation included in other comprehensive income with assets still held were gain \$24,296 and loss \$63,122, respectively.

b) Reconciliation of Level 3 items of financial liabilities

Items	Beginning Balance	For the Six Months Ended June 30, 2018						Effect of Changes in Exchange Rate	Ending Balance
		Valuation Gain/Loss Reflected on Profit or Loss	Increase		Decrease				
			Purchase/ Issued	Transfer to Level 3	Disposed/Sold	Transfer Out of Level 3			
Derivative financial instruments									
Financial liabilities at fair value through profit or loss									
Held-for-trading financial liabilities	\$ 686,411	\$ 490,583	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,176,994
Financial liabilities designated as at fair value through profit or loss	69,086	(11,086)	821,289	-	(680,708)	-	-	-	198,581

Items	For the Six Months Ended June 30, 2017						Effect of Changes in Exchange Rate	Ending Balance
	Beginning Balance	Valuation Gain/Loss Reflected on Profit or Loss	Increase		Decrease			
			Purchase/Issued	Transfer to Level 3	Disposed/Sold	Transfer Out of Level 3		
Derivative financial instruments								
Financial liabilities at fair value through profit or loss								
Held-for-trading financial liabilities	\$ 1,669,026	\$ (656,786)	\$ -	\$ -	\$ -	\$ -	\$ 1,012,240	
Financial liabilities designated as at fair value through profit or loss	420,911	(686)	1,347,655	-	(1,719,418)	-	48,462	

For the six months ended June 30, 2018 and 2017, the gains on valuation included in net income with liabilities still held were \$525,880 and \$620,392, respectively.

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

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

June 30, 2018

Financial Instruments Measured at Fair Value	Financial Assets	Financial Liabilities	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)
Derivative financial instruments					
Financial instruments at fair value through profit or loss					
Financial assets mandatorily classified as at FVTPL and held-for-trading financial liabilities					
Hybrid FX swap structured instruments	\$ 1,017,067	\$ 1,016,030	Sellers' quote	(Note 1)	-
Others	497,676	160,964	Sellers' quote	(Note 1)	-
	<u>\$ 1,514,743</u>	<u>\$ 1,176,994</u>			
Financial instruments designated as at fair value through profit or loss					
Liabilities for structured note	\$ -	\$ 198,581	Self-built option pricing model	Volatility	3%-44% (Note 2)
Non-derivative financial instruments					
Financial instruments at fair value through profit or loss					
Financial assets mandatorily classified as at FVTPL					
Emerging stocks	\$ 1,543,589	\$ -	Market approach or asset approach or income approach or market value with liquidity valuation discount	Others shareholders and discount factor of liquidity	0%-35%
Others	953	-	Asset approach	Discount factor of liquidity	0%-30%
	<u>\$ 1,544,542</u>	<u>\$ -</u>			
Financial assets at fair value through other comprehensive income					
Equity instruments at FVTOCI					
Emerging stocks	\$ 2,446,691	\$ -	Market approach or asset approach or income approach or market value with liquidity valuation discount	Others shareholders and discount factor of liquidity	0%-35%

December 31, 2017

Financial Instruments Measured at Fair Value	Financial Assets	Financial Liabilities	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)
Derivative financial instruments					
Financial instruments at fair value through profit or loss					
Held-for-trading financial instruments					
Hybrid FX swap structured instruments	\$ 556,876	\$ 556,361	Sellers' quote	(Note 1)	-
Others	<u>97,731</u>	<u>130,050</u>	Sellers' quote	(Note 1)	-
	<u>\$ 654,607</u>	<u>\$ 686,411</u>			
Financial instruments designated as at fair value through profit or loss					
Liabilities for structured note	<u>\$ -</u>	<u>\$ 69,086</u>	Self-built option pricing model	Volatility	15%-48% (Note 3)
Non-derivative financial instruments					
Financial instruments at fair value through profit or loss					
Held-for-trading financial instruments					
Emerging stocks	<u>\$ 686,035</u>	<u>\$ -</u>	Market value with liquidity valuation discount	Discount factor of liquidity	0%-20%
Available-for-sale financial assets					
Emerging stocks	<u>\$ 355,486</u>	<u>\$ -</u>	Market value with liquidity valuation discount	Discount factor of liquidity	0%-20%

June 30, 2017

Financial Instruments Measured at Fair Value	Financial Assets	Financial Liabilities	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)
Derivative financial instruments					
Financial instruments at fair value through profit or loss					
Held-for-trading financial instruments					
Hybrid FX swap	\$ 898,184	\$ 896,944	Sellers' quote	(Note 1)	-
structured instruments					
Others	<u>93,328</u>	<u>115,296</u>	Sellers' quote	(Note 1)	-
	<u>\$ 991,512</u>	<u>\$ 1,012,240</u>			
Financial instruments designated as at fair value through profit or loss					
Liabilities for structured note	<u>\$ -</u>	<u>\$ 48,462</u>	Self-built option pricing model	Volatility	14%-38% (Note 4)
Non-derivative financial instruments					
Financial instruments at fair value through profit or loss					
Held-for-trading financial instruments					
Emerging stocks	<u>\$ 273,936</u>	<u>\$ -</u>	Market value with liquidity valuation discount	Discount factor of liquidity	0%-20%
Available-for-sale financial assets					
Emerging stocks	<u>\$ 350,656</u>	<u>\$ -</u>	Market value with liquidity valuation discount	Discount factor of liquidity	0%-20%

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

Note 2: The stock price volatilities of structured notes issued by SinoPac Securities and subsidiaries were between 3% and 44%.

Note 3: The stock price volatilities of structured notes issued by SinoPac Securities and subsidiaries were between 15% and 48%.

Note 4: The stock price volatilities of structured note issued by SinoPac Securities and subsidiaries were between 14% and 38%.

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

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

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

c. Financial instruments not carried at fair value

1) Fair value information of financial instruments

Financial instruments not carried at fair value excluding the table below are reasonably close to their fair value, therefore no additional disclosure, for example: Cash and cash equivalents, due from the Central Bank and other banks, securities purchased under agreement to resell, receivables, discounts and loans, some other financial assets, deposits from the Central Bank and other banks, securities sold under agreement to repurchased, commercial paper payables, payables, deposits and remittances, short-term and long-term borrowing, liability component of preferred stock and other financial liabilities.

Items	June 30, 2018	
	Carrying Amount	Fair Value
Debt instrument investments at amortized cost	\$ 79,439,937	\$ 79,598,087
Bonds payable	42,680,788	43,231,826

Items	December 31, 2017	
	Carrying Amount	Fair Value
Held-to-maturity financial assets	\$ 56,607,945	\$ 56,863,068
Debt investments without active market	2,282,825	2,282,785
Bonds payable	42,529,694	43,143,240

Items	June 30, 2017	
	Carrying Amount	Fair Value
Held-to-maturity financial assets	\$ 68,871,527	\$ 69,133,321
Debt investments without active market	6,773,221	6,764,530
Bonds payable	45,569,763	46,240,666

2) Hierarchy information of fair value of financial instruments

Assets and Liabilities Item	June 30, 2018			
	Total	Level 1	Level 2	Level 3
Debt instrument investments at amortized cost	\$ 79,598,087	\$ 22,036,743	\$ 56,534,339	\$ 1,027,005
Bonds payable	43,231,826	8,385,435	27,180,491	7,665,900

Assets and Liabilities Item	December 31, 2017			
	Total	Level 1	Level 2	Level 3
Held-to-maturity financial assets	\$ 56,863,068	\$ 22,051,072	\$ 34,811,996	\$ -
Debt investments without active market	2,282,785	-	1,064,860	1,217,925
Bonds payable	43,143,240	2,999,994	32,477,346	7,665,900

Assets and Liabilities Item	June 30, 2017			
	Total	Level 1	Level 2	Level 3
Held-to-maturity financial assets	\$ 69,133,321	\$ 31,877,255	\$ 37,256,066	\$ -
Debt investments without active market	6,764,530	-	5,445,902	1,318,628
Bonds payable	46,240,666	3,279,329	35,295,437	7,665,900

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

- a) The carrying amounts of financial instruments such as cash and cash equivalents, due from the Central Bank and other banks, securities purchased under agreement to resell, receivables, some of other financial assets, deposits from the Central Bank and other banks, commercial paper payables, securities sold under agreement to repurchased, short-term borrowing, payables and other financial approximate their fair value because of the short maturity or the similarity of the carrying amount and future price.
- b) Discounts and loans (include nonperforming loans): The Group usually uses base rate (floating rate) as loan rate because it can reflect market rate. Thus, using its carrying amount to consider the probability of repossession and estimate its fair value is reasonable. Long-term loans with fixed rate should estimate its fair value by its discounted value of expected cash flow. Because this kind of loans is not significant in this item, using its carrying amount to consider the probability of repossession and estimate its fair value should be reasonable.
- c) The debt instruments investments at amortized cost (2018), held-to-maturity financial assets (2017): Held-to-maturity financial assets with quoted price in an active market are using market price as fair value; held-to-maturity financial assets with no quoted price in an active market are estimated by valuation methods or opponent's price.
- d) Debt investments without active market (2017): Discounted cash flows from debt investments with no quoted price in an active market is estimated by using discount rate plus credit premium.
- e) Deposits and remittances: Considering banking industry's characteristic, since deposits have one-year maturity and measured by market rate (market value), using carrying value to assess fair value is reasonable. For deposits with three-years maturity are measured by discounted cash flow, using carrying value to assess fair value is reasonable.
- f) Bonds payable: Bonds payable with quoted price in an active market use market price or price quotations from counterparties to estimate fair value; bonds payable with no quoted price in an active market are estimated by valuation methods or based on prices of similar instruments.
- g) Investments accounted for using the equity method and unquoted equity investments (2017): The fair value of unquoted equity investments and investments accounted for using the equity method cannot be reliably measured because there is no quoted price in an active market, the interval of variable fair value measurements is significant or the probability of the estimations in the variable interval cannot be reasonably assessed. Hence, no fair value can be disclosed.
- h) Liability components of preferred stocks: These liability components are interest-bearing liabilities with floating interest rates; thus, their carrying amounts represent fair value.
- i) Long-term borrowings: These borrowings are interest-bearing liabilities with floating interest rates; thus, their carrying amounts represent fair value.

53. FINANCIAL RISK MANAGEMENT

Bank SinoPac

a. Overview

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

b. Risk management framework

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

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

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

c. Credit risk

1) Sources and definitions of credit risk

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

2) Policies and strategies

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

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

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

Credit risk management procedures and measurements are as the following:

a) Loan business (includes loan commitment and guarantee)

Loan business classification and qualities are shown as follows:

i. Classification

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

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

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

ii. Credit quality level

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

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

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

b) Investment business

Bank SinoPac and its subsidiaries manages and identifies credit risks of debt investment through credit ratings by outsiders, credit qualities of the debt, regional conditions and counterparties' risks.

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

3) Credit risk hedge or mitigation policies

a) Collateral

For credit exposures and collaterals requirements, Bank SinoPac and its subsidiaries has set up several standards such as disposal of collateral, acceptance of real estate disposal, real estate appraisal and credit policies for every commodity to regulate collaterals' categories, appraisals, procedures, deduction percentages, loan rate, loan-to-value and maturity, control, management and disposal to confirm these standards can mitigate credit risks and maintain creditor's right.

To maintain collateral's effectiveness, Bank SinoPac and its subsidiaries supervises and manage it based on after-loan management and review policies examines through examining the usage, custody and maintenance of collaterals regularly and irregularly to avoid selling, leasing, pledging, moving and disposing collaterals without authorization. Once the case is due and willing to extend the contract, it should be seen as a new case and the collateral should be revalued.

b) Credit risk limits and credit risk concentration control

Bank SinoPac and its subsidiaries manages credit line and concentration of all credit assets through appropriate information managing system to gather information, credit exposure centralized conditions and large credit exposure of every credit assets combination, including national risk, large credit exposure, credit line of single corporation, group and industry. For cases approaching credit line, Bank SinoPac and its subsidiaries should report to related management and make control strategies; for cases over credit line, Bank SinoPac and its subsidiaries should enhance authorization level based on credit review authority.

c) Agreements of net settlement

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

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

a) Loan business

Bank SinoPac and its subsidiaries assess the change in the probability of default of various credit assets during the lifetime on each reporting date to determine if the credit risk has increased significantly since the initial recognition.

In order to make this assessment, the main consideration is reasonable and supportable information that the credit risk has increased significantly since the initial recognition (including forward-looking information).

Key indicators include:

i. Quantitative indicators

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

ii. Qualitative indicators

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

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

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

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

b) Investment business

Bank SinoPac and its subsidiaries adapts external credit ratings as a measure of whether the credit risk after the initial recognition is significantly increased for the debt instrument investment measured at amortized cost and the debt instrument investment measured at fair value through other comprehensive income.

The external credit rating is determined by the external rating issued by the international credit rating agency. When the external credit rating changes and the following situations occur, it can be determined that the credit risk is significantly increased after the initial recognition.

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

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

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

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

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

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

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

The definition of financial assets default by Bank SinoPac is the same as making judgments on which financial assets are credit impairment. If one or more of the following conditions are satisfied, Bank SinoPac determines that the financial asset has defaulted and credit impairment

a) Quantitative indicators

Principal or interest is overdue for more than three months.

b) Qualitative indicators

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

- i. The main debtor has been chased, or its collateral has been disposed.
- ii. The main debtor has not paid short-term advance to Bank SinoPac.
- iii. The debtor applies for debt negotiation, debt extension and debt restructuring, etc. due to financial difficulties.
- iv. Other situation with objective evidence of impairment.

Bond investment belongs to credit ratings Ca-D bonds, or the following situations occur, for examples:

- i. The issuer probably cannot repay the principal or interest on the bond maturity date.
- ii. It could be objectively judged that the issuer cannot be able to repay the principal and interest of the bond on time before maturity.
- iii. Probability that the debtor will enter into bankruptcy or undergo financial reorganization.
- iv. The issuer encounters bankruptcy or being reorganized or taken over due to financial difficulties before bond maturity.

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

6) Write-off policy - 2018

If one of the following situations occurred, overdue and nonperforming loans of Bank SinoPac will deduct the estimated recoverable part and write off as bad debts.

- a) All or part of creditor's right couldn't recover due to dissolution, escape, settlement, bankruptcy or other reasons of the debtors.
- b) The collateral and the properties valuation of the main and subordinate debtors are very low, compensation are not available after deducting the first mortgage, or it is unbeneficial that execution fee is close to or may exceed Bank SinoPac's reimbursable amount.
- c) The collateral and the properties of the main and subordinate debtors are unsold after multiple discount auctions and Bank SinoPac is unbeneficial.
- d) Overdue and nonperforming loans have not been recovered for more than 2 years after the settlement period.

Bank SinoPac still record write-off by prescribed procedures and are record in registered book for inspection. Relevant business department keep eyes open for movements of the main and subordinate debtors at any time. If there is any properties available for execution, Bank SinoPac will recourse by law.

7) Amendment of financial assets contract cash flow - 2018

Bank SinoPac and its subsidiaries will amend financial assets contract cash flow as a result of financial difficulties negotiation of borrowers, improvement of problematic debtors' recovery rate or maintenance customer relationships. Financial assets contract cash flow amendment include extension of contract period, interest payment time modification, contract interest modification, or exempt part of the debts. The amendment could result in Bank SinoPac and its subsidiaries dispose existing financial assets and record new financial assets at fair value.

If the modification of the contractual cash flow of financial assets does not result in a derecognizing, Bank SinoPac and its subsidiaries assess whether the credit risk of financial assets has increased significantly by comparing the following:

- a) Risk of breaching the contract on the reporting date (based on revised contract terms).
- b) The probability of default in the original recognition (based on the original unmodified contract terms).

Bank SinoPac and its subsidiaries consider the borrower's subsequent payment in accordance with the revised terms and several relevant behavior indicators to assess the probability of default of the revised financial assets, and confirm whether the contract modification improves or restore the ability to recover related contract payments of Bank SinoPac and its subsidiaries.

8) Measurement of Expected Credit Losses - 2018

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

Bank SinoPac and its subsidiaries measured the allowance for the financial instruments based on the 12-month expected credit losses for financial instruments that did not have a significant increase in credit risk since the initial recognition. For the financial instruments that has been recognized significant increase of credit risk or credit impairment since the initial recognition are measured as the amount of expected credit losses during the period of existence.

To measure the expected credit losses, Bank SinoPac and its subsidiaries take into account the borrower's probability of default ("PD") for the next 12 months and the period of existence, and include the loss given default ("LGD"). Multiply by the Exposure at default ("EAD") and taking into account the impact of the time value of money, the expected credit losses for 12 months and duration are calculated.

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

Probability of default is the default probability of the borrower, and the default loss rate is the rate of loss caused by default of the borrower. The default probability and default loss rate using in the impairment assessment of Bank SinoPac loan business are based on internal historical information (such as credit loss experience, etc.) of each group, and adjust the history data based on the current observable data and forward-looking economic information to calculate the expected losses separately. The expected loss of debt instrument investment which should be evaluated the impairment is calculated according to the default rate information and external recovery rate information published by the external credit rating agencies based on the targets.

9) Forward-looking information considerations

a) Credit assets

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

The relevant economic factors and its impact on PD differ according to the credit business. Bank SinoPac classifies credit product types as:

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

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

b) Investment business

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

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

10) The allowance for credit losses of Bank SinoPac and its subsidiaries

Changes in allowance for discounts and loans

For the Six Months Ended June 30, 2018	12-month ECL	Lifetime ECL (Collectively Assessed)	Lifetime E ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-Impaired Financial Assets)	Impairment in Accordance With IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Nonaccrual Loans (Note 1)	Total
Balance, January 1	\$ 1,562,950	\$ 436,203	\$ 11,143	\$ 1,031,971	\$ 3,042,267	\$ 9,480,439	\$ 12,522,706
Changes due to financial instruments that have been identified at the beginning of the period:							
To lifetime ECL	(3,793)	269,879	54	(8,022)	258,118	-	258,118
From conversion to credit-impaired financial assets	(2,410)	(95,613)	-	305,470	207,447	-	207,447
To 12-month ECL	1,262	(86,357)	-	(1,371)	(86,466)	-	(86,466)
Derecognizing financial assets during the current period	(1,718,668)	(353,715)	(11,352)	(152,647)	(2,236,382)	-	(2,236,382)
Purchased or originated new financial assets	1,603,277	1,754	-	67,164	1,672,195	-	1,672,195
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with nonperforming/nonaccrual loans (Note 1)	-	-	-	-	-	396,194	396,194
Write-off (Note 2)	-	-	-	(192,841)	(192,841)	-	(192,841)
Effect of exchange rate changes and others	8,865	560	155	3,347	12,927	24,863	37,790
Balance, June 30	\$ 1,451,483	\$ 172,711	\$ -	\$ 1,053,071	\$ 2,677,265	\$ 9,901,496	\$ 12,578,761

Note 1: Including provision of Bank SinoPac (China) under local supervision regulations.

Note 2: Including replenished amounts for written-off.

Changes in allowance for receivables

For the Six Months Ended June 30, 2018	12-month ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Asset)	Impairment in Accordance with IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Nonaccrual Loans	Total
Balance, January 1	\$ 17,118	\$ 13,247	\$ 408,272	\$ 438,637	\$ 453,111	\$ 891,748
Changes due to financial instruments that have been recognized at the beginning of the period:						
To lifetime ECL	(57)	12,127	(3,388)	8,682	-	8,682
From conversion to credit-impaired financial assets	(7)	(12,086)	44,631	32,538	-	32,538
To 12-month ECL	4	(1,086)	(20)	(1,102)	-	(1,102)
Derecognizing financial assets during the current period	(23,792)	(2,368)	(20,850)	(47,010)	-	(47,010)
Purchased or originated new financial assets	24,872	3	208	25,083	-	25,083
Based on the above regulations, the minimum allowance for credit losses and provision for losses on guarantees for assets that are normal excluding claims against ROC government agencies that require special mentioned, provisioning impairment differences	-	-	-	-	(33,105)	(33,105)
Write-off (Note)	-	(767)	(47,045)	(47,812)	-	(47,812)
Effect of exchange rate changes and others	140	(1,937)	1,751	(46)	5,399	5,353
Balance, June 30	\$ 18,278	\$ 7,133	\$ 383,559	\$ 408,970	\$ 425,405	\$ 834,375

Note: Including replenished amounts for written-off.

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

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

Off-Balance Sheet Items	The Maximum Credit Exposure		
	June 30, 2018	December 31, 2017	June 30, 2017
Undrawn credit card commitments	\$ 153,643,616	\$ 154,191,950	\$ 155,135,731
Undrawn loan commitments	18,455,265	18,989,439	21,738,473
Guarantees	21,616,351	20,304,889	17,730,580
Standby letter of credit	3,141,045	4,510,506	3,303,117

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

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

12) Credit risk concentration of Bank SinoPac and its subsidiaries

When financial instrument transactions concentrate on one counterparties or several counter-parties, which engage in similar business activities and had similar economic characteristics and abilities to execute contracts, the credit risk concentration arise.

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

a) By industry

Industries	June 30, 2018		December 31, 2017		June 30, 2017	
	Amount	%	Amount	%	Amount	%
Private enterprise	\$ 409,369,267	45.97	\$ 395,419,314	45.00	\$ 410,389,383	44.33
Public enterprise	10,869,325	1.22	11,708,897	1.33	21,478,378	2.32
Government sponsored enterprise and business	4,417,233	0.50	4,323,346	0.49	19,382,005	2.09
Nonprofit organization	131,816	0.01	137,097	0.02	154,130	0.02
Private	438,839,755	49.28	442,955,629	50.40	452,690,241	48.9
Financial institutions	26,861,641	3.02	24,243,253	2.76	21,662,479	2.34
Total	\$ 890,489,037	100.00	\$ 878,787,536	100.00	\$ 925,756,616	100.00

b) By region

Regions	June 30, 2018		December 31, 2017		June 30, 2017	
	Amount	%	Amount	%	Amount	%
Domestic	\$ 745,881,752	83.76	\$ 748,868,534	85.22	\$ 781,196,427	84.38
Asia	84,944,000	9.54	73,938,908	8.41	67,170,340	7.26
North America	37,654,716	4.23	34,521,120	3.93	58,015,191	6.27
Others	22,008,569	2.47	21,458,974	2.44	19,374,658	2.09
Total	\$ 890,489,037	100.00	\$ 878,787,536	100.00	\$ 925,756,616	100.00

c) By collateral

Collaterals	June 30, 2018		December 31, 2017		June 30, 2017	
	Amount	%	Amount	%	Amount	%
Credit Secured	\$ 312,075,012	35.05	\$ 293,426,477	33.39	\$ 307,627,245	33.23
Stocks	4,620,027	0.52	4,543,366	0.52	4,331,767	0.47
Bonds	13,779,875	1.55	11,807,273	1.34	10,113,829	1.09
Real estate	513,312,976	57.64	520,794,751	59.26	553,068,421	59.74
Movable collaterals	23,705,709	2.66	23,130,469	2.63	23,571,246	2.55
Guarantees	10,420,934	1.17	11,431,471	1.30	10,237,847	1.11
Others	12,574,504	1.41	13,653,729	1.56	16,806,261	1.81
Total	\$ 890,489,037	100.00	\$ 878,787,536	100.00	\$ 925,756,616	100.00

d) Credit risk exposure rating - 2018

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

Note 1: Including provision of Bank SinoPac (China) under local supervision regulations.

Note 2: Including netting accounts receivables - factoring deduct accounts payables - factoring.

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

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

a) Collateral and other credit enhancements

Bank SinoPac and its subsidiaries implement a series of policies and measures to reduce credit risk for loan business; one of the commonly used methods requires borrowers to provide collateral. Bank SinoPac and its subsidiaries have procedures for enforcing the scope of collateral and the valuation, management, and disposal of collateral to ensure the obligee's rights in the evaluation of collateral management and the loan value of collateral. The main types of collateral for financial assets of Bank SinoPac and its subsidiaries are as follows:

- i. Real estate mortgage loan.
- ii. Derivatives margin agreement.

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

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

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

b) Amount of collateral for impaired financial assets

Bank SinoPac and its subsidiaries closely observe the value of the collateral of the financial instruments and consider the allowance for the credit-impaired financial assets.

On June 30, 2018, the amount of discounted and loans was \$4,733,231, with a provision for allowances \$1,076,556, and credit guarantees, real estate, movable assets or certificates of deposit, etc., which reduced the potential loss, amounted to \$3,037,900.

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

The contracted amount of financial assets that have been written off by Bank SinoPac and still have recourse activities is \$47,110,155.

14) Credit quality and impairment assessment - 2017

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

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

a) Discounts, loans and receivables

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

June 30, 2017	Neither Overdue Nor Impaired						Overdue But Not Yet Impaired (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Loss Recognized (D)		Net Total (A)+(B)+(C)-(D)
	Excellent	Good	Acceptable	Weak	No Ratings	Subtotal (A)				With Objective Evidence of Impairment	With No Objective Evidence of Impairment	
Receivables												
Accounts receivable - forfeiting	\$ 2,954,331	\$ 918,099	\$ 2,023,493	\$ 66,506	\$ 2,000,168	\$ 7,962,597	\$ -	\$ 35,264	\$ 7,997,861	\$ 35,264	\$ 130,081	\$ 7,832,516
Credit card receivables	7,382,988	2,080,875	5,109,417	159,941	297,861	15,031,082	103,425	1,034,814	16,169,321	111,089	109,839	15,948,393
Accounts receivable - factoring	960,593	2,169,060	3,614,422	238,069	668,333	7,650,477	547,966	-	8,198,443	-	92,913	8,105,530
Others	3,278,199	614,730	1,310,792	754,220	2,343,890	8,301,831	33,937	263,590	8,599,358	224,811	21,169	8,353,378
Discounts and loans	237,865,413	149,314,660	459,264,120	59,168,111	5,130,046	910,742,350	9,610,848	5,403,418	925,756,616	1,301,121	11,933,249	912,522,246
Other financial asset												
Nonperforming receivables transferred other than loan	-	-	-	-	-	-	-	106,125	106,125	92,470	-	13,655

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

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

June 30, 2017	Neither Overdue Nor Impaired					
	Excellent	Good	Acceptable	Weak	No Ratings	Total
Consumer banking						
Mortgage	\$ 104,136,754	\$ 55,710,428	\$ 85,899,383	\$ 9,314,831	\$ -	\$ 255,061,396
Cash card	-	-	-	8	12	20
Micro credit	6,401,899	4,085,278	5,030,995	139,315	45,082	15,702,569
Others	85,912,359	34,551,754	41,256,186	5,144,462	4,888,779	171,753,540
Corporate banking						
Secured	210,064	2,840,471	152,439,683	23,325,083	-	178,815,301
Unsecured	41,204,337	52,126,729	174,637,873	21,244,412	196,173	289,409,524
Total	\$ 237,865,413	\$ 149,314,660	\$ 459,264,120	\$ 59,168,111	\$ 5,130,046	\$ 910,742,350

c) Credit analysis for marketable securities

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

June 30, 2017	Neither Overdue Nor Impaired					Overdue But Not Yet Impaired (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Loss Recognized (D)	Net Total (A)+(B)+(C)-(D)
	Excellent	Good	Acceptable	Weak	No Ratings					
Available-for-sale financial assets										
Investment in bonds	\$ 179,273,443	\$ 55,027,906	\$ 3,950,710	\$ -	\$ 1,311,402	\$ 239,563,461	\$ -	\$ 239,653,303	\$ 89,842	\$ 239,563,461
Investment in stocks and beneficial certificates	-	-	-	-	81,240	81,240	-	111,474	26,300	85,174
Held-to-maturity financial assets										
Investment in bonds	68,871,527	-	-	-	-	68,871,527	-	68,871,527	-	68,871,527
Other financial assets										
Investment in stocks	605,465	-	81,499	-	296,864	983,828	-	983,828	-	983,828
Investment in bonds	5,606,796	-	-	-	-	5,606,796	-	5,606,796	-	5,606,796
Others (Note)	1,821,262	277,374	456,609	-	155,603	2,710,848	-	7,005,126	2,010,524	4,994,602

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

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

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

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

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

Items	June 30, 2017			
	Overdue by Less Than One Month	Overdue by One to Three Months	Overdue by More Than Three Months	Total
Accounts receivables				
Credit card receivable	\$ 67,873	\$ 35,552	\$ -	\$ 103,425
Accounts receivable - factoring	280,278	36,928	230,760	547,966
Others	22,719	11,200	18	33,937
Discounts and loans				
Mortgage	4,148,065	257,889	1,145	4,407,099
Micro credit	350,471	34,290	-	384,761
Corporate banking	1,019,734	741,217	17,142	1,778,093
Others	2,964,071	76,824	-	3,040,895

16) Analysis of financial assets impairment - 2017

Analysis of the impairment of bond investments is summarized in Note 53 c,14),c).

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

Items		Discounts and Loans		Allowance for Credit Losses	
		December 31, 2017	June 30, 2017	December 31, 2017	June 30, 2017
With objective evidence of impairment	Individually assessed	\$ 945,944	\$ 1,115,929	\$ 160,364	\$ 154,453
	Collectively assessed	3,865,029	4,287,489	953,584	1,146,668
With no objective evidence of impairment	Collectively assessed	873,976,563	920,353,198	11,397,590	11,933,249

Items		Receivables		Allowance for Credit Losses	
		December 31, 2017	June 30, 2017	December 31, 2017	June 30, 2017
With objective evidence of impairment (Note 2)	Individually assessed	\$ 314,044	\$ 293,223	\$ 280,638	\$ 258,900
	Collectively assessed	1,082,861	1,146,570	195,185	204,734
With no objective evidence of impairment	Collectively assessed	43,062,083	39,631,315	414,671	354,002

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

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

17) Management policies of collaterals assumed

Collaterals assumed are classified as other assets. According to regulations, Bank SinoPac should dispose of collaterals within four years and FENB, within five years. There are no assumed collaterals of Bank SinoPac and its subsidiaries as of June 30, 2018, December 31, 2017 and June 30, 2017, respectively.

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

a) Overdue loans and receivables

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

Date		June 30, 2017					
Items		Nonperforming Loan (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)	
Corporate loan	Secured	\$ 1,168,699	\$ 156,482,250	0.75%	\$ 2,163,331	185.11%	
	Unsecured	864,675	280,690,844	0.31%	3,897,413	450.74%	
Consumer loan	Mortgage (Note 4)	434,839	258,783,164	0.17%	3,927,722	903.26%	
	Cash card	11	9,616	0.11%	13,997	127,245.45%	
	Micro credit (Note 5)	55,035	16,509,329	0.33%	201,709	366.51%	
	Others (Note 6)	Secured	522,404	172,722,304	0.30%	2,005,597	383.92%
		Unsecured	7,462	2,612,471	0.29%	29,738	398.50%
Total		3,053,125	887,809,978	0.34%	12,239,507	400.88%	
		Overdue Receivables	Accounts Receivables	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio	
Credit card		53,249	16,169,321	0.33%	220,928	414.90%	
Accounts receivable - factoring with no recourse (Notes 7 and 8)		4,746	8,288,819	0.06%	183,289	3,861.97%	

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

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

Note 2: For loan business: $NPL \text{ ratio} = NPL \div \text{Total loans}$.

For credit card business: $\text{Delinquency ratio} = \text{Overdue receivables} \div \text{Accounts receivables}$.

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

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

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

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

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

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

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

b) Excluded NPLs and excluded overdue receivables

Date	June 30, 2018		June 30, 2017	
	Excluded NPL	Excluded Overdue Receivables	Excluded NPL	Excluded Overdue Receivables
As a result of debt negotiation and loan agreement (Note 1)	\$ 1,926	\$ 78,858	\$ 2,612	\$ 105,115
As a result of consumer debt clearance (Note 2)	7,724	691,080	8,756	729,421
Total	\$ 9,650	\$ 769,938	\$ 11,368	\$ 834,536

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

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

c) Concentration of credit extensions

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

Year	June 30, 2017		
Rank (Note 1)	Industry Category (Note 2)	Total Credit Consists of Loans (Note 3)	Percentage of Net Worth (%)
1	A Group (manufacture of computers)	\$ 7,298,136	6.00
2	B Group (rolling and extruding of iron and steel)	6,686,357	5.50
3	C Group (manufacture of liquid crystal panel and components)	6,140,998	5.05
4	D Group (ocean transportation)	5,947,290	4.89
5	E Group (manufacture of computers)	4,451,382	3.66
6	F Group (mechanics, telecommunications and electricity facilities installation)	3,844,288	3.16
7	G Group (wired telecommunications activities)	3,793,230	3.12
8	H Group (uncategorized other manufacture of electronic components)	3,758,214	3.09
9	I Group (real estate development activities)	2,879,728	2.37
10	J Group (financial leasing)	2,374,370	1.95

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

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

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

d. Liquidity risk management

1) Definition of liquidity risk

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

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

a) Strategies

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

b) Risk measurement

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

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

c) Risk monitoring

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

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

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

a) Maturity analysis of non-derivative financial liabilities

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

Bank SinoPac

June 30, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Deposits from the Central Bank and other banks	\$ 40,319,817	\$ 5,165,370	\$ 4,373,257	\$ 2,765,615	\$ -	\$ 52,624,059
Financial liabilities at fair value through profit or loss	-	-	-	-	1,710,707	1,710,707
Securities sold under agreements to repurchase	23,541,133	5,060,924	-	-	-	28,602,057
Payables	13,329,652	985,002	536,621	1,529,847	2,253,775	18,634,897
Deposits and remittances	654,624,166	147,612,657	117,107,792	192,101,391	24,525,119	1,135,971,125
Bank debentures	23,426	3,941,859	3,398,377	3,895,279	31,056,244	42,315,185

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

June 30, 2017	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Deposits from the Central Bank and other banks	\$ 15,557,410	\$ 17,417,871	\$ 761,746	\$ 883,855	\$ -	\$ 34,620,882
Financial liabilities at fair value through profit or loss	-	-	-	-	1,707,056	1,707,056
Securities sold under agreements to repurchase	11,507,858	16,297,804	-	-	-	27,805,662
Payables	6,610,301	729,184	407,708	1,451,802	2,016,994	11,215,989
Deposits and remittances	669,387,760	168,752,911	128,981,122	199,959,989	26,458,485	1,193,540,267
Bank debentures	100,314	107,695	167,804	7,576,411	41,013,157	48,965,381

FENB

(In Thousands of U.S. Dollars)

June 30, 2017	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Deposits from the Central Bank and other banks	\$ 1,857	\$ -	\$ -	\$ -	\$ -	\$ 1,857
Payables	14,118	-	-	-	-	14,118
Deposits and remittances	549,787	52,864	41,452	93,622	38,739	776,464
Federal Home Loan Banks Fund	24	48	73	20,145	10,007	30,297

Bank SinoPac (China)

(In Thousands of CNY)

June 30, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Deposits from the Central Bank and other banks	\$ 577,222	\$ 271,785	\$ 305,696	\$ -	\$ -	\$ 1,154,703
Payables	25,921	1,974	170	14,644	447	43,156
Deposits and remittances	683,802	1,275,410	416,468	290,962	375,350	3,041,992

(In Thousands of U.S. Dollars)

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

(In Thousands of U.S. Dollars)

June 30, 2017	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Deposits from the Central Bank and other banks	\$ 68,773	\$ 5,023	\$ 17,428	\$ -	\$ -	\$ 91,224
Payables	5,627	111	11	840	-	6,589
Deposits and remittances	87,022	52,019	177,892	34,757	12,355	364,045

b) Maturity analysis of derivative financial liabilities

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

Bank SinoPac

June 30, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Financial liabilities at fair value through profit or loss	\$ 20,919,925	\$ -	\$ -	\$ -	\$ -	\$ 20,919,925

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

June 30, 2017	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Financial liabilities at fair value through profit or loss	\$ 12,684,069	\$ -	\$ -	\$ -	\$ -	\$ 12,684,069

FENB

(In Thousands of U.S. Dollars)

June 30, 2017	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Derivatives financial liabilities - hedging Derivative interest rate instrument	\$ 1,082	\$ 114	\$ 171	\$ 328	\$ 1,091	\$ 2,786

Bank SinoPac (China)

June 30, 2018: None.

(In Thousands of U.S. Dollars)

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

3) Maturity analysis of off-balance sheet items

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

Bank SinoPac

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

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

June 30, 2017	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Undrawn loan commitments	\$ 61,411	\$ 1,608,394	\$ 936,702	\$ 2,272,357	\$ 11,548,886	\$ 16,427,750
Guarantees	4,116,730	2,784,422	1,355,021	1,833,974	5,516,661	15,606,808
Standby letter of credit	1,213,605	1,724,379	363,218	-	-	3,301,202

Bank SinoPac (China)

(In Thousands of Chinese Yuan)

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

(In Thousands of U.S. Dollars)

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

(In Thousands of U.S. Dollars)

June 30, 2017	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year	Total
Guarantee	\$ 2,500	\$ 3,275	\$ 10,329	\$ 23,978	\$ 7,419	\$ 47,501
Standby letter of credit	-	45	18	-	-	63

4) Maturity analysis of operating lease commitments

Operating lease commitment is the minimum lease payment when Bank SinoPac and its subsidiaries is lessee or lessor with non-cancelling condition.

Maturity analysis of operating lease commitments is summarized as follows:

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

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

June 30, 2017	Less than 1 Year	1-5 Years	Over 5 Years	Total
Operating lease commitments				
Operating lease expense (lessee)	\$ 599,616	\$ 972,628	\$ 87,915	\$ 1,660,159
Operating lease income (lessor)	73,345	133,511	-	206,856
Financial lease expense total amount (lessee)	97	308	-	405
Financial lease expense present value (lessee)	78	281	-	359

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

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

	June 30, 2018						
	Total	0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 1,236,633,382	\$ 140,016,163	\$ 214,141,641	\$ 186,656,042	\$ 95,452,412	\$ 74,904,311	\$ 525,462,813
Main capital outflow on maturity	1,605,482,906	94,997,892	126,351,611	246,075,097	212,352,407	302,416,268	623,289,631
Gap	(368,849,524)	45,018,271	87,790,030	(59,419,055)	(116,899,995)	(227,511,957)	(97,826,818)

	June 30, 2017						
	Total	0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 1,328,320,930	\$ 131,184,798	\$ 216,868,038	\$ 204,693,045	\$ 122,064,334	\$ 106,097,115	\$ 547,413,600
Main capital outflow on maturity	1,659,627,367	95,520,594	115,438,087	280,806,031	235,177,435	364,090,256	568,594,964
Gap	(331,306,437)	35,664,204	101,429,951	(76,112,986)	(113,113,101)	(257,993,141)	(21,181,364)

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

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

(In Thousands of U.S. Dollars)

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

(In Thousands of U.S. Dollars)

	June 30, 2017					
	Total	0-30 Days	31-90 Days	91-180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 31,219,202	\$ 10,674,932	\$ 7,216,507	\$ 4,305,827	\$ 5,454,238	\$ 3,567,698
Main capital outflow on maturity	31,735,231	8,617,481	9,231,199	5,461,353	5,755,851	2,669,347
Gap	(516,029)	2,057,451	(2,014,692)	(1,155,526)	(301,613)	898,351

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

e. Market risk

1) Definition of market risk

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

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

2) Management strategies and procedures

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

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

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

3) Organization and framework

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

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

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

4) Market risk control procedure

a) Identification and measurement

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

b) Supervision and reporting

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

5) Trading book risk management policies

a) Definitions

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

b) Strategies

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

c) Policies and procedures

Bank SinoPac carries out "Market Risk Management Policy" to control market risk.

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

d) Assessment policies

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

e) Measurements

- i. The risk valuation and calculation methods are described in Note 53, e, 10).
- ii. The calculation of the nominal exposure amount and the risk factor sensitivity value Delta/Vega/DV01 is done through the trading systems.
- iii. Bank SinoPac makes stress tests using a light scenario (change in interest rate \pm 100 bp, change in securities \pm 15% and change in exchange rate \pm 3%) and serious scenario (change in interest rate \pm 200 bp, change in securities \pm 30% and change in exchange rate \pm 6%) and reports the stress test results to the board of directors.

6) Trading book interest rate risk management

a) Definitions

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

b) Procedures

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

c) Measurements

- i. The risk valuation assumptions and calculation methods are described in Note 53, e, 10).
- ii. DV01 is used daily to measure the impact of interest rate changes on investment portfolios.

7) Trading book exchange rate risk management

a) Definitions

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

b) Policies and procedures

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

c) Measurements

- i. The risk valuation assumptions and calculation methods are described in Note 53, e, 10).

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

8) Trading book equity risk management

a) Definitions

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

b) Procedures

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

c) Measurements

- i. The risk valuation assumptions and calculation methods are described in Note 53, e, 10).
- ii. Exposure positions are measured daily to measure the impact of equity risk on investment portfolio value due from equity risk.

9) Banking book interest rate risk management

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

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

a) Strategies

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

b) Risk measurement

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

c) Risk monitoring

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

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

10) Market risk measurement technique

Value at Risk (VaR)

Bank SinoPac uses the Risk Manager system and stress testing to measure its investment portfolio risk and uses several hypotheses about market conditions to measure market risk and expected maximum loss of holding positions. Bank SinoPac's board of directors has set a VaR limit. The VaR is controlled daily by the market risk management sector and is a widely used risk measure of the risk of loss on a specific portfolio of financial assets.

VaR is the statistical estimate of the potential loss of holding positions due to unfavorable market conditions. For Bank SinoPac, VaR refers to a fall in value of its holding position in a day, with a 99% confidence level. Bank SinoPac uses VaR and the Monte Carlo simulation method to derive quantitative measures for the market risks of the holding positions under normal conditions. The calculated result is used to test and monitor the validity of parameters and hypotheses periodically. However, the use of the VaR cannot prevent loss caused by huge unfavorable changes in market conditions.

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

Bank SinoPac's trading book VaR overview

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

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

Note 2: Historical data period: 2018.01.02 - 2018.06.29

	For the Six Months Ended June 30, 2017		
	Average	Maximum	Minimum
Exchange rate risk	8,994	17,085	5,032
Interest rate risk	148,615	188,006	118,223
Equity risk	-	-	-
Total VaR	151,120	193,484	119,699

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

Note 2: Historical data period: 2017.01.03 - 2017.06.30

Bank SinoPac (China)'s trading book VaR overview

(In Thousands of U.S. Dollars)

	For the Six Months Ended June 30, 2017		
	Average	Maximum	Minimum
Exchange rate risk	43	130	6
Interest rate risk	13	32	4
Equity risk	-	-	-
Total VaR	39	99	13

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

Note 2: Historical data period: 2018.01.02 - 2018.06.30

11) Exchange rate risks

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

	June 30, 2018		
	Foreign Currency (In Thousands)	Exchange Rate	Converted to NTD
<u>Financial assets</u>			
Monetary items			
USD	\$ 9,682,166	30.50575	\$ 295,361,727
CNY	17,501,427	4.60001	80,506,740
Nonmonetary items			
USD	430,726	30.50575	13,139,629
<u>Financial liabilities</u>			
Monetary items			
USD	11,269,708	30.50575	343,790,880
CNY	18,125,054	4.60001	83,375,430
	December 31, 2017		
	Foreign Currency (In Thousands)	Exchange Rate	Converted to NTD
<u>Financial assets</u>			
Monetary items			
USD	\$ 8,726,018	29.85736	\$ 260,535,858
CNY	17,451,437	4.57839	79,899,483
Nonmonetary items			
USD	456,660	29.85736	13,634,672
<u>Financial liabilities</u>			
Monetary items			
USD	10,035,691	29.85736	299,639,239
CNY	15,411,263	4.57839	70,558,772

	June 30, 2017		
	Foreign Currency (In Thousands)	Exchange Rate	Converted to NTD
<u>Financial assets</u>			
Monetary items			
USD	\$ 9,574,453	30.44064	\$ 291,452,469
CNY	17,798,975	4.49209	79,954,599
Nonmonetary items			
USD	706,629	30.44064	21,510,236
<u>Financial liabilities</u>			
Monetary items			
USD	10,494,479	30.44064	319,458,657
CNY	17,732,224	4.49209	79,654,746

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

a) Interest rate sensitivity information (New Taiwan dollars)

June 30, 2018

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

June 30, 2017

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 881,467,809	\$ 18,313,443	\$ 53,757,873	\$ 90,491,907	\$ 1,044,031,032
Interest rate-sensitive liabilities	317,523,640	446,206,186	100,252,971	50,936,157	914,918,954
Interest rate-sensitive gap	563,944,169	(427,892,743)	(46,495,098)	39,555,750	129,112,078
Net worth					120,944,757
Ratio of interest rate-sensitive assets to liabilities (%)					114.11%
Ratio of interest rate-sensitive gap to net worth (%)					106.75%

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

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

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

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

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

June 30, 2018

(In Thousands of U.S. Dollars)

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 5,997,964	\$ 325,848	\$ 232,734	\$ 1,078,011	\$ 7,634,557
Interest rate-sensitive liabilities	3,700,503	4,403,318	995,889	152,267	9,251,977
Interest rate-sensitive gap	2,297,461	(4,077,470)	(763,155)	925,744	(1,617,420)
Net worth					3,629
Ratio of interest rate-sensitive assets to liabilities (%)					82.52%
Ratio of interest rate-sensitive gap to net worth (%)					(44,569.30%)

June 30, 2017

(In Thousands of U.S. Dollars)

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 6,380,625	\$ 392,812	\$ 328,024	\$ 1,228,854	\$ 8,330,315
Interest rate-sensitive liabilities	3,886,808	4,556,900	714,442	11,620	9,169,770
Interest rate-sensitive gap	2,493,817	(4,164,088)	(386,418)	1,217,234	(839,455)
Net worth					19,093
Ratio of interest rate-sensitive assets to liabilities (%)					90.85%
Ratio of interest rate-sensitive gap to net worth (%)					(4,396.66%)

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

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

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

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

13) Transfers of financial assets

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

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

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

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

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

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

Category of Financial Asset	June 30, 2017				
	Transferred Financial Assets - Book Value	Related Financial Liabilities - Book Value	Transferred Financial Assets - Fair Value	Related Financial Liabilities - Fair Value	Net Position - Fair Value
Financial assets at fair value through profit or loss Transactions under agreements to repurchase	\$ 17,570,249	\$ 16,970,155	\$ 17,570,249	\$ 16,970,155	\$ 600,094
Available-for-sale financial assets Transactions under agreements to repurchase	4,658,897	4,328,717	4,658,897	4,328,717	330,180
Held-to-maturity financial assets Transactions under agreements to repurchase	6,516,860	6,180,000	6,549,916	6,180,000	369,916

14) Offsetting of financial assets and financial liabilities

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

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

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

June 30, 2018

Financial Assets	Recognized Financial Assets - Gross Amount	Netted Financial Liabilities Recognized on the Balance Sheet - Gross Amount	Recognized Financial Assets - Net Amount	Related Amount Not Netted on the Balance Sheet		Net Amount
				Financial Instruments (Note)	Cash Received as Collaterals	
Derivative instruments	\$ 19,404,162	\$ -	\$ 19,404,162	\$ 11,559,061	\$ 1,347,457	\$ 6,497,644
Securities purchased under agreements to resell	<u>22,312,476</u>	<u>-</u>	<u>22,312,476</u>	<u>22,311,859</u>	<u>-</u>	<u>617</u>
	<u>\$ 41,716,638</u>	<u>\$ -</u>	<u>\$ 41,716,638</u>	<u>\$ 33,870,920</u>	<u>\$ 1,347,457</u>	<u>\$ 6,498,261</u>

Financial Liabilities	Recognized Financial Liabilities - Gross Amount	Netted Financial Assets Recognized on the Balance Sheet - Gross Amount	Recognized Financial Liabilities - Net Amount	Related Amount Not Netted on the Balance Sheet		Net Amount
				Financial Instruments	Cash Collaterals Pledged	
Derivative instruments	\$ 20,059,532	\$ -	\$ 20,059,532	\$ 12,109,476	\$ 1,965,743	\$ 5,984,313
Securities sold under agreements to repurchase	<u>28,570,603</u>	<u>-</u>	<u>28,570,603</u>	<u>28,570,518</u>	<u>-</u>	<u>85</u>
	<u>\$ 48,630,135</u>	<u>\$ -</u>	<u>\$ 48,630,135</u>	<u>\$ 40,679,994</u>	<u>\$ 1,965,743</u>	<u>\$ 5,984,398</u>

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

December 31, 2017

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

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

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

June 30, 2017

Financial Assets	Recognized Financial Assets - Gross Amount	Netted Financial Liabilities Recognized on the Balance Sheet - Gross Amount	Recognized Financial Assets - Net Amount	Related Amount Not Netted on the Balance Sheet		Net Amount
				Financial Instruments (Note)	Cash Received as Collaterals	
Derivative instruments	\$ 11,560,122	\$ -	\$ 11,560,122	\$ 8,241,337	\$ 361,753	\$ 2,957,032
Securities purchased under agreements to resell	<u>7,022,718</u>	<u>-</u>	<u>7,022,718</u>	<u>7,022,325</u>	<u>-</u>	<u>393</u>
	<u>\$ 18,582,840</u>	<u>\$ -</u>	<u>\$ 18,582,840</u>	<u>\$ 15,263,662</u>	<u>\$ 361,753</u>	<u>\$ 2,957,425</u>

Financial Liabilities	Recognized Financial Liabilities - Gross Amount	Netted Financial Assets Recognized on the Balance Sheet - Gross Amount	Recognized Financial Liabilities - Net Amount	Related Amount Not Netted on the Balance Sheet		Net Amount
				Financial Instruments	Cash Collaterals Pledged	
Derivative instruments	\$ 12,598,165	\$ -	\$ 12,598,165	\$ 8,656,050	\$ 842,893	\$ 3,099,222
Securities sold under agreements to repurchase	<u>27,795,979</u>	<u>-</u>	<u>27,795,979</u>	<u>27,745,146</u>	<u>-</u>	<u>50,833</u>
	<u>\$ 40,394,144</u>	<u>\$ -</u>	<u>\$ 40,394,144</u>	<u>\$ 36,401,196</u>	<u>\$ 842,893</u>	<u>\$ 3,150,055</u>

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

SinoPac Securities Corporation

a. Risk management organization

SinoPac Securities Corporation (SinoPac Securities) have a risk management committee under the board of directors. The committee is in charge of deliberating risk management policy, regulation and overall risk limitation. It helps the board of directors supervise all the risk management - related operations. Further, it set up a risk management division that is headed by manager and is responsible for planning, managing, assessing and executing daily risk management. The committee deliberates each policy, principle and regulation, which are presented to the board of directors for final approval and executed by the risk management division. The risk management division reviews the results and performance of the risk management committee.

b. Goal and policy of risk management

SinoPac Securities and its subsidiaries' objectives and policies of risk management are based on the concept of capital allocation to define the overall total exposure limit. Under this concept and risk management principles, SinoPac Securities and its subsidiaries pursue steady growth within a certain level of risk.

1) Market risk

Market risk refers to the possible loss due to the change in market price of a financial instrument as a result of change in such factors as market interest rates, exchange rates, share prices and consumer goods. The financial instruments held by SinoPac Securities and its subsidiaries include equity securities, bonds, derivatives and foreign currency - denominated commodities.

SinoPac Securities and its subsidiaries apply the concept of risk capital allocation in use to set the overall operating limit and market risk limit through the monitoring of limits, loss advisories and statistical measures to keep an eye on and control market risk in time. Moreover, for the efficient management of market risk, a regular assessment should be presented to the managerial level and board of directors.

SinoPac Securities and its subsidiaries use value-at-risk (VaR), a statistical measure to estimate and manage market risk. Through a regular stress test, sensitivity test and feedback test, SinoPac Securities will be able to verify the validity of the risk management system. SinoPac Securities and its subsidiaries use a risk managing tool, risk manager, designed by an internationally renowned institution, MSCI. The system provides more solid, precise quantitative indices and other tools for a more effective risk evaluation.

a) Value-at-risk (VaR)

VaR is a statistical measure that estimates potential losses and is defined as the predicted worst-scenario case due to changes in risk factors under normal circumstances over a specified period and at a specific level of statistical confidence. The VaR is calculated at a 99% confidence level for a one-day holding period, using changes in historical rates and prices.

SinoPac Securities and its subsidiaries' VaR values were as follows:

	June 30, 2018	December 31, 2017	June 30, 2017
Equities	<u>\$ 76,857</u>	<u>\$ 115,730</u>	<u>\$ 49,887</u>
Interest rate	<u>\$ 59,809</u>	<u>\$ 96,795</u>	<u>\$ 27,679</u>
General	<u>\$ 100,632</u>	<u>\$ 163,429</u>	<u>\$ 61,884</u>
Net worth ratio	<u>0.39%</u>	<u>0.63%</u>	<u>0.25%</u>

	For the Three Months Ended June 30					
	2018			2017		
	Average	Minimum	Maximum	Average	Minimum	Maximum
Equities	\$ 107,343	\$ 73,374	\$ 153,570	\$ 57,090	\$ 40,521	\$ 69,856
Interest rate	64,808	23,926	90,398	37,182	23,703	64,514

For the Six Months Ended June 30

	2018			2017		
	Average	Minimum	Maximum	Average	Minimum	Maximum
Equities	\$ 126,367	\$ 73,374	\$ 236,786	\$ 51,299	\$ 36,574	\$ 69,856
Interest rate	75,670	23,926	113,635	45,859	23,703	65,050

Foreign exchange rate risk is mainly due to the purchase of foreign currency-denominated assets. SinoPac Securities and its subsidiaries use certain agreed-upon proximal and distal exchanging points on currency swap contracts to manage foreign exchange risk, so the risk is rather low.

The table below shows the foreign currency-denominated monetary assets and monetary liabilities as of the balance sheet date:

(Unit: Foreign Currencies/New Taiwan Dollars in Thousands)

	June 30, 2018		
	Foreign Currencies	Exchange Rate	NTD
<u>Financial assets</u>			
Monetary items			
USD	\$ 1,552,080	30.500	\$ 47,338,424
NTD	1,149,433	1.000	1,149,433
HKD	1,024,151	3.882	3,975,416
CNY	1,078,171	4.600	4,959,271
EUR	142,654	35.442	5,055,921
AUD	77,727	22.541	1,752,072
JPY	2,593,096	0.275	714,344
ZAR	84,889	2.221	188,556
<u>Financial liabilities</u>			
Monetary items			
USD	1,241,037	30.499	37,850,261
NTD	392,857	1.000	392,857
HKD	936,943	3.881	3,636,326
CNY	680,061	4.600	3,127,958
EUR	134,267	35.447	4,759,289
AUD	65,857	22.541	1,484,515
JPY	1,829,572	0.275	503,895

	December 31, 2017		
	Foreign Currencies	Exchange Rate	NTD
<u>Financial assets</u>			
Monetary items			
USD	\$ 1,756,491	29.845	\$ 52,422,981
NTD	1,453,344	1.000	1,453,344
HKD	614,541	3.809	2,340,604
CNY	1,186,811	4.578	5,433,124
EUR	158,177	35.673	5,642,665
AUD	96,004	23.272	2,234,257
JPY	2,010,531	0.264	531,343
ZAR	143,411	2.424	347,697

Financial liabilities

Monetary items			
USD	1,420,674	29.843	42,397,203
NTD	638,109	1.000	638,109
HKD	549,326	3.807	2,091,472
CNY	676,025	4.578	3,094,745
EUR	134,311	35.681	4,792,414
AUD	70,061	23.272	1,630,495
JPY	1,884,424	0.264	497,948

	June 30, 2017		
	Foreign Currencies	Exchange Rate	NTD
<u>Financial Assets</u>			
Monetary items			
USD	\$ 1,882,286	30.438	\$ 57,293,404
HKD	648,357	3.897	2,526,843
CNY	1,231,602	4.492	5,532,189
EUR	167,310	34.724	5,809,681
GBP	5,648	39.556	223,398
AUD	68,372	23.361	1,597,251
JPY	2,069,053	0.272	561,986
ZAR	48,001	2.333	112,008
NTD	1,128,794	1.000	1,128,794

Financial Liabilities

Monetary items			
USD	1,506,048	30.438	45,841,204
HKD	569,627	3.897	2,219,838
CNY	792,486	4.492	3,559,723
EUR	147,885	34.730	5,135,966
AUD	43,244	23.361	1,010,223
JPY	2,181,472	0.272	592,987
NTD	690,490	1.000	690,490

The table below shows the VaR for derivatives owned by SinoPac Securities and its subsidiaries:

	June 30, 2018	December 31, 2017	June 30, 2017
Futures and options	\$ 27,326	\$ 8,317	\$ 22,067
Warrants	35,432	56,779	13,716
Interest rate swap contracts	3,788	15,296	12,200
Cross currency swap contracts	5,143	3,753	4,996
Currency swap contracts	630	96	2,037
Asset swap option contracts	17,514	31,912	15,253
Equity-linked note transactions	1,004	298	-
Credit-linked note transactions	523	1,623	7,509
Principal guaranteed note transactions	19	150	226
Forward contracts	1,460	737	1,732

b) Sensitivity analysis

Aside from using VaR, SinoPac Securities and its subsidiaries use several different sensitivity interest index (e.g., DVP and DV01) and Greeks (e.g., Delta, Gamma, and Vega) for risk assessment.

2) Credit risk

Credit risk is the risk of financial loss if a counterparty fails to meet an obligation under a contract. The maximum credit risk exposures to financial loss arise principally from the financial assets recognized in the consolidated balance sheets. Except those listed below, the credit risk amounts of financial assets held by SinoPac Securities and its subsidiaries approximated their carrying values.

	<u>June 30, 2018</u>	
	Carrying Value	Max. Credit Exposure Amount
Financial assets held for trading		
Interest rate swap contracts	\$ 401,556	\$ 580,277
Cross-currency swap contracts	99,845	99,845
Asset swap option contracts	<u>32,665</u>	<u>38,859</u>
	<u>\$ 534,066</u>	<u>\$ 718,981</u>
	<u>December 31, 2017</u>	
	Carrying Value	Max. Credit Exposure Amount
Financial assets held for trading		
Interest rate swap contracts	\$ 220,342	\$ 378,648
Cross-currency swap contracts	55,371	64,328
Asset swap option contracts	<u>25,260</u>	<u>32,494</u>
	<u>\$ 300,973</u>	<u>\$ 475,470</u>

	<u>June 30, 2017</u>	
	Carrying Value	Max. Credit Exposure Amount
Financial assets held for trading		
Interest rate swap contracts	\$ 258,112	\$ 306,142
Cross-currency swap contracts	60,652	22,636
Asset swap option contracts	<u>35,415</u>	<u>43,452</u>
	<u>\$ 354,179</u>	<u>\$ 372,230</u>

SinoPac Securities and its subsidiaries, credit risks of major financial assets are as follows:

a) Cash and cash equivalents

Cash and cash equivalents are mainly deposited in banks as short-term bills. Transaction counterparties are financial institutions with good credit. The limit of short-term bill is set not only by the Regulation Governing Securities Firms sets the limit on the amount of short-term bills that may be transacted as well as the credit limit for the counterparty.

b) Accounts receivable

Accounts receivable represent money owed by entities to SinoPac Securities and its subsidiaries on the sale of the product or service on credit, for example, payments for others, temporary debits and settlements receivable. SinoPac Securities and its subsidiaries have receivables from a diverse client base in different industries and geographic areas. Thus, SinoPac Securities and its subsidiaries have set measures on how to evaluate losses on assets. For the receivables that cannot be retrieved within six months, a report should be submitted to the managerial level for further assessment and follow-up, except those who have fulfilled the settlement according to the agreement, the rest will recover the claims one by one and recognize the appropriate expected credit losses.

c) Bonds and derivative instruments trading

SinoPac Securities and its subsidiaries use risk-based asset allocation to set its caps for total credit risk exposure. Through risk diversification, it monitors and manages the credit limits by single client by single entity, and by single corporation. Through the internal rating system, SinoPac Securities and its subsidiaries give out an exposure limit corresponding to its trading object. It also sets trading and exposure limits by type of product and department. At the same time, the credit rating of the trading object should be above the acceptable level set by SinoPac Securities and its subsidiaries. Besides managing by product, SinoPac Securities and its subsidiaries should also consider the risk involved when of different departments handle the same financial instruments as well as the types of commodities being transacted.

SinoPac Securities and its subsidiaries have set a credit risk limit monitoring panel to keep track of trading opponents daily and regularly prepare credit risk reports for the managerial level and board of directors' review. Of the overall transactions of SinoPac Securities and its subsidiaries as of June 30, 2018, were 53% in the financial service sector and 10% in the electronic industry. In addition, the transaction amounts for trading objects with credit ratings of TWA+ and above had a market share of 82%.

d) Marketable security transactions

By using a financing concentration system and Merton's probability default (PD) model, SinoPac Securities and its subsidiaries can monitor the stock that has a higher default risk, analyze any abnormal condition and control the default risk. The periodical analysis of the financing concentration system should be reported to management and the board of directors.

e) Security borrowing collateral price and securities borrowing margin

Security borrowing margin is the premium placed on the TWSE and domestic and foreign financial institutions with good credit rating which means the credit risk is rather low. Security borrowing collateral price is the premium on a hedge transaction, and all the institutions holding premiums have good credit rating.

f) Guarantee deposit paid

Refundable deposit paid mainly serves as the guarantee bond and clearing and settlement fund. It is the legal deposit paid to financial institutions designated by relevant authorities to hold these deposits. The clearing and settlement fund is the legal deposit paid to Taiwan Stock Exchange. The risk for both guaranty bond and clearing and settlement fund are rather low.

g) Restricted assets

Restricted assets are mainly the bank deposits used as collaterals for loans obtained by SinoPac Securities and its subsidiaries. The financial institutions holding these restricted assets all have good credit rating.

3) Liquidity risk

Liquidity risk is the risk that a security or asset cannot be traded quickly enough in the market to prevent a loss or make the required profit.

SinoPac Securities and its subsidiaries have multiple sources of funding besides their own equity fund. They can also get the funding through borrowing from banks or, issuing commercial paper and corporate bonds. Any emergencies should be reported to the general manager and the chairman immediately and be subjected to the following response measures:

- a) Using a secured loan and to issue commercial paper.
- b) Selling the property trading stock and bonds.
- c) Financing through other non-financial institutions.

For ensuring capital needs for business development of the subsidiary of SinoPac Securities, mid-term and long-term capital was fulfilled with credit lines from financial institutions and will be approved by authorized person on demand.

As of June 30, 2018, December 31, 2017 and June 30, 2017, the credit lines of SinoPac Securities and its subsidiaries unused were \$57,665,555, \$52,491,177 and \$49,574,444, respectively.

The table below shows the analysis of the remaining contractual maturity for financial liabilities as of June 30, 2018, December 31, 2017 and June 30, 2017:

June 30, 2018	Repayment Period				Total
	Current Period	First 3 to 12 Months	1 Year to 5 Years	Over 5 Years	
Short-term borrowings	\$ 7,282,585	\$ -	\$ -	\$ -	\$ 7,282,585
Commercial paper payable	20,840,000	2,300,000	-	-	23,140,000
Current financial liabilities at fair value through profit or loss	4,552,280	133,784	455,117	-	5,141,181
Liabilities for bonds with attached repurchase agreements	29,881,870	5,940,990	-	-	35,822,860
Securities financing refundable deposits	1,392,323	-	-	-	1,392,323
Deposits payable for securities financing	1,529,615	-	-	-	1,529,615
Securities lending refundable deposits	4,867,016	-	-	-	4,867,016
Futures traders' equity	17,776,164	-	-	-	17,776,164
Equity for each customer in the account	114,918	-	-	-	114,918
Notes payable and accounts payable	17,836,518	-	-	-	17,836,518
Other payables	1,148,165	-	-	-	1,148,165
Other financial liabilities - current	461,546	-	-	-	461,546
Bonds payable	19,751	29,219	3,032,030	-	3,081,000
	<u>\$ 107,702,751</u>	<u>\$ 8,403,993</u>	<u>\$ 3,487,147</u>	<u>\$ -</u>	<u>\$ 119,593,891</u>

December 31, 2017	Repayment Period				Total
	Current Period	First 3 to 12 Months	1 Year to 5 Years	Over 5 Years	
Short-term borrowings	\$ 4,062,161	\$ -	\$ -	\$ -	\$ 4,062,161
Commercial paper payable	17,050,000	2,300,000	-	-	19,350,000
Current financial liabilities at fair value through profit or loss	2,367,294	904,432	533,953	-	3,805,679
Liabilities for bonds with attached repurchase agreements	33,485,144	899,553	5,689,192	-	40,073,889
Securities financing refundable deposits	2,510,216	-	-	-	2,510,216
Deposits payable for securities financing	2,882,815	-	-	-	2,882,815
Securities lending refundable deposits	5,275,319	-	-	-	5,275,319
Futures traders' equity	17,149,716	-	-	-	17,149,716
Equity for each customer in the account	107,905	-	-	-	107,905
Notes payable and accounts payable	18,976,898	-	-	-	18,976,898
Other payables	863,204	-	-	-	863,204
Other financial liabilities - current	537,430	-	-	-	537,430
Long-term borrowings	2,633,325	-	-	-	2,633,325
Bonds payable	6,140	29,293	3,045,567	-	3,081,000
	<u>\$ 107,907,567</u>	<u>\$ 4,133,278</u>	<u>\$ 9,268,712</u>	<u>\$ -</u>	<u>\$ 121,309,557</u>

June 30, 2017	Repayment Period				
	Current Period	First 3 to 12 Months	1 Year to 5 Years	Over 5 Years	Total
Short-term borrowings	\$ 7,327,435	\$ 215,645	\$ -	\$ -	\$ 7,543,080
Commercial paper payable	20,090,000	-	-	-	20,090,000
Current financial liabilities at fair value through profit or loss	5,155,579	169,279	1,074,302	-	6,399,160
Liabilities for bonds with attached repurchase agreements	36,405,838	6,954,945	-	-	43,360,783
Securities financing refundable deposits	1,355,714	-	-	-	1,355,714
Deposits payable for securities financing	1,596,553	-	-	-	1,596,553
Securities lending refundable deposits	5,045,470	-	-	-	5,045,470
Futures traders' equity	16,369,279	-	-	-	16,369,279
Equity for each customer in the account	1,604,137	-	-	-	1,604,137
Notes payable and accounts payable	17,726,887	-	-	-	17,726,887
Other payables	1,190,655	-	-	-	1,190,655
Other financial liabilities - current	508,358	-	-	-	508,358
Long-term borrowings	<u>1,310,945</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,310,945</u>
	<u>\$ 115,686,850</u>	<u>\$ 7,339,869</u>	<u>\$ 1,074,302</u>	<u>\$ -</u>	<u>\$ 124,101,021</u>

The analysis of the remaining contractual maturities of financial liabilities is based on the earliest due date and prepared on the basis of undiscounted cash flows.

c. Transfers of financial assets

The transferred financial assets of SinoPac Securities and its subsidiaries that do not qualify for derecognition in the daily operation are mainly securities sold under agreement to repurchase.

The transaction transfers the contractual rights to receive the cash flows of the financial assets but SinoPac Securities and its subsidiaries retain the liabilities to repurchase the transferred financial assets at fixed price in the future period.

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

Analysis of financial assets and related liabilities not completely meet derecognizing condition is shown in following table:

Category of Financial Asset	June 30, 2018				
	Transferred Financial Assets - Book Value	Related Financial Liabilities - Book Value	Transferred Financial Assets - Fair Value	Related Financial Liabilities - Fair Value	Net Position - Fair Value
Transactions under agreements to repurchase					
Financial assets at fair value through profit or loss	\$ 33,222,269	\$ 30,748,878	\$ 33,222,269	\$ 30,748,878	\$ 2,473,391
Bond investment under resale agreements	915,444	1,101,111	915,444	1,101,111	(185,667)

Category of Financial Asset	December 31, 2017				
	Transferred Financial Assets - Book Value	Related Financial Liabilities - Book Value	Transferred Financial Assets - Fair Value	Related Financial Liabilities - Fair Value	Net Position - Fair Value
Transactions under agreements to repurchase					
Financial assets at fair value through profit or loss	\$ 37,328,435	\$ 34,643,923	\$ 37,328,435	\$ 34,643,923	\$ 2,684,512
Bond investment under resale agreements	1,110,263	1,088,767	1,110,263	1,088,767	21,496

Category of Financial Asset	June 30, 2017				
	Transferred Financial Assets - Book Value	Related Financial Liabilities - Book Value	Transferred Financial Assets - Fair Value	Related Financial Liabilities - Fair Value	Net Position - Fair Value
Transactions under agreements to repurchase					
Financial assets at fair value through profit or loss	\$ 38,084,508	\$ 36,756,321	\$ 38,084,508	\$ 36,756,321	\$ 1,328,187
Bond investment under resale agreements	1,915,738	1,876,846	1,915,738	1,876,846	38,892

d. Offsetting of financial assets and financial liabilities

SinoPac Securities and its subsidiaries have partial of receivables from securities sale and payables from securities purchase which meeting offsetting condition, and then offset them on the balance sheet.

SinoPac Securities and its subsidiaries engage in transactions with net settlement contracts or similar agreements with counterparties, ex: Global master repurchase agreement, global securities lending agreement and similar repurchasing agreement or reverse-repurchasing agreement. Above executable net settlement contracts or similar agreements allowed net settlement of financial assets and financial liabilities by the choice of both parties. If one party defaulted, the other one may choose to net settlement.

The offsetting information of financial assets and financial liabilities are shown as follows:

June 30, 2018

Financial Assets Under Offsetting and Executable Net Settlement Contracts or Similar Agreements						
Financial Assets	Recognized Financial Assets - Gross Amount	Netted Financial Liabilities		Related Amount Not Netted on the Balance Sheet		Net Amount
		Recognized on the Balance Sheet - Gross Amount	Recognized Financial Assets - Net Amount	Financial Instruments	Cash Received as Collateral	
Derivative assets - OTC	\$ 641,292	\$ -	\$ 641,292	\$ 148,082	\$ -	\$ 493,210
Bond investment under resale agreements	2,898,639	-	2,898,639	2,898,639	-	-
Accounts receivables for sale of securities	6,878,476	5,498,590	1,379,886	-	-	1,379,886
	<u>\$ 10,418,407</u>	<u>\$ 5,498,590</u>	<u>\$ 4,919,817</u>	<u>\$ 3,046,721</u>	<u>\$ -</u>	<u>\$ 1,873,096</u>

Financial Liabilities Under Offsetting and Executable Net Settlement Contracts or Similar Agreements

Financial Liabilities	Recognized Financial Liabilities - Gross Amount	Netted Financial Assets		Related Amount Not Netted on the Balance Sheet		Net Amount
		Recognized on the Balance Sheet - Gross Amount	Recognized Financial Liabilities - Net Amount	Financial Instruments	Cash Collateral Pledged	
Derivative liabilities - OTC	\$ 642,885	\$ -	\$ 642,885	\$ 148,082	\$ -	\$ 494,803
Liabilities for bonds with attached repurchase agreement	35,672,446	-	35,672,446	31,835,049	-	3,837,397
Accounts payables for securities purchased	<u>6,175,855</u>	<u>5,498,590</u>	<u>677,265</u>	<u>-</u>	<u>-</u>	<u>677,265</u>
	<u>\$ 42,491,186</u>	<u>\$ 5,498,590</u>	<u>\$ 36,992,596</u>	<u>\$ 31,983,131</u>	<u>\$ -</u>	<u>\$ 5,009,465</u>

December 31, 2017

Financial Assets Under Offsetting and Executable Net Settlement Contracts or Similar Agreements

Financial Assets	Recognized Financial Assets - Gross Amount	Netted Financial Liabilities		Related Amount Not Netted on the Balance Sheet		Net Amount
		Recognized on the Balance Sheet - Gross Amount	Recognized Financial Assets - Net Amount	Financial Instruments	Cash Received as Collateral	
Derivative assets - OTC	\$ 435,021	\$ -	\$ 435,021	\$ 151,865	\$ -	\$ 283,156
Bond investment under resale agreements	3,217,133	-	3,217,133	3,217,133	-	-
Accounts receivables for sale of securities	<u>1,826,459</u>	<u>1,436,892</u>	<u>389,567</u>	<u>-</u>	<u>-</u>	<u>389,567</u>
	<u>\$ 5,478,613</u>	<u>\$ 1,436,892</u>	<u>\$ 4,041,721</u>	<u>\$ 3,368,998</u>	<u>\$ -</u>	<u>\$ 672,723</u>

Financial Liabilities Under Offsetting and Executable Net Settlement Contracts or Similar Agreements

Financial Liabilities	Recognized Financial Liabilities - Gross Amount	Netted Financial Assets		Related Amount Not Netted on the Balance Sheet		Net Amount
		Recognized on the Balance Sheet - Gross Amount	Recognized Financial Liabilities - Net Amount	Financial Instruments	Cash Collateral Pledged	
Derivative liabilities - OTC	\$ 613,978	\$ -	\$ 613,978	\$ 151,865	\$ -	\$ 462,113
Liabilities for bonds with attached repurchase agreement	39,878,038	-	39,878,038	35,702,262	-	4,175,776
Accounts payables for securities purchased	<u>1,474,981</u>	<u>1,436,892</u>	<u>38,089</u>	<u>-</u>	<u>-</u>	<u>38,089</u>
	<u>\$ 41,966,997</u>	<u>\$ 1,436,892</u>	<u>\$ 40,530,105</u>	<u>\$ 35,854,127</u>	<u>\$ -</u>	<u>\$ 4,675,978</u>

June 30, 2017

Financial Assets Under Offsetting and Executable Net Settlement Contracts or Similar Agreements						
Financial Assets	Recognized Financial Assets - Gross Amount	Netted Financial Liabilities	Recognized Financial Assets - Net Amount	Related Amount Not Netted on the Balance Sheet		Net Amount
		Recognized on the Balance Sheet - Gross Amount		Financial Instruments	Cash Received as Collateral	
Derivative assets - OTC	\$ 369,969	\$ -	\$ 369,969	\$ 165,012	\$ -	\$ 204,957
Bond investment under resale agreements	3,445,949	-	3,445,949	3,445,949	-	-
Accounts receivables for sale of securities	<u>4,717,163</u>	<u>3,906,828</u>	<u>810,335</u>	<u>-</u>	<u>-</u>	<u>810,335</u>
	<u>\$ 8,533,081</u>	<u>\$ 3,906,828</u>	<u>\$ 4,626,253</u>	<u>\$ 3,610,961</u>	<u>\$ -</u>	<u>\$ 1,015,292</u>

Financial Liabilities Under Offsetting and Executable Net Settlement Contracts or Similar Agreements						
Financial Liabilities	Recognized Financial Liabilities - Gross Amount	Netted Financial Assets	Recognized Financial Liabilities - Net Amount	Related Amount Not Netted on the Balance Sheet		Net Amount
		Recognized on the Balance Sheet - Gross Amount		Financial Instruments	Cash Collateral Pledged	
Derivative liabilities - OTC	\$ 792,096	\$ -	\$ 792,096	\$ 165,012	\$ -	\$ 627,084
Liabilities for bonds with attached repurchase agreement	43,260,735	-	43,260,735	37,798,284	-	5,462,451
Accounts payables for securities purchased	<u>4,692,522</u>	<u>3,906,828</u>	<u>785,694</u>	<u>-</u>	<u>-</u>	<u>785,694</u>
	<u>\$ 48,745,353</u>	<u>\$ 3,906,828</u>	<u>\$ 44,838,525</u>	<u>\$ 37,963,296</u>	<u>\$ -</u>	<u>\$ 6,875,229</u>

54. CAPITAL MANAGEMENT

SinoPac Financial Holdings

a. Overview

The Group's capital management goals are as follows:

As a basic target, the Group's eligible capital should be sufficient to meet their operating needs and should be higher than the required minimum capital adequacy ratio. Eligible capital and legal capital are calculated under regulations pronounced by the authorities.

The Group's should also have adequate capital to bear its risks, should measure capital demand on the basis of risk combinations and risk characteristics, and should optimize resource and capital allocation through risk management.

b. Capital management procedure

The Group's capital adequacy ratio should meet the regulations set by the authorities. Also, the Group's should maintain capital adequacy ratio by considering the business scale, major operating strategy, risk conditions, eligible capital structure, future capital increase plan, etc. The Group's reports to the authorities regularly. Overseas subsidiaries' capital management is in accordance with local regulations.

The Group's capital maintenance is in accordance with the "Regulations Governing the Consolidated Capital Adequacy of Financial Holding Companies", "Regulations Governing the Capital Adequacy and Capital Category of Banks", "Regulations Governing Securities Firms" etc., and is managed by the Group's risk management and accounting divisions.

c. Capital adequacy ratio

Under the Financial Holding Company Act and related regulations, a financial holding company should maintain a consolidated capital adequacy ratio (CAR) of at least 100%. Thus, if a financial holding company's consolidated CAR falls below 100%, the authorities may prohibit it from declaring cash dividends or distributing other properties. Under certain conditions, the authorities may impose other penalties on the Company.

1) Consolidated capital adequacy ratio

June 30, 2018

(In Thousands of New Taiwan Dollars, %)

Item	Percentage of Ownership	Group's Net Eligible Capital	Group's Statutory Capital Requirement
Entities			
SPH	100	\$ 138,048,918	\$ 165,016,047
Bank SinoPac	100	134,032,568	95,654,402
SinoPac Securities	100	16,353,216	7,750,018
SinoPac Leasing Corporation	100	4,343,308	1,451,315
SinoPac Call Center	100	73,487	53,990
SinoPac Venture Capital	100	3,219,202	1,632,921
SinoPac Securities Investment Trust	100	1,540,627	808,075
Deduction		(167,280,309)	(157,105,986)
Subtotal		130,331,017 (A)	115,260,782 (B)
Consolidated CARs of SPH (C)=(A)÷(B)			113.07% (C)

December 31, 2017

(In Thousands of New Taiwan Dollars, %)

Item	Percentage of Ownership	Group's Net Eligible Capital	Group's Statutory Capital Requirement
Entities			
SPH	100	\$ 138,195,492	\$ 159,580,845
Bank SinoPac	100	133,686,377	85,248,734
SinoPac Securities	100	16,575,532	8,495,658
SinoPac Leasing Corporation	100	5,206,577	1,545,458
SinoPac Call Center	100	80,763	56,120
SinoPac Venture Capital	100	3,077,712	1,547,771
SinoPac Securities Investment Trust	100	1,530,560	809,366
Deduction		(168,848,624)	(158,004,727)
Subtotal		129,504,389 (A)	99,279,225 (B)
Consolidated CARs of SPH (C)=(A)÷(B)			130.44% (C)

June 30, 2017

(In Thousands of New Taiwan Dollars, %)

Item	Percentage of Ownership	Group's Net Eligible Capital	Group's Statutory Capital Requirement
SPH	100	\$ 133,917,729	\$ 158,844,513
Bank SinoPac	100	123,745,986	87,118,579
SinoPac Securities	100	15,491,891	7,745,646
SinoPac Leasing Corporation	100	5,036,713	1,657,766
SinoPac Call Center	100	73,079	58,514
SinoPac Management	100	58,745	27,883
SinoPac Venture Capital	100	3,352,961	1,750,778
SinoPac Securities Investment Trust	100	1,469,420	782,717
Deduction		(165,942,050)	(153,620,790)
Subtotal		117,204,474(A)	104,365,606(B)
Consolidated CARs of SPH (C)=(A)÷(B)			112.30% (C)

2) Financial holding companies' net eligible capital

(In Thousands of New Taiwan Dollars)

Item	June 30, 2018	December 31, 2017	June 30, 2017
Common stock	\$ 110,500,530	\$ 110,500,530	\$ 106,763,797
Capital Instruments that comply with the Tier 1 capital requirement	-	-	-
Other preferred stock and subordinated bank debentures	60,000	60,000	60,000
Capital collected in advance	2,210,011	-	3,736,733
Capital surplus	2,187,208	2,187,208	2,187,208
Legal reserve	17,008,997	16,114,109	16,114,109
Special reserve	503,729	483,818	483,818
Retained earnings	5,208,870	8,948,881	4,334,674
Equity adjustment	446,557	(19,910)	304,331
Deduction: Deferred assets	(76,984)	(79,144)	(66,941)
Total	138,048,918	138,195,492	133,917,729

Bank SinoPac

a. Overview

Bank SinoPac and its subsidiaries' capital management goals are as follows:

Bank SinoPac and its subsidiaries basic target is to have an eligible capital that is sufficient to meet its operating needs, and is higher than the required minimum capital adequacy ratio. Eligible capital and legal capital are calculated under the regulations set by the authorities.

Bank SinoPac and its subsidiaries should have adequate capital to bear its risks, should measure capital demand on the basis of risk combinations and risk characteristics, and should optimize resource and capital allocation through risk management.

b. Capital management procedure

Bank SinoPac and its subsidiaries capital adequacy ratio should meet the regulations set by the authorities. Also, Bank SinoPac and its subsidiaries should maintain capital adequacy ratio by considering the business scale, major operating strategy, risk conditions, eligible capital structure, future capital increase plan, etc. Bank SinoPac and its subsidiaries reports to the authorities regularly. Overseas subsidiaries' capital management is in accordance with local regulations.

c. Statement of capital adequacy

Analysis Items		Year	June 30, 2018	
			Standalone	Consolidation
Eligible capital	Common shares equity		\$ 114,883,072	\$ 117,493,437
	Other Tier 1 capital		4,805,082	7,498,977
	Tier 2 capital		14,344,414	19,732,203
	Eligible capital		134,032,568	144,724,617
Risk-weighted assets	Credit risk	Standard approach	878,113,466	908,194,197
		Internal rating - based approach	-	-
		Securitization	-	-
	Operational risk	Basic indicator approach	41,900,015	44,284,912
		Standard approach/ alternative standard approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standard approach	48,638,692	49,072,217
		Internal model approach	-	-
	Total risk-weighted assets		968,652,173	1,001,551,326
	Capital adequacy ratio			13.84%
Common shares equity risk - based capital ratio			11.86%	11.73%
Tier 1 risk - based capital ratio			12.36%	12.48%
Leverage ratio			7.81%	8.11%

Analysis Items		Year	December 31, 2017	
			Standalone	Consolidation
Eligible capital	Common shares equity		\$ 115,611,758	\$ 118,474,990
	Other Tier 1 capital		4,531,840	7,498,977
	Tier 2 capital		13,542,779	19,477,053
	Eligible capital		133,686,377	145,451,020
Risk-weighted assets	Credit risk	Standard approach	839,030,764	866,497,325
		Internal rating - based approach	-	-
		Securitization	-	-
	Operational risk	Basic indicator approach	41,900,015	44,284,912
		Standard approach/ alternative standard approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standard approach	40,677,159	41,115,034
		Internal model approach	-	-
	Total risk-weighted assets		921,607,938	951,897,271
Capital adequacy ratio		14.51%	15.28%	
Common shares equity risk - based capital ratio		12.54%	12.45%	
Tier 1 risk - based capital ratio		13.04%	13.23%	
Leverage ratio		8.01%	8.25%	

Analysis Items		Year	June 30, 2017	
			Standalone	Consolidation
Eligible capital	Common shares equity		\$ 109,809,364	\$ 114,275,761
	Other Tier 1 capital		2,202,202	7,347,611
	Tier 2 capital		11,734,420	22,903,110
	Eligible capital		123,745,986	144,526,482
Risk-weighted assets	Credit risk	Standard approach	866,022,660	919,124,539
		Internal rating - based approach	-	-
		Securitization	-	324,387
	Operational risk	Basic indicator approach	45,660,153	48,756,350
		Standard approach/ alternative standard approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standard approach	30,139,663	30,341,700
		Internal model approach	-	-
	Total risk-weighted assets		941,822,476	998,546,976
Capital adequacy ratio		13.14%	14.47%	
Common shares equity risk - based capital ratio		11.66%	11.44%	
Tier 1 risk - based capital ratio		11.89%	12.18%	
Leverage ratio		7.26%	7.62%	

Note 1: These tables were filled in accordance with “Regulations Governing the Capital Adequacy Ratio of Banks” and related calculation tables.

Note 2: Bank SinoPac should disclose the capital adequacy ratios for the current and previous periods in annual financial reports, for semiannual financial report, Bank SinoPac should disclose the capital adequacy ratios for the current period, previous period, and previous year-end.

Note 3: The formula is as follows:

- 1) Eligible capital = Common shares equity + Other Tier 1 capital + Tier 2 capital.
- 2) Total risk - weighted assets = Risk-weighted assets for credit risk + (Capital requirements for operational risk + Capital requirement for market risk) x 12.5.
- 3) Ratio of capital adequacy = Eligible capital ÷ Total risk - weighted assets.
- 4) Common shares equity risk-based capital ratio = Common shares equity ÷ Total risk - weighted assets.
- 5) Tier 1 risk-based capital ratio = (Common shares equity + Other Tier 1 capital) ÷ Total risk - weighted assets.
- 6) Leverage ratio = Tier 1 capital/Total exposure risk.

Note 4: Based on the Financial Supervisory Commission Guideline No. 09900146911, gains from the sale of idle assets should not be included in Bank SinoPac's capital adequacy ratio calculation.

SinoPac Securities

As part of coping with its business scale requirements, key operational plans and future capital projects, and other company considerations, SinoPac Securities complies with Article 59 of the Regulations Governing Securities Firms on the calculation of a capital adequacy ratio based on operating risks and its capital structure. Thus, for maintaining stable operations, SinoPac Securities' capital adequacy ratio, in principle, is at least 250% for its capital adequacy management objectives.

SinoPac Securities' capital adequacy management procedures are as follows:

- a. The risk management division should calculate, monitor and analyze its capital adequacy ratio regular monthly basis, and be approval by the general manager and chairman of the Board.
- b. The risk management division simulates the capital adequacy ratio based on SinoPac Securities' business plan, policy direction, investment strategy, important event, and provide to the relevant units.
- c. If SinoPac Securities' capital adequacy ratio seems to be falling below the target, the risk management division should put forward to the management echelon in order to adopt the response manner as the follows, and execute after the Board's approve.
 - 1) Issuance of financial bonds.
 - 2) Capital increase.
 - 3) Adjustment of business strategies.

Items	June 30, 2018	December 31, 2017	June 30, 2017
Net eligible capital			
Tier 1 Capital	\$ 25,407,035	\$ 25,656,217	\$ 24,309,333
Tier 2 Capital	265,650	64,712	105,372
Tier 3 Capital	-	-	-
Deductible assets	<u>(9,319,469)</u>	<u>(9,145,397)</u>	<u>(8,922,814)</u>
Net eligible capital	<u>\$ 16,353,216</u>	<u>\$ 16,575,532</u>	<u>\$ 15,491,891</u>
Operating risk equivalent			
Market risk equivalent	\$ 3,197,160	\$ 3,832,658	\$ 3,522,058
Credit risk equivalent	1,173,496	1,082,173	892,766
Operating risk equivalent	<u>796,022</u>	<u>748,941</u>	<u>748,940</u>
Equivalent operating risk	<u>\$ 5,166,678</u>	<u>\$ 5,663,772</u>	<u>\$ 5,163,764</u>
Capital adequacy ratio	317%	293%	300%

Note 1: Capital adequacy ratio = Net eligible capital/Equivalent operating risk.

Note 2: Net eligible capital = Tier 1 capital + Tier 2 capital + Tier 3 capital - Deductible assets.

Note 3: Equivalent operating risk = Market risk equivalent + Credit risk equivalent + Operating risk equivalent.

55. RECLASSIFICATION - 2017

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

	Before Reclassification	After Reclassification
Available-for-sale securities	\$ 10,164,016	\$ -
Held-to-maturity securities	<u>-</u>	<u>10,164,016</u>
	<u>\$ 10,164,016</u>	<u>\$ 10,164,016</u>

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

The book value and fair value of the reclassified financial assets as of December 31, 2017 and June 30, 2017:

	December 31, 2017	June 30, 2017
<u>Held-to-maturity securities</u>		
Book value	\$ 2,157,635	\$ 6,757,866
Fair value	2,250,406	6,846,820

The gains or losses recorded for the reclassified financial assets (excluding those that had been derecognized) for the six months ended June 30, 2017 and the pro forma gains or losses assuming no reclassifications had been made were as follows:

**For the Six
Months Ended
June 30, 2017**

Held-to-maturity securities

Recognition in profit (interest revenue)	\$ 39,251
Assumed equity adjustment without asset reclassification	123,064

These reclassification of the remaining of financial assets under IAS 39 has been classified as measured at amortized cost under IFRS 9 on January 1, 2018. Please refer to Note 3 (a.) Note 7.

56. CROSS-SELLING INFORMATION

For the six months ended June 30, 2018 and 2017, Bank SinoPac charged SinoPac Securities for \$1,992 and \$973, respectively, as marketing and opening accounts. The rental fees Bank SinoPac had charged SinoPac Securities were \$1,791 and \$1,611 for the six months ended June 30, 2018 and 2017.

The rental fee Bank SinoPac paid to SinoPac Securities was \$308 for the six months ended June 30, 2017. The bonuses Bank SinoPac paid to SinoPac Securities were \$2,044 and \$2,613 for the six months ended June 30, 2018 and 2017 as part of cross-selling agreement.

For other transactions within the Group, please refer to Note 48 and Table 12.

57. BUSINESS SEGMENT FINANCIAL INFORMATION

For the Six Months Ended June 30, 2018

(In Thousands of New Taiwan Dollars)

Business Segment Item	Banking	Security	Others	Consolidated
Net interest	\$ 7,327,755	\$ 238,652	\$ 213,016	\$ 7,779,423
Net revenues other than interest	4,927,589	3,106,095	385,444	8,419,128
Total net revenues	12,255,344	3,344,747	598,460	16,198,551
Allowance (reversal of) for doubtful accounts and guarantees	(69,042)	(220,632)	(456,230)	(745,904)
Operating expenses	(6,406,511)	(2,821,797)	(470,740)	(9,699,048)
Income before income tax	5,779,791	302,318	(328,510)	5,753,599
Income tax expenses	(851,160)	(91,159)	(51,790)	(994,109)
Net income	4,928,631	211,159	(380,300)	4,759,490

For the Six Months Ended June 30, 2017

(In Thousands of New Taiwan Dollars)

Business Segment	Banking	Security	Others	Consolidated
Item				
Net interest	\$ 7,477,093	\$ 296,750	\$ 449,026	\$ 8,222,869
Net revenues other than interest	4,889,479	3,316,572	272,325	8,478,376
Total net revenues	12,366,572	3,613,322	721,351	16,701,245
Allowance (reversal of) for doubtful accounts and guarantees	(202,839)	(1,329,503)	(82,763)	(1,615,105)
Operating expenses	(6,769,085)	(2,664,012)	(493,114)	(9,926,211)
Income (loss) before income tax	5,394,648	(380,193)	145,474	5,159,929
Income tax (expenses) gain	(778,512)	44,173	(101,186)	(835,525)
Net income (loss)	4,616,136	(336,020)	44,288	4,324,404

58. DISPOSAL OF SUBSIDIARY

The board of directors of Bank SinoPac has resolved to sell 100% equity of SinoPac Bancorp to Cathay General Bancorp (CATY) on July 8, 2016. The case was approved by the FSC on July 6, 2017, and the settlement was completed on July 14, 2017 (US time). The total transaction price is US\$351,551 thousand, and the buyer will pay 10% of the total transaction price by issuing 926,192 shares of stock. Bank SinoPac has already disposed all the stock and then pay US\$100,000 thousand according to the schedule of the contract (no later than one year after the settlement date). The above US\$100,000 thousand was received on November 2017. Besides according to the stock purchase agreement, the buyer reserves 10% of the transaction price (US\$35,155 thousand) as compensation in the event Bank SinoPac breaches the contract. The buyer will repay the amount plus interest within three years after the settlement date, and Bank SinoPac will recognize the gains in the future. Bank SinoPac recognized the loss on disposal of subsidiary amounting to \$657,901 in July 2017. The above compensation price of 50 % (US\$17,575 thousand) had been received in July 2018 and Bank SinoPac recognized the gain on disposal of the subsidiary amounting to \$537,205.

a. Consideration of the transaction

	SinoPac Bancorp	
	USD	NTD
Cash	\$ 181,241	\$ 5,513,519
Listed stock in USA	35,155	1,069,452
Receivables (Note 14)		
Deferred consideration	100,000	3,042,094
Holdback	<u>35,155</u>	<u>1,069,452</u>
Total consideration received	<u>\$ 351,551</u>	<u>\$ 10,694,517</u>

b. The analysis of assets and liabilities loss of control

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

c. Loss on disposal of subsidiary recognized on settlement date

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

d. Cash generated from disposal of subsidiary

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

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

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

59. PROFITABILITY

SinoPac Holdings and Its Subsidiaries

(%)

	Items	June 30, 2018	June 30, 2017
Return on total assets	Before income tax	0.36	0.31
	After income tax	0.30	0.26
Return on net worth	Before income tax	4.15	3.85
	After income tax	3.44	3.23
Profit margin		29.38	25.89

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

Note 2: Return on net worth = Income before (after) income tax/Average net worth (included non-controlling interests).

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

Note 4: Income before (after) tax represents income for the six months ended June 30, 2018 and 2017.

SinoPac Holdings

(%)

	Items	June 30, 2018	June 30, 2017
Return on total assets	Before income tax	2.89	2.71
	After income tax	2.89	2.73
Return on net worth	Before income tax	3.43	3.21
	After income tax	3.44	3.23
Profit margin		97.59	98.07

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

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

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

Note 4: Income before (after) tax represents income for the six months ended June 30, 2018 and 2017.

Bank SinoPac

(%)

	Items	June 30, 2018	June 30, 2017
Return on total assets	Before income tax	0.38	0.35
	After income tax	0.33	0.31
Return on net worth	Before income tax	4.34	4.21
	After income tax	3.82	3.71
Profit margin		41.04	38.65

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

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

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

Note 4: Income before (after) tax represents income for the six months ended June 30, 2018 and 2017.

SinoPac Securities

(%)

	Items	June 30, 2018	June 30, 2017
Return on total assets	Before income tax	0.24	(0.41)
	After income tax	0.22	(0.34)
Return on net worth	Before income tax	0.95	(1.62)
	After income tax	0.85	(1.36)
Profit margin		7.71	(12.13)

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

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

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

Note 4: Income before (after) tax represents income for the six months ended June 30, 2018 and 2017.

60. ADDITIONAL DISCLOSURES

a. Significant transactions and b. following is the additional information required for the Company and investees:

- 1) Financing provided: Table 1 (under certain regulations, Bank SinoPac and Bank SinoPac (China) are exempt from making related disclosure requirements)
- 2) Endorsement/guarantee provided: Table 2 (Bank SinoPac and Bank SinoPac (China) are exempt from making related disclosure requirements under certain regulations)
- 3) Marketable securities held: Table 3 (Bank SinoPac, Bank SinoPac (China), SinoPac Securities and SinoPac Securities (Asia) are excluded from related disclosure requirements under the Criteria Governing the Preparation of Financial Reports by Public Banks and the Criteria Governing the Preparation of Financial Reports by Securities Firms)
- 4) Marketable securities acquired and disposed of, at costs or prices of at least NT\$300 million or 10% of the issued capital: Table 4
- 5) Acquired and disposed of investment, at costs or prices of at least NT\$300 million or 10% of the issued capital: Table 4
- 6) Acquisition of individual real estate at prices of at least NT\$300 million or 10% of the issued capital: Table 5
- 7) Disposal of individual real estate at prices of at least NT\$300 million or 10% of the issued capital: None
- 8) Allowance for service fees to related parties of at least NT\$5 million: None

- 9) Securitization product offered by a subsidiary and under government approval in accordance with the Financial Asset Securitization Act or the Real Estate Securitization Act, and related information: None
- 10) Receivables from related parties amounting to at least NT\$300 million or 10% of the issued capital: Table 6
- 11) Sale of nonperforming loans: None
- 12) The related information and proportionate share in investees: Table 7
- 13) Derivative financial transactions: Note 8
- 14) Other material transactions which will affect the decisions of financial report users: Tables 8 to 19
- a) The book value of the maximum credit exposure of the financial assets: Table 8
 - b) Allowance for discounts and loans: Table 9
 - c) Allowance for accounts receivables: Table 10
 - d) Allowance for possible losses on loans and receivable assessed for impairment: Table 11
 - e) Related party transactions: Table 12
 - f) Balance sheets of SPH: Table 13
 - g) Comprehensive income statements of SPH: Table 14
 - h) Statement of changes in equity of SPH: Table 15
 - i) Statements of cash flows of SPH: Table 16
 - j) Statement of balance sheet and comprehensive income of SPH's subsidiaries: Table 17
 - k) Specific risk from futures dealing, and financial ratio, limitations and the related implementation of futures commission merchants subsidiary: Table 18
 - l) Public announcements prescribed in financial holding company ACT Article 46: Table 19
 - m) Other significant transactions which may affect the decisions of users of financial reports: None
- c. Information related to investment in Mainland China: Table 20

61. DISCLOSURES REQUIRED UNDER MINISTRY OF FINANCE RULING NO. 10400414001 DATED NOVEMBER 19, 2015

Information on operating activities of SinoPac Securities (Cayman) Holdings, SinoPac Asia, SinoPac Financial Consulting (Shanghai), SinoPac International Holdings, SinoPac Bullion (Brokers), SinoPac Financial Services (Brokers) and SinoPac Services (Brokers), the investment of SinoPac Securities which are not registered in the member of IOSCO MMoU or did not acquire the licenses of securities and futures approved by IOSCO MMoU, is as follows:

- a. Balance sheets: Tables 21, 25, 27 and 32.
- b. Statements of comprehensive income: Tables 22, 24, 26, 28, 30, 31 and 33.
- c. Securities held: Tables 23 and 29.
- d. Derivative financial transactions and the source of capital: None.
- e. Revenues from assets management business, service contents and litigation: None.

SinoPac Securities invested and acquired a 10.9375% shareholding in a Cayman Islands-based company, SMS Consumer Fund L.P. Since SinoPac Securities had no control over the investee and the related investment was not material to SinoPac Securities, the investee's operating results need not be disclosed.

62. SEGMENT INFORMATION

The main business of the Company is the investment in and management of its subsidiaries. On the basis of the chief decision maker's resource allocation and department performance review, the Group has divided, business segments by type of services and products provided. The accounting standards and policies mentioned in Note 4 apply to of the business segments under IFRS 8 "Operating Segments". the Group operating segments for the six months ended June 30, 2018 and 2017 are without change. the Group reports the following:

Banking - comprise Bank SinoPac and its subsidiaries; provides commercial banking, money lending and investment, insurance agent, insurance brokerage, and other services.

Securities - comprise SinoPac Securities and its subsidiaries; provides securities dealing, futures proprietary trading, investment consulting and asset management services.

Other business segments - comprises SinoPac Leasing and its subsidiaries, SinoPac Securities Investment Trust, SinoPac Venture Capital and its subsidiaries, SinoPac Call Center and other investment were not identified to disclose as on individual segment.

The Group' segment revenue, operating results and segment assets are shown in the following table.

Segment revenues and results

(In Thousands of New Taiwan Dollars)

		For the Six Months Ended June 30, 2018					
		Banking	Security	Others	Operating Segments	Nonoperating Segments (Including Intercompany Transactions)	Total
Income (loss)	Net interest	\$ 7,302,969	\$ 244,572	\$ 285,026	\$ 7,832,567	\$ (53,144)	\$ 7,779,423
	Interest revenue	12,958,119	772,219	465,493	14,195,831	(19,943)	14,175,888
	Interest expense	(5,655,150)	(527,647)	(180,467)	(6,363,264)	(33,201)	(6,396,465)
	Commission and fee revenues, net	2,883,008	2,451,494	137,947	5,472,449	(13,410)	5,459,039
	Others	2,062,652	696,099	405,421	3,164,172	(204,083)	2,960,089
	Total net revenue	12,248,629	3,392,165	828,394	16,469,188	(270,637)	16,198,551
	Allowance for doubtful accounts and guarantees	(69,042)	(220,632)	(456,230)	(745,904)	-	(745,904)
	Operating expense	(6,550,279)	(2,858,450)	(389,637)	(9,798,366)	99,318	(9,699,048)
	Depreciation and amortization	(301,364)	(133,929)	(41,754)	(477,047)	(2,166)	(479,213)
	Income (loss) before income tax	5,629,308	313,083	(17,473)	5,924,918	(171,319)	5,753,599
	Income tax (expense) benefit	(851,160)	(91,159)	(57,282)	(999,601)	5,492	(994,109)
Net income (loss)	4,778,148	221,924	(74,755)	4,925,317	(165,827)	4,759,490	
		Banking	Security	Others	Operating Segments	Nonoperating Segments (Including Intercompany Transactions)	Total
Asset	Investments accounted for using the equity method	\$ -	\$ -	\$ 444,762	\$ 444,762	\$ -	\$ 444,762
	Total assets	1,456,252,539	146,314,541	24,741,968	1,627,309,048	(11,931,067)	1,615,377,981

Segment revenues and results

(In Thousands of New Taiwan Dollars)

		For the Six Months Ended June 30, 2017					
		Banking	Security	Others	Operating Segments	Nonoperating Segments (Including Intercompany Transactions)	Total
Income (loss)	Net interest	\$ 7,454,115	\$ 302,435	\$ 522,807	\$ 8,279,357	\$ (56,488)	\$ 8,222,869
	Interest revenue	12,656,470	768,233	774,315	14,199,018	(14,789)	14,184,229
	Interest expense	(5,202,355)	(465,798)	(251,508)	(5,919,661)	(41,699)	(5,961,360)
	Commission and fee revenues, net	2,622,839	1,937,709	138,786	4,699,334	(10,401)	4,688,933
	Others	2,298,595	1,400,785	339,066	4,038,446	(249,003)	3,789,443
	Total net revenue	12,375,549	3,640,929	1,000,659	17,017,137	(315,892)	16,701,245
	Allowance for doubtful accounts and guarantees	(202,839)	(1,329,503)	(82,763)	(1,615,105)	-	(1,615,105)
	Operating expense	(6,920,526)	(2,696,273)	(412,649)	(10,029,448)	103,237	(9,926,211)
	Depreciation and amortization	(349,305)	(153,712)	(43,308)	(546,325)	(2,373)	(548,698)
	Income (loss) before income tax	5,252,184	(384,847)	505,247	5,372,584	(212,655)	5,159,929
	Income tax (expense) benefit	(778,512)	44,173	(133,727)	(868,066)	32,541	(835,525)
Net income (loss)	4,473,672	(340,674)	371,520	4,504,518	(180,114)	4,324,404	
		Banking	Security	Others	Operating Segments	Nonoperating Segments (Including Intercompany Transactions)	Total
Asset	Investments accounted for using the equity method	\$ 48,286	\$ -	\$ 352,869	\$ 401,155	\$ -	\$ 401,155
	Total assets	1,503,792,981	149,577,650	35,575,952	1,688,946,583	(12,961,243)	1,675,985,340

SINOPAC FINANCIAL HOLDINGS COMPANY LIMITED AND INVESTEES

FINANCING PROVIDED
FOR THE SIX MONTHS ENDED JUNE 30, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Financier	Counterparty	Financial Statement Account	Related Parties	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Interest Rate (%)	Financing Type	Transaction Amount	Financing Reasons	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrowing Company	Financing Company's Financing Amount Limit
													Item	Value		
1	SinoPac Leasing	Bauhung Construction Co., Ltd.	Other receivable	No	\$ 120,310	\$ 43,390	\$ 43,390	4.00	Short-term financing	\$ -	Operating use	\$ 269	Real estate	\$ 64,079	\$ 1,302,992 (Note 1)	\$ 1,737,323 (Note 1)
		Oakpark Construction Co., Ltd.	Other receivable	No	378,000	341,000	341,000	5.00	Short-term financing	-	Operating use	209,016	Real estate	419,968	1,302,992 (Note 1)	1,737,323 (Note 1)
		Yufu International Co., Ltd.	Other receivable	No	149,300	112,000	112,000	5.00	Short-term financing	-	Operating use	694	Real estate	186,257	1,302,992 (Note 1)	1,737,323 (Note 1)
		Hsin Hsin Energy Co., Ltd.	Other receivable	No	13,500	13,500	13,500	4.00	Short-term financing	-	Operating use	86	Machinery	19,961	1,302,992 (Note 1)	1,737,323 (Note 1)
2	SinoPac Securities (Cayman)	SinoPac Securities (Asia)	Other receivable	Yes	2,737,840 (Notes 3 and 6)	2,684,506 (Notes 3 and 6)	2,684,506	3.69350-3.75878	Short-term financing	-	Operating use	-	-	-	3,658,944 (Notes 3 and 6)	3,658,944 (Notes 3 and 6)
3	SinoPac Capital (Asia)	SinoPac Securities (Cayman)	Other receivable	Yes	1,169,346 (Notes 4 and 6)	- (Notes 4 and 6)	- (Note 4)	-	-	-	-	-	-	-	- (Notes 4 and 6)	- (Notes 4 and 6)
4	SinoPac Securities (Asia)	SinoPac Securities (Cayman)	Other receivable	Yes	1,461,683 (Notes 5 and 6)	- (Notes 5 and 6)	- (Note 5)	-	-	-	-	-	-	-	- (Notes 5 and 6)	- (Notes 5 and 6)

Note 1: The financial limit for each borrowing company and the financing company's financing amount limits are 30% and 40% of the audited net worth \$4,343,308 of SinoPac Leasing as of June 30, 2018, respectively. The financial limit to each subsidiary of SinoPac Leasing is 40% of its audited net worth.

Note 2: The Board of Directors of SinoPac Leasing proceeded the credit line. The maximum balance of \$43,390, \$341,000, \$112,000 and \$13,500, respectively are the credit line SinoPac Leasing Corp. provided to Bauhung Construction Co., Ltd., Oakpark Construction Co., Ltd., Yufu International Co., Ltd. and Hsin Hsin Energy Co., Ltd.

Note 3: In March, April 2018 and November 2017, the Board of Directors of SinoPac Securities (Cayman) proceeded the credit line of US\$46,000 thousand, US\$20,000 thousand and US\$22,000 thousand.

The maximum balance and the ending balance were based on the credit line of US\$94,000 thousand and US\$88,000 thousand, respectively (NT\$2,737,840 and NT\$2,684,506, respectively). The credit line for individual and total financing amount calculated based on the net worth of SinoPac Securities (Cayman) as of June 30, 2018, which equals to US\$119,943 thousand (NT\$3,658,944). As of June 30, 2018, the actual balance US\$88,000 thousand (NT\$2,684,506) had been eliminated in consolidated report.

Note 4: In August 2017, the Board of Directors of SinoPac Capital (Asia) proceeded the credit line and terminated the credit line in April 2018. The maximum balance were based on the credit line of US\$40,000 thousand (NT\$1,169,346).

Note 5: In August 2017, the Board of Directors of SinoPac Securities (Asia) proceeded the credit line and terminated the credit line in April 2018. The maximum balance were based on the credit line of US\$50,000 thousand (NT\$1,461,683).

Note 6: Foreign currency amounts translated to NTD at spot exchange rate on balance sheet date.

SINOPAC FINANCIAL HOLDINGS COMPANY LIMITED AND INVESTEES

ENDORSEMENT/GUARANTEE PROVIDED
FOR THE SIX MONTHS ENDED JUNE 30, 2018
(In Thousands of New Taiwan Dollars)

No.	Endorsement/Guarantee Provider	Counterparty		Limits on Individual Endorsement/Guarantee Amounts	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Endorsement/Guarantee Amount Collateralized by Properties	Ratio of Accumulated Amount of Endorsement/Guarantee to Net Asset Value of the Latest Financial Statement	Maximum Endorsement/Guarantee Amounts Allowable
		Name	Nature of Relationship							
1	SinoPac Leasing	Grand Capital International Limited	Subsidiary	\$ 34,746,464	\$ 15,710,461	\$ 12,903,932	\$ 2,618,596	\$ 610,115	297.10%	\$ 34,746,464 (Note 1)
		SinoPac International Leasing	Subsidiary	34,746,464	6,607,650	5,854,404	1,108,737	305,058	134.79%	34,746,464 (Note 1)
		SinoPac Leasing (Tianjin)	Subsidiary	34,746,464	5,177,244	4,521,612	772,506	305,058	104.11%	34,746,464 (Note 1)
2	SinoPac Venture Capital	SinoPac Leasing	Affiliate	1,609,601	407,174	407,174	-	-	12.65%	3,219,202 (Note 2)

Note 1: The limit on individual endorsement or guarantee amounts is up to 200% of the net worth of SinoPac Leasing. The maximum amount of endorsement or guarantee is 800% of the net worth of SinoPac Leasing. But the amount of endorsement or guarantee is 800% of the worth of the subsidiaries of SinoPac Leasing, which held by more than 50%. The audited net worth of SinoPac Leasing as of June 30, 2018 was \$4,343,308.

Note 2: Endorsement or guarantee cannot exceed the net worth of SinoPac Venture Capital Co., Ltd. the audited net worth as of June 30, 2018 was \$3,219,202.

Note 3: Foreign-currency amounts were translated to New Taiwan dollars at the spot exchange rates on the balance sheet date.

SINOPAC FINANCIAL HOLDINGS COMPANY LIMITED AND INVESTEEES

MARKETABLE SECURITIES HELD

JUNE 30, 2018

(In Thousands of New Taiwan Dollars or Shares)

Holding Company	Type and Issuer of Marketable Securities	Relationship with Holding Company	Financial Statement Account	June 30, 2018				Note
				Shares/Units/ Face Amount	Carrying Amount (Note)	Percentage of Ownership	Market Value or Net Asset Value (Note)	
SinoPac Financial Holdings	<u>Stock</u> Taiwan Depository And Clearing Corporation	-	Financial assets at fair value through other comprehensive income	300	\$ 20,459	0.08	\$ 20,459	
SinoPac Capital (H.K.) Limited	<u>Stock</u> MeiTa Industrial Co., Ltd.	-	Financial assets at fair value through other comprehensive income	212	272,659	0.49	272,659	
SinoPac Property Insurance Agent	<u>Bond</u> Government Bond 88-3	-	Investment in debt instruments measured at amortized cost	600	602	-	616	Pledge
SinoPac Life Insurance Agent	<u>Bond</u> Government Bond 88-3	-	Investment in debt instruments measured at amortized cost	600	602	-	616	Pledge
SinoPac Futures	<u>Bond</u> Taiwan Futures Exchange (TAIFEX)	Affiliate of the company's general manager	Financial assets at fair value through other comprehensive income	786	59,237	0.25	59,237	
	CME Group Inc.	-	Financial assets at fair value through other comprehensive income	20	99,860	0.01	99,860	
	Yulon Nissan Motor Co., Ltd.	Related party of the company	Financial assets at fair value through profit or loss	1	253	-	253	
	Kindom Construction Corp	-	Financial assets at fair value through profit or loss	61	1,348	0.01	1,348	
	<u>Warrants</u> 66684	-	Financial assets at fair value through profit or loss	50	1	0.50	1	
	<u>Fund</u> Concord Dream Futures Trust Fund	-	Financial assets at fair value through profit or loss	2,581	28,621	12.49	28,621	
	Shin Kong Multi-Asset Fund	-	Financial assets at fair value through profit or loss	500	4,855	0.42	4,855	
Cathay Senior Secured High Yield Bond Fund	-	Financial assets at fair value through profit or loss	4,000	40,652	2.47	40,652		

(Continued)

Holding Company	Type and Issuer of Marketable Securities	Relationship with Holding Company	Financial Statement Account	June 30, 2018				Note
				Shares/Units/ Face Amount	Carrying Amount (Note)	Percentage of Ownership	Market Value or Net Asset Value (Note)	
SinoPac Venture Capital	Union ASHLIC Thematic Fund	-	Financial assets at fair value through profit or loss	682	\$ 6,851	0.56	\$ 6,851	
	Yuanta MSCI China A ETF	-	Financial assets at fair value through profit or loss	2,000	38,400	0.68	38,400	
	<u>Stock</u> Taigen Biopharmaceuticals Holdings Limited	SinoPac Venture Capital is the Company's corporate director	Financial assets at fair value through profit or loss	33,196	708,738	4.88	708,738	
	Aerowin Technology Corporation	-	Financial assets at fair value through profit or loss	620	11,842	0.90	11,842	
	TBI Motion Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	2,110	239,443	2.47	239,443	
	One Production Film Co.	-	Financial assets at fair value through profit or loss	617	5,095	2.21	5,095	
	Kuang Hong Arts Management In Corporation	-	Financial assets at fair value through profit or loss	717	46,533	3.12	46,533	
	United Advertising Co., Ltd.	-	Financial assets at fair value through profit or loss	400	16,880	1.33	16,880	
	MOSA Industrial Corporation	-	Financial assets at fair value through profit or loss	2,253	86,767	1.45	86,767	
	3S Silicon Tech, Inc.	-	Financial assets at fair value through profit or loss	1,594	22,619	6.78	22,619	
	Clientron	-	Financial assets at fair value through profit or loss	60	571	0.08	571	
	Throughtek (tutk)	-	Financial assets at fair value through profit or loss	634	15,096	2.44	15,096	
	Centera Photonics Inc.	SinoPac Venture Capital is the Company's corporate supervisors	Financial assets at fair value through profit or loss	1,750	30,310	7.99	30,310	
	M2 Communication Inc.	SinoPac Venture Capital is the Company's corporate director	Financial assets at fair value through profit or loss	3,925	46,119	8.97	46,119	
	Protectlife International Biomedical Inc.	SinoPac Venture Capital is the Company's corporate director	Financial assets at fair value through profit or loss	2,000	29,960	7.76	29,960	
	Andros Pharmaceuticals Co., Ltd.	SinoPac Venture Capital is the Company's corporate director	Financial assets at fair value through profit or loss	2,040	63,791	8.23	63,791	
	Knowledge Freeway Co., Ltd.	SinoPac Venture Capital is the Company's corporate director	Financial assets at fair value through profit or loss	572	9,238	11.44	9,238	
J-metrics Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	1,200	54,000	5.71	54,000		
Taisys Technologies Co., Ltd.	-	Financial assets at fair value through profit or loss	379	9,541	1.93	9,541		

(Continued)

Holding Company	Type and Issuer of Marketable Securities	Relationship with Holding Company	Financial Statement Account	June 30, 2018				Note
				Shares/Units/ Face Amount	Carrying Amount (Note)	Percentage of Ownership	Market Value or Net Asset Value (Note)	
	DA HO Marketing Co., Ltd.	-	Financial assets at fair value through profit or loss	1,000	\$ 10,690	12.20	\$ 10,690	
	New Micropore, Inc.	SinoPac Venture Capital is the Company's corporate supervisors	Financial assets at fair value through profit or loss	1,000	7,290	10.00	7,290	
	U R A Engineering Co., Ltd.	SinoPac Venture Capital is the Company's corporate director	Financial assets at fair value through profit or loss	749	11,467	19.98	11,467	
	Toyo Automation Co., Ltd.	-	Financial assets at fair value through profit or loss	720	48,960	3.60	48,960	
	YFY Biotech Management Company	SinoPac Venture Capital is the Company's corporate director	Financial assets at fair value through profit or loss	6,750	76,478	5.00	76,478	
	Global Investment Holdings	-	Financial assets at fair value through profit or loss	1,690	4,428	2.50	4,428	
	Boston Life Science Venture Co.	-	Financial assets at fair value through profit or loss	3,689	13,504	5.00	13,504	
	Global Strategic Venture	-	Financial assets at fair value through profit or loss	850	3,615	1.94	3,615	
	Maxima Capital Management	SinoPac Venture Capital is the Company's corporate director	Financial assets at fair value through profit or loss	52	1,304	9.39	1,304	
	Taiwan Incubator Small & Medium Enterprises Development Corp.	SinoPac Venture Capital is the Company's corporate director	Financial assets at fair value through profit or loss	3,417	30,723	4.84	30,723	
	Wellgen Medical Co., Ltd.	-	Financial assets at fair value through profit or loss	700	12,250	9.46	12,250	
	Impinj, Inc.	-	Financial assets at fair value through profit or loss	157	106,492	0.75	106,492	
	Asia Best Healthcare Co., Ltd.	-	Financial assets at fair value through profit or loss	11	43,226	1.60	43,226	
	CGK International Co., Ltd.	-	Financial assets at fair value through profit or loss	1,800	28,620	4.90	28,620	
	MiCareo Inc.	SinoPac Venture Capital is the Company's corporate director	Financial assets at fair value through profit or loss	6,033	80,243	14.83	80,243	
	Transound Electronics Co., Ltd.	-	Financial assets at fair value through profit or loss	1,800	23,328	5.10	23,328	
	Apollo Medical Optics Inc.	-	Financial assets at fair value through profit or loss	1,666	24,917	5.05	24,917	
	Loyalty Alliance Enterprise Corp.	-	Financial assets at fair value through profit or loss	607	16,128	0.51	16,128	
	Dream Craft Group International Ltd. A-1	SinoPac Venture Capital is the Company's corporate director	Financial assets at fair value through profit or loss	9	14,091	5.02	14,091	

(Continued)

Holding Company	Type and Issuer of Marketable Securities	Relationship with Holding Company	Financial Statement Account	June 30, 2018				Note
				Shares/Units/ Face Amount	Carrying Amount (Note)	Percentage of Ownership	Market Value or Net Asset Value (Note)	
	<u>Fund</u> BDF II	-	Financial assets at fair value through profit or loss	-	\$ 788	2.30	\$ 788	
	BDF IV	-	Financial assets at fair value through profit or loss	-	165	3.18	165	
	<u>Stock</u> Telexpress Corp.	SinoPac Venture Capital is the Company's corporate supervisors	Financial assets at fair value through other comprehensive income	542	5,832	3.30	5,832	
	Taiwan Cultural - Creative Development Co., Ltd.	SinoPac Venture Capital is the Company's corporate director	Financial assets at fair value through other comprehensive income	1,700	25,058	8.50	25,058	
	Nisho Image Tech Inc.	-	Financial assets at fair value through other comprehensive income	3,000	34,350	6.67	34,350	
	Lian An Services Co., Ltd.	SinoPac Venture Capital is the Company's corporate director	Financial assets at fair value through other comprehensive income	125	1,508	5.00	1,508	
	If Mobile Technology Co., Ltd.	SinoPac Venture Capital is the Company's corporate director	Financial assets at fair value through other comprehensive income	1,500	34,920	16.13	34,920	
	Ecrowd Media Inc.	Affiliate of SPH board of director	Financial assets at fair value through other comprehensive income	1,000	11,830	9.75	11,830	
	Hope Bulkship S.A.	-	Financial assets at fair value through other comprehensive income	-	21	17.00	21	
	Brightman Optoelectronics (Cayman) Co., Ltd.	-	Financial assets at fair value through other comprehensive income	855	49,480	11.69	49,480	
	Neutron Innovation (BVI) Limited	Affiliate of SinoPac Venture Capital managers' spouse	Financial assets at fair value through other comprehensive income	1,568	43,369	6.06	43,369	
	Winking Entertainment Ltd.	-	Financial assets at fair value through other comprehensive income	967	10,715	2.64	10,715	
	Mozido C-1	-	Financial assets at fair value through other comprehensive income	59	23,328	0.01	23,328	
	Mozido C-2	-	Financial assets at fair value through other comprehensive income	258	101,065	0.05	101,065	
SinoPac Securities Investment Trust Co., Ltd.	<u>Fund</u> Sinopac Taix Etf	Fund under SinoPac Securities Investment Trust Corporation's management	Financial assets at fair value through profit or loss	11	591	0.36	591	
SinoPac Securities Investment Service Corporation	<u>Fund</u> Russell Multi-asset 70 Fund B Acc.	-	Financial assets at fair value through profit or loss	3	18,468	0.42	18,468	

(Continued)

Holding Company	Type and Issuer of Marketable Securities	Relationship with Holding Company	Financial Statement Account	June 30, 2018				Note
				Shares/Units/ Face Amount	Carrying Amount (Note)	Percentage of Ownership	Market Value or Net Asset Value (Note)	
SinoPac Capital (Asia) Ltd.	<u>Bond</u>							
	KFW 6 08/20/20 MTN	-	Financial assets at fair value through profit or loss	90	\$ 2,182	-	\$ 2,182	
	FGBUH 5 04/01/19 MTN	-	Financial assets at fair value through profit or loss	70	1,601	-	1,601	
	ANZ V4.75 05/13/27 EMTN	-	Financial assets at fair value through profit or loss	200	4,616	-	4,616	
	EIB 6.25 06/08/21 MTN	-	Financial assets at fair value through profit or loss	19	474	-	474	
	KO 3.25 06/11/24 MTN	-	Financial assets at fair value through profit or loss	40	908	-	908	
	SDBC 4.2 01/19/27 CNH	-	Financial assets at fair value through profit or loss	1,000	4,530	-	4,530	
	CGB 3.6 06/27/28	-	Financial assets at fair value through profit or loss	1,500	6,574	-	6,574	
	VW 3.5 01/23/19 EMTN	-	Financial assets at fair value through profit or loss	1,000	4,573	-	4,573	
	ISPIM 4.5 02/27/19 EMTN	-	Financial assets at fair value through profit or loss	3,250	14,772	-	14,772	
	FCGNZ 3.6 01/29/19 EMTN	-	Financial assets at fair value through profit or loss	1,000	4,576	-	4,576	
	SDBC 4.35 09/19/24 EMTN	-	Financial assets at fair value through profit or loss	1,600	7,353	-	7,353	
	PINGIN 4.95 01/29/19 EMTN	-	Financial assets at fair value through profit or loss	4,000	18,437	-	18,437	
	DB V5.6 04/10/25 EMTN	-	Financial assets at fair value through profit or loss	5,000	20,969	-	20,969	
	LENOVO 4.95 06/10/20	-	Financial assets at fair value through profit or loss	7,000	31,969	-	31,969	
	FCGNZ 4 06/22/20 EMTN	-	Financial assets at fair value through profit or loss	270	1,229	-	1,229	
	MS 4.02 07/16/20	-	Financial assets at fair value through profit or loss	15,000	69,001	-	69,001	
	BRD 3.25 07/23/18 GDIF	-	Financial assets at fair value through profit or loss	3,550	16,326	-	16,326	
	MAYMK 4 07/19/19 EMTN	-	Financial assets at fair value through profit or loss	20,000	91,418	-	91,418	
	CENTRAL AMERICAN BANK 3.95% 21SEP2019	-	Financial assets at fair value through profit or loss	1,000	4,600	-	4,600	
CENTRAL AMERICAN BANK 4.20% 21SEP2021	-	Financial assets at fair value through profit or loss	1,000	4,537	-	4,537		
CCB 3.75 11/18/19 EMTN	-	Financial assets at fair value through profit or loss	3,400	15,640	-	15,640		
GS 4 05/08/22 EMTN	-	Financial assets at fair value through profit or loss	3,530	15,518	-	15,518		
BNP 4.2 05/10/22 EMTN	-	Financial assets at fair value through profit or loss	540	2,449	-	2,449		

(Continued)

Holding Company	Type and Issuer of Marketable Securities	Relationship with Holding Company	Financial Statement Account	June 30, 2018				Note
				Shares/Units/ Face Amount	Carrying Amount (Note)	Percentage of Ownership	Market Value or Net Asset Value (Note)	
	FABUH 4.8 06/01/21 EMTN	-	Financial assets at fair value through profit or loss	5,000	\$ 22,998	-	\$ 22,998	
	QNBK 5.2 06/07/21 EMTN	-	Financial assets at fair value through profit or loss	10,000	45,970	-	45,970	
	BNP 5.375 08/21/20 EMTN	-	Financial assets at fair value through profit or loss	130	2,815	-	2,815	
	INDON 5.875 03/13/20 REGS	-	Financial assets at fair value through profit or loss	250	7,936	-	7,936	
	TAB NOTE	-	Financial assets at fair value through profit or loss	2,000	-	-	-	
	ICBCAS 4.875 12/07/21 EMTN	-	Financial assets at fair value through profit or loss	250	7,909	-	7,909	
	HUWHY 4.625 01/13/22 REGS	-	Financial assets at fair value through profit or loss	500	15,772	-	15,772	
	CNOOC 3.875 05/02/22 REGS	-	Financial assets at fair value through profit or loss	500	15,341	-	15,341	
	STANLN 3.95 01/11/23 REGS	-	Financial assets at fair value through profit or loss	1,660	49,403	-	49,403	
	RBS 4.7 07/03/18	-	Financial assets at fair value through profit or loss	300	9,145	-	9,145	
	JPM 3.375 05/01/23	-	Financial assets at fair value through profit or loss	185	5,502	-	5,502	
	HKCGAS V4.75 P07/29/49 REGS	-	Financial assets at fair value through profit or loss	1,000	30,638	-	30,638	
	SINOPE F 04/10/19 REGS	-	Financial assets at fair value through profit or loss	1,000	30,573	-	30,573	
	SINOPE 2.75 04/10/19 REGS	-	Financial assets at fair value through profit or loss	500	15,200	-	15,200	
	CHINLP V4.25 P05/29/49	-	Financial assets at fair value through profit or loss	365	11,141	-	11,141	
	LENOVO 4.7 05/08/19	-	Financial assets at fair value through profit or loss	1,320	40,442	-	40,442	
	CCB 3.25 07/02/19 EMTN	-	Financial assets at fair value through profit or loss	500	15,237	-	15,237	
	RLCONS V3.95 P02/28/49	-	Financial assets at fair value through profit or loss	2,900	88,153	-	88,153	
	PERTIJ 4.3 05/20/23 REGS	-	Financial assets at fair value through profit or loss	5,300	159,740	-	159,740	
	ORIEAS 3.75 09/03/19 EMTN	-	Financial assets at fair value through profit or loss	2,250	68,652	-	68,652	
	BOCOM V4.5 10/03/24	-	Financial assets at fair value through profit or loss	700	21,413	-	21,413	
	NIPLIF V5.1 10/16/44 REGS	-	Financial assets at fair value through profit or loss	700	21,746	-	21,746	
	BCHINA 5 11/13/24 REGS	-	Financial assets at fair value through profit or loss	200	6,230	-	6,230	
	CNPCCH 2.7 11/25/19	-	Financial assets at fair value through profit or loss	1,250	37,820	-	37,820	

(Continued)

Holding Company	Type and Issuer of Marketable Securities	Relationship with Holding Company	Financial Statement Account	June 30, 2018				Note
				Shares/Units/ Face Amount	Carrying Amount (Note)	Percentage of Ownership	Market Value or Net Asset Value (Note)	
	SBSG 3.875 01/28/20	-	Financial assets at fair value through profit or loss	3,500	\$ 106,795	-	\$ 106,795	
	SOCGEN 4.25 04/14/25 REGS	-	Financial assets at fair value through profit or loss	1,463	42,767	-	42,767	
	STANLN 3.2 04/17/25 REGS	-	Financial assets at fair value through profit or loss	200	5,654	-	5,654	
	CHCOMU V3.5 P12/29/49	-	Financial assets at fair value through profit or loss	1,500	44,907	-	44,907	
	HTISEC 3.5 04/21/20	-	Financial assets at fair value through profit or loss	2,000	60,446	-	60,446	
	SAIL 2014-10 M1 MTGE	-	Financial assets at fair value through profit or loss	6,748	20,159	-	20,159	
	BCHINA 2.875 06/30/20 REGS	-	Financial assets at fair value through profit or loss	240	7,236	-	7,236	
	BINHCO 3.1 07/23/18	-	Financial assets at fair value through profit or loss	3,300	100,302	-	100,302	
	BINHCO 4 07/23/20	-	Financial assets at fair value through profit or loss	1,000	28,924	-	28,924	
	PETBRA F 01/15/19	-	Financial assets at fair value through profit or loss	100	3,048	-	3,048	
	C 4.4 06/10/25	-	Financial assets at fair value through profit or loss	359	10,868	-	10,868	
	BOIIN 3.625 09/21/18 REGS	-	Financial assets at fair value through profit or loss	2,000	60,972	-	60,972	
	JPM 4.125 12/15/26	-	Financial assets at fair value through profit or loss	10	300	-	300	
	SINOCH V5 P12/29/49 REGS	-	Financial assets at fair value through profit or loss	500	15,293	-	15,293	
	DIALEA 2.75 10/21/20 EMTN	-	Financial assets at fair value through profit or loss	500	14,998	-	14,998	
	MYLIFE V5.2 10/20/45 REGS	-	Financial assets at fair value through profit or loss	1,000	30,984	-	30,984	
	ICBCIL 2.6 11/13/18 REGS	-	Financial assets at fair value through profit or loss	2,000	60,874	-	60,874	
	SDGOLD 2.5 11/13/18	-	Financial assets at fair value through profit or loss	500	15,196	-	15,196	
	HRAM 2.875 11/19/18 EMTN	-	Financial assets at fair value through profit or loss	250	7,609	-	7,609	
	CHCONS 2.95 11/19/20	-	Financial assets at fair value through profit or loss	1,000	30,055	-	30,055	
	KOREAN V2.5 11/25/45	-	Financial assets at fair value through profit or loss	2,000	60,777	-	60,777	
	NWDEVL 4.375 11/30/22 EMTN	-	Financial assets at fair value through profit or loss	500	15,338	-	15,338	
	GUAMET 2.875 12/03/18 EMTN	-	Financial assets at fair value through profit or loss	500	15,213	-	15,213	
	KORHIC V2.5 12/03/45	-	Financial assets at fair value through profit or loss	2,600	79,027	-	79,027	

(Continued)

Holding Company	Type and Issuer of Marketable Securities	Relationship with Holding Company	Financial Statement Account	June 30, 2018				Note
				Shares/Units/ Face Amount	Carrying Amount (Note)	Percentage of Ownership	Market Value or Net Asset Value (Note)	
	F 2.943 01/08/19 MTN	-	Financial assets at fair value through profit or loss	3,000	\$ 91,507	-	\$ 91,507	
	F F 01/08/19 MTN	-	Financial assets at fair value through profit or loss	3,000	92,066	-	92,066	
	MQGAU F 01/15/19 REGS	-	Financial assets at fair value through profit or loss	1,000	30,652	-	30,652	
	EXIMBK 3.125 07/20/21 EMTN	-	Financial assets at fair value through profit or loss	400	11,904	-	11,904	
	SUMIBK F 01/18/19 MTN	-	Financial assets at fair value through profit or loss	1,000	30,615	-	30,615	
	NIPLIF V4.7 01/20/46 REGS	-	Financial assets at fair value through profit or loss	3,800	114,587	-	114,587	
	HSBC 3.4 03/08/21	-	Financial assets at fair value through profit or loss	2,000	60,907	-	60,907	
	SUMIBK F 03/09/21	-	Financial assets at fair value through profit or loss	500	15,706	-	15,706	
	SUMIBK 2.934 03/09/21	-	Financial assets at fair value through profit or loss	1,000	30,145	-	30,145	
	LLOYDS 4.65 03/24/26	-	Financial assets at fair value through profit or loss	1,500	44,870	-	44,870	
	AAPL 3.85 05/04/43	-	Financial assets at fair value through profit or loss	40	1,161	-	1,161	
	BAC 4.25 10/22/26 MTN	-	Financial assets at fair value through profit or loss	230	6,921	-	6,921	
	BAC 3.95 04/21/25 L	-	Financial assets at fair value through profit or loss	548	16,340	-	16,340	
	SINOPE 2.75 05/03/21 REGS	-	Financial assets at fair value through profit or loss	500	14,950	-	14,950	
	ANZ 4.4 05/19/26 REGS	-	Financial assets at fair value through profit or loss	500	14,940	-	14,940	
	HSBC 2.95 05/25/21	-	Financial assets at fair value through profit or loss	600	18,035	-	18,035	
	SUNHKC 4.75 05/31/21 EMTN	-	Financial assets at fair value through profit or loss	800	23,805	-	23,805	
	HRAM 2.75 06/03/19	-	Financial assets at fair value through profit or loss	666	20,116	-	20,116	
	MIDEAZ 2.375 06/03/19 EMTN	-	Financial assets at fair value through profit or loss	500	15,100	-	15,100	
	RBS 5.125 05/28/24	-	Financial assets at fair value through profit or loss	128	3,932	-	3,932	
	CHCONS 2.25 06/14/19	-	Financial assets at fair value through profit or loss	334	10,077	-	10,077	
	CHCONS 2.7 06/14/21	-	Financial assets at fair value through profit or loss	500	14,826	-	14,826	
	SANUK 2.875 08/05/21	-	Financial assets at fair value through profit or loss	500	14,770	-	14,770	
	C 4.75 05/18/46	-	Financial assets at fair value through profit or loss	3	87	-	87	

(Continued)

Holding Company	Type and Issuer of Marketable Securities	Relationship with Holding Company	Financial Statement Account	June 30, 2018				Note
				Shares/Units/ Face Amount	Carrying Amount (Note)	Percentage of Ownership	Market Value or Net Asset Value (Note)	
	STX 5.75 12/01/34	-	Financial assets at fair value through profit or loss	183	\$ 4,989	-	\$ 4,989	
	HONHAI 2.25 09/23/21 EMTN	-	Financial assets at fair value through profit or loss	800	23,386	-	23,386	
	SINOPE 1.75 09/29/19 REGS	-	Financial assets at fair value through profit or loss	500	14,972	-	14,972	
	SINOPE 2 09/29/21 REGS	-	Financial assets at fair value through profit or loss	500	14,558	-	14,558	
	TVB 3.625 10/11/21	-	Financial assets at fair value through profit or loss	400	11,936	-	11,936	
	BDOPM 2.625 10/24/21 EMTN	-	Financial assets at fair value through profit or loss	1,600	46,937	-	46,937	
	ICBCAS F 02/21/22 EMTN	-	Financial assets at fair value through profit or loss	200	6,128	-	6,128	
	C 4.6 03/09/26	-	Financial assets at fair value through profit or loss	20	610	-	610	
	INTNED F 03/29/22	-	Financial assets at fair value through profit or loss	500	15,482	-	15,482	
	WFC 5.606 01/15/44	-	Financial assets at fair value through profit or loss	10	325	-	325	
	CHGRID 4 05/04/47 REGS	-	Financial assets at fair value through profit or loss	1,000	29,239	-	29,239	
	RBS V3.498 05/15/23	-	Financial assets at fair value through profit or loss	500	14,771	-	14,771	
	VIA 4.375 03/15/43	-	Financial assets at fair value through profit or loss	160	4,051	-	4,051	
	KOREAN V6.875 06/12/47	-	Financial assets at fair value through profit or loss	650	19,051	-	19,051	
	GDHJIN 2.75 07/11/20	-	Financial assets at fair value through profit or loss	200	5,927	-	5,927	
	XINAOG 3.25 07/24/22	-	Financial assets at fair value through profit or loss	2,420	71,222	-	71,222	
	C 2.5 07/29/19	-	Financial assets at fair value through profit or loss	200	6,072	-	6,072	
	AAPL 3.75 09/12/47	-	Financial assets at fair value through profit or loss	1,000	28,404	-	28,404	
	T 5.15 03/15/42	-	Financial assets at fair value through profit or loss	90	2,586	-	2,586	
	SUMI 2.5 09/13/22	-	Financial assets at fair value through profit or loss	200	5,843	-	5,843	
	T 6.3 01/15/38	-	Financial assets at fair value through profit or loss	20	667	-	667	
	T 4.3 12/15/42	-	Financial assets at fair value through profit or loss	217	5,630	-	5,630	
	SMBCAC 2.65 07/15/21 REGS	-	Financial assets at fair value through profit or loss	1,700	50,180	-	50,180	
	EBIUH F 01/26/20 EMTN	-	Financial assets at fair value through profit or loss	5,000	153,770	-	153,770	

(Continued)

Holding Company	Type and Issuer of Marketable Securities	Relationship with Holding Company	Financial Statement Account	June 30, 2018				Note
				Shares/Units/ Face Amount	Carrying Amount (Note)	Percentage of Ownership	Market Value or Net Asset Value (Note)	
	CHIYBK V5.25 PERP	-	Financial assets at fair value through profit or loss	250	\$ 6,878	-	\$ 6,878	
	WHASMA 3.8 12/18/20	-	Financial assets at fair value through profit or loss	500	14,768	-	14,768	
	ORIEAS F 12/21/20 EMTN	-	Financial assets at fair value through profit or loss	500	15,291	-	15,291	
	CITLTD 4 01/11/28 EMTN	-	Financial assets at fair value through profit or loss	200	5,710	-	5,710	
	CITLTD 3.5 07/11/23 EMTN	-	Financial assets at fair value through profit or loss	500	14,748	-	14,748	
	VZ 5.012 04/15/49	-	Financial assets at fair value through profit or loss	10	295	-	295	
	BOSIBV 3.125 01/18/21	-	Financial assets at fair value through profit or loss	500	15,021	-	15,021	
	BIDU 3.625 07/06/27	-	Financial assets at fair value through profit or loss	500	14,357	-	14,357	
	SUNOTG 3.75 01/23/23	-	Financial assets at fair value through profit or loss	500	14,837	-	14,837	
	CHIOLI 4.25 04/26/23	-	Financial assets at fair value through profit or loss	1,600	48,566	-	48,566	
	CHIOLI 4.75 04/26/28	-	Financial assets at fair value through profit or loss	800	24,313	-	24,313	
	C V6.25 PERP T	-	Financial assets at fair value through profit or loss	10	315	-	315	
	GS F 05/15/26	-	Financial assets at fair value through profit or loss	2,000	60,220	-	60,220	
	BOCAVI F 05/21/25 GMTN	-	Financial assets at fair value through profit or loss	500	15,247	-	15,247	
	VNKRLE F 05/25/23 EMTN	-	Financial assets at fair value through profit or loss	2,800	85,110	-	85,110	
	EIB 9 12/21/18 EMTN	-	Financial assets at fair value through profit or loss	3,060	6,828	-	6,828	
	DEVSA 0 12/31/27	-	Financial assets at fair value through profit or loss	500	399	-	399	
	RABOBK 6 01/16/19 EMTN	-	Financial assets at fair value through profit or loss	2,965	6,507	-	6,507	
	INTNED 8.25 08/16/23	-	Financial assets at fair value through profit or loss	400	806	-	806	
	DB 6.7 01/14/21 EMTN	-	Financial assets at fair value through profit or loss	700	1,463	-	1,463	
	EBRD 0 06/17/27 EMTN	-	Financial assets at fair value through profit or loss	1,530	1,571	-	1,571	
	EBRD 0 12/31/18 EMTN	-	Financial assets at fair value through profit or loss	4,790	10,246	-	10,246	
	BNG 0 12/31/18 EMTN	-	Financial assets at fair value through profit or loss	460	983	-	983	
	EIB 8.75 08/18/25 EMTN	-	Financial assets at fair value through profit or loss	2,100	4,661	-	4,661	

(Continued)

Holding Company	Type and Issuer of Marketable Securities	Relationship with Holding Company	Financial Statement Account	June 30, 2018				Note
				Shares/Units/ Face Amount	Carrying Amount (Note)	Percentage of Ownership	Market Value or Net Asset Value (Note)	
	RENTEN 8.25 05/23/22 EMTN	-	Financial assets at fair value through profit or loss	220	\$ 488	-	\$ 488	
	RABOBK 0 12/30/20 EMTN	-	Financial assets at fair value through profit or loss	620	1,132	-	1,132	
	EIB 0 12/31/18 EMTN	-	Financial assets at fair value through profit or loss	2,260	4,835	-	4,835	
	EIB 8.5 06/14/19 EMTN	-	Financial assets at fair value through profit or loss	50	112	-	112	
	EIB 8.5 09/17/24 MTN	-	Financial assets at fair value through profit or loss	350	777	-	777	
	IBRD 0 07/14/27 GMTN	-	Financial assets at fair value through profit or loss	510	520	-	520	
	CS 6.24 09/15/22 EMTN	-	Financial assets at fair value through profit or loss	580	1,195	-	1,195	
	EIB 7.25 02/28/23 EMTN	-	Financial assets at fair value through profit or loss	2,290	4,864	-	4,864	
	RLCONS 1.5 12/21/21	-	Financial assets at fair value through profit or loss	5,000	21,410	-	21,410	
	KNBZMK 0 09/18/21	-	Financial assets at fair value through profit or loss	900	27,162	-	27,162	
	SHPORT 0 08/09/21	-	Financial assets at fair value through profit or loss	5,000	159,930	-	159,930	
	HONHAI 0 11/06/22	-	Financial assets at fair value through profit or loss	200	5,856	-	5,856	
	SHIZUOKA BANK LTD 25JAN2023	-	Financial assets at fair value through profit or loss	6,000	182,863	-	182,863	
	CSIC 0 02/01/25	-	Financial assets at fair value through profit or loss	1,000	30,875	-	30,875	
	LGCHM 0 04/16/21 USD	-	Financial assets at fair value through profit or loss	3,000	89,922	-	89,922	
	ZHEDIN 0 06/26/19	-	Financial assets at fair value through profit or loss	4,000	120,371	-	120,371	
	SHIGBK 0 06/23/20	-	Financial assets at fair value through profit or loss	3,500	104,350	-	104,350	
	YAMAFG F 03/26/20	-	Financial assets at fair value through profit or loss	2,000	62,046	-	62,046	
	JOYOBK 0 04/24/19	-	Financial assets at fair value through profit or loss	1,500	44,417	-	44,417	
	CANOPUS INTERNATIONAL LT 25JAN2019	-	Financial assets at fair value through profit or loss	1,000	30,049	-	30,049	
	BJENTE 0 07/28/19	-	Financial assets at fair value through profit or loss	6,000	22,870	-	22,870	
	COGARD 0 01/27/19	-	Financial assets at fair value through profit or loss	10,000	37,958	-	37,958	
	ANGANG STEEL CO LTD 0% 25MAY2023	-	Financial assets at fair value through profit or loss	6,000	22,658	-	22,658	

(Continued)

Holding Company	Type and Issuer of Marketable Securities	Relationship with Holding Company	Financial Statement Account	June 30, 2018				Note
				Shares/Units/ Face Amount	Carrying Amount (Note)	Percentage of Ownership	Market Value or Net Asset Value (Note)	
	<u>Stock</u>							
	Macronix International Co., Ltd.	-	Financial assets at fair value through profit or loss	270	\$ 11,718	0.01	\$ 11,718	
	Epistar Corporation	-	Financial assets at fair value through profit or loss	28,050	1,070,119	2.58	1,070,119	
	Taiwan Mobile Co., Ltd.	-	Financial assets at fair value through profit or loss	1,950	215,477	0.06	215,477	
	<u>Fund</u>							
	SINOPAC CHINA STRATEGIC GROWTH FUND - CL B (USD)	-	Financial assets at fair value through profit or loss	871	339,493	-	339,493	
	ACCUDO ASIAN VALUE ARBITRAGE FUND - CL A (USD)	-	Financial assets at fair value through profit or loss	2	117,042	-	117,042	
	SINOPAC RQFII STABLE INC. FUND - CL B (RMB)	-	Financial assets at fair value through profit or loss	47	40,265	-	40,265	
	SPIF_SINOPAC USD ST FIXED INCOME FUND - CL B (USD)	-	Financial assets at fair value through profit or loss	600	184,459	-	184,459	
	SINOPAC GREATER CHINA CB FD-CL A_DIS_CASH (USD)	-	Financial assets at fair value through profit or loss	10	30,962	-	30,962	
	SINOPAC GREATER CHINA CB FD-CL B (USD)	-	Financial assets at fair value through profit or loss	10	36,734	-	36,734	
	DB 3X USD Cert Linked to FXSTSINO 08JUL2019	-	Financial assets at fair value through profit or loss	-	69,488	-	69,488	

Note: Foreign-currency amounts were translated to New Taiwan dollars at the exchange rates on the balance sheet date.

(Concluded)

SINOPAC FINANCIAL HOLDINGS COMPANY LIMITED AND INVESTEES

ACQUIRED AND DISPOSED OF INVESTMENT AT COST OR PRICES OF AT LEAST NT\$300 MILLION OR 10% OF THE ISSUED CAPITAL
(MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF, AT COST OR PRICES OF AT LEAST NT\$300 MILLION OR 10% OF THE ISSUED CAPITAL)
FOR THE SIX MONTHS ENDED JUNE 30, 2018
(In Thousands of New Taiwan Dollars or Shares, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Account	Counterparty	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Units	Amount	Units	Amount	Units	Amount	Carrying Value	Gain (Loss) on Disposal	Units	Amount
SinoPac Capital (Asia)	Epistar Corporation	Financial assets at fair value through profit or loss	-	-	5,863	HK\$ 64,080	22,187	HK\$ 219,084	-	HK\$ -	HK\$ -	HK\$ -	28,050	HK\$ 283,164
	Macronix International Co., Ltd.	Financial assets at fair value through profit or loss	-	-	15,779	HK\$ 107,112	-	HK\$ 2,213	15,509	HK\$ 187,951	HK\$ 107,524	HK\$ 80,427	270	HK\$ 1,801

Company Name	Type and Name of Marketable Securities	Account	Counterparty	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Units	Amount	Units	Amount	Units	Settlements Amount	Carrying Value	Gain (Loss) on Disposal	Units	Amount
SinoPac Capital (Asia)	T 1.625 08/31/22	Financial liabilities at fair value through profit or loss	-	-	16,000	HK\$ 123,598	-	HK\$ -	16,000	HK\$ 127,096	HK\$ 123,598	HK\$ 3,498	-	HK\$ -
	T 2.5 03/31/23	Financial liabilities at fair value through profit or loss	-	-	15,000	HK\$ 117,129	-	HK\$ -	15,000	HK\$ 117,980	HK\$ 117,129	HK\$ 851	-	HK\$ -
	T 2.75 05/31/23	Financial liabilities at fair value through profit or loss	-	-	-	HK\$ -	12,000	HK\$ 93,972	-	HK\$ -	HK\$ -	HK\$ -	12,000	HK\$ 93,972

SINOPAC FINANCIAL HOLDINGS COMPANY LIMITED AND INVESTEES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT PRICES OF AT LEAST \$300 MILLION OR 10% OF THE ISSUED CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 2018

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

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

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

SINOPAC FINANCIAL HOLDINGS COMPANY LIMITED AND INVESTEEES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$300 MILLION OR 10% OF THE ISSUED CAPITAL

JUNE 30, 2018

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
SinoPac Financial Holdings Company Limited	Bank SinoPac	Subsidiary	\$ 7,118,173 (Note 1)	-	\$ -	-	\$ 5,404,219	\$ -
	SinoPac Securities	Subsidiary	642,097 (Note 1)	-	-	-	506,251	-
	SinoPac Leasing	Subsidiary	499,451 (Note 1)	-	-	-	414,371	-
Bank SinoPac	SinoPac Financial Holdings Company Limited	Parent company	1,262,337 (Note 1)	-	-	-	-	-
SinoPac Leasing	Grand Capital International Limited	Subsidiary of SinoPac Leasing	391,182 (Note 1)	-	-	-	391,182	-
SinoPac Securities (Cayman)	SinoPac Securities (Asia)	Subsidiary of SinoPac Securities (Cayman)	2,684,506 (Note 2)	-	-	-	-	-

Note 1: The balance mainly included dividends receivable for earnings, linked-tax system receivable (booked as current tax assets) and other related parties' receivables, which were not included in the consolidated financial statements.

Note 2: The balance mainly included receivable on financial lending, which was not included in the consolidated financial statements.

SINOPAC FINANCIAL HOLDINGS COMPANY LIMITED AND INVESTEEES

INFORMATION ON INVESTED ENTERPRISES
FOR THE SIX MONTHS ENDED JUNE 30, 2018
(In Thousands of New Taiwan Dollars or Shares)

Investee Company	Location	Main Businesses and Products	Percentage of Ownership	Carrying Amount	Investment Gains	Consolidated Investment				Note
						Shares	Imitated Shares	Total		
								Shares	Percentage of Ownership	
<u>Financial</u> Bank SinoPac Co., Ltd.	Taiwan	Commercial bank, trust and foreign exchange services	100.00	\$ 121,931,993	\$ 4,778,148	8,606,116	-	8,606,116	100.00	Subsidiary
SinoPac Securities Co., Ltd.	Taiwan	Brokerage, dealing and underwriting of securities	100.00	25,997,369	221,924	1,621,224	-	1,621,224	100.00	Subsidiary
SinoPac Leasing Co., Ltd.	Taiwan	Leasing and installment sales	100.00	4,343,308	(298,390)	468,104	-	468,104	100.00	Subsidiary
SinoPac Call Center Co., Ltd.	Taiwan	Data processing, client service and client relationship management	100.00	73,487	8,651	4,000	-	4,000	100.00	Subsidiary
SinoPac Venture Capital Co., Ltd.	Taiwan	Venture capital investment	100.00	3,219,202	167,135	220,000	-	220,000	100.00	Subsidiary
SinoPac Securities Investment Trust Co., Ltd.	Taiwan	Securities investment trust funds by issuing beneficial certificates and rendering discretionary investment service	100.00	1,540,627	47,827	142,000	-	142,000	100.00	Subsidiary
Taiwan Depository and Clearing Corporation Co., Ltd.	Taiwan	Computerized book-entry operation for securities	0.08	20,459	975	3,325	-	3,325	0.92	Note

Note: The investment gains recognized in this year are dividend revenues.

SINOPAC FINANCIAL HOLDINGS COMPANY LIMITED AND INVESTEEES

TOTAL BOOK VALUE OF MAXIMUM CREDIT RISK EXPOSURES FINANCIAL ASSETS

JUNE 30, 2018

(In Thousands of New Taiwan Dollars)

June 30, 2018	Principle				Allowance			The Impairment under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Nonaccrual Loans (Note 1)	Total
	Stage 1 12 Months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Stage 1 12 Months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL		
Discounts and loans									
Corporate banking	\$ 451,234,855	\$ 318,178	\$ 3,292,971	\$ 454,846,004	\$ 1,442,592	\$ 39,286	\$ 857,684	\$ 4,227,928	\$ 6,567,490
Consumer banking	432,224,158	4,857,440	1,440,260	438,521,858	49,289	133,425	195,387	5,673,568	6,051,669
Receivables									
Credit card receivable	15,485,271	238,700	954,550	16,678,521	2,408	6,719	64,078	147,316	220,521
Net accounts receivable - factoring (Note 2)	8,419,195	7,345	-	8,426,540	3,866	170	-	117,216	121,252
Other receivable (Note 3)	62,930,111	1,281,103	1,141,625	65,352,839	640,093	4,645	1,054,125	160,873	1,859,736

Note 1: Including provision of Bank SinoPac (China) Ltd. under local supervision regulations.

Note 2: Net accounts receivable - factoring is accounts receivable - factoring less accounts payable - factoring.

Note 3: Other receivables include nonperforming receivables transferred from other than loans and long-term lease receivables which are classified as other financial assets.

SINOPAC FINANCIAL HOLDINGS COMPANY LIMITED AND INVESTEEES

CHANGE IN ALLOWANCE FOR DISCOUNTS AND LOANS

JUNE 30, 2018

(In Thousands of New Taiwan Dollars)

For the Six Months Ended June 30, 2018	12-month ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-Impaired Financial Assets)	Impairment in Accordance With IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Nonaccrual Loans	Total
Balance, January 1	\$ 1,603,124	\$ 436,203	\$ 11,143	\$ 1,031,971	\$ 3,082,441	\$ 9,480,439	\$ 12,562,880
Changes due to financial instruments that have been identified at the beginning of the period:							
To lifetime ECL	(3,793)	269,879	54	(8,022)	258,118	-	258,118
From conversion to credit-impaired financial assets	(2,410)	(95,613)	-	305,470	207,447	-	207,447
To 12-month ECL	1,262	(86,357)	-	(1,371)	(86,466)	-	(86,466)
Derecognizing financial assets during the current period	(1,725,736)	(353,715)	(11,352)	(152,647)	(2,243,450)	-	(2,243,450)
Purchased or originated new financial assets	1,609,717	1,754	-	67,164	1,678,635	-	1,678,635
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with nonperforming/nonaccrual loans (Note 1)	-	-	-	-	-	396,194	396,194
Write-off (Note 2)	-	-	-	(192,841)	(192,841)	-	(192,841)
Effect of exchange rate changes and others	9,717	560	155	3,347	13,779	24,863	38,642
Balance, June 30	<u>\$ 1,491,881</u>	<u>\$ 172,711</u>	<u>\$ -</u>	<u>\$ 1,053,071</u>	<u>\$ 2,717,663</u>	<u>\$ 9,901,496</u>	<u>\$ 12,619,159</u>

Note 1: Including provision of Bank SinoPac (China) Ltd. under local supervision regulations.

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

SINOPAC FINANCIAL HOLDINGS COMPANY LIMITED AND INVESTEEES

CHANGES IN ALLOWANCE FOR RECEIVABLES

JUNE 30, 2018

(In Thousands of New Taiwan Dollars)

For the Six Months Ended June 30, 2018	12-month ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Non-purchased or Originated Credit-Impaired Financial Assets)	Impairment in Accordance With IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Nonaccrual Loans	Total
Balance, January 1	\$ 145,102	\$ 13,247	\$ 2,200,756	\$ 2,359,105	\$ 453,111	\$ 2,812,216
Changes due to financial instruments that have been identified at the beginning of the period:						
To lifetime ECL	(57)	18,138	(9,399)	8,682	-	8,682
From conversion to credit-impaired financial assets	(4,456)	(12,086)	272,944	256,402	-	256,402
To 12-month ECL	9,457	(1,086)	(9,473)	(1,102)	-	(1,102)
Derecognizing financial assets during the current period	(57,609)	(2,368)	(137,836)	(197,813)	-	(197,813)
Purchased or originated new financial assets	46,869	3	208	47,080	-	47,080
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with nonperforming/nonaccrual loans	-	-	-	-	(33,105)	(33,105)
Write-off (Note)	-	(767)	(1,265,728)	(1,266,495)	-	(1,266,495)
Recovery of written-off	-	-	(83)	(83)	-	(83)
Effect of exchange rate changes and others	507,061	(3,547)	66,814	570,328	5,399	575,727
Balance, June 30	<u>\$ 646,367</u>	<u>\$ 11,534</u>	<u>\$ 1,118,203</u>	<u>\$ 1,776,104</u>	<u>\$ 425,405</u>	<u>\$ 2,201,509</u>

Instructions: Receivables include nonperforming receivables transferred from other than loans and long-term lease receivables which are classified as other financial assets.

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

TABLE 11**SINOPAC FINANCIAL HOLDINGS COMPANY LIMITED AND INVESTEES****STATEMENT OF THE ALLOWANCES FOR POSSIBLE LOSSES ON LOANS AND RECEIVABLES
ASSESSED FOR IMPAIRMENT****DECEMBER 31, 2017 AND JUNE 30, 2017****(In Thousands of New Taiwan Dollars)****Discounts and Loans**

Items		Discounts and Loans		Allowance for Possible Losses	
		December 31, 2017	June 30, 2017	December 31, 2017	June 30, 2017
With objective evidence of impairment	Individually assessed	\$ 945,944	\$ 1,115,929	\$ 160,364	\$ 154,453
	Collectively assessed	3,865,029	4,287,489	953,584	1,146,668
With no objective evidence of impairment	Collectively assessed	877,417,774	925,328,992	11,442,795	11,986,269

Receivables

Items		Receivables		Allowance for Possible Losses	
		December 31, 2017	June 30, 2017	December 31, 2017	June 30, 2017
With objective evidence of impairment	Individually assessed	\$ 1,955,249	\$ 2,209,463	\$ 1,820,283	\$ 1,865,460
	Collectively assessed	1,082,861	1,146,570	195,186	204,734
With no objective evidence of impairment	Collectively assessed	87,183,907	87,278,730	515,369	488,122

Note 1: The loans and receivables exclude the allowance for credit losses and adjustments for discounts (premiums).

Note 2: Receivables included nonperforming receivables transferred from other than loans and long-term lease receivables recorded as other financial assets.

SINOPAC FINANCIAL HOLDINGS COMPANY LIMITED AND INVESTEEES

RELATED-PARTY TRANSACTIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2018
(In Thousands of New Taiwan Dollars)

Number (Note 1)	Company Name	Counterparty	Nature of Relationship (Note 2)	Transaction Details			
				Financial Statement Accounts	Amount	Payment Terms	% to Consolidated Net Revenue/Assets (Note 3)
0	SinoPac Financial Holdings	Bank SinoPac	a	Cash and cash equivalents, net	\$ 83,893	Note 4	0.01
		Bank SinoPac	a	Receivables, net	6,839,244	Note 4	0.42
		Bank SinoPac	a	Current tax assets	262,421	Note 4	0.02
		Bank SinoPac	a	Other financial assets, net	974,742	Note 4	0.06
		Bank SinoPac	a	Payables	167	Note 4	-
		Bank SinoPac	a	Current tax liabilities	1,262,170	Note 4	0.08
		SinoPac Securities	a	Receivables, net	506,252	Note 4	0.03
		SinoPac Securities	a	Current tax assets	135,845	Note 4	0.01
		SinoPac Securities	a	Payables	1,212	Note 4	-
		SinoPac Securities	a	Current tax liabilities	102,108	Note 4	0.01
		SinoPac Securities	a	Other liabilities	251	Note 4	-
		SinoPac Leasing	a	Receivables, net	414,371	Note 4	0.03
		SinoPac Leasing	a	Current tax assets	85,080	Note 4	0.01
		SinoPac Leasing	a	Current tax liabilities	27,799	Note 4	-
1	Bank SinoPac	SinoPac Financial Holdings	b	Receivables, net	167	Note 4	-
		SinoPac Financial Holdings	b	Current tax assets	1,262,170	Note 4	0.08
		SinoPac Financial Holdings	b	Payables	6,839,244	Note 4	0.42
		SinoPac Financial Holdings	b	Current tax liabilities	262,421	Note 4	0.02
		SinoPac Financial Holdings	b	Deposits and remittances	1,058,635	Note 4	0.07
		SinoPac Capital (H.K.) Limited	c-1	Deposits and remittances	943,124	Note 4	0.06
		SinoPac Life Insurance Agency	c-1	Receivables, net	131,599	Note 4	0.01
		SinoPac Life Insurance Agency	c-1	Deposits and remittances	731,436	Note 4	0.05
		SinoPac Life Insurance Agency	c-1	Commission and fee revenues, net (commission and fee revenues)	299,016	Note 4	1.85
		SinoPac Life Insurance Agency	c-1	Other noninterest net revenues	3,713	Note 4	0.02
		Bank SinoPac (China)	c-1	Due from the Central Bank and call loans to other banks, net	4,133,100	Note 4	0.26
		Bank SinoPac (China)	c-1	Receivables, net	125,219	Note 4	0.01
		SinoPac Securities	c-1	Securities purchased under agreements to resell	2,033,536	Note 4	0.13
		SinoPac Securities	c-1	Receivables, net	2,489	Note 4	-
		SinoPac Securities	c-1	Deposits and remittances	3,018,751	Note 4	0.19
		SinoPac Securities	c-1	Interest revenue	2,942	Note 4	0.02
		SinoPac Futures	c-1	Financial assets at fair value through profit or loss	54,553	Note 4	-
		SinoPac Futures	c-1	Other assets, net	371,779	Note 4	0.02
		SinoPac Futures	c-1	Financial liabilities at fair value through profit or loss	73,216	Note 4	-
SinoPac Securities Investment Service Corporation	c-1	Deposits and remittances	110,224	Note 4	0.01		

(Continued)

Number (Note 1)	Company Name	Counterparty	Nature of Relationship (Note 2)	Transaction Details			
				Financial Statement Accounts	Amount	Payment Terms	% to Consolidated Net Revenue/Assets (Note 3)
		SinoPac Securities (Asia) SinoPac Securities (Asia) SinoPac Securities (Asia) SinoPac Securities Investment Service SinoPac Venture Capital SinoPac Leasing Grand Capital International Limited	c-1 c-1 c-1 c-1 c-1 c-1 c-1	Financial assets at fair value through profit or loss Other assets, net Financial liabilities at fair value through profit or loss Deposits and remittances Deposits and remittances Discounts and loans, net Deposits and remittances	\$ 69,153 37,910 40,423 229,922 616,684 860,000 437,278	Note 4 Note 4 Note 4 Note 4 Note 4 Note 4 Note 4	- - - 0.01 0.04 0.05 0.03
2	SinoPac Capital (H.K.) Limited	Bank SinoPac Bank SinoPac	c-2 c-2	Cash and cash equivalents, net Other financial assets, net	852,978 90,146	Note 4 Note 4	0.05 0.01
3	SinoPac Life Insurance Agency	Bank SinoPac Bank SinoPac Bank SinoPac Bank SinoPac	c-2 c-2 c-2 c-2	Cash and cash equivalents, net Payables Commission and fee revenues, net (commission and fee expense) Other operating expenses	731,436 131,599 299,016 3,713	Note 4 Note 4 Note 4 Note 4	0.05 0.01 1.85 0.02
4	Bank SinoPac (China)	Bank SinoPac Bank SinoPac	c-2 c-2	Deposits from the central bank and banks Payables	4,133,100 125,219	Note 4 Note 4	0.26 0.01
5	SinoPac Securities	SinoPac Financial Holdings SinoPac Financial Holdings SinoPac Financial Holdings SinoPac Financial Holdings Bank SinoPac Bank SinoPac Bank SinoPac Bank SinoPac Bank SinoPac Bank SinoPac SinoPac Futures	b b b b c-2 c-2 c-2 c-2 c-2 c-2 c-1	Receivables, net Current tax assets Payables Current tax liabilities Cash and cash equivalents, net Other financial assets, net Securities sold under agreements to repurchase Payables Interest expense Financial assets at fair value through profit or loss	1,212 102,359 506,252 135,845 1,493,751 1,525,000 2,033,536 2,489 2,942 839,044	Note 4 Note 4 Note 4 Note 4 Note 4 Note 4 Note 4 Note 4 Note 4 Note 4	- 0.01 0.03 0.01 0.09 0.09 0.13 - 0.02 0.05
6	SinoPac Futures	Bank SinoPac SinoPac Securities SinoPac Securities (Asia) SinoPac Securities (Asia)	c-2 c-2 c-1 c-1	Other financial liabilities Other financial liabilities Other financial assets, net Other financial liabilities	353,116 839,044 3,137,232 188,836	Note 4 Note 4 Note 4 Note 4	0.02 0.05 0.19 0.01
7	SinoPac Securities Investment Service Corporation	Bank SinoPac Bank SinoPac	c-2 c-2	Cash and cash equivalents, net Other financial assets, net	45,224 65,000	Note 4 Note 4	- -
8	SinoPac Securities (Cayman)	SinoPac Securities (Asia)	c-1	Receivables, net	2,684,506	Note 4	0.17
9	SinoPac Securities (Asia)	Bank SinoPac SinoPac Futures SinoPac Futures SinoPac Securities (Cayman) SinoPac Capital (Asia)	c-2 c-2 c-2 c-2 c-1	Other financial liabilities Other financial assets, net Other financial liabilities Long-term borrowings Payables	66,640 188,836 3,137,232 2,684,506 185,029	Note 4 Note 4 Note 4 Note 4 Note 4	- 0.01 0.19 0.17 0.01

(Continued)

Number (Note 1)	Company Name	Counterparty	Nature of Relationship (Note 2)	Transaction Details			
				Financial Statement Accounts	Amount	Payment Terms	% to Consolidated Net Revenue/Assets (Note 3)
10	SinoPac Capital (Asia)	SinoPac Securities (Asia)	c-2	Receivables, net	\$ 185,029	Note 4	0.01
11	SinoPac International Holdings	SinoPac Service (Brokers)	c-1	Receivables, net	120,951	Note 4	0.01
12	SinoPac Service (Brokers)	SinoPac International Holdings	c-2	Payables	120,951	Note 4	0.01
13	SinoPac Securities Investment Service	Bank SinoPac	c-2	Cash and cash equivalents, net	21,522	Note 4	-
		Bank SinoPac	c-2	Other financial assets, net	208,400	Note 4	0.01
14	SinoPac Venture Capital	Bank SinoPac	c-2	Cash and cash equivalents, net	198,396	Note 4	0.01
		Bank SinoPac	c-2	Other financial assets, net	418,288	Note 4	0.03
15	SinoPac Leasing	SinoPac Financial Holdings	b	Current tax assets	27,799	Note 4	-
		SinoPac Financial Holdings	b	Payables	414,371	Note 4	0.03
		SinoPac Financial Holdings	b	Current tax liabilities	85,080	Note 4	0.01
		Bank SinoPac	c-2	Long-term borrowings	860,000	Note 4	0.05
		Grand Capital International Limited	c-1	Receivables, net	391,182	Note 4	0.02
16	Grand Capital International Limited	Bank SinoPac	c-2	Cash and cash equivalents, net	437,278	Note 4	0.03
		SinoPac Leasing	c-2	Payables	391,182	Note 4	0.02

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

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

Note 2: Flow of transactions with related parties is as follows:

- a. From parent company to subsidiary
- b. From subsidiary to parent company.
- c-1. Subsidiary A to subsidiary B.
- c-2. Subsidiary B to subsidiary A.

On the above transaction between parent company and subsidiaries, category a and c-1 of the related - party will post on the XBRL based on the Taiwan Stock Exchange under letter No. 1030005380.

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

Note 4: On the transactions between the Company and related parties, the terms were similar to those for unrelated parties.

(Concluded)

SINOPAC FINANCIAL HOLDINGS COMPANY LIMITED

BALANCE SHEETS

JUNE 30, 2018, DECEMBER 31, 2017 AND JUNE 30, 2017

(In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2018	December 31, 2017	June 30, 2017	LIABILITIES AND EQUITY	June 30, 2018	December 31, 2017	June 30, 2017
CASH AND CASH EQUIVALENTS	\$ 83,897	\$ 48,099	\$ 39,447	COMMERCIAL PAPER PAYABLE, NET	\$ 20,955,766	\$ 20,861,560	\$ 20,786,207
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	20,459	-	-	PAYABLES	5,596,015	76,331	3,746,941
RECEIVABLES, NET	7,839,409	1,510,578	5,163,766	CURRENT TAX LIABILITIES	2,143,807	2,385,632	2,006,473
CURRENT TAX ASSETS	683,530	947,172	657,504	LIABILITY COMPONENT OF PREFERRED STOCKS	18,437	18,437	18,437
INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD, NET	157,105,986	158,004,727	153,620,790	PROVISIONS	13,414	12,775	10,090
OTHER FINANCIAL ASSETS, NET	974,742	960,606	930,907	OTHER LIABILITIES	<u>296</u>	<u>293</u>	<u>293</u>
PROPERTIES AND EQUIPMENT, NET	13,529	14,811	15,178	Total liabilities	<u>28,727,735</u>	<u>23,355,028</u>	<u>26,568,441</u>
INTANGIBLE ASSETS, NET	1,220	587	684	EQUITY			
DEFERRED TAX ASSETS	76,984	79,144	66,941	Share capital			
OTHER ASSETS, NET	<u>35,444</u>	<u>45,503</u>	<u>39,457</u>	Common shares	110,500,530	110,500,530	106,763,797
				Stock dividends to be distributed	<u>2,210,011</u>	<u>-</u>	<u>3,736,733</u>
				Total share capital	<u>112,710,541</u>	<u>110,500,530</u>	<u>110,500,530</u>
				Capital surplus	<u>2,228,771</u>	<u>2,228,771</u>	<u>2,228,771</u>
				Retained earnings			
				Legal reserve	17,008,997	16,114,109	16,114,109
				Special reserve	503,729	483,818	483,818
				Unappropriated earnings	<u>5,208,870</u>	<u>8,948,881</u>	<u>4,334,674</u>
				Total retained earnings	<u>22,721,596</u>	<u>25,546,808</u>	<u>20,932,601</u>
				Other equity	<u>446,557</u>	<u>(19,910)</u>	<u>304,331</u>
				Total equity	<u>138,107,465</u>	<u>138,256,199</u>	<u>133,966,233</u>
TOTAL	<u>\$ 166,835,200</u>	<u>\$ 161,611,227</u>	<u>\$ 160,534,674</u>	TOTAL	<u>\$ 166,835,200</u>	<u>\$ 161,611,227</u>	<u>\$ 160,534,674</u>

TABLE 14**SINOPAC FINANCIAL HOLDINGS COMPANY LIMITED****STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
REVENUES				
Share of the profit of subsidiaries and associates	\$ 2,227,380	\$ 2,026,140	\$ 4,925,295	\$ 4,505,430
Others	16,651	30,040	40,662	35,982
EXPENSES AND LOSSES				
Operating expenses	(63,070)	(65,572)	(122,949)	(117,676)
Others	<u>(53,430)</u>	<u>(50,298)</u>	<u>(89,032)</u>	<u>(130,980)</u>
INCOME BEFORE INCOME TAX	2,127,531	1,940,310	4,753,976	4,292,756
INCOME TAX (EXPENSE) BENEFIT	<u>(7,332)</u>	<u>20,019</u>	<u>5,492</u>	<u>32,580</u>
NET INCOME	2,120,199	1,960,329	4,759,468	4,325,336
OTHER COMPREHENSIVE PROFIT (LOSS) FOR THE PERIOD	<u>390,379</u>	<u>490,791</u>	<u>(37,183)</u>	<u>(528,306)</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 2,510,578</u>	<u>\$ 2,451,120</u>	<u>\$ 4,722,285</u>	<u>\$ 3,797,030</u>
BASIC EARNINGS PER SHARE	<u>\$ 0.19</u>	<u>\$ 0.17</u>	<u>\$ 0.42</u>	<u>\$ 0.38</u>
DILUTED EARNINGS PER SHARE	<u>\$ 0.19</u>	<u>\$ 0.17</u>	<u>\$ 0.42</u>	<u>\$ 0.38</u>

SINOPAC FINANCIAL HOLDINGS COMPANY LIMITED

STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

	Share Capital		Capital Surplus	Retained Earnings				Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Other Equity		Total	Total Equity	
	Common Shares	Stock Dividends to be Distributed		Legal Reserve	Special Reserve	Unappropriated Earnings	Total			Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income	Changes in Fair Value of Financial Liability Attributable to Charge in Credit Risk of Liability			
														Total
BALANCE AT JANUARY 1, 2017	\$ 106,763,797	\$ -	\$ 106,763,797	\$ 2,227,009	\$ 15,289,804	\$ 483,818	\$ 8,243,050	\$ 24,016,672	\$ 585,505	\$ 247,132	\$ -	\$ -	\$ 832,637	\$ 133,840,115
Other changes in capital surplus														
Changes in associates accounted for using the equity method	-	-	-	1,762	-	-	-	-	-	-	-	-	-	1,762
Appropriation and distribution of retained earnings generated in 2016														
Provision of legal reserve	-	-	-	-	824,305	-	(824,305)	-	-	-	-	-	-	-
Cash dividends - common share	-	-	-	-	-	-	(3,672,674)	(3,672,674)	-	-	-	-	-	(3,672,674)
Stock dividends - common share	-	3,736,733	3,736,733	-	-	-	(3,736,733)	(3,736,733)	-	-	-	-	-	-
Net profit for the six months ended June 30, 2017	-	-	-	-	-	-	4,325,336	4,325,336	-	-	-	-	-	4,325,336
Other comprehensive income for the six months ended June 30, 2017, net of income tax	-	-	-	-	-	-	-	-	(1,391,680)	853,485	-	9,889	(528,306)	(528,306)
Total comprehensive income for the six months ended June 30, 2017	-	-	-	-	-	-	4,325,336	4,325,336	(1,391,680)	853,485	-	9,889	(528,306)	3,797,030
BALANCE AT JUNE 30, 2017	\$ 106,763,797	\$ 3,736,733	\$ 110,500,530	\$ 2,228,771	\$ 16,114,109	\$ 483,818	\$ 4,334,674	\$ 20,932,601	\$ (806,175)	\$ 1,100,617	\$ -	\$ 9,889	\$ 304,331	\$ 133,966,233
BALANCE AT JANUARY 1, 2018	\$ 110,500,530	\$ -	\$ 110,500,530	\$ 2,228,771	\$ 16,114,109	\$ 483,818	\$ 8,948,881	\$ 25,546,808	\$ (683,250)	\$ 683,510	\$ -	\$ (20,170)	\$ (19,910)	\$ 138,256,199
Effect of retrospective application and retrospective restatement	-	-	-	-	-	-	126,702	126,702	-	(683,510)	1,210,815	-	527,305	654,007
BALANCE AT JANUARY 1, 2018 AS RESTATED	110,500,530	-	110,500,530	2,228,771	16,114,109	483,818	9,075,583	25,673,510	(683,250)	-	1,210,815	(20,170)	507,395	138,910,206
Appropriation and distribution of retained earnings generated in 2017														
Provision of legal reserve	-	-	-	-	894,888	-	(894,888)	-	-	-	-	-	-	-
Provision of special reserve	-	-	-	-	-	19,911	(19,911)	-	-	-	-	-	-	-
Cash dividends - common share	-	-	-	-	-	-	(5,525,026)	(5,525,026)	-	-	-	-	-	(5,525,026)
Stock dividends - common share	-	2,210,011	2,210,011	-	-	-	(2,210,011)	(2,210,011)	-	-	-	-	-	-
Net profit for the six months ended June 30, 2018	-	-	-	-	-	-	4,759,468	4,759,468	-	-	-	-	-	4,759,468
Other comprehensive income for the six months ended June 30, 2018, net of income tax	-	-	-	-	-	-	13,680	13,680	(23,009)	-	(44,804)	16,950	(50,863)	(37,183)
Total comprehensive income for the six months ended June 30, 2018	-	-	-	-	-	-	4,773,148	4,773,148	(23,009)	-	(44,804)	16,950	(50,863)	4,722,285
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	9,975	9,975	-	-	(9,975)	-	(9,975)	-
BALANCE AT JUNE 30, 2018	\$ 110,500,530	\$ 2,210,011	\$ 112,710,541	\$ 2,228,771	\$ 17,008,997	\$ 503,729	\$ 5,208,870	\$ 22,721,596	\$ (706,259)	\$ -	\$ 1,156,036	\$ (3,220)	\$ 446,557	\$ 138,107,465

TABLE 16**SINOPAC FINANCIAL HOLDINGS COMPANY LIMITED****STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017
(In Thousands of New Taiwan Dollars)**

	For the Six Months Ended June 30	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 4,753,976	\$ 4,292,756
Adjustments for:		
Depreciation expenses	1,959	2,164
Amortization expenses	207	209
Interest expense	69,919	69,441
Interest revenues	(16,194)	(12,709)
Dividend revenues	(974)	(439)
Net change in other provisions	19	18
Share of the profit of subsidiaries and associates	(4,925,295)	(4,505,430)
Changes in operating assets and liabilities		
Decrease (increase) in receivables	58,314	(912)
(Increase) decrease in other financial assets	(38,438)	39,032
Decrease in other assets	10,059	4,200
Decrease in payables	(5,878)	(3,542)
Increase in provisions for employee benefits	620	263
Increase in other liabilities	3	26
Interest received	16,340	14,068
Dividend received	38,774	-
Interest paid	(69,383)	(68,889)
Income tax refunded	<u>29,418</u>	<u>156,918</u>
Net cash used in operating activities	<u>(76,554)</u>	<u>(12,826)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of properties and equipment	(1,266)	(664)
Acquisition of intangible assets	<u>(252)</u>	<u>(22)</u>
Net cash used in investing activities	<u>(1,518)</u>	<u>(686)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in commercial paper payable	<u>94,206</u>	<u>21,792</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>19,664</u>	<u>(24,514)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	35,798	(16,234)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>48,099</u>	<u>55,681</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 83,897</u>	<u>\$ 39,447</u>

TABLE 17-1**Bank SinoPac****Balance Sheets**

June 30, 2018, December 31, 2017 and June 30, 2017
(In Thousands of New Taiwan Dollars)

Assets	June 30, 2018	December 31, 2017	June 30, 2017	Liabilities	June 30, 2018	December 31, 2017	June 30, 2017
Cash and cash equivalents	\$ 19,213,090	\$ 20,411,271	\$ 25,025,988	Deposits from the Central Bank and other banks	\$ 52,526,820	\$ 26,810,049	\$ 34,533,795
Due from the Central Bank and call loan to other banks	79,059,015	84,615,743	103,783,001	Financial liabilities at fair value through profit or loss	22,376,276	20,288,250	14,067,616
Financial assets at fair value through profit or loss	64,250,949	70,343,828	60,031,105	Securities sold under agreements to repurchase	28,570,603	26,178,808	27,795,979
Financial assets at fair value through other comprehensive income	231,196,919	-	-	Payables	23,109,615	16,223,986	15,211,448
Investments in debt instruments measured at amortized cost	78,411,727	-	-	Current tax liabilities	330,128	500,263	354,195
Securities purchased under agreements to resell	22,312,476	23,553,031	7,022,718	Deposits and remittances	1,130,983,016	1,138,560,118	1,188,945,306
Receivables, net	46,483,436	43,428,734	40,168,799	Bank debentures	39,720,764	39,569,669	45,569,763
Current tax assets	1,361,553	1,377,706	1,320,512	Other financial liabilities	13,328,168	12,256,417	13,951,584
Discounts and loans, net	860,376,000	852,722,735	875,288,902	Provisions	2,860,732	2,698,686	2,644,179
Available-for-sale financial assets, net	-	225,004,148	238,442,927	Deferred tax liabilities	778,720	707,217	813,689
Held-to-maturity financial assets	-	56,606,736	67,731,101	Other liabilities	3,587,766	5,172,637	1,803,765
Investments accounted for using the equity method	11,752,650	11,868,548	21,187,099	Total liabilities	<u>1,318,172,608</u>	<u>1,288,966,100</u>	<u>1,345,691,319</u>
Other financial assets, net	10,814,654	7,009,793	10,603,632	Equity			
Property and equipment, net	8,777,461	8,816,641	8,919,954	Share capital	86,061,159	86,061,159	86,061,159
Investment properties, net	1,266,327	1,253,889	1,266,439	Capital surplus	12,147,640	12,147,640	12,147,640
Intangible assets, net	1,234,522	1,243,479	1,232,846	Retained earnings	26,016,783	26,959,338	23,643,932
Deferred tax assets	1,495,458	1,665,817	1,622,027	Other equity	399,645	(165,808)	(268,827)
Other assets, net	<u>4,791,598</u>	<u>4,046,330</u>	<u>3,628,173</u>	Total equity	<u>124,625,227</u>	<u>125,002,329</u>	<u>121,583,904</u>
Total	\$ 1,442,797,835	\$ 1,413,968,429	\$ 1,467,275,223	Total	\$ 1,442,797,835	\$ 1,413,968,429	\$ 1,467,275,223

(Continued)

Bank SinoPac

Statements of Comprehensive Income
For the Three Months and Six Months Ended June 30, 2018 and 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<u>For the Three Months Ended</u> <u>June 30</u>		<u>For the Six Months Ended</u> <u>June 30</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Interest revenue	\$ 6,395,967	\$ 5,886,806	\$ 12,470,464	\$ 11,673,073
Interest expense	<u>(2,856,785)</u>	<u>(2,503,965)</u>	<u>(5,465,203)</u>	<u>(5,019,060)</u>
Net interest	3,539,182	3,382,841	7,005,261	6,654,013
Net revenues other than interest	<u>2,614,737</u>	<u>2,561,082</u>	<u>4,637,636</u>	<u>4,921,982</u>
Total net revenues	6,153,919	5,943,923	11,642,897	11,575,995
Allowance for doubtful accounts and guarantees	(78,611)	(338,680)	(2,176)	(217,641)
Operating expenses	<u>(3,099,687)</u>	<u>(3,141,379)</u>	<u>(6,211,077)</u>	<u>(6,278,583)</u>
Income before income tax	2,975,621	2,463,864	5,429,644	5,079,771
Income tax expense	<u>(324,439)</u>	<u>(294,833)</u>	<u>(651,496)</u>	<u>(606,099)</u>
Net income	<u>2,651,182</u>	<u>2,169,031</u>	<u>4,778,148</u>	<u>4,473,672</u>
Other comprehensive income (loss)	<u>11,128</u>	<u>423,800</u>	<u>(318,701)</u>	<u>(111,673)</u>
Total comprehensive income for the period	<u>\$ 2,662,310</u>	<u>\$ 2,592,831</u>	<u>\$ 4,459,447</u>	<u>\$ 4,361,999</u>
Basic earnings per share	<u>\$0.31</u>	<u>\$0.25</u>	<u>\$0.56</u>	<u>\$0.52</u>

(Concluded)

TABLE 17-2**SinoPac Securities****Balance Sheets**

June 30, 2018, December 31, 2017 and June 30, 2017
(In Thousands of New Taiwan Dollars)

Assets	June 30, 2018	December 31, 2017	June 30, 2017
Current assets	\$ 86,382,040	\$ 90,258,287	\$ 90,411,591
Financial assets at fair value through other comprehensive income	4,333,712	-	-
Investments accounted for using the equity method	6,157,804	6,238,969	6,019,267
Property and equipment	1,888,705	1,883,377	1,907,899
Investment properties	368,584	393,043	369,036
Intangible assets	583,984	593,296	620,328
Deferred tax assets	460,094	328,632	320,578
Other noncurrent assets	<u>1,378,604</u>	<u>1,852,123</u>	<u>1,910,153</u>
Total	<u>\$ 101,553,527</u>	<u>\$ 101,547,727</u>	<u>\$ 101,558,852</u>
Liabilities			
Current liabilities	\$ 72,091,309	\$ 72,342,345	\$ 76,642,201
Deferred tax liabilities	110,439	52,347	62,586
Other noncurrent liabilities	<u>3,354,410</u>	<u>3,353,014</u>	<u>310,573</u>
Total liabilities	<u>75,556,158</u>	<u>75,747,706</u>	<u>77,015,360</u>
Equity			
Share capital	16,212,238	16,212,238	16,212,238
Capital surplus	476,766	476,766	476,766
Retained earnings	9,155,138	9,471,271	8,039,740
Other equity	<u>153,227</u>	<u>(360,254)</u>	<u>(185,252)</u>
Total equity	<u>25,997,369</u>	<u>25,800,021</u>	<u>24,543,492</u>
Total	<u>\$ 101,553,527</u>	<u>\$ 101,547,727</u>	<u>\$ 101,558,852</u>

(Continued)

SinoPac Securities

Statements of Comprehensive Income
For the Three Months and Six Months Ended June 30, 2018 and 2017
(In Thousands of New Taiwan Dollars)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Revenues	\$ 1,281,159	\$ 1,442,223	\$ 2,879,543	\$ 2,809,365
Commission fees	(92,340)	(68,075)	(169,676)	(124,294)
Employee benefits expenses	(719,174)	(667,426)	(1,458,346)	(1,320,631)
Share of profit (loss) of subsidiaries for using equity method	(28,974)	(704,925)	6,093	(840,558)
Other operating expenditure	(165,634)	(144,340)	(327,344)	(279,858)
Other operating expense	(379,979)	(444,406)	(726,629)	(768,485)
Other gains and losses	<u>4,007</u>	<u>63,820</u>	<u>42,529</u>	<u>117,416</u>
Profit (loss) before tax	(100,935)	(523,129)	246,170	(407,045)
Income tax profit (expense)	<u>19,312</u>	<u>108,381</u>	<u>(24,246)</u>	<u>66,371</u>
Net profit (loss)	<u>(81,623)</u>	<u>(414,748)</u>	<u>221,924</u>	<u>(340,674)</u>
Other comprehensive income (loss)	<u>253,834</u>	<u>133,662</u>	<u>193,942</u>	<u>(76,702)</u>
Total comprehensive income (loss) for the period	<u>\$ 172,211</u>	<u>\$ (281,086)</u>	<u>\$ 415,866</u>	<u>\$ (417,376)</u>
Basic earnings per share	<u>\$(0.05)</u>	<u>\$(0.26)</u>	<u>\$0.14</u>	<u>\$(0.21)</u>

(Concluded)

TABLE 17-3**SinoPac Call Center Co., Ltd.**

Balance Sheets
June 30, 2018, December 31, 2017 and June 30, 2017
(In Thousands of New Taiwan Dollars)

Assets	June 30, 2018	December 31, 2017	June 30, 2017
Current assets	\$ 91,764	\$ 95,154	\$ 96,929
Property and equipment, net	8,993	8,179	9,372
Intangible assets	6,284	7,926	9,556
Other assets	<u>938</u>	<u>980</u>	<u>1,170</u>
Total	<u>\$ 107,979</u>	<u>\$ 112,239</u>	<u>\$ 117,027</u>
 Liabilities			
Current liabilities	\$ 33,359	\$ 30,004	\$ 41,653
Other liabilities	<u>1,133</u>	<u>1,472</u>	<u>2,295</u>
Total liabilities	<u>34,492</u>	<u>31,476</u>	<u>43,948</u>
 Equity			
Share capital	40,000	40,000	40,000
Capital surplus	987	987	987
Retained earnings	<u>32,500</u>	<u>39,776</u>	<u>32,092</u>
Total equity	<u>73,487</u>	<u>80,763</u>	<u>73,079</u>
Total	<u>\$ 107,979</u>	<u>\$ 112,239</u>	<u>\$ 117,027</u>

(Continued)

SinoPac Call Center Co., Ltd.

Statements of Comprehensive Income
For the Three Months and Six Months Ended June 30, 2018 and 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Operating revenues	\$ 37,913	\$ 39,558	\$ 76,586	\$ 82,122
Operating costs and expenses	<u>(32,850)</u>	<u>(34,630)</u>	<u>(66,694)</u>	<u>(71,101)</u>
Operating income	5,063	4,928	9,892	11,021
Nonoperating income and gains	509	558	1,021	1,071
Nonoperating expenses and losses	<u>-</u>	<u>-</u>	<u>(128)</u>	<u>-</u>
Income before income tax	5,572	5,486	10,785	12,092
Income tax expense	<u>(1,153)</u>	<u>(933)</u>	<u>(2,134)</u>	<u>(2,056)</u>
Net income	4,419	4,553	8,651	10,036
Other comprehensive income	<u>38</u>	<u>-</u>	<u>21</u>	<u>-</u>
 Total comprehensive income for the period	 <u>\$ 4,457</u>	 <u>\$ 4,553</u>	 <u>\$ 8,672</u>	 <u>\$ 10,036</u>
 Basic earnings per share	 <u>\$1.10</u>	 <u>\$1.14</u>	 <u>\$2.16</u>	 <u>\$2.51</u>

(Concluded)

TABLE 17-4**SinoPac Venture Capital Corp.****Balance Sheets**

June 30, 2018, December 31, 2017 and June 30, 2017
(In Thousands of New Taiwan Dollars)

Assets	June 30, 2018	December 31, 2017	June 30, 2017
Current assets	\$ 875,763	\$ 792,137	\$ 851,220
Financial assets at fair value through profit or loss	1,955,250	-	-
Financial assets at fair value through other comprehensive income	341,476	-	-
Available-for-sale financial assets	-	1,149,887	1,374,726
Unquoted equity investments	-	1,071,689	1,205,823
Investments accounted for using the equity method	105,148	105,044	102,128
Property and equipment, net	111	53	66
Other assets	<u>12,848</u>	<u>1,485</u>	<u>426</u>
Total	<u>\$ 3,290,596</u>	<u>\$ 3,120,295</u>	<u>\$ 3,534,389</u>
Liabilities			
Payables	\$ 60,331	\$ 34,115	\$ 172,856
Other liabilities	<u>11,063</u>	<u>8,468</u>	<u>8,572</u>
Total liabilities	<u>71,394</u>	<u>42,583</u>	<u>181,428</u>
Equity			
Share capital	2,200,000	2,200,000	2,200,000
Capital surplus	1,892	1,892	1,892
Retained earnings	1,047,332	205,055	252,523
Other equity	<u>(30,022)</u>	<u>670,765</u>	<u>898,546</u>
Total equity	<u>3,219,202</u>	<u>3,077,712</u>	<u>3,352,961</u>
Total	<u>\$ 3,290,596</u>	<u>\$ 3,120,295</u>	<u>\$ 3,534,389</u>

(Continued)

SinoPac Venture Capital Corp.

Statements of Comprehensive Income
For the Three Months and Six Months Ended June 30, 2018 and 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Operating revenues (Note)	\$ (1,434)	\$ 140,121	\$ 176,083	\$ 145,649
Operating expenses	<u>(7,217)</u>	<u>(5,065)</u>	<u>(13,843)</u>	<u>(9,893)</u>
Operating (loss) income	(8,651)	135,056	162,240	135,756
Nonoperating income and expenses	<u>13,037</u>	<u>3,304</u>	<u>8,995</u>	<u>363</u>
Income before income tax	4,386	138,360	171,235	136,119
Income tax expense	<u>(3,975)</u>	<u>(35,897)</u>	<u>(4,100)</u>	<u>(38,065)</u>
Net income	411	102,463	167,135	98,054
Other comprehensive income (loss)	<u>8,327</u>	<u>(104,181)</u>	<u>8,927</u>	<u>(127,800)</u>
Total comprehensive income (loss) for the period	<u>\$ 8,738</u>	<u>\$ (1,718)</u>	<u>\$ 176,062</u>	<u>\$ (29,746)</u>
Basic earnings per share	<u>\$ -</u>	<u>\$ 0.47</u>	<u>\$ 0.76</u>	<u>\$ 0.45</u>

Note: Operating revenues for the three months ended June 30, 2018 is mainly from net loss \$2,007 thousand of financial instruments at fair value through profit or loss.

(Concluded)

TABLE 17-5**SinoPac Securities Investment Trust Co., Ltd.****Balance Sheets**

June 30, 2018, December 31, 2017 and June 30, 2017
(In Thousands of New Taiwan Dollars)

Assets	June 30, 2018	December 31, 2017	June 30, 2017
Current assets	\$ 1,109,826	\$ 1,144,318	\$ 1,131,817
Financial asset at fair value through profit or loss	591	-	-
Available-for-sale financial assets	-	22,090	27,090
Investments accounted for using the equity method	347,843	304,114	258,819
Property and equipment, net	3,280	3,440	2,473
Intangible assets	2,076	2,240	1,140
Other assets	<u>159,906</u>	<u>149,902</u>	<u>151,467</u>
Total	<u>\$ 1,623,522</u>	<u>\$ 1,626,104</u>	<u>\$ 1,572,806</u>
Liabilities			
Current and noncurrent liabilities	<u>\$ 82,895</u>	<u>\$ 95,544</u>	<u>\$ 103,386</u>
Equity			
Share capital	1,420,000	1,420,000	1,420,000
Capital surplus	844	844	844
Retained earnings	137,599	124,548	70,324
Other equity	<u>(17,816)</u>	<u>(14,832)</u>	<u>(21,748)</u>
Total equity	<u>1,540,627</u>	<u>1,530,560</u>	<u>1,469,420</u>
Total	<u>\$ 1,623,522</u>	<u>\$ 1,626,104</u>	<u>\$ 1,572,806</u>

(Continued)

SinoPac Securities Investment Trust Co., Ltd.

Statements of Comprehensive Income
For the Three Months and Six Months Ended June 30, 2018 and 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Operating revenues	\$ 72,836	\$ 71,439	\$ 138,228	\$ 139,206
Operating expenses	<u>(74,018)</u>	<u>(63,877)</u>	<u>(136,245)</u>	<u>(126,821)</u>
Operating income	(1,182)	7,562	1,983	12,385
Share of profit (loss) of associates accounted for using the equity method	11,962	3,575	42,696	(7,403)
Nonoperating income and gains	1,795	2,102	8,720	2,811
Nonoperating expenses and losses	<u>(2)</u>	<u>(4)</u>	<u>(4,032)</u>	<u>(8)</u>
Income before income tax	12,573	13,235	49,367	7,785
Income tax expense	<u>(122)</u>	<u>(1,641)</u>	<u>(1,540)</u>	<u>(2,579)</u>
Net income	12,451	11,594	47,827	5,206
Other comprehensive income (loss)	<u>(4,036)</u>	<u>5,304</u>	<u>1,013</u>	<u>(6,488)</u>
Total comprehensive income (loss) for the period	<u>\$ 8,415</u>	<u>\$ 16,898</u>	<u>\$ 48,840</u>	<u>\$ (1,282)</u>
Basic earnings per share	<u>\$0.09</u>	<u>\$0.08</u>	<u>\$0.34</u>	<u>\$0.04</u>

(Concluded)

TABLE 17-6**SinoPac Leasing Co., Ltd.**

Balance Sheets
June 30, 2018, December 31, 2017 and June 30, 2017
(In Thousands of New Taiwan Dollars)

Assets	June 30, 2018	December 31, 2017	June 30, 2017
Current assets	\$ 1,096,378	\$ 1,242,232	\$ 2,266,568
Investments in debt instruments at amortized cost	1,027,005	-	-
Debt investments without active market	-	1,217,925	1,166,425
Investments accounted for using the equity method	5,146,854	5,311,842	5,078,407
Property and equipment	84,750	89,985	97,115
Investment properties	4,948,481	4,967,490	5,008,765
Intangible assets	4,354	4,577	4,541
Deferred tax assets	170,538	32,655	54,186
Other noncurrent assets	<u>2,062,593</u>	<u>2,608,580</u>	<u>2,918,002</u>
Total	<u>\$ 14,540,953</u>	<u>\$ 15,475,286</u>	<u>\$ 16,594,009</u>
 Liabilities			
Current liabilities	\$ 1,303,835	\$ 1,465,901	\$ 6,358,131
Current tax liabilities	102,761	12,353	25,613
Long-term borrowings	7,881,401	7,915,181	4,291,899
Deferred tax liabilities	501,171	461,025	445,722
Other noncurrent liabilities	<u>408,477</u>	<u>414,249</u>	<u>435,931</u>
Total liabilities	<u>10,197,645</u>	<u>10,268,709</u>	<u>11,557,296</u>
 Equity			
Share capital	4,681,044	4,681,044	4,681,044
Capital surplus	1,498	1,498	1,498
Retained earnings (accumulated deficit)	(264,937)	673,816	472,558
Other equity	<u>(74,297)</u>	<u>(149,781)</u>	<u>(118,387)</u>
Total equity	<u>4,343,308</u>	<u>5,206,577</u>	<u>5,036,713</u>
Total	<u>\$ 14,540,953</u>	<u>\$ 15,475,286</u>	<u>\$ 16,594,009</u>

(Continued)

SinoPac Leasing Co., Ltd.

Statements of Comprehensive Income
For the Three Months and Six Months Ended June 30, 2018 and 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2018	2017	2018	2017
Operating revenues	\$ 102,860	\$ 114,108	\$ 209,460	\$ 229,712
Operating costs	(77,266)	(77,294)	(153,919)	(151,698)
Operating expenses	<u>(535,219)</u>	<u>(51,733)</u>	<u>(551,044)</u>	<u>(101,576)</u>
Operating loss	(509,625)	(14,919)	(495,503)	(23,562)
Nonoperating income and expenses	<u>63,387</u>	<u>205,874</u>	<u>220,359</u>	<u>344,527</u>
Income (loss) before income tax	(446,238)	190,955	(275,144)	320,965
Income tax (expense) profit	<u>86,778</u>	<u>(37,719)</u>	<u>(23,246)</u>	<u>(61,810)</u>
Net income (loss)	(359,460)	153,236	(298,390)	259,155
Other comprehensive loss	<u>119,031</u>	<u>32,209</u>	<u>75,609</u>	<u>(205,640)</u>
 Total comprehensive income (loss) for the period	 <u>\$ (240,429)</u>	 <u>\$ 185,445</u>	 <u>\$ (222,781)</u>	 <u>\$ 53,515</u>
 Basic earnings per share	 <u>\$0.77</u>	 <u>\$0.33</u>	 <u>\$0.64</u>	 <u>\$0.55</u>

(Concluded)

SINOPAC FINANCIAL HOLDINGS COMPANY LIMITED AND INVESTEEES

SPECIFIC RISK FROM FUTURES DEALING AND STATUS OF COMPLIANCE BY FUTURES COMMISSION MERCHANT - SUBSIDIARIES WITH FINANCIAL RATIOS AND LIMITATION REQUIREMENTS

JUNE 30, 2018, DECEMBER 31, 2017 AND JUNE 30, 2017

(In Thousands of New Taiwan Dollars)

1. Futures dealing

SinoPac Securities and its subsidiaries pay margin deposits when entering into futures contracts. SinoPac Securities and its subsidiaries also pay margin deposits for short option contracts. The margin account of SinoPac Securities and its subsidiaries are reevaluated on the basis of the market prices of the outstanding futures and option contracts. If the margin is less than the maintenance level, SinoPac Securities and its subsidiaries should either deposit additional margin or write off the contracts.

As of June 30, 2018, December 31, 2017 and June 30, 2017, the outstanding futures and options held by customers of SinoPac Securities and its subsidiaries were as follows:

		June 30, 2018				
Item	Instrument Type	Opening Position		Contract Amount/ Premium Paid (Received)	Fair Value	
		Long/Short	Volume			
Futures	Stock index futures contracts	Long	63	\$ 179,003	\$ 179,052	
	Single stock futures contracts	Long	1,365	255,592	254,099	
	Foreign exchange futures contracts	Long	426	684,865	690,739	
	Commodity futures contracts	Long	321	146,692	144,033	
	Interest futures contracts	Long	2	8,792	8,833	
	Stock index futures contracts	Short	4,472	3,504,925	3,501,707	
	Single stock futures contracts	Short	3,167	575,700	558,953	
	Foreign exchange futures contracts	Short	814	689,996	697,387	
	Commodity futures contracts	Short	222	527,832	546,631	
	Interest futures contracts	Short	93	441,698	445,159	
	Options	Options - put	Long	184	625	653
		Options - put	Short	30	(253)	(296)
		December 31, 2017				
Item	Instrument Type	Opening Position		Contract Amount/ Premium Paid (Received)	Fair Value	
		Long/Short	Volume			
Futures	Stock index futures contracts	Long	868	\$ 984,228	\$ 997,330	
	Single stock futures contracts	Long	2,965	705,862	684,711	
	Foreign exchange futures contracts	Long	322	377,248	377,386	
	Commodity futures contracts	Long	77	107,116	107,323	
	Interest futures contracts	Long	54	226,109	225,198	
	Stock index futures contracts	Short	1,775	3,124,623	3,155,697	
	Single stock futures contracts	Short	2,233	480,334	479,458	
	Foreign exchange futures contracts	Short	373	343,360	343,913	
	Commodity futures contracts	Short	104	116,264	120,026	
	Interest futures contracts	Short	59	272,033	272,319	
	Options	Options - call	Long	549	1,941	2,116
		Options - put	Long	190	410	304
Options - call		Short	6	(33)	(36)	
Options - put		Short	45	(73)	(18)	

(Continued)

		June 30, 2017			
Item	Instrument Type	Opening Position		Contract Amount/ Premium Paid (Received)	Fair Value
		Long/Short	Volume		
Futures	Stock index futures contracts	Long	681	\$ 1,328,770	\$ 1,324,551
	Single stock futures contracts	Long	1,554	514,306	513,122
	Foreign exchange futures contracts	Long	556	624,685	622,665
	Commodity futures contracts	Long	66	87,557	87,283
	Interest futures contracts	Long	11	52,312	51,427
	Stock index futures contracts	Short	4,450	4,261,529	4,246,720
	Single stock futures contracts	Short	2,838	393,641	400,694
	Foreign exchange futures contracts	Short	260	436,507	435,683
	Commodity futures contracts	Short	404	372,195	379,738
	Interest futures contracts	Short	62	285,293	282,743
Options	Options - call	Long	240	1,157	1,172
	Options - put	Long	557	609	675
	Options - call	Short	12	(35)	(23)
	Options - put	Short	3	(29)	(41)

The fair value of each contract of futures and option as of the balance sheet date was based on the closing price of the last trading day on June 30, 2018, December 31, 2017 and June 30, 2017 multiplied by the number of open contracts and calculated with each contract of futures and option respectively.

2. Futures brokering

Customers pay margin deposits when entering into futures transactions and short option contracts. Customers gain or lose a lot on the leverage resulting from the margin deposits. For the protection SinoPac Futures and SinoPac Securities (Asia) from harm arising from customers' huge losses, the margin accounts of customers are reevaluated daily on the basis of the market prices of the outstanding futures and option contracts. SinoPac Futures and SinoPac Securities (Asia) will inform customers immediately to put in additional margin deposits when their margin accounts fall below an agreed level (the "maintenance margin"). If the customers fail to do so, SinoPac Futures and SinoPac Securities (Asia) settles their position by writing off the contracts.

As of June 30, 2018, December 31, 2017 and June 30, 2017, the outstanding futures and options held by customers of SinoPac Futures and SinoPac Securities (Asia) were as follows:

	June 30, 2018	December 31, 2017	June 30, 2017
Futures - carrying value	\$ 40,130,027	\$ 29,944,342	\$ 12,573,215
- unrealized gains (losses) from outstanding contracts	3,145,002	(1,317,257)	(175,278)
Options - market value of long options	172,337	145,224	178,036
- market value of short options	(153,365)	(243,179)	171,032
Customers' margin accounts	17,776,164	17,149,716	16,369,279

(Continued)

3. Futures management

The term “discretionary futures trading” refers to a managed futures enterprise accepting commissions from specified persons and performing analyses and making judgments on futures trading in order to execute futures trading operations on behalf of, and with trading funds consigned by, the principal. Before engaging in consignments with the Management Department of SinoPac Futures for discretionary futures trading, principals should note these characteristics of futures transactions: Low margin and high finance-leverage. Because of these characteristics, principals could earn high profits or suffer serious losses. Thus, principals should be closely considered in evaluating the various factors affecting futures trading before actually making the trade. Discretionary futures trading are not risk-free transactions, and the Management Department of SinoPac Futures will not use a past trading performance to guarantee minimum profitability.

4. As of June 30, 2018, December 31, 2017 and June 30, 2017, all financial ratios of SinoPac Securities - futures department and SinoPac Futures are in compliance with Criteria Governing the Preparation of Financial Reports by Futures Commission Merchants, summarized as follows:

a. SinoPac Securities - futures department

		June 30, 2018			
Calculation Formula	Equation	Ratios	Benchmark	Conclusion	
1) $\frac{\text{Equities}}{\text{Total liabilities less futures trader's equity}}$	$\frac{\$936,435}{\$1,293}$	= 724.23	≥ 1	Conformity	
2) $\frac{\text{Current assets}}{\text{Current liabilities}}$	$\frac{\$927,517}{\$558}$	= 1,662.22	≥ 1	Conformity	
3) $\frac{\text{Equities}}{\text{Minimum paid-in capital}}$	$\frac{\$936,435}{\$400,000}$	= 234%	$\geq 60\%$ $\geq 40\%$	Conformity	
4) $\frac{\text{Adjusted net capital}}{\text{Amount of customers' margin accounts for open position of futures customers}}$	$\frac{\$911,396}{\$41,385}$	= 2,202%	$\geq 20\%$ $\geq 15\%$	Conformity	
		December 31, 2017			
Calculation Formula	Equation	Ratios	Benchmark	Conclusion	
1) $\frac{\text{Equities}}{\text{Total liabilities less futures trader's equity}}$	$\frac{\$938,553}{\$798}$	= 1,176.13	≥ 1	Conformity	
2) $\frac{\text{Current assets}}{\text{Current liabilities}}$	$\frac{\$929,017}{\$255}$	= 3,643.20	≥ 1	Conformity	
3) $\frac{\text{Equities}}{\text{Minimum paid-in capital}}$	$\frac{\$938,553}{\$400,000}$	= 235%	$\geq 60\%$ $\geq 40\%$	Conformity	
4) $\frac{\text{Adjusted net capital}}{\text{Amount of customers' margin accounts for open position of futures customers}}$	$\frac{\$919,869}{\$18,061}$	= 5,093%	$\geq 20\%$ $\geq 15\%$	Conformity	

(Continued)

		June 30, 2017			
Calculation Formula	Equation	Ratios	Benchmark	Conclusion	
1) $\frac{\text{Equities}}{\text{Total liabilities less futures trader's equity}}$	$\frac{\$951,847}{\$993}$	=958.56	≥ 1	Conformity	
2) $\frac{\text{Current assets}}{\text{Current liabilities}}$	$\frac{\$942,379}{\$151}$	=6,240.92	≥ 1	Conformity	
3) $\frac{\text{Equities}}{\text{Minimum paid-in capital}}$	$\frac{\$951,847}{\$400,000}$	=238%	$\geq 60\%$ $\geq 40\%$	Conformity	
4) $\frac{\text{Adjusted net capital}}{\text{Amount of customers' margin accounts for open position of futures customers}}$	$\frac{\$917,517}{\$45,256}$	=2,027%	$\geq 20\%$ $\geq 15\%$	Conformity	

b. SinoPac Futures

		June 30, 2018			
Calculation Formula	Equation	Ratios	Benchmark	Conclusion	
1) $\frac{\text{Equities}}{\text{Total liabilities less futures trader's equity}}$	$\frac{\$2,277,032}{\$145,889}$	=15.61	≥ 1	Conformity	
2) $\frac{\text{Current assets}}{\text{Current liabilities}}$	$\frac{\$20,023,584}{\$18,302,734}$	=1.09	≥ 1	Conformity	
3) $\frac{\text{Equities}}{\text{Minimum paid-in capital}}$	$\frac{\$2,277,032}{\$715,000}$	=318%	$\geq 60\%$ $\geq 40\%$	Conformity	
4) $\frac{\text{Adjusted net capital}}{\text{Amount of customers' margin accounts for open position of futures customers}}$	$\frac{\$2,038,590}{\$5,288,905}$	=39%	$\geq 20\%$ $\geq 15\%$	Conformity	

(Continued)

		December 31, 2017			
Calculation Formula	Equation	Ratios	Benchmark	Conclusion	
1)	$\frac{\text{Equities}}{\text{Total liabilities less futures trader's equity}}$	$\frac{\$2,330,943}{\$132,054}$	= 17.65	≥ 1	Conformity
2)	$\frac{\text{Current assets}}{\text{Current liabilities}}$	$\frac{\$18,887,694}{\$17,040,862}$	= 1.11	≥ 1	Conformity
3)	$\frac{\text{Equities}}{\text{Minimum paid-in capital}}$	$\frac{\$2,330,943}{\$715,000}$	= 326%	$\geq 60\%$ $\geq 40\%$	Conformity
4)	$\frac{\text{Adjusted net capital}}{\text{Amount of customers' margin accounts for open position of futures customers}}$	$\frac{\$2,028,829}{\$4,263,369}$	= 48%	$\geq 20\%$ $\geq 15\%$	Conformity

		June 30, 2017			
Calculation Formula	Equation	Ratios	Benchmark	Conclusion	
1)	$\frac{\text{Equities}}{\text{Total liabilities less futures trader's equity}}$	$\frac{\$2,149,243}{\$205,736}$	= 10.45	≥ 1	Conformity
2)	$\frac{\text{Current assets}}{\text{Current liabilities}}$	$\frac{\$18,014,181}{\$16,334,196}$	= 1.10	≥ 1	Conformity
3)	$\frac{\text{Equities}}{\text{Minimum paid-in capital}}$	$\frac{\$2,149,243}{\$715,000}$	= 301%	$\geq 60\%$ $\geq 40\%$	Conformity
4)	$\frac{\text{Adjusted net capital}}{\text{Amount of customers' margin accounts for open position of futures customers}}$	$\frac{\$1,747,934}{\$3,747,924}$	= 47%	$\geq 20\%$ $\geq 15\%$	Conformity

5. The management department of SinoPac Futures renders discretionary investment services. As shown below, the ratios of the discretionary investment account to shareholders' equity as of June 30, 2018, December 31, 2017 and June 30, 2017 were in conformity with the benchmark stipulated in the Regulations Governing Managed Futures Enterprises.

Calculation Formula	June 30, 2018		December 31, 2017		June 30, 2017		Benchmark
	Equation	Ratios	Equation	Ratios	Equation	Ratios	
$\frac{\text{Amount of discretionary investment account}}{\text{Equity}}$	$\frac{\$88,000}{\$105,967}$	=0.83	$\frac{\$73,500}{\$108,267}$	=0.68	$\frac{\$71,000}{\$39,705}$	=1.79	≤ 10.00

(Concluded)

**SINOPAC FINANCIAL HOLDINGS COMPANY LIMITED AND
SUBSIDIARIES**

**PUBLIC ANNOUNCEMENTS PRESCRIBED IN ARTICLE 46 OF THE FINANCIAL HOLDING
COMPANY ACT
JUNE 30, 2018 AND 2017**

Credit extensions, guarantees or other transactions made by the Company and its subsidiaries with the same person, the same related person or the same affiliate as of June 30, 2018 and 2017 are summarized as follows:

Name	June 30, 2018	
	Aggregate Amount of Credit Extensions, Guarantees or Other Transactions	% to Financial Holding Company's Net Worth
1. With the same person:		
Client A	\$ 157,605,383	114.12
Client B	10,601,757	7.68
Client C	8,079,015	5.85
Client D	8,013,794	5.80
Client E	7,475,257	5.41
Client F	6,041,512	4.37
Client G	5,413,761	3.92
Client H	5,038,563	3.65
Client I	4,765,304	3.45
Client J	4,659,175	3.37
Client K	4,501,643	3.26
Client L	4,000,443	2.90
Client M	3,862,087	2.80
Client N	3,851,362	2.79
Client O	3,781,262	2.74
Client P	3,725,380	2.70
Client Q	3,642,735	2.64
Client R	3,583,947	2.59
Client S	3,384,617	2.45
Client T	3,368,764	2.44
Client U	3,340,460	2.42
Client V	3,260,185	2.36
Client W	3,255,589	2.36
Client X	3,253,835	2.36
Client Y	3,233,742	2.34
Client Z	3,116,693	2.26

(Continued)

June 30, 2018

Name	Aggregate Amount of Credit Extensions, Guarantees or Other Transactions	% to Financial Holding Company's Net Worth
Client AA	\$ 3,095,955	2.24
Client AB	3,075,547	2.23
Client AC	3,061,100	2.22
Client AD	3,050,575	2.21
Client AE	3,037,700	2.20
Client AF	3,035,936	2.20
2. With the same related person:		
XX Chang	4,342,425	3.14
XX Chang	3,547,556	2.57
XX Lan	3,359,999	2.43
3. With the same affiliate:		
Yuanta Financial Holdings Group	14,209,857	10.29
HuaNan Financial Holdings Group	12,659,236	9.17
China Development Financial Holding Group	12,119,771	8.78
Fubon Group	11,156,842	8.08
Cathay Financial Holdings Group	10,597,570	7.67
Far Eastern Group	9,483,615	6.87
Kinpo Group	8,720,791	6.31
Standard Chartered Group	7,128,628	5.16
Taiwan Cooperative Financial Holdings Group	6,966,581	5.04
Evergreen Group	6,808,024	4.93
MiTAC - SYNEX Group	6,453,683	4.67
Hon Hai Group	6,439,657	4.66
Formosa Plastics Group	6,097,158	4.41
Yulon Motor Group	6,034,414	4.37
AU Optronics Group	5,387,299	3.90
TaiShin Group	5,175,479	3.75
China Development Bank Group	5,115,559	3.70
Catcher Technology Group	5,039,575	3.65
ASE Group	4,946,939	3.58
Quanta Group	4,876,227	3.53
Lite-On Technology Corp	4,682,482	3.39
CTCI Group	4,561,677	3.30
Uni-President Group	4,507,779	3.26
CTBC Financial Holdings Group	4,463,831	3.23
Bank of Communication Group	4,345,133	3.15
Industrial and Commercial Bank of China Group	4,252,939	3.08

(Continued)

June 30, 2018		
Name	Aggregate Amount of Credit Extensions, Guarantees or Other Transactions	% to Financial Holding Company's Net Worth
HSBC Group	\$ 4,189,536	3.03
O-Bank Group	4,180,411	3.03
Chailease Group	4,151,258	3.01
Tcc Group	4,123,787	2.99
Wisdom Marine Group	3,975,187	2.88
NAB Group	3,938,407	2.85
Walsin Lihwa Group	3,865,122	2.80
Societe Generale Group	3,781,494	2.74
China Minsheng Bank Group	3,771,645	2.73
Waterland Financial Holdings Group	3,686,544	2.67
Kbro Surf Group	3,582,495	2.59
First Financial Holding Group	3,513,607	2.54
ANZ Group	3,457,766	2.50
Union Group	3,391,196	2.46
King's Town Group	3,330,691	2.41
China Steel Group	3,320,718	2.40
Bank of Panhsin Group	3,151,936	2.28
Foxlink Group	3,013,240	2.18

(Continued)

June 30, 2017

Name	Aggregate Amount of Credit Extensions, Guarantees or Other Transactions	% to Financial Holding Company's Net Worth
1. With the same person:		
Client A	\$ 176,554,000	131.79
Client B	21,524,949	16.07
Client C	18,000,000	13.44
Client D	10,124,570	7.56
Client E	9,575,706	7.15
Client F	8,062,234	6.02
Client G	4,910,670	3.67
Client H	4,510,942	3.37
Client I	4,137,652	3.09
Client J	4,105,893	3.06
Client K	3,998,400	2.98
Client L	3,824,131	2.85
Client M	3,776,103	2.82
Client N	3,771,377	2.82
Client O	3,691,135	2.76
Client P	3,502,451	2.61
Client Q	3,500,000	2.61
Client R	3,484,906	2.60
Client S	3,419,182	2.55
Client T	3,271,638	2.44
Client U	3,262,432	2.44
Client V	3,201,273	2.39
Client W	3,168,030	2.36
Client X	3,157,287	2.36
Client Y	3,147,414	2.35
Client Z	3,093,959	2.31
Client AA	3,010,185	2.25
Client AB	3,000,212	2.24

2. With the same related person:

XX Chen	5,653,251	4.22
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(Continued)

	June 30, 2017	
Name	Aggregate Amount of Credit Extensions, Guarantees or Other Transactions	% to Financial Holding Company's Net Worth
3. With the same affiliate:		
Cathay Financial Holdings Group	\$ 13,121,727	9.79
Hon Hai Group	10,224,961	7.63
Far Eastern Group	8,490,715	6.34
Yuanta Financial Holdings Group	7,900,548	5.90
Formosa Plastics Group	7,806,673	5.83
Industrial and Commercial Bank of China Group	7,781,059	5.81
Kinpo Group	7,333,661	5.47
AU Optronics Group	6,201,286	4.63
CTBC Financial Holdings Group	6,053,071	4.52
Yulon Motor Group	5,946,788	4.44
Ruentex Financial Group	5,644,850	4.21
Evergreen Group	5,333,726	3.98
China Steel Group	5,187,933	3.87
China Development Bank Corporation	5,094,981	3.80
Bank of Communication Group	5,043,307	3.76
Fubon Group	5,005,420	3.74
MiTAC - SYNEX Group	4,972,395	3.71
Quanta Group	4,614,684	3.44
Sumitomo Mitsui Banking	4,553,634	3.40
Chailease Group	4,238,283	3.16
Bank of China	4,221,599	3.15
China Development Financial Holding Group	4,184,440	3.12
Goldman Sachs Group	4,056,323	3.03
Wistron Group	3,979,751	2.97
ANZ Group	3,904,160	2.91
Walsin Lihwa Group	3,902,546	2.91
HSBC Group	3,861,682	2.88
CTCI Group	3,846,761	2.87
Kbro Surf Group	3,793,230	2.83
Foxlink Group	3,764,460	2.81
O-Bank	3,700,600	2.76
China Construction Bank Corporation	3,358,713	2.51
HuaNan Financial Holdings	3,333,202	2.49
TaiShin Group	3,241,408	2.42
Lite-On Technology Corp	3,153,353	2.35
Raduim Life Tech. Co., Ltd.	3,122,769	2.33
Societe Generale	3,010,426	2.25

Based on Article 46 of the Financial Holding Company Act, the above information announced by the Company was summarized and calculated using the relevant accounts or transaction balances as of June 30, 2018 and 2017 provided by the Company and its subsidiaries.

(Concluded)

SINOPAC FINANCIAL HOLDINGS COMPANY LIMITED AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE SIX MONTHS ENDED JUNE 30, 2018
(In Thousands of New Taiwan Dollars)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2018	Net Income (Loss) of the Investment (Note 1)	Percentage of Ownership	Equity in the Earnings (Losses) (Note 1)	Carrying Value (Note 1)	Accumulated Inward Remittance of Earnings
					Outflow	Inflow						
Golden Trust SinoPac Fund Management	Fund raising and sale, asset management business approved by CSRC	\$ 920,002	Investment in Mainland China directly	\$ 450,801	\$ -	\$ -	\$ 450,801	\$ 87,134	49.00	\$ 42,696	\$ 347,843	\$ -
Telexpress (Shanghai) Co., Ltd.	Management consultant	42,708	Investment in Mainland China companies through an existing company established in a third region	14,611	-	-	14,611	953	1.00	-	14,611	-
Brightman International Co., Ltd.	Panel thinning	654,062	Investment in Mainland China companies through an existing company established in a third region	71,100	-	-	71,100	(66,539)	11.69	-	71,100	-
Zhong Shan Dong Yi Technology Co., Ltd.	Cover glass	244,046	Investment in Mainland China companies through an existing company established in a third region	12,202	-	-	12,202	(21,476)	4.90	-	12,202	-
Dong Ming Technology Co., Ltd.	Cover glass	19,442	Investment in Mainland China companies through an existing company established in a third region	984	-	-	984	(12,943)	4.90	-	984	-
StreetVoice International Ltd.	Design of software and service for computer system integration	23,795	Investment in Mainland China companies through an existing company established in a third region	1,684	-	-	1,684	(9,150)	4.22	-	1,684	-
Shanghai Winking Entertainment Ltd.	Design development and manufacture of software	494,967	Investment in Mainland China companies through an existing company established in a third region	335	-	-	335	(18,401)	1.95	-	335	-
Dong Guan Transound Electronics Co., Ltd.	Dynamic receiver, dynamic speaker, SMD, Array, MEMS ECM microphone, ear phone module, ear phone, headphone	238,962	Investment in Mainland China companies through an existing company established in a third region	44,204	-	-	44,204	(2,303)	5.10	-	44,204	-
SinoPac International Leasing	Leasing and financing of machinery equipment	882,659	Investment in Mainland China directly	882,659	-	-	882,659	63,237	100.00	63,237	890,509	-
SinoPac Leasing (Tianjin)	Leasing and financing of machinery equipment, account receivable factoring, trade receivable financing	864,802	Investment in Mainland China directly	864,802	-	-	864,802	11,902	100.00	11,902	863,913	-
Bank SinoPac (China)	Commercial bank	9,879,925	Investment in Mainland China directly	9,879,925	-	-	9,879,925	143,293	100.00	143,293	9,793,154	-
SinoPac Financial Consulting (Shanghai)	Business management consulting, investment consulting, business intelligence consulting	61,012	Investment in Mainland China directly	61,012	-	-	61,012	4,573	100.00	4,573	47,388	-
Beijing Sheng Chuang Hui Limited	Processing production development of cosmetics and sale of self-made product	249,781	Investment in Mainland China companies through an existing company established in a third region	25,358	-	-	25,358	(14,362)	1.26	-	25,358	-

Accumulated Investment in Mainland China as of June 30, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Limit on Investment
\$12,309,677	\$12,322,355	\$90,635,964

Note 1: Above figures have not been audited by independent certified public accountants, except those of Golden Trust SinoPac Fund Management, SinoPac International Leasing Corp., SinoPac Leasing (Tianjin), Bank SinoPac (China) Ltd. and SinoPac Financial Consulting (Shanghai) Ltd.

Note 2: The accumulated investment amounts in Mainland China as of June 30, 2018 are US\$403,520 thousand and had been authorized by the Investment Commission, MOEA are US\$403,935 thousand.

(Continued)

Note 3: Subsidiary invested in Telexpress (Shanghai) Co., Ltd. via Telexpress Corp.

Note 4: Subsidiary invested in Brightman International Co., Ltd. via Brightman Optoelectronics (Cayman) Co., Ltd.

Note 5: Subsidiary invested in Zhong Shan Dong Yi Technology Co., Ltd. and Dong Ming Technology Co., Ltd. via CGK International Co., Ltd.

Note 6: Subsidiary invested in StreetVoice International Ltd. via Neutron Innovation (BVI) Limited.

Note 7: Subsidiary invested in Shanghai Winking Entertainment Ltd. via Winking Entertainment Ltd.

Note 8: Subsidiary invested in Dong Guan Transound Electronics Co., Ltd. via Transound Electronics Co., Ltd.

Note 9: Subsidiary invested in Beijing Sheng Chuang Hui Limited via Hong Kong Xian-Xing Investment Limited.

Note 10: Foreign currencies are translated to N.T. dollars with current rate of the date of balance sheet, only the gains or losses investments are translated with current period average rate.

(Concluded)

TABLE 21**SINOPAC SECURITIES (CAYMAN) HOLDINGS LIMITED****BALANCE SHEET****JUNE 30, 2018****(In U.S. Dollars)**

ASSETS	Amount	%
CURRENT ASSETS		
Cash and cash equivalents	\$ 401,094	-
Prepayments	88,009,113	40
Other receivables	<u>60,000</u>	<u>-</u>
Total current assets	<u>88,470,207</u>	<u>40</u>
NONCURRENT ASSETS		
Investments accounted for using the equity method	<u>132,822,370</u>	<u>60</u>
Total noncurrent assets	<u>132,822,370</u>	<u>60</u>
TOTAL	<u>\$ 221,292,577</u>	<u>100</u>
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Short-term borrowings	\$ 101,200,000	46
Other payables	<u>149,816</u>	<u>-</u>
Total current liabilities	<u>101,349,816</u>	<u>46</u>
Total liabilities	<u>101,349,816</u>	<u>46</u>
EQUITY		
Share capital	137,752,581	62
Capital surplus	4,220,663	2
Accumulated deficit	(20,127,666)	(9)
Exchange differences on translation of foreign financial statements	<u>(1,902,817)</u>	<u>(1)</u>
Total equity	<u>119,942,761</u>	<u>54</u>
TOTAL	<u>\$ 221,292,577</u>	<u>100</u>

SINOPAC SECURITIES (CAYMAN) HOLDINGS LIMITED**STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2018
(In U.S. Dollars)**

	Amount	%
EXPENDITURE AND EXPENSES		
Financing costs	\$ (1,702,751)	(55)
Operating expenses	<u>(21,243)</u>	<u>-</u>
Total expenditure and expenses	<u>(1,723,994)</u>	<u>(55)</u>
OPERATING LOSS	<u>(1,723,994)</u>	<u>(55)</u>
NONOPERATING INCOME AND EXPENSES		
Share of loss of subsidiaries	(2,881,160)	(92)
Other gains and losses	<u>1,481,848</u>	<u>47</u>
Total nonoperating income and expenses	<u>(1,399,312)</u>	<u>(45)</u>
NET LOSS	<u>(3,123,306)</u>	(100)
OTHER COMPREHENSIVE INCOME		
Exchange differences on translating foreign operations	<u>533,424</u>	<u>17</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u><u>\$ (2,589,882)</u></u>	<u><u>(83)</u></u>

SINOPAC SECURITIES (CAYMAN) HOLDINGS LIMITED

SECURITIES HELD

JUNE 30, 2018

(In U.S. Dollars, Unless Stated Otherwise)

Security Type and Issuer's Name	Security Issuer's Relationship with the Holding Company	Financial Statement Account	June 30, 2018				Note
			Shares	Carrying Value	Percentage of Ownership	Net Worth	
<u>Stock</u>							
SinoPac Securities (Europe) Ltd.	Subsidiary	Investments accounted for using the equity method	2,000,000	\$ 2,149,545	100.00	\$ 2,149,545	
SinoPac Securities (Asia)	Subsidiary	Investments accounted for using the equity method	82,106	117,134,558	100.00	109,392,344	
SinoPac Asset Management (Asia) Ltd.	Subsidiary	Investments accounted for using the equity method	95,550,000	9,284,950	100.00	9,284,950	
SinoPac International Holdings Limited	Subsidiary	Investments accounted for using the equity method	2,000,000	4,253,317	100.00	4,253,317	

Note: Net worth was calculated based on the investee company's audited financial statements of the same period.

SINOPAC ASIA LIMITED (Note)**STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2018
(In U.S. Dollars)**

	Amount	%
EXPENDITURE AND EXPENSES		
Operating expenses	<u>\$ (2,567)</u>	<u>(26)</u>
Total expenditure and expenses	<u>(2,567)</u>	<u>(26)</u>
OPERATING LOSS	<u>(2,567)</u>	<u>(26)</u>
NONOPERATING INCOME AND EXPENSES		
Other gains and losses	<u>12,421</u>	<u>126</u>
Total nonoperating income and expenses	<u>12,421</u>	<u>126</u>
NET PROFIT	<u>9,854</u>	<u>100</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 9,854</u>	<u>100</u>

Note: SinoPac Asia Limited has repaid its capital and completed liquidation on March 2018, so there is no balance on the balance sheet, only statement of comprehensive income.

SINOPAC FINANCIAL CONSULTING (SHANGHAI) LIMITED

BALANCE SHEET

JUNE 30, 2018

(In CNY)

ASSETS	Amount	%
CURRENT ASSETS		
Cash and cash equivalents	\$ 9,700,548	93
Account receivables	11,057	-
Prepayments	<u>37,101</u>	<u>-</u>
Total current assets	<u>9,748,706</u>	<u>93</u>
NONCURRENT ASSETS		
Deferred tax assets	499,410	5
Guarantee deposits	<u>185,681</u>	<u>2</u>
Total noncurrent assets	<u>685,091</u>	<u>7</u>
TOTAL	<u>\$ 10,433,797</u>	<u>100</u>
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Account payables	\$ 30,000	-
Other payables	<u>102,180</u>	<u>1</u>
Total current liabilities	<u>132,180</u>	<u>1</u>
Total liabilities	<u>132,180</u>	<u>1</u>
EQUITY		
Share capital	12,220,600	117
Accumulated deficit	<u>(1,918,983)</u>	<u>(18)</u>
Total equity	<u>10,301,617</u>	<u>99</u>
TOTAL	<u>\$ 10,433,797</u>	<u>100</u>

SINOPAC FINANCIAL CONSULTING (SHANGHAI) LIMITED**STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2018
(In CNY)**

	Amount	%
REVENUE		
Revenue from advisory	\$ 2,079,240	211
Total revenue	<u>2,079,240</u>	<u>211</u>
EXPENDITURE AND EXPENSES		
Employee benefits expenses	(253,260)	(26)
Other operating expense	<u>(581,165)</u>	<u>(59)</u>
Total expenditure and expenses	<u>(834,425)</u>	<u>(85)</u>
OPERATING INCOME	<u>1,244,815</u>	<u>126</u>
NONOPERATING INCOME AND EXPENSES		
Other gains and losses	<u>68,124</u>	<u>7</u>
Total nonoperating income and expenses	<u>68,124</u>	<u>7</u>
INCOME BEFORE TAX	1,312,939	133
INCOME TAX EXPENSE	<u>(328,235)</u>	<u>(33)</u>
NET PROFIT	<u>984,704</u>	<u>100</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 984,704</u>	<u>100</u>

TABLE 27**SINOPAC INTERNATIONAL HOLDINGS LIMITED****BALANCE SHEET****JUNE 30, 2018****(In H.K. Dollars)**

ASSETS	Amount	%
CURRENT ASSETS		
Cash and cash equivalents	\$ 24,622,230	73
Other receivables	<u>9,056,686</u>	<u>27</u>
Total current assets	<u>33,678,916</u>	<u>100</u>
TOTAL	<u>\$ 33,678,916</u>	<u>100</u>
 LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Current tax liabilities	\$ 132,866	1
Other payables	89,387	-
Other current liabilities	<u>87,894</u>	<u>-</u>
Total current liabilities	<u>310,147</u>	<u>1</u>
Total liabilities	<u>310,147</u>	<u>1</u>
EQUITY		
Share capital	15,488,000	46
Retained earnings	<u>17,880,769</u>	<u>53</u>
Total equity	<u>33,368,769</u>	<u>99</u>
TOTAL	<u>\$ 33,678,916</u>	<u>100</u>

SINOPAC INTERNATIONAL HOLDINGS LIMITED**STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2018
(In H.K. Dollars)**

	Amount	%
EXPENDITURE AND EXPENSES		
Other operating expense	\$ <u>(63,691)</u>	<u>(37)</u>
Total expenditure and expenses	<u>(63,691)</u>	<u>(37)</u>
OPERATING LOSS	<u>(63,691)</u>	<u>(37)</u>
NONOPERATING INCOME AND EXPENSES		
Share of the loss of subsidiaries accounted for using equity method	(12,020,478)	(6,974)
Other gains and losses	<u>11,911,813</u>	<u>6,911</u>
Total nonoperating income and expenses	<u>(108,665)</u>	<u>(63)</u>
LOSS BEFORE TAX	(172,356)	(100)
INCOME TAX EXPENSE	-	-
NET LOSS	<u>(172,356)</u>	<u>(100)</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u>\$ (172,356)</u>	<u>(100)</u>

SINOPAC INTERNATIONAL HOLDINGS LIMITED

SECURITIES HELD

JUNE 30, 2018

(In H.K. Dollars, Unless Stated Otherwise)

Security Type and Issuer's Name	Security Issuer's Relationship with the Holding Company	Financial Statement Account	June 30, 2018				Note
			Shares	Carrying Value	Percentage of Ownership/(%)	Net Worth	
<u>Stock</u>							
SinoPac Bullion (Brokers) Ltd.	Subsidiary	Investments accounted for using the equity method	5,000,000	\$ -	100.00	\$ -	Note 3
SinoPac Services (Brokers) Ltd.	Subsidiary	Investments accounted for using the equity method	10,000	(22,509,090)	100.00	(22,509,090)	Note 2
SinoPac Financial Services (Brokers) Limited	Subsidiary	Investments accounted for using the equity method	-	-	-	-	Note 3

Note 1: Net worth was calculated based on the investee company's audited financial statements of the same period.

Note 2: Because of the negative net value of the subsidiary, the SinoPac International Holdings Limited has written down its other receivables to zero.

Note 3: SinoPac Bullion (Brokers) Ltd. and SinoPac Financial Services (Brokers) Ltd. have been approved by the FSC in April 2017, and the liquidation is still in process. SinoPac Financial Services (Brokers) Ltd. has repaid its capital in June 2018.

SINOPAC BULLION (BROKERS) LIMITED (Note)**STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2018
(In H.K. Dollars)**

	Amount	%
EXPENDITURE AND EXPENSES		
Other operating expense	\$ <u>(420)</u>	<u>-</u>
Total expenditure and expenses	<u>(420)</u>	<u>-</u>
OPERATING LOSS	<u>(420)</u>	<u>-</u>
NONOPERATING INCOME AND EXPENSES		
Other gains and losses	<u>10,156,410</u>	<u>100</u>
Total nonoperating income and expenses	<u>10,156,410</u>	<u>100</u>
NET PROFIT	<u>10,155,990</u>	<u>100</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 10,155,990</u>	<u>100</u>

Note: The liquidation of SinoPac Bullion (Brokers) Ltd. is in process, and there are only share capital and accumulated deficits on balance sheet, which are all HK\$23,500,000. Therefore, only statement of comprehensive income is disclosed.

SINOPAC FINANCIAL SERVICES (BROKERS) LIMITED (Note)**STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2018
(In H.K. Dollars)**

	Amount	%
EXPENDITURE AND EXPENSES		
Other operating expense	\$ <u>(2,205)</u>	—
Total expenditure and expenses	<u>(2,205)</u>	—
OPERATING LOSS	<u>(2,205)</u>	—
NONOPERATING INCOME AND EXPENSES		
Other gains and losses	<u>(21,977,136)</u>	<u>(100)</u>
Total nonoperating income and expenses	<u>(21,977,136)</u>	<u>(100)</u>
NET LOSS	<u>(21,979,341)</u>	<u>(100)</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u>\$ (21,979,341)</u>	<u>(100)</u>

Note: SinoPac Financial Services (Brokers) Ltd. has repaid its capital in June 2018, and the liquidation is in process. Therefore, there is no balance on balance sheet, only statement of comprehensive income is disclosed.

SINOPAC SERVICES (BROKERS) LIMITED**BALANCE SHEET****JUNE 30, 2018****(In H.K. Dollars)**

ASSETS	Amount	%
CURRENT ASSETS		
Cash and cash equivalents	\$ 6,326,932	67
Other receivables	<u>3,000</u>	<u>-</u>
Total current assets	<u>6,329,932</u>	<u>67</u>
NONCURRENT ASSETS		
Property and equipment	580,837	6
Guarantee deposits	<u>2,593,647</u>	<u>27</u>
Total noncurrent assets	<u>3,174,484</u>	<u>33</u>
TOTAL	<u>\$ 9,504,416</u>	<u>100</u>
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Other payables	<u>\$ 31,563,506</u>	<u>332</u>
Total current liabilities	<u>31,563,506</u>	<u>332</u>
Total liabilities	<u>31,563,506</u>	<u>332</u>
EQUITY		
Share capital	10,000	-
Accumulated deficit	<u>(22,069,090)</u>	<u>(232)</u>
Total equity	<u>(22,059,090)</u>	<u>(232)</u>
TOTAL	<u>\$ 9,504,416</u>	<u>100</u>

SINOPAC SERVICES (BROKERS) LIMITED**STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2018
(In H.K. Dollars)**

	Amount	%
EXPENDITURE AND EXPENSES		
Depreciation and amortization expense	\$ (331,828)	(168)
Other operating expense	<u>(38,200)</u>	<u>(20)</u>
Total expenditure and expenses	<u>(370,028)</u>	<u>(188)</u>
OPERATING LOSS	<u>(370,028)</u>	<u>(188)</u>
NONOPERATING INCOME AND EXPENSES		
Other gains and losses	<u>172,900</u>	<u>88</u>
Total nonoperating income and expenses	<u>172,900</u>	<u>88</u>
NET LOSS	<u>(197,128)</u>	<u>(100)</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u>\$ (197,128)</u>	<u>(100)</u>