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CHANG HWA BANK

ANNUAL REPORT 2019

**CHB** 彰化銀行  
CHANG HWA BANK  
SINCE 1905

Stock Code: 2801

# 2019

## ANNUAL REPORT



Published date: March, 2020  
Website: <https://www.bankchb.com>  
MOPS: <https://mops.twse.com.tw>

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## **Credit Rating Agency**

- Taiwan Ratings Corporation  
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## **Names of Exchanges Where Overseas Securities Are Listed and Methods of Inquiry:**

None.

## **Website:**

<https://www.bankchb.com>

# Our Glories

- ▼ 2019 Corporate Governance Evaluation Top 5% in TWSE Listed Company; Top 4 in the Financial Industry (Session 6)  
 ~ Taiwan Stock Exchange Corporation
- ▼ TWSE Corporate Governance 100 Index for the 4<sup>th</sup> year in a row  
 ~ Taiwan Futures Exchange
- ▼ FTSE4Good Emerging Index for the 3<sup>rd</sup> year in a row  
 ~ FTSE Russell & Taiwan Index Plus Corporation
- ▼ Taiwan High Compensation 100 Index for the 6<sup>th</sup> consecutive years  
 ~ Taiwan Stock Exchange
- ▼ Taiwan Employment Creation Index 99 for the 3<sup>rd</sup> consecutive years  
 ~ Taiwan Stock Exchange
- ▼ FTSE4Good TIP Taiwan ESG Index for three times in a row  
 ~ Taiwan ESG Index
- ▼ TCSA Taiwan Corporate Sustainability Awards for the 2<sup>nd</sup> year in a row-Corporate Sustainability Report Awards (Silver)  
 ~ Taiwan Institute for Sustainable Energy
- ▼ BSI Excellence in Sustainability Award for the 2<sup>nd</sup> year in a row  
 ~ British Standards Institution (BSI)
- ▼ 2019 CDP Climate Change Score "Management (B)"  
 ~ Carbon Disclosure Project in Britain
- ▼ Best Sustainability Award in Non-Financial Holding Banks  
 ~ Excellence Magazine
- ▼ ISO 45001: Verification of Occupational Safety and Health Management System, Leading Peers to Achieve Dual Certifications of ANAB in American and TAF in Taiwan
- ▼ The Global TOP 500 Banks (For years 2010 ~ 2013 and 2015 ~ 2020)  
 ~ The Brand Finance
- ▼ 2019 Excellent Credit Guarantee Partner Golden Quality Award, Micro Business Accompany Award  
 ~ Ministry of Economic Affairs (MOEA)
- ▼ 2019 Outstanding Bank in Cooperation of Referral Export Insurance  
 ~ Ministry of Finance (MOF)
- ▼ 2019 Annual Best Service Innovation of Electronic Cash Flow Business Award & Best Stable System Award  
 ~ Financial Information Service Co., Ltd
- ▼ 2019 Golden Torch Award for Top Ten Outstanding Enterprises of the Year (Session 15)  
 ~ Outstanding Enterprise Manager Association (OEMA)
- ▼ 2019 Healthy Workplace Certification  
 ~ Health Promotion Administration, Ministry of Health and Welfare.
- ▼ 2018 Excellent Credit Guarantee Partner Award  
 ~ Ministry of Economic Affairs (MOEA)
- ▼ 2018 Excellent-Performance of the Bank in Trust industry processing in Trust Assets for Elderly and Disabled  
 ~ Financial Supervisory Commission (FSC)
- ▼ 2018 Golden Quality Award - Credit Card Data  
 ~ Joint Credit Information Center (JCIC)
- ▼ 2018 Golden Shield Award ~ information security governance  
 ~ British Standards Institution (BSI)
- ▼ 2018 Outstanding Green Procurement Organization  
 ~ Department of Environmental Protection of Taipei City Government
- ▼ 2018 Healthy Workplace Certification  
 ~ Health Promotion Administration, Ministry of Health and Welfare.
- ▼ 2017 Sustainability Excellence Award  
 ~ British Standards Institution (BSI)
- ▼ 2017 Top-Performing Bank in SME Lending (Session 12)  
 ~ Financial Supervisory Commission (FSC)
- ▼ 2017 Annual Best Service Innovation of Electronic Cash Flow Business Award & Best Stable System Award  
 ~ Financial Information Service Co., Ltd
- ▼ 2017 Outstanding Green Procurement Organization  
 ~ Department of Environmental Protection of Taipei City Government
- ▼ Futures Diamond Award (Session 3) - The Excellence Market Maker for Futures of RMB Exchange Rate Award  
 ~ Taiwan Futures Exchange
- ▼ 2017 Securities Broker ETF Trading Competition-Improvement Step by Step Award in March  
 ~ Taiwan Stock Exchange Corporation



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# I | Letter to Shareholders

The global expansion continues to lose momentum in 2019 due to the U.S.–China trade war, heightened geopolitical risks, the delay of Brexit(British exit), Japan–South Korea trade dispute, on-going Anti-Extradition Law Amendment Bill Movement in Hong Kong, the multiple uncertain factors caused the external environment became tougher than last year.

The domestic economy is also accelerating the pace of global supply chain restructuring due to the U.S.–China trade war, and driving overseas Taiwanese businessmen to increase the domestic capacity allocation, supplemented by the Homecoming Taiwanese Entrepreneurs Investment Policy, which has successfully offset some of the negative impacts and made the economic expansion momentum of the year better than expected.

In addition, the monetary policies of the major central banks have become looser since the latter half of the year, it not only gives a great boost to the global economy but also soothes the market liquidity risk.

The Bank managed to deliver exceptional results in 2019, owing to the contribution of all employees, with cumulative pre-tax earnings amounting to NT\$ 13.52 billion, making 2019 as the 10<sup>th</sup> consecutive year in which the Bank has earned more than NT\$ 10 billion. In the aspect of credit ratings, comparison from 2019 to 2018, the Bank has upgraded from 'twAA/twA-1+' to 'twAA+/twA-1+' by Taiwan Ratings and from 'BBB+/A-2' to 'A-/A-2' by S&P. Continued to focus on corporate governance, the Bank has been selected by the Taiwan Stock Exchange as a constituent stock of the TWSE Corporate Governance 100 Index for four consecutive years, demonstrating its affirmation of the Bank's corporate governance, finance, and sound operation. We want to thank all our shareholders for their long-term support and encouragement. In the future, the Bank will continue to strive for excellence.



Chairperson

*Joanne Ling*

## A. 2019 Results of Operations

### a. Organization Changes

In order to strengthen organization operation and enhance market competitiveness, the Bank decided to separate its Investment Consultant Section from the Trust Division, and affiliated with the Wealth Management Division.

### b. Accomplishments

#### 1. Deposit:

Optimized e-Banking functions; launched easy transfer service, nighttime foreign exchange service, and small amount regular deposit/lump-sum saving for small withdrawal time deposit to meet flexible demand for customers.

#### 2. Lending:

Launched the “TWD/Foreign currency loans for SMEs” project; launched personal mortgage loan related projects to raise mortgage loan business volume. Positively activated the syndicated loan cases; domestic business units completed a total of 89 syndicated loan cases in 2019.

#### 3. Foreign Exchange:

Provided consultant service and advisory fund plan in a one-stop service for customers and joined SWIFT GPI to improve cross-border remittance service quality and to provide instant transaction information service.

#### 4. Wealth Management:

(1) A total of 95 thematic financial seminars were held in 2019 to enhance the customer satisfaction with the Bank. (2) Set up a high-assets team to assist high-end customers in wealth inheritance, asset allocation planning and investment planning. (3) Develop e-Banking investment planning service to assist customers with financial plans.

#### 5. Trust:

In 2019, the Bank added 23 new domestic funds, 46 new offshore funds, 30 new foreign bonds to the product portfolio. As of the end of 2019, the Bank had a total of 1,024 domestic funds, 1,109 foreign funds and 157 overseas ETF and foreign bonds, distributed to the market, provide clients with diversified investment options.

#### 6. Credit Card:

(1) Optimized credit card online application functions, added the verification of using credit cards from other financial institutions and document upload functions. (2) Provided a service of paying credit card bill with Visa Debit card embedded in the CHB Wallet. (3) Added self-service of reprint bills by the kiosk in convenience stores. (4) Added service of an application for withholding public utility bills on credit cards.

#### 7. E-banking:

(1) Established CHB “I Pay” APP, to broaden the foundation of collection acquiring business, the Bank provided a comprehensive mobile cash flow collecting channel. (2) LINE personal service: launched advanced edition of LINE official account–LINE personal service, attract young people and enhance our digital corporate image.

c. Budget Execution

1. The total deposit volume reached NT\$ 1,715,728,778 thousand or 98.75% of the original budget target.
2. The total loans volume was NT\$ 1,388,512,645 thousand or 97.55% of the original budget target.
3. The total investment business (securities) average volume was NT\$ 381,799,541 thousand or 100.75% of the original budget target.
4. The foreign exchange transactions totaled US\$ 135,485,305 thousand amounting to 93.76% of the original budget target.
5. The securities brokerage transactions totaled NT\$ 83,936,945 thousand or 83.11% of the original budget target.
6. Trust fund subscription business totaled NT\$ 35,995,232 thousand or 87.95% of the original budget target.
7. The assets under custody totaled NT\$ 226,850,451 thousand or 154.85% of the original budget target.
8. The insurance agency transactions totaled NT\$ 30,403,484 thousand or 106.10% of the original budget target.
9. The total card transaction volume (retail spend) reached NT\$ 18,900,965 thousand representing 104.99% of the original target.

d. Financial Highlights

1. Net interest income: NT\$ 22,849,707 thousand.
2. Net income other than net interest income: NT\$ 9,228,646 thousand.
3. Net revenue and gains: NT\$ 32,078,353 thousand.
4. Provisions for bad debts expenses, commitment and guarantee liability: NT\$ 2,136,395 thousand.
5. Total operating expenses: NT\$ 16,421,666 thousand.
6. Income before income tax: NT\$ 13,520,292 thousand.
7. Income tax expenses: NT\$ 1,948,510 thousand.
8. Net income after income tax: NT\$ 11,571,782 thousand.
9. Other comprehensive income (loss), net of tax: NT\$ 369,075 thousand.
10. Total comprehensive income (loss): NT\$ 11,940,857 thousand.



President

*Jui-Mu Huang*



11. After tax EPS: NT\$ 1.16.
12. Return on Assets (ROA): 0.55%.
13. Return on Equity (ROE): 7.26%.

e. Research and Development

1. Active development of digital finance service with patent registration:

The Bank actively deployed Fin-Tech in 2019: (1) For patent applications, a total of 55 new patents and 20 new invention patents, of which 46 new patents have been approved. (2) For customer service, the Bank launched CHB I Pay APP, finance API payment/collect service and issued MY LOVE cash reward credit card. (3) For digital finance, the Bank launched an easy transfer service, LINE personal service, and credit card QR code scan payment service. (4) For artificial intelligence, the Bank has launched conversational business services.

2. More business research to striving for innovation:

In order to promote innovation and development of the Bank's business, the Bank identified subjects on the current business operations and related financial issues studied by all employees. In 2019, a total of 27 business research reports completed as reference for units' business operations.

3. Applying Big Data to Improve Business Promotion Efficiency:

The Bank actively cooperated with government policies and assisted small, medium, and micro-enterprises in financing gaps. Utilized big data technology to reconfigure the marketing links of customer groups, and uses an innovative data model system to automatically collect public customer information and optimize learning, and continuously expand the scale of public information service in order to improve the efficiency of business development.

## B. 2020 Highlights of Business Plans

a. Business Directions and Operational Policies

1. Deposits:

Launch preferential interest rate deposit program for targeted customers to broaden the Bank's deposit scale and market share.

2. Lending:

Maintain the growth of personal loan operation volume, deepen the SME customer base, and build a strong foundation for credit business; optimize the depth and breadth of financial services for large enterprises, and grasp the business opportunities of return of overseas funds to increase the market share of credit business.

3. Investment:

Get familiar with market pulsations and provide diversified financial products. At the same time, research on various financial product trends, use the Bank's operable product line, consider the risks and rewards, and conduct with financial operations to adjust portfolio positions promptly to increase surplus.

4. Foreign Exchange:

Stabilized the virtuous cycle of the U.S. dollar capital chains, increase the foreign currency loan-to-deposit ratio, revitalize the foreign exchange business commitment, and continue to grasp the business opportunities for repatriation of foreign funds.

5. Securities Brokerage:

Continue to promote E-order business volume, broaden the entire business volume of securities in order to increase handling fees.

#### 6. Wealth Management:

Develop diversified wealth management products and expand service differentiation; support high-asset team customer business models to support branches to expand their business; and use big data for accurate customer group marketing and management.

#### 7. Trust:

Continue to introduce excellent financial securities in domestic and from foreign countries; promote the trust for Elderly care and strive for reconstruction of urban unsafe and old buildings trust.

#### 8. Insurance Agency Business:

Adjust the business structure of insurance products to increase the commission fee; pay attention to market trends, and expand the diversity of life insurance products for different customer groups; develop digital financial services, and launch mobile insurance business.

#### 9. Cards:

Increase the issuing volume of credit card and collaborate with acquiring authorized stores of distinction, with promoting mobile payment products and effectively control risks.

#### 10. E-commerce/Online Banking:

Plan enterprise online banking upgrade to support diversified and multinational business development. Build up VVIP mechanism for enterprise online banking to provide differentiated exclusive services.

#### b. Business Operational Targets

1. Deposit Volume: NT\$ 1,780,535,233 thousand.
2. Loans Volume: NT\$ 1,442,243,050 thousand.
3. Investment Business (Securities): NT\$ 424,387,470 thousand.
4. Foreign Exchange Transactions: US\$ 138,562,943 thousand.
5. Securities Brokerage Transactions: NT\$ 88,245,300 thousand.
6. Trust Fund Application Transactions: NT\$ 39,172,755 thousand.
7. Assets under Custody: NT\$ 231,165,674 thousand.
8. Insurance Agency Transactions: NT\$ 30,129,649 thousand.
9. Credit Card (Transaction Amount): NT\$ 20,359,526 thousand

### C. Future Development Strategy

#### a. Cultivate financial professionals

Cooperate with business strategy and development, provide a diversified human resource training system, implement internal management and compliance, actively train talents for management at all levels, cultivate financial talents with innovative thinking to create a high performance for the Bank.

#### b. Innovative and diversified investment products

Promote the launch of domestic and foreign funds, foreign bonds, and ETFs to enrich the investment product line. Enhance the function of the trust system and optimize the quality of operations and services. Respond to government nursing care policies to promote elderly trust and trust for the disabled.

#### c. Strengthen the competitiveness on insurance business

Pay attention to market trends, and meet the needs of different customer groups on insurance, introduce innovative insurance products and provide customers with a variety of options and deeply root foundation for the insurance business.

#### d. Facilitate data analysis to provide high-quality full services

Use financial data analysis to combine products, marketing, channels, and people, provide full financial wealth management product planning, strengthen the adaptability for products in investment and wealth management, improve quality and efficiency for service and increase profitability.

#### e. Implement digital transformation and deeply root professional expertise

Utilize FinTech innovations to enhance digital capabilities on business people, foster the development of business talent, and through the use of technology, the integration of virtual and real channels to implement digital transformation simultaneously.

## D. The Impact of the External Competitive Environment, Regulatory Environment and Macroeconomic Environment

### a. External Competitive Environment

1. The authority announced “Establishing thresholds for traditional life insurance” at the end of 2019 to let insurance return to the essence of guarantee and discourage excessive bias towards financial management and is expected to launch in the second half of 2020, and then affect customers’ willingness to purchase deposit insurance products. To adjust the previous releases, the Bank will counsel the business personnel in branches to transform and launch guarantee products with market competitiveness simultaneously
2. To avoid excessive business competition in insurance channel, the authority add the rate of additional surcharges for new mortgage life insurance must not exceed a certain percentage of the total premium. And the commission must be limited to pay to the channel at least six years installment, and is expected to be implemented in the second half of 2020. The Bank will continue to plan and promote mortgage life insurance.
3. To prevent insurance business personnel from selling insurance by persuading customers with insurance policy loan or crediting, the authority updated related additions to measure, establish a consistent mechanism for financial information on the source of premium funds transactions, and stipulate control measures such as prohibiting crediting and deposit personnel from selling insurance and investment products with cash surrender value. The Bank will adopt relevant responsive strategies for insurance agency business.
4. The authority continue to strengthen financial supervision and personal security control and the increase awareness of financial consumer protection, the cost of related monitoring mechanisms has increased consequently. To avoid inappropriate selling behaviors, the Bank will strengthen the content of relevant inspection, control mechanisms, and amend operating code of practice, raise the awareness of colleagues to obey the law, eliminate misconduct by financial advisors and reduce the risk of fraud simultaneously to enhance customers’ trust and confidence on the Bank.

### b. Regulatory Environment

1. On April 1, 2019, The Bankers Association of the Republic of China amended “Corporate Governance Best Practice Principles of Banks” which set out regulations about the terms of independent directors of banking industry and the set of corporate governance officer to enhance sound management of the financial industry. To comply with regulations, the Bank has set up a chief corporate governance officer to comprehensively manage affairs related to corporate governance.
2. On September 30, 2019, the Financial Supervisory Commission (FSC) amended “Regulations Governing Internal Operating Systems and Procedures for the Outsourcing of Financial Institution Operation,” the Bank will cooperate with the amendment to comply with regulations.
3. To cooperate with amendments of “Counter-Terrorism Financing Act,” “Regulations Governing Anti-Money Laundering of Financial Institutions” and “Money Laundering Control Act,” The Bankers Association Of The Republic Of China amended “Guidelines Governing Anti-Money Laundering and Combatting the Financing of Terrorism by the Banking Sector” and “Guidelines Governing Money Laundering and Terrorist Financing Risks Assessment and Relevant Prevention Program” on April 23, 2019 to strengthen anti-money laundering related mechanisms. The Bank has cooperated to amend the related regulations of AML/CFT Policy and Guidelines Governing AML/CFT and implement the execution.

### c. Macroeconomic Environment

Looking forward to 2020, since the novel coronavirus (COVID-19) has spread rapidly across the globe; countries around the world have implemented lockdown measures one after another, which breaks the global supply chain. In addition, as major market demand of European and American decreases and international oil price plunges, the optimistic atmosphere created by phase one trade deal signed between the U.S. and China in January, 2020 almost fades away and casts a shadow over the global economic recovery. The global economy is expected to shrink this year and the scale is much larger than global financial crisis by international research institute such as IMF, IHS Markit. As pandemic affects globally, industries of tourism, hospitality, catering and aviation bear the brunt. On the other hand, while foreign demand decreases, orders and productions in our country’s manufacturing

industry gradually came to a standstill. In spite of governments around the world adopt unprecedented monetary and fiscal policies to alleviate the impact of COVID-19, the Bank still holds cautious attitude toward economic outlook of the year because the duration of COVID-19 pandemic seems to be longer than expected.

Responding to the international and domestic economic challenges and development, the Bank will adhere to the principle of sound operation: “Enhancing core business,” “Developing multiple sources of profit,” “Expanding overseas layout,” “Improving digital financial competitiveness,” “Implementing Compliance and Corporate Governance.” With five main axes as the operating policy, we will try our best to implement and create the best performance to achieve the win-win goal of shareholders, customers, and employees.

### E. Latest Credit Ratings

Rating Agency	Release Date	Global Rating		National Rating		Outlook
		Long-term	Short-term	Long-term	Short-term	
Taiwan Ratings	2019/11	-	-	twAA+	twA-1+	Stable
S&P	2019/11	A-	A-2	-	-	Stable
Moody's	2020/2	A2	P-1	-	-	Stable

Note: On 2019, compared with 2018, Taiwan Ratings Corp. raised its issuer credit ratings on Chang Hwa Commercial Bank Ltd. to “twAA+/twA-1+” from “twAA/twA-1+”; S&P Global Ratings raised its issuer credit ratings on Chang Hwa Commercial Bank Ltd. to “A-/A-2” from “BBB+/A-2.”

Chairperson

*Joanne Ling*

President

*Jui-Ma Huang*

## II | Bank Overview

### A. Registered Date

Registered Date: July 1950

ID: 51811609

### B. The Bank's Development History

The origin of Chang Hwa Bank (the Bank) dates back to the colonial period under Japan's governance when Wu Ju-Hsiang founded the Kabushiki Kaisha Shoka Ginko in Chang Hwa on June 5, 1905, with an initial capital of 220,000 Japanese yen raised from local businessmen and landlords. In 2019, CHB celebrated its 114<sup>th</sup> anniversary. Kabushiki Kaisha Shoka Ginko relocated its head office from Chang Hwa to Taichung in 1910 to better coordinate its expansion efforts of setting up branches and offices in all major cities in Taiwan.

After Taiwan was restored to the ROC government on October 25, 1945, the Bank's predecessor established a preparatory office to reorganize as today's Chang Hwa Bank. After the Taiwan provincial government took control of Japanese shareholdings in Kabushiki Kaisha Shoka Ginko, the preparatory office conducted the Bank's first shareholders' meeting in February 1947, which elected Chang Hwa Bank's first directors and supervisors under a new government. The new board elected the preparatory office's head Ling Hsien-Tang as the Bank's first chairman. Chang Hwa Bank was formally re-incorporated under ROC Law on March 1, 1947, with an initial capital of 15 million Taiwanese yuan and acquired a corporation registration certificate from Ministry of Economic Affairs in July 1950.

The Bank adjusted its registered capital accordingly to NT\$2.4 million in December 1950. In December 1997, the Taiwan provincial government made public its shareholdings in the Bank in line with the government's policy of financial privatization. The Bank was officially privatized on January 1, 1998.

In response to the trend of the financial industry venturing into other business sectors to raise competitiveness, the Bank established "CHB Life Insurance Agency Co., Ltd." and "CHB Insurance Brokerage Co., Ltd." via joint ventures following the resolutions passed at the 2<sup>nd</sup> session of the 19<sup>th</sup> Board of Directors meeting and at the 80<sup>th</sup> session of the 19<sup>th</sup> Managing Directors' meeting held on January 12, 2001 and November 14, 2002, respectively, in order to meet the market demand for "consumer finance, combination products and a full range of financial services" and to provide customers with comprehensive financial and insurance advisory and sales services under the objective of creating a "one-stop shopping" environment. However, in an attempt to reduce business tax burden, support government policy and offer better protection for consumers, the Bank undertook a short form merger on April 1, 2016 to acquire the abovementioned subsidiaries followed by the establishment of an Insurance Agency Division. Under this arrangement, the Bank assumed all rights and obligations of the respective companies, and added life and non-life insurance agency services as part of its business activities.

In 2005, the Bank carried out a 1.4 billion Type-B preferred shares cash capital increase via private placement. Taishin Financial Holdings Co., Ltd. (TSFHC) won the bidding in the competition, with the cash capital increase date of record set for October 3, 2005. After the capital increase, the Bank had registered capital of NT\$63,594,756,000. On October 3, 2008, the shares were fully converted to common stocks at the expiry of 3 years after issued date in accordance with the Bank's articles of incorporation and completed the public offering procedure for listing on March 31, 2020.

In order to provide more comprehensive financial services in China, the Bank established the subsidiary "Chang Hua Commercial Bank, Ltd." which was approved by China Banking and Insurance Regulatory Commission. The headquarter was based in Nanjing, Jiangsu Province, with the existing Kunshan branch, Kunshan Huaqiao sub-branch, Dongguan branch and Fuzhou branch, and Nanjing branch was additionally set up. Nanjing subsidiary officially opened for business on December 11, 2018.

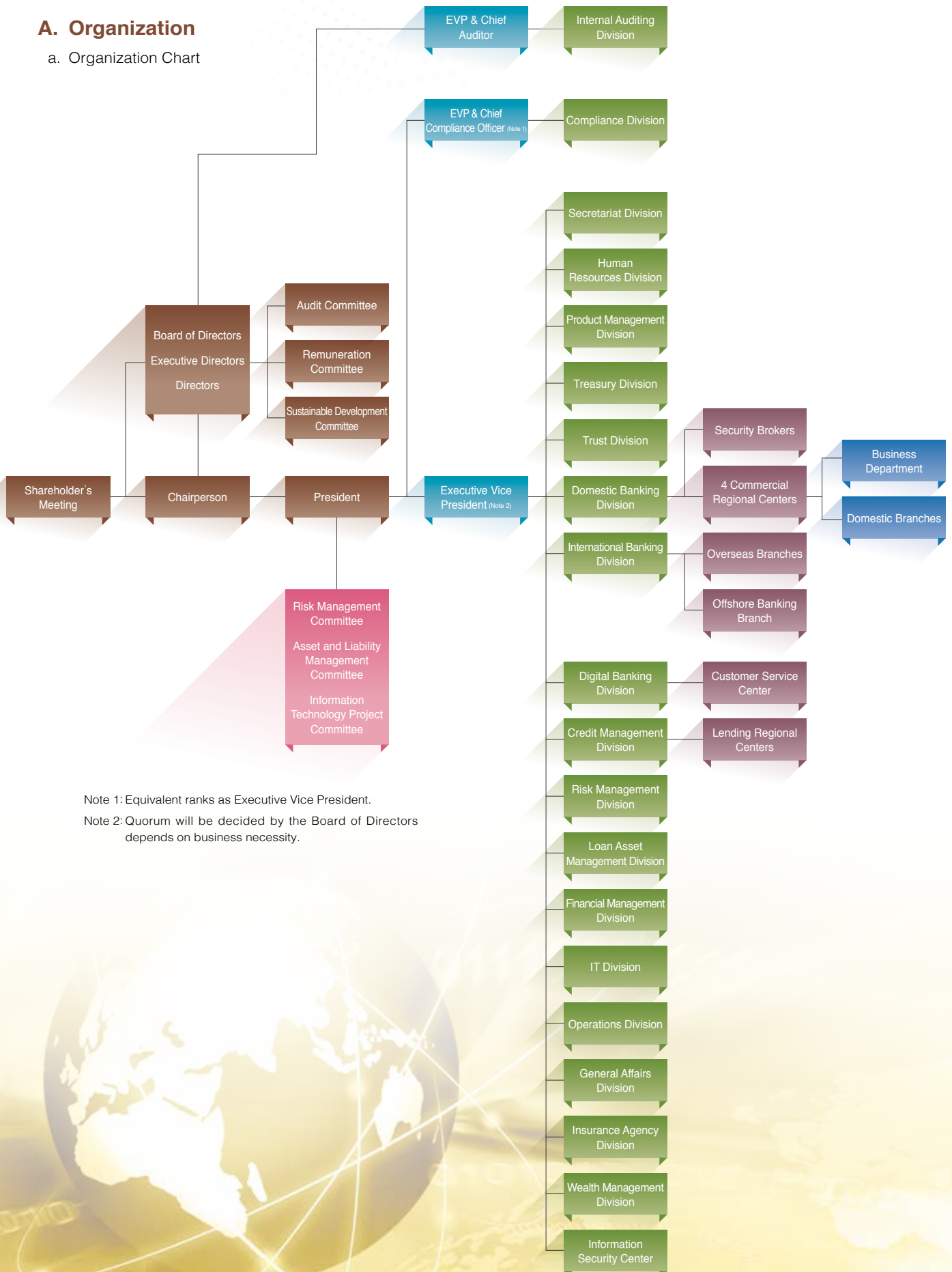
In addition, to actively assist domestic SMEs to obtain funds needed for development, support our country to develop new industries and expand added value of the overall industries, the Bank reinvested to establish a wholly-owned subsidiary "Chang Hwa Bank Venture Capital Co., Ltd (CHBVC)." The capital is NT\$600,000,000 and is officially opened on May 16, 2019 and the primary business is to provide funds for the invested enterprise directly and enterprise operation, management and consulting services.

At the end of 2019, the Bank's authorized capital stood at NT\$110,000,000,000, and the Bank's registered capital stood at NT\$99,853,111,600. The Bank is one of the leading banks in Taiwan in terms of paid-in capital and sound financial structure.

# III | Corporate Governance Report

## A. Organization

### a. Organization Chart



Note 1: Equivalent ranks as Executive Vice President.

Note 2: Quorum will be decided by the Board of Directors depends on business necessity.

## b. Major Business of Each Division

Division	Major Business
Internal Auditing Division	Managing internal control systems of all business and evaluating their implementation.
Compliance Division	Responsible for planning, managing, and implementing the Bank's compliance, anti-money laundering and countering terrorism financing.
Secretariat Division	Responsible for corporate governance, legal affairs, maintaining documentation, board of directors and audit committee, sustainable development committee, meeting-related affairs, public relations and investor relations.
Human Resources Division	Responsible for human resource strategies, administrative affairs on human resources, employee training programs with defining performance standards as well as employee compensation and welfare policies.
Product Management Division	Managing the operation planning of lending, deposits, remittance services, and foreign currencies including market research, product development and marketing strategy formulation.
Treasury Division	Managing fund scheduling, conducting financial transaction operations with providing customers transaction services/consulting, and managing long-term equity investments.
Trust Division	Managing trust and its affiliated businesses.
Domestic Banking Division	Responsible for operation management of domestic business operations units as well as the securities brokerages, syndicated loans, location evaluation, and business promoting.
International Banking Division	Responsible for overseas branches' development strategy and business planning, maintaining a correspondent banking network, the back-end management and operations of foreign currency business.
Digital Banking Division	Responsible for the planning, development, marketing, management assessment of digital banking and card business, as well as call center operations and social media management.
Credit Management Division	Establishing regulations as well as supervising, supporting, and governing loan approvals.
Risk Management Division	Drawing up and revising risk management policies, planning and monitoring risk management mechanisms, and formulating and integrating risk management rules.
Loan Asset Management Division	Overseeing the planning, execution and management of non-performing loans, overdue receivables and collection of bad debts.
Financial Management Division	Administering issues including financial accounting, tax planning management, MIS performance management analysis, asset and liability planning management, and account auditing.
IT Division	In charge of research, analysis, scheduling and implementation of information business, and development, construction and maintenance of information systems.
Operations Division	Managing and planning NTD deposit/remittance service; business inclusive of centralized operations of notes, remittance, payment collection, judicial attachment, and ATMs outside branches.
General Affairs Division	Mastering general affairs, cashiers, procurement of goods, premises management, real estate activation management, leasing and security maintenance, and occupational safety and health.
Insurance Agency Division	Planning, promotion and execution of insurance agency business.
Wealth Management Division	Planning, promotion and execution of wealth management business.
Information Security Center	In charge of planning, monitoring and implementing information security management; establishing information security protection mechanisms for business, transactions and information mutual application.
Commercial Regional Centers	Guiding, assisting and supporting various business operations and centralized processes of business operation units within the supervised area.
Business Operation Units	Performing the business activities stated on the license or in the Articles of Incorporation.

## B. Directors, Major Managers and Consultants

### a. Board of Directors

#### 1. Board of Directors (1):

Title	Nationality / Domicile	Name	Male / Female	Date Elected (yy/mm)	Term (YY)	Date of first Appointment (YY / MM) Representative of Institutional Shareholder / Institutional Shareholder	Shareholding on Election		Current Shareholding		Shareholding by Self, Spouse & Minor Children	
							Shares	%	Shares	%	Shares	%
Chairperson	The Republic of China (R.O.C.)	Joanne Ling (Delegate of Ministry of Finance (MOF))	F	Apr. 2019	3	Apr. 2019 Feb. 1947	1,093,072,201	12.19	1,217,507,539	12.19	0	0
Managing Director	The Republic of China (R.O.C.)	Cheng Ching Wu (Delegate of Taishin Financial Holding Co., Ltd. (TSFHC))	M	Jun. 2017	3	Nov. 2005 Nov. 2005	2,021,212,165	22.55	2,251,306,956	22.55	885,747	0
Managing Director (Independent Director)	The Republic of China (R.O.C.)	Kuo-Yuan Liang	M	Jun. 2017	3	Nov. 2008	0	0	0	0	0	0
Director	The Republic of China (R.O.C.)	Julius Chen (Delegate of TSFHC)	M	Jun. 2017	3	Mar. 2006 Nov. 2005	2,021,212,165	22.55	2,251,306,956	22.55	190,804	0
Director	The Republic of China (R.O.C.)	Chia-Chi Hsiao (Delegate of MOF)	M	Oct. 2018	3	Oct. 2018 Feb. 1947	1,093,072,201	12.19	1,217,507,539	12.19	0	0
Director	The Republic of China (R.O.C.)	Chien-Yi Chang (Delegate of National Development Fund, Executive Yuan)	M	Jun. 2018	3	Jun. 2018 Nov. 2008 (Note)	246,494,217	2.75	274,555,117	2.75	0	0
Director (Independent Director)	The Republic of China (R.O.C.)	Jung-Chun Pan	M	Jun. 2017	3	Dec. 2014	0	0	0	0	0	0
Director (Independent Director)	The Republic of China (R.O.C.)	Chi-Chang Yu	M	Jun. 2017	3	Jun. 2017	0	0	0	0	0	0

Note: The term of Delegate of National Development Fund, Executive Yuan served as the supervisor of the Bank was from Nov. 2008 to Dec. 2014.



Shareholding Under Others' Title		Prime Experience & Education Current Positions	Current Positions in the Bank and Other Companies	Being the Spouse or Relative within 2 Tiers of Other Managers, Directors or Supervisors			Whether the chairperson of the board of directors and the general manager or person of an equivalent post of a company are the same person, spouses, or relatives within the first degree of kinship
Shares	%			Title	Name	Relation	
0	0	Master of Public Finance, National Chengchi University Department of Public Administration, National Chengchi University Chairperson, Land Bank of Taiwan Chairperson, The Export-Import Bank of the Republic of China Supervisor, Bank Taiwan Insurance Brokers Co., Ltd. Director, Mega Financial Holding Co., Ltd. Director-General, National Treasury Administration, MOF Supervisor, Mega Financial Holding Co., Ltd. Director-General, National Taxation Bureau of Taipei, MOF Director-General, National Taxation Bureau of the Northern Area, MOF Chief Secretary, MOF Director, Taxation Administration, MOF Deputy-Director, Taxation Agency, MOF	Director, CDIB & Partners Investment Holding Corp.	None	None	None	None
0	0	Ph. D, The University of Tokyo President, Tasco Chemical Corporation	Chairman, Tasco Chemical Corporation Chairman, Safeway Gas Co., Ltd. Chairman, Excel Chemical Co., Ltd. Chairman, Chan Fong Logistics Co., Ltd. Chairman, Tuntex Petrochemicals Inc. Chairman, Ho-Shin Corporation Chairman, TNS Logistics International Corp. Chairman, Ming-Xing Chemical Co., Ltd. Director, Global Financial Services Co., Ltd. Director, China Investment & Development Co., Ltd. Director, Shun Li Tung Logistics Company Director, TSFHC	None	None	None	None
0	0	Ph.D., Economics, Duke University, U.S.A. Honorary Professor, College of Technology Management, National Tsing Hua University Professor, Department of Economics, National Tsing Hua University Adjunct Professor, Department of Economics, National Taiwan University Commissioner, Fair Trade Commission, Executive Yuan	Chairman, Yuanta-Polaris Research Institute Director, San Fu Chemical Co., Ltd.	None	None	None	None
0	0	EMSF, Baruch College The City University of New York Chairman, CHB President, TSFHC Vice Chairman, Taishin International Bank Chairman, Taishin Bills Finance Corporation CFO, Taiwan High Speed Rail Corporation President, Taishin International Bank VP&GM, Bank of America	None	None	None	None	None
0	0	Master of Management Science, National Chiao Tung University Supervisor, Bank Taiwan Insurance Brokers Co., Ltd. Director, Department of Fiscal, Statistical and Financial Affairs, Executive Yuan Director, Mega Financial Holding Co., Ltd. Supervisor, Mega International Commercial Bank Co., Ltd. Deputy Director-general, National Treasury Administration, MOF Supervisor, Taiwan Financial Holdings Co., Ltd. Chief Accountant, MOF Senior BAS personnel & Executive Manager, Accounting Management Center, Directorate-General of Budget, Accounting and Statistics, Executive Yuan Director, Directorate-General of Budget, Accounting and Statistics, Executive Yuan Chief Accountant, Environmental Protection Administration, Executive Yuan Chief Accountant, Research, Development and Evaluation Commission, Executive Yuan	Director-General, National Treasury Administration, MOF Vice Chairman, Institute of Internal Auditors-Chinese	None	None	None	None
0	0	Ph.D, Economics, National Taipei University Deputy Director, Research Division II, Taiwan Institute of Economic Research Associate Research Fellow, Taiwan Institute of Economic Research	President, Taiwan Institute of Economic Research Director, Research Division II, Taiwan Institute of Economic Research Research Fellow, Taiwan Institute of Economic Research Director, Asia Pacific Emerging Industry Venture Capital Co., Ltd. Director, YangMing Marine Transport Corp. Member, Wholesale and Retail Committee, Taiwan Coalition of Service Industries Director, Central Bank of the Republic of China (Taiwan)	None	None	None	None
0	0	Bachelor of Bank & Insurance, Feng Chia University Supervisor, Key Ware Electronics Co., Ltd. Director & President, Mega Asset Management Co. Director & COO, Concord ASIA Finance Ltd. Assistant Vice President, Taishin International Bank Assistant Vice President, Da An Bank Deputy General Manager, Savings Department of Bank of Communications	None	None	None	None	None
0	0	J.S.D, J.S.M, Stanford University LL.M., LL.B., National ChengChi University Managing Director (Independent Director), Agricultural Bank of Taiwan Member of the Board, Examiners for Bar Examination, Examination Yuan Commissioner, Complaint Review Board for Government Procurement of Public Construction Commission, Executive Yuan Partner, Lee and Li, Attorneys-at-Law Judge, Taiwan Banqiao District Court, Taiwan Ilan District Court, Taiwan Hualien District Court	Adjunct Professor, Department of Industrial and Business Management, Chang Gung University Adjunct Associate Professor, Department of Accounting, National Taiwan University Adjunct Associate Professor, School of Law, Soochow University Independent Director, Mytrex Health Technologies, Inc.	None	None	None	None

## 2. Major Shareholders of Juristic Person Shareholders:

April 21, 2020

Juristic Person Shareholder	Major Shareholders of Juristic Person Shareholders
Taishin Financial Holding Co., Ltd.	TASCO Chemical Co., Ltd. (3.71%) Taishin Leasing & Financing Co., Ltd. (2.95%) China Life Insurance Co, Ltd. (2.12%) Fubon Life Insurance Co., Ltd. (1.88%) Farglory Life Insurance Inc. (1.61%) JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (1.60%) Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds (1.32%) Norges Bank-internal-NBIM PF EQ INTERNAL CFD (1.24%) Shinkong Synthetic Fibers Corporation (1.18%) Tong Shan Invest Co., Ltd. (1.18%)
Ministry of Finance	N/A
National Development Fund, Executive Yuan	N/A

## 3. Major Juristic Person Shareholders of the Bank's Major Shareholders of Juristic Person Shareholders:

April 21, 2020

Juristic Person Shareholder	Major Shareholders of Juristic Person Shareholders
TASCO Chemical Co., Ltd.	Tai-Ho Enterprise Invest Co., Ltd. (58.20%) Fong-He Development Co., Ltd. (9.32%) He-Fong Invest Co., Ltd. (1.16%) Cheng-Ching Wu (0.99%) Pei-Jyuan Wu (0.95%) He-Cheng Invest Co., Ltd. (19.55%) Da-Jan Development Invest Co., Ltd. (1.72%) Fong-He Invest Co., Ltd. (1.01%) Shang-Bin Wu (0.99%) Pei-Rong Wu (0.93%)
Taishin Leasing & Financing Co., Ltd.	Yun Ten Co., Ltd. (40.60%) Pan Asian Plastics Corp. (22.20%) Ruey-Shiang Invest Co., Ltd. (4.07%) Tong Shan Invest Co., Ltd. (26.00%) Ruey-Shin Enterprise Co., Ltd. (7.06%) Jau-Heng Co., Ltd. (0.07%)
China Life Insurance Co, Ltd.	China Development Financial Holding Corporation (26.16%) KGI Securities Co., Ltd. (8.66%) Cathay Life Insurance Co., Ltd. (3.04%) Videoland Inc. (2.42%) New Labor Pension Fund (1.61%) Lin-Lang Chan (1.24%) JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (1.21%) Government of Singapore (1.17%) Norges Bank-internal-NBIM PF EQ INTERNAL CFD (1.12%) Labor Insurance Fund (1.03%)
Fubon Life Insurance Co., Ltd.	Fubon Financial Holding Co., Ltd. (100%)
Farglory Life Insurance Co., Ltd.	Shin Yu Investment Ltd. (19.00%) Yuan Jian Invest Co., Ltd. (8.91%) Harvard International Invest Co., Ltd. (6.71%) Farglory International Invest Co., Ltd. (6.43%) Yu-Nu Chao (5.77%) Far East Co., Ltd. (12.48%) Teng-Hsiung Chao (8.49%) Ruei Ji International Invest Co., Ltd. (6.43%) Chun-Yao Yeh (5.96%) Tung Yuan Construction Engineering Co., Ltd. (5.63%)
Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	N/A
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	N/A
Norges Bank-internal-NBIM PF EQ INTERNAL CFD	N/A
Shinkong Synthetic Fibers Corporation	Shin Kong Life Insurance Co., Ltd. (5.81%) Shin Sheng invest Co., Ltd. (4.99%) Shin Kong Spinning Co., Ltd. (3.47%) Julian invest Co., Ltd. (2.37%) China Life Insurance Co, Ltd. (2.18%) Shin Kong Company Ltd. (5.22%) Trust property account managed by HwaTai Bank (4.66%) Shin Kong Fire & Marine Insurance Co., Ltd. (3.04%) Toray Industries, Inc. (2.20%) Yuan-Bau Co., Ltd. (2.18%)
Tong Shan Invest Co., Ltd.	Ruey-Shin Enterprise Co., Ltd. (78.75%) Eugene Wu (3.125%) Thomas T.L. Wu (3.125%) Ruo-Nan Sun (2.50%) Eric Wu (1.875%) Guei-lan Wu (3.125%) (Note) Anthony Wu (3.125%) Hsien Hsien Hsu (2.50%) Hsing Hua Ho (1.875%)

Note: Mrs. Guei-lan Wu passed away on Mar. 30, 2016.

#### 4. Board of Directors (2):

Mar. 20, 2020

Name	Qualifications (Note 1)			Independent Status (Note 2)												Number of Serving as an Independent Director of Other Public Companies
	A	B	C	1	2	3	4	5	6	7	8	9	10	11	12	
Joanne Ling			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Cheng-Ching Wu			✓	✓	✓	✓	✓		✓	✓		✓	✓	✓		0
Kuo-Yuan Liang	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Julius Chen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Chia-Chi Hsiao	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Chien-Yi Chang	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Jung-Chun Pan			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Chi-Chang Yu	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1

Note 1: Directors and Supervisors shall meet one of the following professional requirements, together with at least five-year work experience:

- An instructor or higher in a department of commerce, law, finance, accounting, or other academic department related to the banking business in a public/private junior college, college, or university.
- A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and has been awarded a certificate in a profession necessary for the banking business.
- With work experience in the fields of commerce, law, finance, accounting, or other profession necessary for the banking business.

Note 2: During the two years before being elected or during the term of office, members shall meet the following terms with "✓" mark.

- Neither employee of the bank nor its affiliates.
- Neither a director nor a supervisor of the bank nor its affiliates. (This restriction does not apply to independent director positions in the bank, its parent company or subsidiaries or subsidiaries belong to the same parent company which has been appointed in accordance with Securities and Exchange Act or laws of the registered country).
- Individual shareholder who holds shares, together with those held by his/her spouse, minor children, or held under others' names, in an aggregate amount of 1% or more of the total outstanding shares of the bank or natural persons who rank among the top 10 shareholders in terms of the share volume held are excluded.
- The spouse or relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in preceding (2), (3) subparagraphs, or of managerial persons listed in the preceding (1) subparagraph are excluded.
- Directors, supervisors, or employees of a juristic person shareholder that directly hold 5% or more of the total outstanding shares of the bank or ranks among the top 5 juristic person shareholders of appointed delegates according to Paragraph 1 or Paragraph 2, Article 27 of Company Act shareholders in the terms of share volume held are excluded. (This restriction does not apply to mutual independent director positions in the bank, its parent company, subsidiaries, or subsidiaries belong to the same parent company, which have been appointed in accordance with Securities and Exchange Act or laws of the registered country.)
- Director's order of seats or whose outstanding shares more than half amount is controlled by the same person's other company's Director, supervisor or employees, have voting power are excluded. (This restriction does not apply to mutual independent director positions in the bank, its parent company, subsidiaries, or subsidiaries belong to the same parent company, which have been appointed in accordance with Securities and Exchange Act or laws of the registered country.)
- The Bank's Chairperson and President or in line with position is the same person or spouse of the company or institution's directors, supervisors or employees, are excluded. (This restriction does not apply to mutual independent director positions in the bank, its parent company, subsidiary, or subsidiaries belong to the same parent company, which have been appointed in accordance with Securities and Exchange Act or laws of the registered country.)
- Directors, supervisors, the managerial officer, or the shareholder holding 5% or more shares of a specific company or institution that also have financial or business dealing with the bank are excluded. (However, specific company or institution has outstanding shares of more than 20% and less than 50%, its parent company, subsidiary, or subsidiaries belong to the same parent company, which have been appointed in accordance with Securities and Exchange Act or laws of the registered country are excluded.)
- A professional, owner, partner, director, supervisor, or the managerial officer and his/her spouse of a sole proprietorship, partnership, company, or institution that provides commercial, legal financial, accounting or consulting related services of audit or accumulated profits reached less than NT\$500 thousand in most recent two years to the bank or its affiliates is excluded. However, members implemented duties of Remuneration Committee and Public Tender Offer Review Committee or Merger/Consolidation and Acquisition Committee according to Securities and Exchange Act or Business Mergers And Acquisitions Act related Acts are excluded.
- A spouse or relative within the second degree of kinship among directors is excluded.
- Any of the circumstances in the subparagraphs of Article 30 of the Company Act doesn't happen.
- It isn't in the capacity of a government agency, a juristic person or its representative, as provided in the Article 27 of the Company Act, that has been elected.

b. Major Managers

Based on March 25, 2020

Name of Unit	Title	Name	Gender	Nationality	Effective Date (yy/mm/dd)	Shareholding Amount		Shareholding by Spouse & Minor Children		Shareholding Under Others' Title		Prime Experience & Education	Services Concurrently with the Other Company	The Spouse or Relative within 2 Tiers of General Managers			Remarks (Note 2)
						Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Head Office	President	Jui-Mu Huang	M	R.O.C	20190412	0	0	0	0	0	0	Department of Technology Mechanical Engineering, Ming Chi Institute of Technology	1. Director of Taiwan Small & Medium Enterprise Counseling Foundation (Taiwan SMECF) 2. Director of Chang Hwa Commercial Bank, Ltd.	None	None	None	None
Head Office	Executive Vice President	Hong-Yao Tu	M	R.O.C	20150201	88,454	0	0	0	0	0	IMBA in International Business, Tamkang University	Director of Trust Association of R.O.C	None	None	None	None
Head Office	Executive Vice President	Hom-Gang Wang	M	R.O.C	20151101	112,751	0	0	0	0	0	Department of Cooperative Economics, Tamkang University	1. Director of Taiwan Asset Management Corporation 2. Director of Taiwan Urban Regeneration & Financial Services Co. Ltd. 3. Chairman of Chang Hwa Bank Venture Capital Co., Ltd.	None	None	None	None
Head Office	Executive Vice President	Bin Chen	M	R.O.C	20170301	121,000	0	0	0	0	0	1. Institute of Information Management, National Central University 2. Institute of Computer Science and Information Engineering, National Chiao Tung University	1. Director of Taiwan Mobile Payment Co., Ltd. 2. Supervisor of Financial eSolution Co., Ltd. 3. Director of Chang Hwa Commercial Bank, Ltd.	None	None	None	None
Head Office	Executive Vice President	Chang-Hua Cheng	F	R.O.C	20190506	103,961	0	0	0	0	0	Department of Cooperative Economics, National Chung Hsing University	Director of Taipei Forex Inc.	None	None	None	None
Legal Affairs and Compliance Division	EVP & Chief Compliance Officer	Jih-Cheng Yang	M	R.O.C	20150201	15,768	0	0	0	0	0	Department of Economics, National Taiwan University	Director of Lien-An Service Corporation.	None	None	None	None
Head Office	EVP & Chief Auditor	Ya-Ling Lin	F	R.O.C	20160726	1,418	0	0	0	0	0	EMBA, National Chengchi University	None	None	None	None	None
Internal Auditing Division	SVP & Division Head	Nell-H. Tseng	F	R.O.C	20190325	0	0	0	0	0	0	Department of Business Administration, National Chengchi University	None	None	None	None	None
Secretariat Division	SVP & Division Head	Hsueh-Ni Hsieh	F	R.O.C	20181004 (Note1)	40,711	0	0	0	0	0	LLM, National Chengchi University	Director of Chang Hwa Commercial Bank, Ltd.	None	None	None	None
Human Resources Division	SVP & Division Head	Yu-Hsueh Liu	F	R.O.C	20180301	26,728	0	0	0	0	0	MBA, National Sun Yat-sen University	None	None	None	None	None
Product Management Division	SVP & Division Head	Chiou-Yueh Chen	F	R.O.C	20160523	22,732	0	0	0	0	0	EMBA, National Chengchi University	None	None	None	None	None
Treasury Division	SVP & Division Head	Chih-Chen Hsu	M	R.O.C	20150416	0	0	0	0	0	0	Department of Economics, National Taiwan University	Chang Hwa Bank Venture Capital Co., Ltd, Director	None	None	None	None
Trust Division	SVP & Division Head	Li-Ling Lan	F	R.O.C	20190506	40,986	0	0	0	0	0	Department of Statistics, Tamkang University	None	None	None	None	None
Domestic Banking Division	SVP & Division Head	Hsiu-Chuan Teng	F	R.O.C	20190506	687	0	0	0	0	0	EMBA, National Chengchi University	Supervisor of Chang Hwa Bank Venture Capital Co., Ltd.	None	None	None	None
International Banking Division	SVP & Division Head	Rueih-Hwa Cheng	F	R.O.C	20190501	215,832	0	0	0	0	0	Master of Computer Science, Pace University	None	None	None	None	None

Based on March 25, 2020

Name of Unit	Title	Name	Gender	Nationality	Effective Date (yy/mm/dd)	Shareholding Amount		Shareholding by Spouse & Minor Children		Shareholding Under Others' Title		Prime Experience & Education	Services Concurrently with the Other Company	The Spouse or Relative within 2 Tiers of General Managers			Remarks (Note 2)
						Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Digital Banking Division	SVP & Division Head	Hsiu-Hsia Tsai	F	R.O.C	20181001	14,317	0	1,909	0	0	0	Master of Banking & Finance, Tamkang University	None	None	None	None	None
Credit Management Division	SVP & Division Head	Hsiu-Luan Hsieh	F	R.O.C	20190325	13,613	0	0	0	0	0	Master of Banking & Finance, Tamkang University	None	None	None	None	None
Risk Management Division	SVP & Division Head	Shwu-Fang Wang	F	R.O.C	20190325	178,640	0	0	0	0	0	Department of Business Administration, Soochow University	None	None	None	None	None
Loan Asset Management Division	SVP & Division Head	Mei-Fang Wu	F	R.O.C	20171101	0	0	0	0	0	0	Department of Law, Fu Jen Catholic University	Supervisor of Taiwan Financial Asset Service Corporation	None	None	None	None
Financial Management Division	SVP & Division Head	Fu-Jinn Chiou	M	R.O.C	20200301	457	0	0	0	0	0	Department of Business Administration, Chinese Culture University	None	None	None	None	None
IT Division	SVP & Division Head	Hsien-Lung Chen	M	R.O.C	20171201	0	0	0	0	0	0	Department of Physics, Chung Yuan Christian University	Supervisor of Chang Hwa Bank Venture Capital Co., Ltd.	None	None	None	None
Operations Division	SVP & Division Head	Yi-Jung Chan	M	R.O.C	20190102	212	0	0	0	0	0	Department of Science of Insurance, Tamkang University	None	None	None	None	None
General Affairs Division	SVP & Division Head	Hsiang-Chun Wu	F	R.O.C	20161201	0	0	0	0	0	0	Department of Law, National Chengchi University	None	None	None	None	None
Insurance Agency Division	SVP & Division Head	Hui-Jen Wu	F	R.O.C	20190909	57,814	0	0	0	0	0	Department of International Trade, Soochow University	None	None	None	None	None
Wealth Management Division	SVP & Division Head	Hui-Yu Chen	F	R.O.C	20160401	0	0	0	0	0	0	MBA, Tulane University	None	None	None	None	None
Information Security Center	VP & GM	Yao-Ju Lu	F	R.O.C	20180928	47	0	0	0	0	0	Graduate Institute of Computer Science, National Chengchi University	None	None	None	None	None
RC Northern Area 1	SVP & Center Head	Ruei-Jan Chen	F	R.O.C	20190909	34,958	0	0	0	0	0	Master of Finance & Banking, Fu Jen Catholic University	None	None	None	None	None
RC Northern Area 2	SVP & Center Head	Yu-Chin Fan	F	R.O.C	20190201	9,483	0	0	0	0	0	Institute of Management, National Taiwan University of Science and Technology	None	None	None	None	None
RC Central Area	SVP & Division Head	Jin-Yu Yeh	F	R.O.C	20200301	125,132	0	0	0	0	0	EMBA, Feng Chia University	None	None	None	None	None
RC Southern Area	SVP & Division Head	Wen-Chung Huang	M	R.O.C	20191001	442	0	0	0	0	0	Department of Business & Applied Commerce, National Open College of Continuing Education Affiliated to Taichung University of Science and Technology	None	None	None	None	None
Offshore Banking Branch	VP & GM	Hsiao-Hua Yin	F	R.O.C	20180914	11,367	0	0	0	0	0	Department of International Trade, Ming Chuan Commercial College for Girls	None	None	None	None	None



Name of Unit	Title	Name	Gender	Nationality	Effective Date (yy/mm/dd)	Shareholding Amount		Shareholding by Spouse & Minor Children		Shareholding Under Others' Title		Prime Experience & Education	Services Concurrently with the Other Company	The Spouse or Relative within 2 Tiers of General Managers			Remarks (Note 2)
						Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Business Department	VP & GM	Tse-Tsang Tso	M	R.O.C	20160401	111,610	0	78,750	0	0	0	Department of Economics, National Chung Hsing University	None	None	None	None	None
Central Branch	VP & GM	Fang-Yuan Wu	F	R.O.C	20180301	43,606	0	0	0	0	0	Department of Cooperative Economics, Tamkang University	None	None	None	None	None
Taipei Securities Broker	VP & GM	Shun-Hung Huang	M	R.O.C	20160501	113,313	0	0	0	0	0	EMBA, National Chengchi University	None	None	None	None	None
Taichung Securities Broker	VP & GM	Shuo-Hung Huang	M	R.O.C	20160501	43,207	0	0	0	0	0	Department of Food and Nutrition, Chinese Culture University	None	None	None	None	None
Chi-Hsien Securities Broker	VP & GM	Fu-Rong Chiu	M	R.O.C	20140210	945	0	0	0	0	0	Department of Cooperative Economics, Tamkang College	None	None	None	None	None
Taichung Branch	VP & GM	Rong-Hong Way	M	R.O.C	20190311	18,799	0	0	0	0	0	Graduate Institute of Business and Management, Asia University	None	None	None	None	None
Pei-Taichung Branch	VP & GM	Yen-Chun Chen	F	R.O.C	20190311	27,462	0	0	0	0	0	Department of Foreign Languages and Literature, Providence University	None	None	None	None	None
Nan-Taichung Branch	VP & GM	You-Chen Lee	M	R.O.C	20190311	20,982	0	0	0	0	0	IMBA, National Changhua University of Education	None	None	None	None	None
Peitun Branch	VP & GM	Shiu-Hwa Chang	F	R.O.C	20181201	3,287	0	0	0	0	0	Department of Applied Business, National Open College of Continuing Education Affiliated to Taichung University of Science and Technology	None	None	None	None	None
Chung-Kang Branch	VP & GM	Chiung-Hsiao Hung	F	R.O.C	20200301	71,372	0	0	0	0	0	Department of International Trade, National Taichung Institute of Business	None	None	None	None	None
Shuinan Branch	VP & GM	Mei-Ling Chiu	F	R.O.C	20200301	12,077	0	0	0	0	0	EMBA, Feng Chia University	None	None	None	None	None
Nantun Branch	VP & GM	Jiunn-Hong Lin	M	R.O.C	20200301	36,312	0	0	0	0	0	Department of Banking and Insurance, National Taichung College of Business	None	None	None	None	None
Hsitun Branch	VP & GM	Su-Min Hsin	F	R.O.C	20180709	12,294	0	23,615	0	0	0	EMBA, Tunghai University	None	None	None	None	None
Keelung Branch	VP & GM	Der-Ho Chen	M	R.O.C	20150608	1,420	0	0	0	0	0	Department of Shipping and Transportation Management, National Taiwan College of Marine Science and Technology	None	None	None	None	None
Jenai Branch	VP & GM	Jung-Chen	F	R.O.C	20190701	803	0	0	0	0	0	Department of Economics, Feng Chia University	None	None	None	None	None
Tung-Keelung Branch	VP & GM	Shinn-Guang Duh	M	R.O.C	20190909	7,864	0	0	0	0	0	EMBA, Tamkang University	None	None	None	None	None

Name of Unit	Title	Name	Gender	Nationality	Effective Date (yy/mm/dd)	Shareholding Amount		Shareholding by Spouse & Minor Children		Shareholding Under Others' Title		Prime Experience & Education	Services Concurrently with the Other Company	The Spouse or Relative within 2 Tiers of General Managers			Remarks (Note 2)
						Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Ilan Branch	VP & GM	Hsi-Lung Wu	M	R.O.C	20170901	444	0	0	0	0	0	Department of Accounting, Open Junior College Affiliated with Taipei Municipal Junior College of Business	None	None	None	None	None
Lotung Branch	VP & GM	Kao-Jung Hsu	M	R.O.C	20170901	10,322	0	986	0	0	0	Master of Institute of Law, Chinese Culture University	None	None	None	None	None
Suao Branch	VP & GM	Don-Y.T. Wang	M	R.O.C	20170601	341	0	0	0	0	0	Department of Economics, National Chung Hsing University	None	None	None	None	None
Taipei Branch	VP & GM	Shu-Chung Chen	F	R.O.C	20200201	11,798	0	0	0	0	0	Department of International Trade, Fu Jen Catholic University	None	None	None	None	None
Chengnei Branch	VP & GM	Yu-Tang Shen	M	R.O.C	20191007	0	0	0	0	0	0	Department of Accounting, National Chung Hsing University	None	None	None	None	None
Tunhwa Branch	VP & GM	Shu-Ju Tsai	F	R.O.C	20180901	41,296	0	0	0	0	0	MBA, Yuan Ze University	None	None	None	None	None
Wanhua Branch	VP & GM	Cheng-I Huang	M	R.O.C	20180301	0	0	0	0	0	0	Department of Electronic and Computer Engineering, National Taiwan University of Science and Technology	None	None	None	None	None
Shuangyuan Branch	VP & GM	Chien-Long Kuo	M	R.O.C	20190311	1,178	0	0	0	0	0	Department of Statistics, Tamkang University	None	None	None	None	None
Hsimen Branch	VP & GM	Feng-Tsung Chang	M	R.O.C	20160901	1,371	0	0	0	0	0	Department of Agricultural Economics, National Taiwan University	None	None	None	None	None
Peimen Branch	VP & GM	Li-Feng Shen	F	R.O.C	20190311	24,116	0	0	0	0	0	Department of Shipping & Transportation Management, National Taiwan College of Marine Science and Technology	None	None	None	None	None
Yunglo Branch	VP & GM	Zhen-Dong Jian	M	R.O.C	20181008	750	0	0	0	0	0	Department of Accounting, Tamkang University	None	None	None	None	None
Chiencheng Branch	VP & GM	Ching-Hsiang Liu	F	R.O.C	20200301	24,206	0	0	0	0	0	Department of Accounting EMBA, National Changhua University of Education	None	None	None	None	None
Tatung Branch	VP & GM	Chang-Ho Wang	M	R.O.C	20190801	38,260	0	0	0	0	0	Department of Business Administration, Soochow University	None	None	None	None	None
Min-Sheng Branch	VP & GM	I-Hsin Weng	M	R.O.C	20190201	493	0	0	0	0	0	Department of Republic Administration, National Chung Hsing University	None	None	None	None	None
Chungshan North Rd. Branch	VP & GM	Chang-Cheng Chu	M	R.O.C	20190506	99,984	0	0	0	0	0	Department of International Trade, Chinese Culture University	None	None	None	None	None
Ching-Kuang Branch	VP & GM	Hueih-Rur Shy	F	R.O.C	20190506	2	0	0	0	0	0	Department of Economics, Chinese Culture University	None	None	None	None	None

Name of Unit	Title	Name	Gender	Nationality	Effective Date (yy/mm/dd)	Shareholding Amount		Shareholding by Spouse & Minor Children		Shareholding Under Others' Title		Prime Experience & Education	Services Concurrently with the Other Company	The Spouse or Relative within 2 Tiers of General Managers			Remarks (Note 2)
						Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Chien-Kuo Branch	VP & GM	Hsueh-Wen Wang	M	R.O.C	20191118	1,425	0	0	0	0	0	Department of Financial & Economic Law, Chung Yuan Christian University	None	None	None	None	None
Chilin Branch	VP & GM	Shyh-Chau Lin	M	R.O.C	20190401	58,006	0	0	0	0	0	IMBA, Tamkang University	None	None	None	None	None
Chang-An E. Rd. Branch	VP & GM	Huey-Wen Chang	F	R.O.C	20180709	0	0	0	0	0	0	Department of Finance, National Taipei College of Business	None	None	None	None	None
Tungmen Branch	VP & GM	Chiu-Ling Chen	F	R.O.C	20190305	0	0	0	0	0	0	Master of Banking and Finance, Tamkang University	None	None	None	None	None
Chung-Cheng Branch	VP & GM	Kui-Min Hsiao	F	R.O.C	20190506	1,127	0	0	0	0	0	Department of Business & Applied Commerce, Open Junior College Affiliated with National Taipei College of Business	None	None	None	None	None
Kuting Branch	VP & GM	Chia-Chen Shen	F	R.O.C	20191007	11,668	0	0	0	0	0	Department of Banking and Finance, Tamkang University	None	None	None	None	None
Chung-Hsiao Tung Lu Branch	VP & GM	Shey-Lin Chang	F	R.O.C	20200301	200	0	0	0	0	0	Department of International Trading, National Taichung College of Business	None	None	None	None	None
Yung-Chun Branch	VP & GM	Yung-Ping Lin	F	R.O.C	20191118	16,774	0	0	0	0	0	Department of Banking and Finance, Tamkang University	None	None	None	None	None
Wufenpu Branch	VP & GM	Chun-Jen Tsai	M	R.O.C	20190311	16,136	0	0	0	0	0	Department of International Trade, Soochow University	None	None	None	None	None
Taan Branch	VP & GM	Yu-Ling Tang	F	R.O.C	20190311	690	0	0	0	0	0	Department of International Trade, Tunghai University	None	None	None	None	None
Hsin-Yi Branch	VP & GM	Shu-Hsuan Lin	F	R.O.C	20180709	1,286	0	0	0	0	0	Department of Economics, National Chung Hsing University	None	None	None	None	None
Jen-Ho Branch	VP & GM	Ai-Fen Hu	F	R.O.C	20190506	11,360	0	0	0	0	0	EMBA Business Administration, Tamkang University	None	None	None	None	None
Taipei World Trade Center Branch	VP & GM	Shu-Hua Tsai	F	R.O.C	20181201	49,850	0	0	0	0	0	Department of Cooperative Economics, Tamkang University	Director of Chen Chung & Chen Ye Ruei Culture and Education Foundation	None	None	None	None
Guanglong Branch	VP & GM	Hsiu-Chu Tseng	F	R.O.C	20190304	0	0	0	0	0	0	Department of Accounting & Statistics, Ming Chuan College for Girls	None	None	None	None	None
Chengtung Branch	VP & GM	Kuei-Mei Hsu	F	R.O.C	20150316	15,588	0	0	0	0	0	Department of Accounting, Fu Jen Catholic University	None	None	None	None	None
Chunglun Branch	VP & GM	Chi-Hsin Chao	F	R.O.C	20190924	2	0	0	0	0	0	Department of Business Administration, Tung Hai University	None	None	None	None	None
Fu-Hsing Branch	VP & GM	Chi-Tsung Shih	M	R.O.C	20190311	0	0	0	0	0	0	Department of Agricultural Economics, National Taiwan University	None	None	None	None	None



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						Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Sung-Chiang Branch	VP & GM	Ting-Feng Cho	F	R.O.C	20200201	22,907	0	0	0	0	0	Department of International Trade, Chihlee Institute of Technology	None	None	None	None	None
Chengde Branch	VP & GM	Chih-Ning Chang	F	R.O.C	20191007	0	0	0	0	0	0	Master of Economics, Shih Hsin University	None	None	None	None	None
Shihlin Branch	VP & GM	Szu-Yen Lin	F	R.O.C	20191007	104,838	0	2,034	0	0	0	Department of Accounting, Takming University of Science and Technology	None	None	None	None	None
Peitou Branch	VP & GM	Chin-Li Lin	F	R.O.C	20180301	281	0	0	0	0	0	Department of Financial Management, Ming Chuan University	None	None	None	None	None
Tienmu Branch	VP & GM	Su-Jane Lin	F	R.O.C	20190909	0	0	0	0	0	0	MBA, Lughwa University of Science and Technology	None	None	None	None	None
Sungshan Branch	VP & GM	Chun-Feng Lee	F	R.O.C	20190311	11,138	0	0	0	0	0	Department of Finance, Jinwen University of Science and Technology	None	None	None	None	None
Hsi-Sung Branch	VP & GM	Kui-Fang Tsai	M	R.O.C	20190909	9,469	0	12,860	0	0	0	Department of Business Administration, Chung Yuan Christian University	None	None	None	None	None
Tung-Taipei Branch	VP & GM	Huei-Jin Lin	F	R.O.C	20190201	6,364	0	0	0	0	0	EMBA, National Taipei University	None	None	None	None	None
Dongxing Branch	VP & GM	Hui-Chen Tai	F	R.O.C	20190708	53,510	0	0	0	0	0	Department of Agricultural Economics, National Chung Hsing University	None	None	None	None	None
Hsi-Neihu Branch	VP & GM	Mei-Ching Chang	F	R.O.C	20190311	80,946	0	0	0	0	0	Master Program of Business Administration in Practicing, Chinese Culture University	None	None	None	None	None
Tachih Branch	VP & GM	Yu-Yeh Lin	F	R.O.C	20190909	250	0	0	0	0	0	Department of Economics, National Chengchi University	None	None	None	None	None
Nei-Hu Branch	VP & GM	Shu-Fen Liu	F	R.O.C	20190909	12,860	0	0	0	0	0	Department of Business Administration, College of Management, National Taipei University of Business	None	None	None	None	None
Tung-Hu Branch	VP & GM	Pan-Der Chin	M	R.O.C	20190909	700	0	0	0	0	0	Department of Economics, Fu Jen Catholic University	None	None	None	None	None
SinHu Branch	VP & GM	Jinn-Sheng Wu	M	R.O.C	20190311	565	0	29	0	0	0	Department of Business, National Open University	None	None	None	None	None
Nankang Branch	VP & GM	Hui-Ling Lee	F	R.O.C	20181201	0	0	435	0	0	0	MBA, Tamkang University	None	None	None	None	None
Mucha Branch	VP & GM	Lan-Zu Lin	F	R.O.C	20180101	14,800	0	0	0	0	0	Department of Banking & Insurance, Taiwan Provincial Taichung Institute of Commerce	None	None	None	None	None
Nankang Science Industrial Park Branch	VP & GM	Ying-Hui Hung	F	R.O.C	20190201	61,636	0	0	0	0	0	Department of International Trade, TamKang University	None	None	None	None	None

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						Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Heping Branch	VP & GM	Shr-Jan Tzeng	M	R.O.C	20190311	799	0	0	0	0	0	Department of International Trade, Soochow University	None	None	None	None	None
Hsi-Chih Branch	VP & GM	Shu-Fen Cheng	F	R.O.C	20190506	5	0	0	0	0	0	Master of Science in Finance, Ming Chuan University	None	None	None	None	None
Xike Branch	VP & GM	Yao-Shen Hsieh	M	R.O.C	20180301	0	0	0	0	0	0	Department of Print and Photography, Shih Hsin University	None	None	None	None	None
Tanshui Branch	VP & GM	Chin-Hsuan Lee	M	R.O.C	20190311	4,117	0	0	0	0	0	Master of Business Administration in Department of Finance, Ming Chuan University	None	None	None	None	None
Juifang Branch	VP & GM	Chun-Yuan Chen	M	R.O.C	20170901	771	0	0	0	0	0	Department of Business Administration, Fu Jen Catholic University	None	None	None	None	None
Sanchungpu Branch	VP & GM	Su-Chen Cheng	F	R.O.C	20190701	374	0	0	0	0	0	Department of Banking & Insurance, National Taichung Institute of Commerce	None	None	None	None	None
Pei-Sanchungpu Branch	VP & GM	Chun-Nu Yeh	F	R.O.C	20181201	981	0	0	0	0	0	Department of Finance, China Institute of Technology	None	None	None	None	None
Tung-Sanchung Branch	VP & GM	Ching-Fu Lin	M	R.O.C	20160901	0	0	0	0	0	0	Department of Administration, Open Junior College of Commerce Affiliated with National Chengchi University	None	None	None	None	None
Hsi-Sanchung Branch	VP & GM	Tzy-Yun Chen	F	R.O.C	20160401	429	0	0	0	0	0	Department of Banking, Tamkang University	None	None	None	None	None
Nan-Sanchung Branch	VP & GM	Mei-Hwa Huang	F	R.O.C	20170313	0	0	0	0	0	0	Associate of Business Administration, Open Business College Affiliated with Cheng Kung University	None	None	None	None	None
San Ho Rd. Branch	VP & GM	Lih-Lan Yang	F	R.O.C	20190506	183	0	1,425	0	0	0	Department of Business & Applied Commerce, Open Junior College Affiliated with National Taipei College of Business	None	None	None	None	None
Lu Chou Branch	VP & GM	Li-Min Cheng	F	R.O.C	20160901	3,627	0	0	0	0	0	Master of Science in Finance, Ming Chuan University	None	None	None	None	None
Hsintien Branch	VP & GM	Quei-Ying Ho	F	R.O.C	20180709	69,076	0	0	0	0	0	Department of Banking, Tamkang University	None	None	None	None	None
Pei Hsin Branch	VP & GM	Shu-Chen Yang	F	R.O.C	20190506	1,390	0	0	0	0	0	Department of Business Administration, Tamkang University Executive Master's Program of Business Administration (EMBA)	None	None	None	None	None
ChiCheng Branch	VP & GM	Ai-Ling Wang	F	R.O.C	20190311	38,486	0	0	0	0	0	Department of International Trade, National Taipei University of Business	None	None	None	None	None
Yungho Branch	VP & GM	Tsung-Ming Lai	M	R.O.C	20200201	0	0	0	0	0	0	Department of Banking Management, Tamsui Institute of Business Administration	None	None	None	None	None

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						Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Fuho Branch	VP & GM	Yin-Chao Liao	M	R.O.C	20190701	556	0	49,876	0	0	0	Department of Management, Fo Guang University	None	None	None	None	None
Chunggho Branch	VP & GM	Su-Man Hsueh	F	R.O.C	20190311	13,992	0	0	0	0	0	Department of Applied Business, National Taichung University of Science and Technology	None	None	None	None	None
Shuanggho Branch	VP & GM	Chyi-Ying Yeh	F	R.O.C	20181008	30,080	0	0	0	0	0	Department of Economics, Fu Jen Catholic University	None	None	None	None	None
Lide Branch	VP & GM	Shu-Chen Shih	F	R.O.C	20171101	13,349	0	0	0	0	0	Department of International Trade, Chinese Culture University	None	None	None	None	None
Hsinchuang Branch	VP & GM	Pi-Chin Shao	F	R.O.C	20190201	3,213	0	0	0	0	0	Department of Shipping & Transportation Management, National Taiwan Ocean University	None	None	None	None	None
Sinshu Branch	VP & GM	Meng-Chen Chiang	F	R.O.C	20190701	62,617	0	0	0	0	0	Department of Information Management, Fu Jen Catholic University	None	None	None	None	None
Wugu Industrial Park Branch	VP & GM	Yi-Huei Chiu	F	R.O.C	20180901	15,610	0	0	0	0	0	Department of International Business Administration, Finance Management Section / Master of Business Administration, Chinese Culture University	None	None	None	None	None
Nan-Hsinchuang Branch	VP & GM	Mei-Hsing Lin	F	R.O.C	20181008	16,328	0	0	0	0	0	Graduate Institute of Finance, National Taiwan University of Science and Technology	None	None	None	None	None
Sy Yuan Branch	VP & GM	Wei-Shuo Luo	M	R.O.C	20181008	21,345	0	0	0	0	0	Department of International Trade, Chung Yuan Christian University	None	None	None	None	None
Taishan Branch	VP & GM	Hui-Fang Chen	F	R.O.C	20180301	0	0	0	0	0	0	Department of Public Finance, Feng Chia University	None	None	None	None	None
Linkou Branch	VP & GM	Jia-Jen Hou	M	R.O.C	20190909	71,693	0	0	0	0	0	Department of Finance, China University of Science and Technology	None	None	None	None	None
New Linkou Branch	VP & GM	Ya-Huei Hung	F	R.O.C	20190909	8,995	0	0	0	0	0	Department of law, Tunghai University	None	None	None	None	None
Shulin Branch	VP & GM	Jui-Hui Hsu	F	R.O.C	20180901	12,787	0	7,548	0	0	0	Department of Public Finance, China University of Technology	None	None	None	None	None
Panchiao Branch	VP & GM	Lin-Li Ku	F	R.O.C	20190909	23,313	0	60	0	0	0	EMBA in Department of Finance, Ming Chuan University	None	None	None	None	None
Kuang-Fu Branch	VP & GM	Mei-Fen Shieh	F	R.O.C	20190311	926	0	204	0	0	0	EMBA, National Taipei University	None	None	None	None	None
Chiang Tsui Branch	VP & GM	Jiun-Uei Lin	M	R.O.C	20191118	58,536	0	1,085	0	0	0	EMBA in Department of Risk Management & Insurance, Tamkang University	None	None	None	None	None



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						Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Tucheng Branch	VP & GM	Pei-Fen Shieh	F	R.O.C	20180501	170,714	0	453	0	0	0	Department of Business & Applied Commerce, Open Junior College Affiliated with National Taipei College of Business	None	None	None	None	None
Sanhsia Branch	VP & GM	Ai-Hsiu Lai	F	R.O.C	20190311	0	0	0	0	0	0	Department of Shipping & Transportation Management, National Taiwan Ocean College	None	None	None	None	None
Taoyuan Branch	VP & GM	Yueh-Chiu Lai	F	R.O.C	20190909	41,359	0	0	0	0	0	Department of Accounting, Tunghai University	None	None	None	None	None
Pei-Taoyuan Branch	VP & GM	Hsiu-O Hsieh	F	R.O.C	20190909	556	0	11,138	0	0	0	Department of Economics, National Chung Hsing University	None	None	None	None	None
Ba De Branch	VP & GM	Cheng-Chu Wang	M	R.O.C	20200201	128	0	1,000	0	0	0	Department of Accounting, Chung Yuan Christian University	None	None	None	None	None
Longtang Branch	VP & GM	Yuan-Kuang Pan	M	R.O.C	20190506	1,077	0	638	0	0	0	Department of Banking and Finance, Tamkang University	None	None	None	None	None
Nankan Branch	VP & GM	Jui-Yueh Wu	M	R.O.C	20190506	0	0	0	0	0	0	Department of Construction Management, Chung Hua University	None	None	None	None	None
Tung-Linkou Branch	VP & GM	Mei-Chun Tsou	F	R.O.C	20200201	0	0	0	0	0	0	Master of Business Administration, Soochow University	None	None	None	None	None
Chungli Branch	VP & GM	Chi-Min Chung	M	R.O.C	20190801	5,304	0	0	0	0	0	Department of Business & Applied Commerce, Open Junior College Affiliated with National Taipei College of Business	None	None	None	None	None
Pei-Chungli Branch	VP & GM	Ya-Fang Lee	F	R.O.C	20191118	12,329	0	0	0	0	0	EMBA in Department of Technology Management, Fu Jen Catholic University	None	None	None	None	None
Hsin-Ming Branch	VP & GM	Ming-Thur Chen	M	R.O.C	20191118	28,542	0	16,674	0	0	0	Master of Business Administration, Lunghwa University of Science and Technology	None	None	None	None	None
Yangmei Branch	VP & GM	Chi-Hsiang Chen	M	R.O.C	20190506	1,057	0	856	0	0	0	Master of Management & Sciences, Aletheia University	None	None	None	None	None
Puhsin Branch	VP & GM	Su-Ming Cheng	F	R.O.C	20171101	18,135	0	0	0	0	0	Master of Finance, Chang Gung University	None	None	None	None	None
Hsinchu Branch	VP & GM	Feng-Fuh Chang	M	R.O.C	20200201	950	0	0	0	0	0	Department of Electronic Data Processing, National Taichung College of Business	None	None	None	None	None
Pei-Hsinchu Branch	VP & GM	Shiow-Ling Kao	F	R.O.C	20200201	1,133	0	0	0	0	0	Department of Banking, TamKang University	None	None	None	None	None
Hsinchu Science-based Industrial Park Branch	VP & GM	Lin-Ling Chen	F	R.O.C	20180709	19,710	0	0	0	0	0	Master of Science in Finance, Ming Chuan University	None	None	None	None	None
Jhubei Branch	VP & GM	Kun-Lin Lee	M	R.O.C	20200301	5,000	0	0	0	0	0	EMBA, National Sun Yat-sen University	None	None	None	None	None

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						Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Chutung Branch	VP & GM	Tung-Chia Lu	M	R.O.C	20190506	0	0	0	0	0	0	Department of Finance, Ming Chuan University	None	None	None	None	None
Zhunan Branch	VP & GM	Chiu-Min Shen	F	R.O.C	20180301	1,950	0	0	0	0	0	Master of Business Administration, Providence University	None	None	None	None	None
Miaoli Branch	VP & GM	Shao-Mao Wang	M	R.O.C	20161121	95,163	0	56,141	0	0	0	EMBA of Business Management Group, National Chung Hsing University	None	None	None	None	None
Yuanli Branch	VP & GM	Tsuey Shya-Jang	F	R.O.C	20181201	12,939	0	0	0	0	0	Master of Science in Technology Management, Chung Hua University	None	None	None	None	None
Tachia Branch	VP & GM	Pei-Chung Yang	M	R.O.C	20171101	46,425	0	0	0	0	0	EMBA of Senior Business Administration, Feng Chia University	None	None	None	None	None
Chingshui Branch	VP & GM	Chun-Hong Yeh	M	R.O.C	20190311	514	0	0	0	0	0	EMBA, National Changhua University of Education	None	None	None	None	None
Shalu Branch	VP & GM	Kuen-Shan Wang	M	R.O.C	20190311	3,358	0	0	0	0	0	Department of International Trade, Tunghai University	None	None	None	None	None
Tatu Branch	VP & GM	Li-Fen Tzeng	F	R.O.C	20180709	16,116	0	0	0	0	0	Department of Public Finance, National Chung Hsing University	None	None	None	None	None
Taipin Branch	VP & GM	Wen-Ching Chen	M	R.O.C	20180709	40,050	0	0	0	0	0	Master of Finance, National Yunlin University of Science & Technology	None	None	None	None	None
Fengyuan Branch	VP & GM	Shu-Lin Liu	F	R.O.C	20200301	43,911	0	0	0	0	0	EMBA, National Changhua University of Education	None	None	None	None	None
Daya Branch	VP & GM	Yu-Fang Chang	F	R.O.C	20200301	0	0	2,421	0	0	0	Department of Business, Feng Chia University	None	VP & GM	Chih-Hao Lo	Spouse	None
Tantzu Branch	VP & GM	Li-Mei Chang	F	R.O.C	20200301	23,706	0	0	0	0	0	Department of Business & Applied Commerce, National Open College of Continuing Education Affiliated to Taichung University of Science and Technology	None	None	None	None	None
Tungshih Branch	VP & GM	Tain-Maw Chang	M	R.O.C	20170801	5,902	0	0	0	0	0	EMBA of Finance, National Chung Hsing University	None	None	None	None	None
Wufeng Branch	VP & GM	Yuan-Fen Chen	F	R.O.C	20181201	13,494	0	0	0	0	0	Master of Finance, Chaoyang University of Technology	None	None	None	None	None
Dali Branch	VP & GM	Yi-Chen Wang	F	R.O.C	20190311	101,826	0	0	0	0	0	Department of International Trade, Chung Yuan Christian University	None	None	None	None	None
Tsaotun Branch	VP & GM	Chia-Yu Chang	F	R.O.C	20200301	45,674	0	0	0	0	0	Department of Foreign Languages and Literature, Providence University	None	None	None	None	None
Nantou Branch	VP & GM	Chin-Ping Lai	F	R.O.C	20190701	73,112	0	0	0	0	0	IMBA, National Changhua University of Education	None	None	None	None	None

Name of Unit	Title	Name	Gender	Nationality	Effective Date (yy/mm/dd)	Shareholding Amount		Shareholding by Spouse & Minor Children		Shareholding Under Others' Title		Prime Experience & Education	Services Concurrently with the Other Company	The Spouse or Relative within 2 Tiers of General Managers			Remarks (Note 2)
						Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Puli Branch	VP & GM	Ruei-Jui Chen	M	R.O.C	20190701	83,816	0	50,487	0	0	0	Department of Accounting, National Changhua University of Education	None	None	None	None	None
Shuilikeng Branch	VP & GM	Ming-Chuan Lin	F	R.O.C	20170801	96,579	0	5,414	0	0	0	Department of Business, National Open University	None	None	None	None	None
Changhua Branch	VP & GM	A-R Liu	F	R.O.C	20190311	17,567	0	2,921	0	0	0	EMBA, National Changhua University of Education	None	None	None	None	None
Lukang Branch	VP & GM	Chih-Hao Lo	M	R.O.C	20180709	951	0	1,470	0	0	0	EMBA, Feng Chia University	None	VP & GM	Yu-Fang Chang	Spouse	None
Hemei Branch	VP & GM	Kuo-Heng Hsu	M	R.O.C	20180301	10,874	0	0	0	0	0	EMBA, Feng Chia University	None	None	None	None	None
Yuanlin Branch	VP & GM	Ji-Ming Huang	M	R.O.C	20190311	1,400	0	0	0	0	0	Department of Business, National Open University	None	None	None	None	None
Hsihu Branch	VP & GM	Ti-Tien Liao	M	R.O.C	20181126	2,239	0	24,137	0	0	0	Department of Business Administration, Fu Jen University	None	None	None	None	None
Peitou Branch	VP & GM	Jui-Hung Weng	M	R.O.C	20190701	5,304	0	0	0	0	0	Department of Finance, Chaoyang University of Technology	None	None	None	None	None
Erlin Branch	VP & GM	Weng-Chung Chen	M	R.O.C	20170901	49,652	0	0	0	0	0	EMBA of Seminar in Finance, National Chung Hsing University	None	None	None	None	None
Hsiluo Branch	VP & GM	Wen-Ling Tsai	M	R.O.C	20181008	1,979	0	1,773	0	0	0	Department of Business Management, Chinese Culture University	None	None	None	None	None
Touliu Branch	VP & GM	Tzu-Chiung Huang	F	R.O.C	20190506	130,423	0	0	0	0	0	Department of Business Administration, National Cheng Kung University	None	None	None	None	None
Tounan Branch	VP & GM	Lih-Lan Kuo	F	R.O.C	20180401	0	0	0	0	0	0	Department of Accounting, Chinese Culture University	None	None	None	None	None
Huwei Branch	VP & GM	Kung-Ming Chang	M	R.O.C	20181008	51,973	0	0	0	0	0	Department of Business Administration, Chaoyang University of Technology	None	None	None	None	None
Tukoo Branch	VP & GM	Tung-Sheng Huang	M	R.O.C	20181126	3,812	0	0	0	0	0	Department of Finance, National Chung Cheng University	None	None	None	None	None
Peikang Branch	VP & GM	Shinn-Huei Leu	M	R.O.C	20170901	12,554	0	0	0	0	0	Department of Finance, National Formosa University of Science and Technology	None	None	None	None	None
Talin Branch	VP & GM	Shu-Chuan Lin	F	R.O.C	20180709	1,069	0	0	0	0	0	Department of Business Administration, National Cheng Kung University	None	None	None	None	None
Chiayi Branch	VP & GM	Chung-Shing Ho	M	R.O.C	20190909	0	0	0	0	0	0	Department of Public Finance, Feng Chia University	None	None	None	None	None
Tung-Chiayi Branch	VP & GM	Show-Fone Lu	F	R.O.C	20190909	78,732	0	0	0	0	0	Department of Business, National Open University	None	None	None	None	None
Pei-Chiayi Branch	VP & GM	Hsiu-Chih Huang	F	R.O.C	20180501	52,864	0	0	0	0	0	EMBA, Southern Taiwan University of Science and Technology	None	None	None	None	None

Name of Unit	Title	Name	Gender	Nationality	Effective Date (yy/mm/dd)	Shareholding Amount		Shareholding by Spouse & Minor Children		Shareholding Under Others' Title		Prime Experience & Education	Services Concurrently with the Other Company	The Spouse or Relative within 2 Tiers of General Managers			Remarks (Note 2)
						Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Hsinying Branch	VP & GM	Hsui-Chin Hsu	F	R.O.C	20190909	0	0	0	0	0	0	Department of Economics, National Chung Hsing University	None	None	None	None	None
Yungkang Branch	VP & GM	Chen-Ying Wu	F	R.O.C	20181126	3,707	0	0	0	0	0	EMBA, Southern Taiwan University of Science and Technology	None	None	None	None	None
Chung-Hua Road Branch	VP & GM	Wen-Ko Ho	M	R.O.C	20180401	0	0	0	0	0	0	Department of Cooperative Economics, National Chung Hsing University	None	None	None	None	None
Tainan Branch	VP & GM	Mei-Hui Wu	F	R.O.C	20171201	10,983	0	67,244	0	0	0	EMBA, National Chiayi University	None	VP & GM	Chun Hung Tung	Spouse	None
Yenping Branch	VP & GM	Shu-Hui Lin	F	R.O.C	20190506	0	0	0	0	0	0	Department of International Trade, Chinese Culture University	None	None	None	None	None
Hsi-Tainan Branch	VP & GM	Chun-Hung Tung	M	R.O.C	20181126	67,244	0	10,983	0	0	0	EMBA, National Cheng Kung University	None	VP & GM	Mei Hui Wu	Spouse	None
Tung-Tainan Branch	VP & GM	Fen-Lan Lu	F	R.O.C	20181126	36,590	0	19,259	0	0	0	Department of Business Administration, National Cheng Kung University	None	None	None	None	None
Nan-Tainan Branch	VP & GM	Lun-Jan Lan	M	R.O.C	20191201	12,057	0	4,818	0	0	0	Department of Industrial Management Section, Southern Taiwan University of Science and Technology	None	None	None	None	None
Pei-Tainan Branch	VP & GM	Yen-Yu Liu	F	R.O.C	20171201	606	0	0	0	0	0	EMBA, National Chiayi University	None	None	None	None	None
Guiren Branch	VP & GM	Chien-Tai Ping	M	R.O.C	20160706	0	0	0	0	0	0	Department of Statistics, Tamkang University	None	None	None	None	None
An-Nan Branch	VP & GM	Shiou-Yann Lin	F	R.O.C	20170801	1,501	0	309	0	0	0	Master of Financial Operation, National Kaohsiung First University of Science and Technology	None	None	None	None	None
Chishan Branch	VP & GM	Chen-Huan Liu	F	R.O.C	20181008	0	0	5,100	0	0	0	Department of International Trade, Chinese Culture University	None	None	None	None	None
Kangshan Branch	VP&GM	Shu-Li Chang	F	R.O.C	20191201	14,467	0	51,631	0	0	0	Department of Business & Applied Commerce, National Open College of Continuing Education Affiliated to National Taichung University of Science and Technology	None	None	None	None	None
Fengshan Branch	VP & GM	Hui-Ju Lee	F	R.O.C	20191007	47,605	0	0	0	0	0	Department of International Trade, National Taichung College of Business	None	None	None	None	None
Luchu Branch	VP & GM	Show-Ching Chen	F	R.O.C	20200201	41	0	0	0	0	0	Department of Business & Applied Commerce, National Open College of Continuing Education Affiliated to National Taichung University of Technology Application of Business Studies	None	None	None	None	None
Ta-Fa Branch	VP & GM	Hsu-Lin Huang	F	R.O.C	20191118	186,374	0	0	0	0	0	Department Of International Trade, International Business College	None	None	None	None	None

Name of Unit	Title	Name	Gender	Nationality	Effective Date (yy/mm/dd)	Shareholding Amount		Shareholding by Spouse & Minor Children		Shareholding Under Others' Title		Prime Experience & Education	Services Concurrently with the Other Company	The Spouse or Relative within 2 Tiers of General Managers			Remarks (Note 2)
						Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Kaohsiung Branch	VP & GM	Su-Chuan Wang	F	R.O.C	20191007	2,761	0	0	0	0	0	Master of Money and Banking, National Kaohsiung First University of Science and Technology	None	None	None	None	None
Chi-Hsien Branch	VP & GM	Shwu-Ruu Lee	F	R.O.C	20181126	56,279	0	0	0	0	0	Department of Business & Applied Commerce, National Open College of Continuing Education Affiliated to National Taichung Institute of Science and Technology	None	None	None	None	None
Yencheng Branch	VP & GM	Su-Wei Liang	F	R.O.C	20180901	23,988	0	0	0	0	0	Department of Banking and Insurance, Feng Chia University	None	None	None	None	None
Tung-Kaohsiung Branch	VP & GM	Chih-Ming Kuo	M	R.O.C	20181126	30,061	0	0	0	0	0	Department of Cooperative Economics, Tamkang College of Arts and Sciences	None	None	None	None	None
Nan-Kaohsiung Branch	VP & GM	Shu-Fen Wu	F	R.O.C	20180901	17,712	0	0	0	0	0	Department of International Trade, National Chengchi University	None	None	None	None	None
Pei-Kaohsiung Branch	VP & GM	Shen-Hui Lu	M	R.O.C	20191118	34,521	0	0	0	0	0	Department of Economics, Chinese Culture University	None	None	None	None	None
Sanmin Branch	VP & GM	Shyh-Maw Wang	M	R.O.C	20190102	11,908	0	0	0	0	0	Department of Applied Business, Open College Affiliated with National Taipei University of Business	None	None	None	None	None
Hsinhsing Branch	VP & GM	Yung-Sheng Chen	M	R.O.C	20200201	1,203	0	0	0	0	0	Department of Administration, Tamkang University	None	None	None	None	None
Chan Chen Branch	VP & GM	Chia-Hsiang Tsai	M	R.O.C	20200201	0	0	2,978	0	0	0	Department of Business Administration, National Chung Hsing University	None	None	None	None	None
Chiu-Ju Lu Branch	VP & GM	Wan-Ling Chen	F	R.O.C	20170901	36,029	0	0	0	0	0	Department of Economics, Feng Chia University	None	None	None	None	None
Chienhsing Branch	VP & GM	Shu-Mei Yeh	F	R.O.C	20190218	0	0	0	0	0	0	Department of International Trade, National Chengchi University	None	None	None	None	None
Po-Ai Branch	VP & GM	Shu-Hei Chang	F	R.O.C	20200201	50,461	0	0	0	0	0	Department of International Trade, Providence College of Arts and Sciences for Women	None	None	None	None	None
Lingya Branch	VP & GM	Li-Chu Shu	F	R.O.C	20180501	0	0	0	0	0	0	Department of Business Administration, Fu Jen Catholic University	None	None	None	None	None
Ta-Shun Branch	VP & GM	Chiang-An Chang	M	R.O.C	20180501	93,264	0	0	0	0	0	Department of Business & Applied Commerce, National Open College of Continuing Education Affiliated to Taichung Institute of Science and Technology	None	None	None	None	None



Based on March 25, 2020

Name of Unit	Title	Name	Gender	Nationality	Effective Date (yy/mm/dd)	Shareholding Amount		Shareholding by Spouse & Minor Children		Shareholding Under Others' Title		Prime Experience & Education	Services Concurrently with the Other Company	The Spouse or Relative within 2 Tiers of General Managers			Remarks (Note 2)
						Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Zuoying Branch	VP & GM	Ching-Chung Chen	M	R.O.C	20180806	952	0	0	0	0	0	Graduate Institute of Human Resource Management, National Sun Yat-sen University	None	None	None	None	None
Pingtung Branch	VP & GM	Shu-Yun Hsu	F	R.O.C	20191007	3,553	0	0	0	0	0	Department of Business Administration, National Taiwan University of Science and Technology	None	None	None	None	None
Chaochou Branch	VP & GM	Shu-Fen Lee	F	R.O.C	20170801	75,549	0	0	0	0	0	Department of International Business, National Kaohsiung University of Science and Technology	None	None	None	None	None
Tungkang Branch	VP & GM	Ming-Han Tsai	M	R.O.C	20191201	111	0	0	0	0	0	Department of Finance, National Kaohsiung First University of Science and Technology	None	None	None	None	None
Hengchun Branch	VP & GM	Ming-Jer Lin	M	R.O.C	20190201	4,680	0	0	0	0	0	Department of Applied Business, National Open College of Continuing Education Affiliated to Taichung University of Science and Technology	None	None	None	None	None
Hualien Branch	VP & GM	Wen-Ching Chang	M	R.O.C	20170502	3,645	0	0	0	0	0	Department of International Business, Soochow University	None	None	None	None	None
Taitung Branch	VP & GM	Che-Fang Hung	M	R.O.C	20191007	20,574	0	0	0	0	0	Department of Financial Knowledge and Information Technology, National Kaohsiung University of Applied Sciences	None	None	None	None	None
New York Branch	VP & GM	Chien-Shan Liu	M	R.O.C	20180301	0	0	0	0	0	0	Master of Business Administration, National Chung Cheng University	None	None	None	None	None
Los Angeles Branch	VP & GM	Wan-Chin Chang	F	R.O.C	20161201	169,811	0	0	0	0	0	MBA in Banking and Finance, Tamkang University	None	None	None	None	None
Tokyo Branch	VP & GM	Li-fang Liu	F	R.O.C	20190311	0	0	0	0	0	0	Department of International Trade, Tunghai University	None	None	None	None	None
London Branch	VP & GM	Cheng-Yi Hsieh	M	R.O.C	20170801	0	0	0	0	0	0	Department of Insurance, National Chengchi University	None	None	None	None	None
Hong Kong Branch	VP & GM	Chien-Mei Yu	F	R.O.C	20181023	16,675	0	0	0	0	0	EMBA in International Business, Tamkang University	None	None	None	None	None
Singapore Branch	VP & GM	Chin-Lung Pan	M	R.O.C	20170113	6,027	0	0	0	0	0	Graduate Institute of Finance, National Taiwan University of Science and Technology	None	None	None	None	None
Manila Branch	VP & GM	Kwang-Wu Liu	M	R.O.C	20170818	0	0	0	0	0	0	Department of Information Management, Tamkang University	None	None	None	None	None

Note 1: Assigned as the Acting SVP & Division Head of Secretariat Division on October 4, 2018 as well as reassigned and promoted to SVP & Division Head of Secretariat Division on March 25, 2019.

Note 2: Whether the chairperson of the board of directors and the general manager or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship.

c. Chairperson and President retired from the Bank or related companies returned to consultants: None.



## C. Compensation

### a. Compensation for Directors

Title	Name	Compensation							
		Rewards (A)		Pension and Separation Pay (B)		Earning Distribution (C) (Note )		Business Affair Expense (D)	
		CHB	All the companies in the financial statement	CHB	All the companies in the financial statement	CHB	All the companies in the financial statement	CHB	All the companies in the financial statement
Chairperson	Ming-Daw Chang (Delegate of MOF) Retired on Apr. 8. 2019								
Chairperson	Joanne Ling (Delegate of MOF)								
Managing Director	Cheng-Ching Wu (Delegate of TSFHC)								
Director	Julius Chen (Delegate of TSFHC)								
Director	Chia-Chi Hsiao (Delegate of MOF) The term became effective on Oct. 3, 2018								
Director	Chien-Yi Chang (Delegate of National Development Fund, Executive Yuan) The term became effective on Jun. 20, 2018	11,919,474	11,919,474	0	0	57,134,232	57,134,232	0	0
Director	Shih-Tsung Lee (Delegate of Lee Investment Co., Ltd.)								
	MOF								
	TSFHC								
	National Development Fund, Executive Yuan								
	Lee Investment Co., Ltd.								
Managing Director (Independent Director)	Kuo-Yuan Liang								
Director (Independent Director)	Jung-Chun Pan	2,520,000	2,520,000	0	0	0	0	0	0
Director (Independent Director)	Chi-Chang Yu								

1. Please describe the policy of payment, system, standards and structures of remuneration for independent directors, and determine the connection between their duties, risks, time input and the amount of remuneration:

In accordance with Article 20, Item 13 of the Bank's Articles of Incorporation, remunerations for independent directors have been approved by the Board of Directors in line with other financial institutions of equivalent size and scope to the Bank. As to the procedure of remuneration determination, it was totally based on the CHB "Rules of Performance Evaluation of the Board of Directors." In addition to overall operating performance of the Bank, quality of policies issued by functional committees and Board of Directors and effect of internal control system, the result of individual performance evaluation (including responsibilities of Directors, participation in the Bank's operations, management and communication) has been taken into consideration as well. In order to achieve the balance between sustainable development and risk management, adequacy of remuneration should be reviewed by both Remuneration Committee and Board of Directors.

Note: The scheme of non-salaried director remunerations for independent directors was approved by the 3<sup>rd</sup> meeting of the 25<sup>th</sup> Board of Directors of the Bank held on August 25, 2017.

January 1, 2019 ~ December 31, 2019 Unit: NTD: %

Ratio of total remuneration (A+B+C+D) to net income (%)		Relevant remuneration received by directors who are also employees								Ratio of total compensation (A+B+C+D+E+F+G) to net income (%)		Compensation paid to directors from an invested company or parent company other than the company's subsidiaries	
		Salary, Bonus and Special Disbursement (E)		Pension and Separation Pay (F)		Employee Bonus Distribution (G)							
		CHB	All the companies in the financial statement	CHB	All the companies in the financial statement	CHB	All the companies in the financial statement	CHB					All the companies in the financial statement
Cash dividends	Stock dividends							Cash dividends	Stock dividends				
0.60	0.60	0	0	0	0	0	0	0	0	0	0.60	0.60	117,000
0.02	0.02	0	0	0	0	0	0	0	0	0	0.02	0.02	None

2. In addition to the disclosure in above table, Board of Directors have received remuneration for providing services for all companies in financial report (for instance, serving as consultants for non-employees status) in the most recent year:  
None.



Classification of Compensation for Directors	Name of Directors			
	Amount of total remuneration (A + B + C + D)		Amount of total remuneration (A + B + C + D + E + F + G)	
	CHB	All the companies in the financial statement	CHB	Parent company and All the companies in the financial statement
Lower than NT\$ 1,000,000	Julius Chen Chia-Chi Hsiao Chien-Yi Chang Shih-Tsung Lee Jung-Chun Pan Chi-Chang Yu	Julius Chen Chia-Chi Hsiao Chien-Yi Chang Shih-Tsung Lee Jung-Chun Pan Chi-Chang Yu	Julius Chen Chia-Chi Hsiao Chien-Yi Chang Shih-Tsung Lee Jung-Chun Pan Chi-Chang Yu	Julius Chen Chia-Chi Hsiao Chien-Yi Chang Shih-Tsung Lee Jung-Chun Pan Chi-Chang Yu
NT\$ 1,000,000 ~ NT\$ 2,000,000 (Not included)	Ming-Daw Chang Cheng-Ching Wu Kuo-Yuan Liang	Ming-Daw Chang Cheng-Ching Wu Kuo-Yuan Liang	Ming-Daw Chang Cheng-Ching Wu Kuo-Yuan Liang	Ming-Daw Chang Cheng-Ching Wu Kuo-Yuan Liang
NT\$ 2,000,000 ~ NT\$ 3,500,000 (Not included)				
NT\$ 3,500,000 ~ NT\$ 5,000,000 (Not included)	Joanne Ling	Joanne Ling	Joanne Ling	Joanne Ling
NT\$ 5,000,000 ~ NT\$ 10,000,000 (Not included)	National Development Fund, Executive Yuan Lee Investment Co., Ltd	National Development Fund, Executive Yuan Lee Investment Co., Ltd	National Development Fund, Executive Yuan Lee Investment Co., Ltd	National Development Fund, Executive Yuan Lee Investment Co., Ltd
NT\$ 10,000,000 ~ NT\$ 15,000,000 (Not included)				
NT\$ 15,000,000 ~ NT\$ 30,000,000 (Not included)	MOF TSFHC	MOF TSFHC	MOF TSFHC	MOF TSFHC
NT\$ 30,000,000 ~ NT\$ 50,000,000 (Not included)				
NT\$ 50,000,000 ~ NT\$ 100,000,000 (Not included)				
Over NT\$ 100,000,000				
Total (persons)	14	14	14	14

#### b. Compensation for President and Executive Vice Presidents

January 1, 2019 ~ December 31, 2019 Unit: NTD; %

Title	Name	Salary (A)		Pension and Separation Pay (B) (Note 1)		Bonus and Special Disbursement (C)		Employee Bonus of Earning Distribution (D)				Ratio of total remuneration (A+B+C+D) to net income (%)		Compensation paid to directors from an invested company other than the company's subsidiaries
		CHB	All the companies in the financial statement	CHB	All the companies in the financial statement	CHB	All the companies in the financial statement	CHB		All the companies in the financial statement		CHB	All the companies in the financial statement	
								Cash dividends	Stock dividends	Cash dividends	Stock dividends			
President	Hong-Chi Chang (Appointed since Mar. 23, 2018 to retirement effective on Apr. 8, 2019)													
President	Jui-Mu Huang (Appointed since Apr. 12, 2019)													
Executive Vice President	Hong-Yao Tu													
	Hom-Gang Wang													
	Carol Sun (Application for retirement effective on May. 1, 2019)	20,414,075	20,414,075	10,754,757	10,754,757	12,205,717	12,205,717	2,793,965	0	2,793,965	0	0.4	0.4	524,000
	Bin Chen													
EVP & Chief Compliance Officer	Chang-Hua Cheng (Assigned as EVP on May 6, 2019)													
	Jih-Cheng Yang													
EVP & Chief Auditor	Ya-Ling Lin													

Note 1: The information of "discharged pension" is disclosed as the following Notes:

(1) Actual paid amount of pension and separation pay in 2019: NT\$9,220,375.

(2) Appropriated amount of pension and separation pay expense in 2019 (10% under the old system and 6% contribution under the new rules): NT\$ 1,534,382.

Note 2: The remuneration for drivers of senior officers: The Bank paid the 8 drivers in total of NT\$6,954,849 a year. They are not assigned to senior officers only; The Bank can assign them for other business needs.

Classification of Compensation for President and Executive Vice President	Name of President and Executive Vice President	
	CHB	Parent company and All the companies in the financial statement
Lower than NT\$ 1,000,000		
NT\$ 1,000,000 ~ NT\$ 2,000,000 (Not included)	Hong-Chi Chang	Hong-Chi Chang
NT\$ 2,000,000 ~ NT\$ 3,500,000 (Not included)		
NT\$ 3,500,000 ~ NT\$ 5,000,000 (Not included)	Jui-Mu Huang Bin Chen Chang-Hua Cheng Jih-Cheng Yang	Jui-Mu Huang Bin Chen Chang-Hua Cheng Jih-Cheng Yang
NT\$ 5,000,000 ~ NT\$ 10,000,000 (Not included)	Hong-Yao Tu Hom-Gang Wang Ya-Ling Lin	Hong-Yao Tu Hom-Gang Wang Ya-Ling Lin
NT\$ 10,000,000 ~ NT\$ 15,000,000 (Not included)	Carol Sun	Carol Sun
NT\$ 15,000,000 ~ NT\$ 30,000,000 (Not included)		
NT\$ 30,000,000 ~ NT\$ 50,000,000 (Not included)		
NT\$ 50,000,000 ~ NT\$ 100,000,000 (Not included)		
Over NT\$ 100,000,000		
Total (persons)	9	9

c. Members of the Management Team Receiving Employee Bonus & Bonus Distribution

December 31, 2019 Unit: NTD: %

Title	Name				Stock Dividends	Cash Dividends Amount	Total	Total / After-tax Profit (%)
President	Jui-Mu Huang							
Executive Vice President	Horng-Yao Tu							
	Hom-Gang Wang							
	Bin Chen							
	Chang-Hua Cheng							
EVP & Chief Compliance Officer	Jih-Cheng Yang							
EVP & Chief Auditor	Ya-Ling Lin							
Division Heads and General Managers	Nell-H. Tseng	Hsueh-Ni Hsieh	Yu-Hsueh Liu	Chiou-Yueh Chen				
	Chih-Chen Hsu	Li-Ling Lan	Hsiu-Chuan Teng	Rueih-Hwa Cheng				
	Hsiu-Hsia Tsai	Hsiu-Luan Hsieh	Shwu-Fang Wang	Mei-Fang Wu				
	Tsai-Feng Lin	Hsien-Lung Chen	Yi-Jung Chan	Hsiang-Chun Wu				
	Hui-Jen Wu	Hui-Yu Chen	Yao-Ju Lu	Hsiao-Hua Yin				
	Ruei-Jan Chen	Yu-Chin Fan	Hsiu-Ching Hsu	Wen-Chung Huang				
	Tse-Tsang Tso	Fang-Yuan Wu	Shun-Hung Huang	Shuo-Hung Huang				
	Fu-Rong Chiu	Rong-Horng Way	Yen-Chun Chen	You-Chen Lee				
	Shiu-Hwa Chang	Mei-Ling Chiu	Ching-Hsiang Liu	Shu-Lin Liu				
	Su-Min Hsin	Der-Ho Chen	Jung-Chen	Shinn-Guang Duh				
	Hsi-Lung Wu	Kao-Jung Hsu	Don-Y.T. Wang	Yu-Shan Chen				
	Yu-Tang Shen	Shu-Ju Tsai	Cheng-I Huang	Chien-Long Kuo				
	Feng-Tsung Chang	Li-Feng Shen	Zhen-Dong Jian	Shey-Lin Chang				
	Chang-Ho Wang	I-Hsin Weng	Chang-Cheng Chu	Hueih-Rur Shy				
	Hsueh-Wen Wang	Shyh-Chau Lin	Huey-Wen Chang	Chiu-Ling Chen				
	Kui-Min Hsiao	Chia-Chen Shen	Fu-Jinn Chiou	Yung-Ping Lin				
	Chun-Jen Tsai	Yu-Ling Tang	Shu-Hsuan Lin	Ai-Fen Hu				
	Shu-Hua Tsai	Hsiu-Chu Tseng	Kuei-Mei Hsu	Chi-Hsin Chao				
	Chi-Tsung Shih	Shu-Chung Chen	Chih-Ning Chang	Szu-Yen Lin				
	Chin-Li Lin	Su-Jane Lin	Chun-Feng Lee	Kui-Fang Tsai				
	Huei-Jin Lin	Hui-Chen Tai	Mei-Ching Chang	Yu-Yeh Lin	0	55,021,667	55,021,667	0.48
	Shu-Fen Liu	Pan-Der Chin	Jinn-Sheng Wu	Hui-Ling Lee				
	Lan-Zu Lin	Ying-Hui Hung	Shr-Jan Tzeng	Shu-Fen Cheng				
	Yao-Shen Hsieh	Chin-Hsuan Lee	Chun-Yuan Chen	Su-Chen Cheng				
	Chun-Nu Yeh	Ching-Fu Lin	Tzy-Yun Chen	Mei-Hwa Huang				
	Lih-Lan Yang	Li-Min Cheng	Quei-Ying Ho	Shu-Chen Yang				
	Ai-Ling Wang	Mei-Chun Tsou	Yin-Chao Liao	Su-Man Hsueh				
	Chyi-Ying Yeh	Shu-Chen Shih	Pi-Chin Shao	Meng-Chen Chiang				
	Yi-Huei Chiu	Mei-Hsing Lin	Wei-Shuo Luo	Hui-Fang Chen				
	Jia-Jen Hou	Ya-Huei Hung	Jui-Hui Hsu	Lin-Li Ku				
	Mei-Fen Shieh	Jiun-Uei Lin	Pei-Fen Shieh	Ai-Hsiu Lai				
	Yueh-Chiu Lai	Hsiu-O Hsieh	Shiow-Ling Kao	Yuan-Kuang Pan				
	Jui-Yueh Wu	Ting-Feng Cho	Chi-Min Chung	Ya-Fang Lee				
	Ming-Thur Chen	Chi-Hsiang Chen	Su-Ming Cheng	Chin-Huang Chuang				
	Feng-Fuh Chang	Lin-Ling Chen	Chia-Yu Chang	Tung-Chia Lu				
	Chiu-Min Shen	Shao-Mao Wang	Tsuey Shya-Jang	Pei-Chung Yang				
	Chun-Hong Yeh	Kuen-Shan Wang	Li-Fen Tzeng	Wen-Ching Chen				
	Jin-Yu Yeh	Li-Mei Chang	Chiung-Hsiao Hung	Tain-Maw Chang				
	Yuan-Fen Chen	Yi-Chen Wang	Jiunn-Horng Lin	Chin-Ping Lai				
	Ruei-Jui Chen	Ming-Chuan Lin	A-R Liu	Chih-Hao Lo				
	Kuo-Heng Hsu	Ji-Ming Huang	Ti-Tien Liao	Jui-Hung Weng				
	Weng-Chung Chen	Wen-Ling Tsai	Tzu-Chiung Huang	Lih-Lan Kuo				
	Kung-Ming Chang	Tung-Sheng Huang	Shinn-Huei Leu	Shu-Chuan Lin				
	Chung-Shing Ho	Show-Fone Lu	Hsiu-Chih Huang	Hsui-Chin Hsu				
	Chen-Ying Wu	Wen-Ko Ho	Mei-Hui Wu	Shu-Hui Lin				
	Chun-Hung Tung	Fen-Lan Lu	Lun-Jan Lan	Yen-Yu Liu				
	Chien-Tai Ping	Shiou-Yann Lin	Chen-Huan Liu	Shu-Li Chang				
	Hui-Ju Lee	Hsu-Lin Huang	Su-Chuan Wang	Shwu-Ruu Lee				
	Wei Liang	Chih-Ming Kuo	Shu-Fen Wu	Shen-Hui Lu				
	Shyh-Maw Wang	Shu-Hei Chang	Yung-Sheng Chen	Wan-Ling Chen				
Shu-Mei Yeh	Show-Ching Chen	Li-Chu Shu	Chiang-An Chang					
Ching-Chung Chen	Shu-Yun Hsu	Shu-Fen Lee	Ming-Han Tsai					
Ming-Jer Lin	Wen-Ching Chang	Che-Fang Hung	Chien-Shan Liu					
Wan-Chin Chang	Li-fang Liu	Cheng-Yi Hsieh	Chien-Mei Yu					
Chin-Lung Pan	Kwang-Wu Liu							

d. Remuneration of the Bank and Its Related Companies from the Financial Statements for Directors, President and Vice Presidents, etc. for the Past Two Fiscal Years, Remuneration Policy for Directors, President and Vice Presidents, etc. with Information Related to the Policies, Standards, and Portfolios for the Payment of Remuneration, the Procedures for Determining Remuneration, and the Correlation with Business Performance and Future Risks

1. The ratio of total remuneration paid by the Bank and its related companies from the financial statements for the past two fiscal years to directors, president and vice presidents of the company, to the net income:

Unit: NT\$thousand; %

Items	2019				2018				Increase Decrease Amount		%	
	the Bank		Related companies from the financial statements		the Bank		Related companies from the financial statements		the Bank	Related companies from the financial statements	the Bank	Related companies from the financial statements
	Amount	Ratio of total remuneration paid to directors, supervisors, president and vice presidents to net income (%)	Amount	Ratio of total remuneration paid to directors, supervisors, president and vice presidents to net income (%)	Amount	Ratio of total remuneration paid to directors, supervisors, president and vice presidents to net income (%)	Amount	Ratio of total remuneration paid to directors, supervisors, president and vice presidents to net income (%)				
Compensation for Directors	71,574	0.62	71,574	0.62	76,665	0.61	76,665	0.61	(5,091)	(5,091)	-6.64	-6.64
Compensation for President and Executive Vice Presidents	46,169	0.40	46,169	0.40	49,120	0.39	49,120	0.39	(2,951)	(2,951)	-6.01	-6.01

2. Remuneration policy, standards, portfolio, and establishment procedures:

(1) Remunerations for directors:

① In accordance with Article 20, Item 13 of our Articles of Incorporation, remunerations for directors (including Chairperson, directors and independent directors) have been set up by the Board of Directors and in line with those financial institutions of equivalent size and scope to the Bank. The Remuneration Committee and the Board of Directors perform regular annual assessment of remuneration on directors (including Chairperson, directors and independent directors) in accordance with Article 7, Paragraph 1, Item 2 of our "Rules of Performance Evaluation of the Board of Directors," with a link to performance evaluation of the Board of Directors.

② To respond to the 25<sup>th</sup> election of directors (including independent directors), the Bank set up the monthly remunerations for the board Chairperson and directors (including independent directors) after proposals for approval by the 1<sup>st</sup> meeting of the 4<sup>th</sup> Remuneration Committee on Jul. 31, 2017 and adoption by resolution of the 3<sup>rd</sup> meeting of the 25<sup>th</sup> Board of Directors on Aug. 25, 2017. To respond to the new Chairperson election in 2<sup>nd</sup> interim meeting of the 25<sup>th</sup> Board of Directors on Apr. 8, 2019, the remuneration for the Chairperson has been decided by the Board of Directors according to the 17<sup>th</sup> meeting of the 4<sup>th</sup> and 18<sup>th</sup> meeting of the 4<sup>th</sup> Remuneration Committee on Apr. 15, 2019 and 23<sup>th</sup> meeting of the 25<sup>th</sup> Board of Directors on Apr. 26, 2019 .

(2) The remuneration for the president has been resolved by the Board of Directors according to Article 20, Item 14 of our Articles of Incorporation. To respond to the appointment of the new president by the 2<sup>nd</sup> meeting of the 25<sup>th</sup> Board of Directors on Apr. 8, 2019, the Bank set up the remuneration for the president after proposals for approval by the 17<sup>th</sup> meeting of the 4<sup>th</sup> Remuneration Committee on Apr. 15, 2019 and adoption by resolution of the 23<sup>th</sup> meeting of the 25<sup>th</sup> Board of Directors on Apr. 26, 2019.

(3) In accordance with Article 20, Item 14 of our Articles of Incorporation, remunerations for executive vice presidents are decided by the Board of Directors within the limit of the Bank's "Remuneration List for Personnel."

3. Correlation to business performance and future risks:

(1) Remunerations for directors:

In accordance with Article 38 of our Articles of Incorporation, if the Bank make an annual profit (profit refers to profit before tax and before the deduction of bonuses of employees and remuneration of directors), the Bank shall distribute 0.8% maximum of such profit to directors as remuneration. On the basis of the Bank's operating results and the director's performance of duties at the same time, reasonable remuneration will be paid to directors after review by the Remuneration Committee, resolution by the Board of Directors, and announcement in the Shareholders' Meeting.

(2) Remunerations for the president and executive vice presidents:

In accordance with Article 38 of our Articles of Incorporation, if the Bank make an annual profit (profit refers to profit before tax and before the deduction of bonuses of employees and remuneration of directors), the Bank shall distribute 1%-6% of such profit to our employees, including the president and executive vice presidents, as remuneration after review by the Remuneration Committee, resolution by the Board of Directors, and announcement in the Shareholders' Meeting.

(3) Performance bonus for the president and executive vice presidents:

Pursuant to the Bank's "Regulations for Bonus Payment to Employees of Chang Hwa Bank," the Bank pay bonuses to the president and executive vice presidents depending on their individual performance after proposal for review by the Remuneration Committee and resolution by the Board of Directors.

(4) The results of the Bank's performance bonus are determined by business performance indicators of the Bank whose items include: earnings target achievement rate, return on equity ratio, non-performing loan ratio, coverage ratio of allowances for non-performing loan, innovation and R&D, and concrete performance of reform. Such results are brought via the Remuneration Committee to the Board of Directors for resolution. If there is any policy or other uncontrollable material factor affecting the earnings in that year, an explanation relevant to the specific fact should be given.

4. Evaluation Standards for Directors, Managerial persons and Business Personnel:

(1) Directors:

The Bank's Directors' performance assessment standard is based on "Rules governing the performance assessment on the Board of Directors at Chang Hwa Bank," the assessment scope includes the Board of Directors, individual director and functional committee. The assessments consist of performance of state of operation of the Board of Directors, performance evaluation self-assessment of members of the Board of the Directors, appointment of external assessment units or other appropriate method. Assessment indicators are designed on the basis of the Bank's practical operation and demand to reach performance assessment standard, such as "Participation in the operation of the Bank," "Improvement of the quality of the Board of Directors' decision making," "Management of internal relationship and communication," "The director's professionalism and continuing education," and "internal control" etc. The assessment results are the reference for the stipulation or regular review of directors' remuneration, so as to improve operational effectiveness of the Board of Directors and its result for efficient adoption.

(2) Managerial Persons:

Performance assessment standards of the Bank's President, Executive Vice President (EVP), EVP & Chief Auditor, EVP & Chief Compliance Officer, SVP & division heads of the Bank's head office, and the VP & GM of the branches are based on "Rules on Employee Performance Review," which sets appropriate ratings in terms of personal duty performance, career competency development, status of goal accomplishment, and business operational performance of the affiliated unit.

(3) Business Personnel:

① The Bank stipulates the distribution of bonuses for wealth management commodity business personnel in accordance with external relevant remuneration system. The calculation of remuneration is determined by performance indicators; the indicators include financial aspects such as wealth management fee income, goal achievement rate for the team, number of new customers, AUM maintenance rate, and non-financial indicators such as audit/financial examination findings, customer complaints disputes, abnormal transactions, service quality, education and training to balance the possible risks brought by the customer rights or wealth management services which may influence the Bank and customers.

② The remuneration of the Bank's non-financial insurance commodity business personnel are calculated based on a certain percentage of commission for the first year specified when commodity is released to the market, and then after a comprehensive evaluation of non-financial indicators to balance the possible risks brought by the customer rights, insurance products or services which may influence the Bank and customers.

## D. Operations of Corporate Governance

### a. Operations of the Board of Directors

The 25<sup>th</sup> Board of Directors convened 14 meetings in 2019, and the records of attendance by directors and independent directors are shown as follows:

The 25 <sup>th</sup> Board of Directors Operations (Jan. 1, 2019 ~ Dec. 31, 2019)					
Title	Name	Attendance in Person	Attendance by Proxy	Actual Attendance Rate (%) (Note)	Note
Chairperson	Joanne Ling (Delegate of MOF)	11	0	100	2019.4.8 Appointed
Chairperson	Ming-Daw Chang (Delegate of MOF)	3	0	100	2019.4.8 Dismissal
Managing Director	Cheng-Ching Wu (Delegate of TSFHC)	14	0	100	
Managing Director (Independent Director)	Kuo-Yuan Liang	14	0	100	
Director	Julius Chen (Delegate of TSFHC)	14	0	100	
Director	Chia-Chi Hsiao (Delegate of MOF)	13	1	92.86	
Director	Chien-Yi Chang (Delegate of National Development Fund, Executive Yuan)	14	0	100	
Director	Shih-Tsung Lee (Delegate of Lee Investment Co., Ltd.)	7	7	50	2020.2.3 Dismissal
Independent Director	Jung-Chun Pan	14	0	100	
Independent Director	Chi-Chang Yu	14	0	100	

Note: Actual attendance rate was counted by the number of Board meeting convened during the period of the director's incumbency with his/her attendance frequency.

### 【Other matters required to be recorded】

1. When the Board of Directors encounters any of the following circumstances, the meeting date, ordinal number of meeting, content of agenda item, opinions of every independent director, and the bank handling of such opinions shall be recorded:

(1) Matters as provided by Article 14-3 of the Securities and Exchange Act:

Please refer to this chapter m. 2. Important resolutions of the 2019 Board of Directors' meeting.

(2) In addition to the foregoing, there were other matters to be resolved by director's board meetings about which an independent director expressed objections or reservations that were included in records or stated in writing:

None.

2. Updates in avoiding motions involving conflict of interest on the part of members for the 25<sup>th</sup> Board of Directors:

Updates in avoiding motions involving conflict of interest on the part of members for the 25 <sup>th</sup> Board of Directors (Jan. 1, 2019 ~ Dec. 31, 2019)			
Issues	Name	Reasons for Avoidance	Vote Results
The motion to stipulate the compensation and benefit packages of the Chairperson.	Joanne Ling	In the event the content of a motion involves the personal interest of any Director, Article 178 of the Company Act shall apply for avoidance, in accordance with Article 206 of the Company Act.	Except for Directors who abstained on the ground of conflict of interest, all other Directors in attendance unanimously approved the motion as proposed.
The proposal of Director's remuneration distribution.	Shih-Tsung Lee		
Appoint Chairperson and independent directors as members of the Sustainable Development Committee and formulate their attendance fee.	Joanne Ling Kuo-Yuan Liang Jung-Chun Pan Chi-Chang Yu		
Thirteen Loan cases for interested parties.	Chien-Yi Chang	In the event the content of a motion does not involve the personal interest of Director, avoidance shall be applied from a highly rigorous corporate governance perspective.	Except for Chien-Yi Chang who applied for avoidance, all other Directors in attendance unanimously approved the motion as proposed.
One loan case for interested parties.	Shih-Tsung Lee	In the event the content of a motion involves the personal interest of any Director, Article 178 of the Company Act shall apply for avoidance, in accordance with Article 206 of the Company Act.	Except for the Director who abstained on the ground of conflict of interest, all other Directors in attendance (Director Shih-Tsung Lee left the meeting) unanimously approved the motion as proposed.



## 3. Evaluation on the implementation of the Board of Directors:

Assessment Period	Assessment Term	Assessment Scope	Assessment Method	Assessment Context
Conduct an annual internal evaluation and being examined by external independent professional institution or a panel of external experts and scholars at least once every three years.	Conduct the performance self-assessment results on the Board of Directors from Jan. 1, 2019 to Dec. 31, 2019.	The scope of assessment results on the Board of Directors includes the whole members of Board of Directors and functional committees (Including the Audit Committee and Remuneration Committee).	Evaluation methods in 2019 include operation assessment on the Board of Directors, self-assessment on member of the Board of Directors, operational assessment on functional committees and self-assessment on members in functional committees.	<p>According to Article 6 of the "Rules of Performance Evaluation of the Board of Directors," the evaluation index:</p> <ol style="list-style-type: none"> <li>Five major criteria for the performance assessment on the Bank's Board of Directors include "Participation in the operation of the Bank," "Improvement of the quality of the Board of Directors' decision making," "Composition and structure of the Board of Directors," "Election and continuing education of the directors," and "Internal control."</li> <li>(1) Six major criteria for the performance self-assessment on members of the Bank's Board of Directors include "Alignment of the goals and missions of the Bank," "Awareness of the duties of the director," "Participation in the operation of the Bank," "Management of internal relationship and communication," "The director's professionalism and continuing education," and "internal control." (2) Five major criteria for the performance on functional committees include "Participation in the operation of the Bank," "Awareness of the duties of the functional committee," "Improvement of the quality of the functional committee's decision making," "Makeup of the functional committee and election of its members," and "internal control" which can be totally broken into fourteen self-assessment indicators.</li> <li>Five major criteria for the operational performance of functional committees include "Participation in the operation of the Bank," "Awareness of the duties of the functional committee," "Improvement of quality of decisions made by the functional committee," "Makeup of the functional committee and election of its members" and "internal control."</li> </ol>

## 4. Evaluation on the implementation and the goals to enhance the functionality of the Board of Directors for the year and over recent years:

- (1) The Bank has instituted the "Corporate Governance" area on the Bank's official website which discloses related regulations about Board of Directors, Important Resolutions of Board of Directors, auditing and internal control and corporate governance.
- (2) The Bank has installed 3 independent Directors, who, as professionals in economics, law and finance, provide independent and professional views to the Bank in terms of the supervision and management for operations. The Bank's 3 independent Directors established the audit committee, in addition to deliberating the Bank's material resolutions in accordance with the the Securities and Exchange Act, which is conducive to improving the Bank's corporate governance.
- (3) The Bank set up "Directions for the Enforcement of the plan for on-the-job Education for Directors." The Bank's Directors attend courses and seminars from time to time relating to corporate governance such as finance, risk management, commerce, banking business, legal affairs, accounting and corporate social responsibility, etc. so that they can be more knowledgeable about professional know-how to enhance the duties of the Board of Directors.
- (4) To enhance corporate governance, the Bank set up corporate governance officer and has been submitted and approved by Board of Directors on Jun. 21, 2019 who takes in charge of providing directors with data required for running business and adopted amendment to the Bank's "Rules of Procedures for Board of Directors Meetings," on Jun. 21, 2019, amended related clauses of standard operating procedures of dealing with directors' requirements.

- (5) To carry out sustainable concept, improve integrity and implement corporate social responsibility, the Bank set up "Sustainable Development Committee." Chairperson serves as convener, three independent directors and president take roles of committee members to promote integrity, integrate corporate ethics and corporate social responsibility values into the Bank's business strategy, and supervise the implementation of integrity and corporate social responsibility related affairs and effectiveness.
- (6) To enhance the Bank's functions of Board of Directors, establish performance targets and strengthen efficiency of Board of Directors, the Bank set up "Rules of Performance Evaluation of the Board of Directors" which has been amended and approved on the 30<sup>th</sup> meeting of the 25<sup>th</sup> Board of Directors on Nov. 12, 2019. It should be examined by external independent professional institution or a panel of external experts and scholars at least once every three years and requirements for performance assessment results on functional committees. After being prudent assessed on 2019, the results of assessments are all "Beyond Standard" on operations of the Board of Directors, functional committees and self-assessment results on Board of Directors (including independent directors).

b. Operations of the Audit Committee

The 2<sup>nd</sup> Audit Committee convened 12 meetings in 2019, and the records of attendance by Independent Directors are shown as follows:

Operations of 2 <sup>nd</sup> Audit Committee (Jan. 1, 2019 ~ Dec. 31, 2019)					
Title	Name	Attendance in Person	Attendance by Proxy	Actual Attendance Rate (%)	Note
Independent Director	Kuo-Yuan Liang	12	0	100	
Independent Director	Jung-Chun Pan	12	0	100	
Independent Director	Chi-Chang Yu	12	0	100	

**【Other matters required to be recorded】**

1. When Audit Committee encounters any of the following circumstances, the meeting date, ordinal number of meeting, content of agenda items, resolution results of the meeting, and the Bank's handling of opinions expressed by the Audit Committee shall be recorded:

(1) Matters as provided by Article 14-5 of the Securities and Exchange Act:

Resolution results of the Audit Committee on the foregoing major motions are as follows:

- ① The 21<sup>th</sup> meeting of the 2<sup>nd</sup> Audit Committee on Jan. 14, 2019 (submitting for review by the 20<sup>th</sup> meeting of the 25<sup>th</sup> Board of Directors on Jan. 23, 2019):
  - I. Approved amendment of the Bank's "Internal Control Systems in Securities."
  - II. Approved the Bank's budget draft for the fiscal year 2019.
- ② The 22<sup>th</sup> meeting of the 2<sup>nd</sup> Audit Committee on Feb. 20, 2019 (submitting for review by the 21<sup>th</sup> meeting of the 25<sup>th</sup> Board of Directors on Feb. 26, 2019):
 

Approved the proposal to acknowledge the 2018 annual business report and annual financial report during the shareholders' meeting.
- ③ The 22<sup>th</sup> meeting of the 2<sup>nd</sup> Audit Committee on Feb. 20, 2019 (submitting for review by the 22<sup>th</sup> meeting of the 25<sup>th</sup> Board of Directors on Mar. 15, 2019):
 

Approved amendment the Bank's "Asset Acquisition and Disposal Procedures."
- ④ The 23<sup>th</sup> meeting of the 2<sup>nd</sup> Audit Committee on Mar. 12, 2019 (submitting for review by the 22<sup>th</sup> meeting of the 25<sup>th</sup> Board of Directors on Mar. 15, 2019):
  - I. Approved the Bank's 2018 "Internal Control System Declaration."
  - II. Approved the Bank's 2018 "Internal Control System Statements for AML/CFT."
  - III. Approved the appointment and compensation for the Bank's 2019 annual financial and tax auditing accountant.
  - IV. Approved the Bank's "internal auditing head" personnel change.

- ⑤ The 24<sup>th</sup> meeting of the 2<sup>nd</sup> Audit Committee on Apr. 15, 2019 (submitting for review by the 23<sup>th</sup> meeting of the 25<sup>th</sup> Board of Directors on Apr. 26, 2019):
- I. Approved the proposal to acknowledge the 2018 appropriation of earnings by shareholders' meeting.
  - II. Approved the proposal to discuss the issuance of new shares via earned surplus-turned capital increase by shareholders' meeting.
- ⑥ The 26<sup>th</sup> meeting of the 2<sup>nd</sup> Audit Committee on Jun. 3, 2019 (submitting for review by the 25<sup>th</sup> meeting of the 25<sup>th</sup> Board of Directors on Jun. 21, 2019):
- I. Approved amendment of the Bank's "Internal Control System for Trust Enterprises."
  - II. Approved amendment of the Bank's "Code of Ethical Conduct."
  - III. Approved amendment of the Bank's "Ethical Management Guidelines."
- ⑦ The 27<sup>th</sup> meeting of the 2<sup>nd</sup> Audit Committee on Jul. 10, 2019 (submitting for review by the 26<sup>th</sup> meeting of the 25<sup>th</sup> Board of Directors on Jul. 18, 2019):
- I. Approved amendment of the Bank's "Internal Control System for Securities Brokers."
  - II. Approved amendment of the Bank's "Internal Control System for Securities Transactions Assistance Services of Securities Broker."
- ⑧ The 28<sup>th</sup> meeting of the 2<sup>nd</sup> Audit Committee on Jul. 12, 2019 (submitting for review by the 26<sup>th</sup> meeting of the 25<sup>th</sup> Board of Directors on Jul. 18, 2019):
- Approved amendment of the Bank's "Internal Control System for Securities Brokers."
- ⑨ The 29<sup>th</sup> meeting of the 2<sup>nd</sup> Audit Committee on Aug. 20, 2019 (submitting for review by the 27<sup>th</sup> meeting of the 25<sup>th</sup> Board of Directors on Aug. 27, 2019):
- I. Approved the Bank's 2019 semi-annual financial statement.
  - II. Approved the Bank's "Employee Stock Ownership Trust Committee" to deal with employee stock ownership trust.
- ⑩ The 32<sup>th</sup> meeting of the 2<sup>nd</sup> Audit Committee on Dec. 13, 2019 (submitting for review by the 31<sup>th</sup> meeting of the 25<sup>th</sup> Board of Directors on Dec. 17, 2019):
- Approved the Bank's auditing plan for fiscal year 2020.
- ⑪ The 32<sup>th</sup> meeting of the 2<sup>nd</sup> Audit Committee on Dec. 13, 2019 (submitting for review by the 32<sup>th</sup> meeting of the 25<sup>th</sup> Board of Directors on Dec. 30, 2019):
- Approved the Bank's budget draft for fiscal year 2020.

**【The Bank's handling of the opinions expressed by the Audit Committee】** The Bank has done as suggested.

(2) In addition to the foregoing, any matters which have not been adopted by the Audit Committee yet receive agreement by resolution of more than two-thirds of all director members:

None.

2. Cases in which any of the independent directors has abstained on the ground of conflict of interest, with his/her name, content of motion, reasons for abstention and voting that should be clearly recorded:

None.

3. Communications between the independent directors, internal auditing head, and CPAs (which should include the material matters, ways and results in the Bank's finance and business):

(1) Between the independent directors and the internal auditing head:

- ① The Bank's internal audit and inspection report after perusal and approval by the Chairperson shall be delivered to the Audit Committee and independent directors for perusal as required by regulations.
- ② The improvements of the external auditing examination opinions were proposed to the Board of Directors' Meeting by the internal auditing division. And improvements indicated in such examination report have been actively supervised and followed up by the independent directors.
- ③ The chief auditor reports the implementation of audit affairs to the Board of Directors and the Audit Committee on a quarterly basis.

- ④ The independent directors have kept close contact and good communications with EVP & chief auditor and the internal auditing division head.
- ⑤ With respect to the deficiencies in the Bank's internal control system, the Bank's directors (including independent directors) have regularly held meetings with the internal auditors with discussions recorded for report to the Board of Directors.

(2) Between the Bank's independent directors and CPAs:

The Bank's independent directors have meetings with CPAs at least twice a year to discuss the examinations of the Bank's financial statements; other issues such as business conditions and internal control are discussed on an irregular basis.

4. Audit Committee's focal point of the work:

- (1) Audit Committee assists the Board of Directors in making decisions, supervising fair presentation of the financial statements, the appointing/dismissing, independence and performance of CPAs, implementation of internal control, legal compliance and risk management control, and reviewing the major resolutions prescribed by the Bank or the competent authorities.
- (2) As for the reports of managing department and internal auditing unit in relation to effectiveness of the Bank's internal control system, which includes the control operations of overseas subsidiary bank and reported major cases, Audit Committee provides specific suggestions for improvement and requires managing department to carry out these improvements.
- (3) Audit Committee shall review the matter that the Bank's providing secured credit to interested parties with exceeding amount prescribed by the Central Competent Authority according to Article 33 of the Banking Act involves the directors' personal interests.

c. Operations of the Sustainable Development Committee

1. The Bank's Sustainable Development Committee was established on Dec. 17, 2019, which is composed of 5 members including all directors and senior managerial officers, three of them shall be independent directors. The members have professional backgrounds in law, accounting, finance, marketing and technology with ESG (Environmental, Social, and Governance) and business integrity capabilities.
2. The 1<sup>st</sup> Sustainable Development Committee convened 1 meeting in 2019, and the records of attendance by Committee, members' related professional ability:

Operations of 1 <sup>st</sup> Sustainable Development Committee and members' related professional ability (2019.1.1 ~ 2019.12.31)							
Title	Name	Attendance in Person	Attendance by Proxy	Actual Attendance Rate (%)	Note: Related professional ability		
					Governance	Social	Environmental
Convener (Chairperson)	Joanne Ling	1	0	100	✓	✓	✓
Member (Independent Director)	Kuo-Yuan Liang	1	0	100	✓	✓	✓
Member (Independent Director)	Jung-Chun Pan	1	0	100	✓	✓	✓
Member (Independent Director)	Chi-Chang Yu	1	0	100	✓	✓	✓
Member (President)	Jui-Mu Huang	1	0	100	✓	✓	✓

**【Important Bills】**  
 The 1<sup>st</sup> meeting of the 1<sup>st</sup> Sustainable Development Committee on Dec. 17, 2019:  
 1. Reported the Bank's 2019 "Stakeholder Engagement." (submitting for the 32<sup>nd</sup> meeting of the 25<sup>th</sup> Board of Director held on Dec. 30, 2019 for supervision.)  
 2. Approved amendment of the Bank's "Corporate Social Responsibility Best Practice Principles." (submitting for the 32<sup>nd</sup> meeting of the 25<sup>th</sup> Board of Director held on Dec. 30, 2019 for review.)  
 3. Approved the Bank's setting of "Corporate Social Responsibilities Task Force."  
**【The Bank's handling of the opinions expressed by the Sustainable Development Committee】** The Bank has done as suggested.

## 3. Scope of duties:

- (1) Implement business integrity, business ethics and corporate social responsibility to immerse in business policies of the Bank.
- (2) Supervise and coordinate the establishment of business integrity and corporate social responsibility system of the Bank.
- (3) Supervise and view the execution and effectiveness of business integrity and corporate social responsibility of the Bank.
- (4) Review business integrity and corporate social responsibility related execution report regularly.
- (5) Other matters required to be resolved and referred.

## d. Disclosed matters as required by the Corporate Governance Best-Practice Principles for the Banking Industry.

For reference, please visit Corporate Governance Area on the Bank's official website.

## e. The differences with reasons between the Bank's corporate governance and the Corporate Governance Best-Practice Principles for the Banking Industry.

Evaluation Items	Implementation Status		Difference from the Corporate Governance Best-Practice Principles for the Banking Industry	
	Y	N		
1. Structure of the bank's shareholders and equities				
1.1 Does the bank stipulate and implement a set of internal procedures to handle shareholders' suggestions, queries, disputes and litigations?	✓		1.1 To serve the Bank's shareholders, there is a message box and a complaint hotline under the Customer Service Center on the Bank's official website. The Bank has also designated contact person to specially handle shareholders' suggestions, inquiries and even disputes. In the event of litigation, it will be dealt with by the unit in charge according to the Bank's segregation of duties. In addition, the Bank has engaged a share administration agency to handle all share-related affairs; therefore, all shareholders' suggestions, doubts, or disputes shall be referred to the agency. For the Bank's subsequent actions, the agency will immediately notify the Bank's of such suggestions, doubts or disputes as deemed relevant to the Bank's operations.	1.1 No difference.
1.2 Does the bank keep track of the major controlling shareholders list as well as their ownership structures?	✓		1.2 Based on the Bank's shareholders' register (after the book closure date) and the information on the changes of shareholding declared by the insiders and major shareholders according to regulations, the Bank has grasped its list of major shareholders which is disclosed on the Market Observation Post System (MOPS), the Bank's annual report or official website.	1.2 No difference.
1.3 Does the bank set up a fire wall and risk control mechanism to reduce the risks involved with the bank's related companies?	✓		1.3 The Bank has stipulated long-term Equity Investment and overseas Subsidiary Bank Management Guideline to regulate the business transactions between the Bank and subsidiary or overseas subsidiary banks. In case of transactions involving interested parties, it shall be conducted in accordance with the Bank's operating guideline for interested parties, Other Than Credit Extension Trading Guideline for Interest Parties and relevant regulations of the competent authorities.	1.3 No difference.
2 Board of directors and its responsibilities				
2.1 Apart from the Remuneration Committee and Audit Committee, does the bank assembled other functional committees at its own discretion?	✓		2.1 The Bank has lawfully instituted the Remuneration Committee and Audit Committee. In addition, the Bank also has a Sustainable Development Committee to implement business integrity, business ethics and corporate social responsibility to immerse in business policies of the Bank and implement the concept of sustainability.	2.1 No difference.
2.2 Does the bank set up rules governing the performance assessment on the Board of Directors and its assessment method, periodically assess performance every year, and submit outcome of performance assessment to the Board of Directors, apply the outcome to the reference of individual director's remuneration and nominated reappointment?	✓		2.2 The Bank has rules of performance evaluation of the Board of Directors. The Bank shall conduct an internal performance evaluation every year according to the rule and an external evaluation conducted by independent professional institution or a panel of external experts and scholars at least once every three years to the Board of Directors. The performance evaluation of the Board of Directors shall be completed before the end of the first quarter of the following year, and the results shall be reported to the board. <ol style="list-style-type: none"> <li>a. Methods of evaluations include the operational performance evaluation of the board, self-evaluation made by individual board members, and evaluation made by appointed external evaluation units, or other appropriate methods.</li> <li>b. The results of performance evaluation of the Board of Directors of the Bank may be considered as a reference for elect or nominate candidates of the Board of Directors, or determine or periodically review the remuneration of directors (including Chairperson, managing directors, independent directors and non-independent directors) by the remuneration committee. The Bank has applied the results of the 2019 performance evaluation of the Board of Directors as a reference of regularly review the individual directors' remuneration.</li> </ol>	2.2 No difference.

Evaluation Items	Implementation Status			Difference from the Corporate Governance Best-Practice Principles for the Banking Industry
	Y	N	Interpretation	
2.3 Does the bank regularly evaluate the independence of CPAs?	✓		2.3 When the Bank appoints the CPA for attestation on financial statements, the Bank has made sure that none of their audit team members has commercial relationships with the Bank for significant financial benefits, which will probably affect their independence. During the appointment period, the Bank also, on a regular basis (at least once a year), carefully assesses the CPA's independence by the following criteria and submit an assessment report to the Audit Committee and the Board of Directors for their deliberations: a. The CPA does not have in his/her possession of the Bank's shares or have any relation with the Bank in terms of monetary loans, joint investment or shared interests. b. The CPA does not assume the post as the Bank's person responsible, Director, manager or employee. c. The CPA's behavior does not violate the "Professional Ethical Guidelines Communique No. 10: Integrity; Fairness; Objectivity and Independence" of the Taiwan CPA Association, ROC.	2.3 No difference.
3. Has the Bank instituted a dedicated/appropriate (or concurrent) corporate governance unit or personnel and designated supervisor to be in charge of affairs relating to corporate governance (including but not limited to the provision of necessary data for Directors and Supervisors to execute their duties, assisting Directors and Supervisors to abide by compliance, administering matters relating to the Board of Directors' meetings and shareholders' meetings in accordance with law, administering company incorporation and charge in incorporation, and producing minute books for the Board of Directors' and shareholders' meetings)?	✓		3.1 The Bank appointed the SVP and Division Head of Secretariat Division as the corporate governance officer and was approved by the Board of Directors on June 21, 2019. The corporate governance officer has the manager's qualification of possessing management experience for more than 3 years in the financial institution or public company engaging in legal, conference logistics affairs to supervise Secretariat Division in handling corporate governance. 3.2 The management matters are as follows: a. Administering matters relating to Board of Directors and shareholders' meetings in accordance with law. b. Producing minute books for Board of Directors and shareholders' meetings. c. Assisting the directors in their appointment and continuing education. d. Providing the information required by the directors to execute business. e. Assisting directors to follow the laws and regulations. f. Other matters stipulated in the articles of incorporation or contract, etc. 3.3 The operations in 2019 were as follows: a. Formulation and amendment of regulations relating to corporate governance. b. Application for issuance of new shares, registration of change in the location of juristic person shareholders, corporate shareholders reassign representatives as directors and registration of change in shares held by directors. c. Conducted matters relating to the 2019 general shareholders' meeting in accordance with the law and produced minute book and completed the report to the competent authority within the prescribed period. d. Dealt with the relevant matters relating to Board of Directors, Board of Managing Directors, Audit Committee, and Sustainable Development Committee, provided sufficient meeting materials, and produced meeting record before the deadline. e. Assisted the directors in continuing education that all directors completed the required training hours in accordance with the rules in 2019. f. Other matters stipulated in articles of incorporation. 3.4 Training: The corporate governance officer of the Bank has completed the required training hours in accordance with the rules in 2019 which is disclosed on the Market Observation Post System (MOPS) and official website of the Bank.	3. No difference.
4. Does the bank establish a channel to communicate with stakeholders (including but not limited to shareholders, employees, customers and suppliers, etc.) and set up Stakeholder's Dedicated Section on the Bank's official website to give adequate response to stakeholders' concerned significant CSR issues.	✓		4.1 The Bank set up "Stakeholders' Dedicated Section" on the Bank's official website and provided the contact person to communicate with the general public, shareholders, employees, customers and suppliers to serve as communication channels with related stakeholders, and also addresses material CSR issues that stakeholders concern about by way of compiling and producing annual CSR reports and exposing the bank's sustainability efforts on the CSR sub-website. 4.2 In 2019, the situation of communication with stakeholders was reported to the 1 <sup>st</sup> meeting of the 1 <sup>st</sup> Sustainable Development Committee on Dec. 17, 2019 and the 32 <sup>nd</sup> meeting of the 25 <sup>th</sup> Board of Directors on Dec. 30, 2019.	4. No difference.
5. Information disclosure				
5.1 Does the bank set up a website for the disclosure of relevant information on financial status and corporate governance?	✓		5.1 The Bank has disclosed financial reports, such as annual reports and quarterly reports, important business overview and information as well as corporate governance in sections "Investor Relations" and "Corporate Governance" on its official website.	5.1 No difference.
5.2 Does the bank take any other methods to disclose its information (e.g. English website, a special group engaged on gathering and compiling the bank's information, the information announced through the bank's spokesman, and regular investor conference process disclosed on the bank's website)?	✓		5.2 a. The Bank has installed an English version official webpage to disclose the Bank's related financial and business operating information. The general public and investors can inquire and browse online at all times. b. The Bank has established a spokesperson system to make external announcements about information relating to the Bank's finance and business operations in a timely fashion. Regarding material information, the Bank also designates dedicated unit to conduct and dedicated person of Secretariat Division to be responsible for making simultaneous disclosure in both Chinese and English on the MOPS website as required by regulations. c. Related information about the Bank's investor conference is disclosed on MOPS as well as the Bank's official website.	5.2 No difference.

Evaluation Items	Implementation Status			Difference from the Corporate Governance Best-Practice Principles for the Banking Industry
	Y	N	Interpretation	
5.3 Does the bank announce and declare annual fiscal report according to related regulations of The Banking Act of The Republic of China and Securities and Exchange Act within the deadline at the end of fiscal year, and also announce and declare the first, second and third season financial report and operations of each month in advance before deadline?	✓		5.3 a. The bank's annual report, the first, second and third season financial report and monthly operations are disclosed on MOPS as well as the Bank's official website. b. The Bank's annual financial report was early announced in Feb. 2020 after the CPA certificated and approved by the Bank's Audit Committee and the Board of Directors.	5.3 No difference.
6. Does the bank have other relevant information for better understanding the Bank's corporate governance operation (such as employee rights, caring for employees, investors relationship, stakeholder rights, on-the-job education of directors and supervisors, implementation of risk management policies and risk assessment standards, implementation of customer policies, liability insurance policies purchased by the bank for directors and supervisors, and donations to political parties, interested parties, or charity organizations)?	✓		6.1 Related charters about corporate governance a. The Bank has related charters about corporate governance such as the "Corporate Governance Practical Guidelines of the CHB" as the basis for pushing forward with matters relating to corporate governance and are disclosed on the Bank's official website. b. With regard to the Bank's Article of Incorporation, organizational regulations, the accountability allocation chart for business operation items and operating guidelines for various operations, the Bank has specifically set forth the authorities and accountability of managers at all levels, so that accountability can be established across various levels within the scope of authorities and accountability of the managers. 6.2 Matters and items relating to the Board of Directors a. The implementation of directors diversification policy: The Bank has stipulated the directors' diversification policy in its item 2&3, article 29, Corporate Governance Practice Principles which is disclosed on the Bank's official website. The implementation of Directors diversification policy is shown in the attached list. b. The situation with respect to the attendance of the Bank's Directors (including Independent Directors) in Board of Directors' meetings and attendance of Independent Directors in the Audit Committee meetings has been disclosed on MOPS in accordance with regulations. c. The Bank's Directors (including Independent Directors) proactively avoid Board of Directors' meeting agenda items involving his/her personal stake or the stake of the institution he/she represents, as well as refrain from taking part in related discussions and voting. d. The Bank has formulated the "Directions for the Enforcement of the Plan for On-the-job Education for Directors," and the on-the-job education status for the Directors is disclosed on MOPS and the Bank's official website in accordance with regulations. e. To further consummate the Bank's corporate governance and to reduce the risks assumed by the Bank, its Directors and managers associated with governance liability, the Bank has purchased the "Liability Insurance Policy for Directors, Supervisors and Managers" for its Directors and managers. 6.3 Employees rights and interests, and caring for employees: Please refer to the Bank's annual report, "V. Operations Overview F. Labor Relations a. Benefits, Training and Pensions Offered by the Bank, Retirement Scheme and Implementation Status, and Policies on Employer-employee Negotiations and the Protection of Workers." 6.4 Investor Relations The Bank discloses finance, business operation and corporate governance information on the official website in time; it has an "Investor Relations Section" to provide investors with relevant information. In addition, the Bank has established a spokesperson system to make external announcements about information relating to the Bank's finance and business operations in a timely fashion. Regarding material information, the Bank also makes simultaneous disclosure in both Chinese and English on the MOPS in time. 6.5 Stakeholder Rights a. The Bank's operating businesses prescribed by the Central Competent Authority according to the Banking Act, on the basis of long term interest of fund provider (including clients and the Bank's shareholders) and the beneficiary, the Bank upheld the concept of social responsibility investment, signed "Stewardship Principles for Institutional Investors" on Dec. 11, 2018, and formulated "The Stewardship Code," so as to implement shareholder activity and urging the invested companies to improve corporate governance. On the other hand, the Bank regularly discloses our stewardship report on official website which includes information about shareholder meeting, voting bills and exercise of voting rights of invested companies. b. Please refer to this table "4. Does the bank establish a channel to communicate with stakeholders" for relevant information of stakeholder. The Bank also set stakeholder communication area on official website, act as a channel for replying to stakeholders of significant corporate social responsibility issues.	6. No difference.

Evaluation Items	Implementation Status		Difference from the Corporate Governance Best-Practice Principles for the Banking Industry
	Y	N	
		<p>6.6 Risk management policy and its implementation</p> <p>a. In order to build up more professional and complete risk management function, the Bank has instituted three risk management divisions in the Credit Management Division, Risk Management Division and Loan Asset Management Division: (1)Credit Management Division is in charge of reviewing credit extension cases, revising credit cases from business unit, as well as managing and maintaining the e-Loan automated credit system (including the management system for credit checking, corporate/customer lending, collateral and the credit review management system), in order to rigidify the procedures for credit checking and extension; (2) Risk Management Division is in charge of formulating policies against integrated risks, credit risks, market risks and operational risks, as well as risk management; (3) Loan Asset Management Division takes in charge of the control and management of overdue loans, collections and bad debts as well as the management of the collecting operation for non-performing loans (including the loan asset management system), the three Divisions can faithfully enforce them in accordance with regulations.</p> <p>b. The Bank has instituted the Risk Management Committee, whose major duties include the assessment and supervision of the Bank's risk-bearing capacity and the current situation of assumed risks, deciding on the responding strategy to risks and compliance with risk management procedures, as well as submitting quarterly risk management reports to the Board of Directors. The Bank's risk management policy is subject to review and discussion by the Risk Management Committee, and shall be enforced after approval by the Board of Directors.</p> <p>6.7 Customer policy implementation</p> <p>a. In order to protect consumers' interests by treating them fairly and reasonably, and establish a corporate culture that values consumer protection, the Bank has formulated and implemented the "Guidelines for Fair Treatment to CHB's Customers," "Policies to Protect CHB's Financial Consumers," and the Bank's "Guidelines for CHB to Conduct Protection for Financial Consumers" in accordance with the "Principles for Fair Treatment to Customers by Financial Service Providers," "CHB Consumer Complaint Handling Guidelines," "Financial Consumer Protection Act," "Financial Consumers Complaints Management Guidelines" and its relevant subordinate laws, which have been promulgated by Financial Supervisory Commission R.O.C. (Taiwan), (hereinafter referred to as "FSC"). The Bank has also requested by letter all its personnel to follow and put into practice the abovementioned guidelines and policies when providing financial products and services to customers to strengthen the consumers' interests and benefit the Bank's sustainable development.</p> <p>b. The Bank has established a customer call center providing consumers 24/7 consulting service. In addition, a channel for the filing of grievances has also been established to handle various inquiries and demands from consumers to protect their rights.</p> <p>6.8 Donations to political parties, stakeholders, and charity organizations</p> <p>a. Donations to political parties: None.</p> <p>b. Donations to stakeholders: None.</p> <p>c. Donations to charity organizations: Please refer to the annual report "V. Operations Overview C. Corporate Responsibility and Moral Behavior b. Actively participated in charity activities and continuously supporting underprivileged groups."</p>	
<p>7. With respect to the results of annual corporate governance evaluation most recently issued by the Corporate Governance Center of Taiwan Stock Exchange, please describe the improvements and provide priority and measures to enhance those matters that have not yet been improved. The Bank was evaluated as 6%-20% among Taiwan listed companies of the 5<sup>th</sup> Corporate Governance Evaluation in 2019. To strengthen corporate governance, the Bank has conducted an active review and improvements of the failed indicators as shown in the results of the 5<sup>th</sup> Corporate Governance Evaluation. The improvements are as follows:</p> <p>7.1 Connection between directors' performance evaluation and remuneration has been disclosed in the annual report.</p> <p>7.2 The Bank continued to strengthen the relevant internal control system operations, and strived to comply with relevant laws and regulations.</p>			



【Attached list】

### Implementation of the Policy on the Diversity of Board Members

The Bank's Board of Directors consists of 8 directors (one director is dismissed on Feb. 3, 2020), including 3 independent directors (37.5%) and 1 female member (12.5%), whose nationality are Taiwan, R.O.C., the age ranges from 50 to 80, and experiences term of delegation is on average level of 1 to 3 terms. The members have professional backgrounds in law, accounting, finance, marketing and technology with operational judgments, accounting and financial analysis, business management, crisis management, industrial knowledge, international market outlook, leadership and decision-making capabilities.

Name	Professional Background					Professional Ability							
	Law	Accounting	Finance	Marketing	Technology	Ability to make operational judgments	Ability to perform accounting and financial analysis	Ability to conduct management administration	Ability to conduct risk management	Ability to conduct crisis management	Knowledge of the industry	An international market perspective	Ability to lead and make policy decisions
Joanne Ling	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Cheng-Ching Wu	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓
Kuo-Yuan Liang	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Julius Chen	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Chia-Chi Hsiao		✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓
Chien-Yi Chang		✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓
Jung-Chun Pan	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Chi-Chang Yu	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

The Bank's diversification policy of the Board of Directors in specific management goals and achievement status:

Specific management goals: To diversify the gender and professional skills of Board of Directors.

Current achievement status: The Bank's Board of Directors has achieved the goal of diversification policy.

#### f. Members and Operation Status of the Remuneration Committee

##### 1. Members of the Remuneration Committee:

Title	Name	Qualifications (Note 1)			Independent Status (Note 2)										Number of Serving as the Member of Remuneration Committee for Other Public Companies	Note		
		A	B	C	1	2	3	4	5	6	7	8	9	10				
Independent Director	Kuo-Yuan Liang	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	Jung-Chun Pan			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	Chi-Chang Yu	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	

Note 1: Directors and Supervisors shall meet one of the following professional requirements, together with at least five-year work experience:

- An instructor or higher in a department of commerce, law, finance, accounting, or other academic department related to the banking business in a public/private junior college, college, or university.
- A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and has been awarded a certificate in a profession necessary for the banking business.
- With work experience in the fields of commerce, law, finance, accounting, or other profession necessary for the banking business.

Note 2: During the two years before being elected or during the term of office, members shall meet the following terms with "✓" mark.

- Neither employees of the bank nor its affiliates.
- Neither a director or a supervisor of the bank nor its affiliates. (This restriction does not apply to mutual independent director positions in the bank, its parent company, subsidiary, or subsidiaries belong to the same parent company, which have been appointed in accordance with Securities and Exchange Act or laws of the registered country.)
- Individual shareholder who holds shares, together with those held by his/her spouse, minor children, or held under others' names, in an aggregate amount of 1% or more of the total outstanding shares of the bank or natural persons who rank among the top 10 shareholders in terms of the share volume held are excluded.
- The spouse or relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in preceding (2), (3) subparagraphs, or of managerial persons listed in the preceding (1) subparagraph are excluded.
- Shareholders that directly hold 5% or more of the total outstanding share amount of the bank, directors, supervisors, or employees of a juristic person shareholder that hold the total outstanding shares of the bank ranks among the top 5, or appointed delegates to be the Bank's Director or supervisor according to Paragraph 1 or Paragraph 2, Article 27 of Company Act among the juristic person shareholders are excluded. (This restriction does not apply to mutual independent director positions in the bank, its parent company, subsidiary, or subsidiaries belong to the same parent company, which have been appointed in accordance with Securities and Exchange Act or laws of the registered country.)
- Director's order of seats or whose outstanding shares more than half amount is controlled by the same person's other company's Director, supervisor or employees, have voting power are excluded. (This restriction does not apply to mutual independent director positions in the bank, its parent company, subsidiary, or subsidiaries belong to the same parent company, which have been appointed in accordance with Securities and Exchange Act or laws of the registered country.)
- The Bank's Chairman and President or in line with position is the same person or spouse of the company or institution's directors, supervisors or employees, are excluded. (However, if the Bank and its parent company, subsidiary, or subsidiaries belong to the same parent company according to Securities and Exchange Act or Independent Director also served as each other set up of local Act are excluded.)
- Directors, supervisors, the managerial officer, or the shareholder holding 5% or more shares of a specific company or institution that also have financial or business dealings with the bank are excluded. (However, specific company or institution has outstanding shares of more than 20% and less than 50%, its parent company, subsidiary, or subsidiaries belong to the same parent company, which have been appointed in accordance with Securities and Exchange Act or laws of the registered country are excluded.)
- A professional, owner, partner, director, supervisor, or the managerial officer and his/her spouse of a sole proprietorship, partnership, company, or institution that provides commercial, legal financial, accounting or consulting related services of audit or accumulated profits reached less than NT\$500 thousand in most recent two years to the bank or its affiliates is excluded. However, members implemented duties of Remuneration Committee and Public Tender Offer Review Committee or Merger/Consolidation and Acquisition Committee according to Securities and Exchange Act or Business Mergers And Acquisitions Act related Acts are excluded.
- Any of the circumstances in the subparagraphs of Article 30 of the Company Act doesn't regulate.

## 2. The Duties of the Remuneration Committee:

The members of the Remuneration Committee should, with due care of a good administrator, perform loyally the following functions:

- (1) To assess and review overall salary and remuneration policy.
- (2) To formulate and regularly review the performance assessments (including performance assessment standards) as well as salary and remuneration policy, system, standards and structure for directors, president, executive vice presidents, EVP & chief auditor, EVP & chief compliance officer, SVP & division heads of the Bank's head office, and the VP & GM of the branches. The performance assessment standard is disclosed in annual report for shareholders.
- (3) To regularly assess and formulate salary and remuneration for directors, president, executive vice presidents, EVP & chief auditor, EVP & chief compliance officer, SVP & division heads of the Bank's head office, and the VP & GM of the branches.
- (4) To formulate performance assessment standard and remuneration standard of financial products and business sales of the Bank, and the principles, methods and goals of standard, structure, system are closed in annual report for shareholders.
- (5) To consider the following matters for the Bank's subsidiaries
  - ① Decision on salary and remuneration levels of directors, supervisor, chairmen, president, and executive vice presidents.
  - ② Formulation and revision of rules governing salary, bonus and remuneration for employees.

## 3. Operation Status of the Remuneration Committee

- (1) The Bank's Remuneration Committee consists of 3 members.
- (2) The 4<sup>th</sup> Audit Committee (Jul. 21, 2017 ~ Jun. 15, 2020) convened 13 meetings in 2019 and the records of attendance of members are shown as follows:

The Operation of 4 <sup>th</sup> Remuneration Committee (Jan. 1, 2019 ~ Dec. 31, 2019)					
Title	Name	Attendance in Person	Attendance by Proxy	Actual Attendance Rate (%)	Note
Convener	Kuo-Yuan Liang	13	0	100	
Member	Jung-Chun Pan	13	0	100	
Member	Chi-Chang Yu	13	0	100	

## 4. The Remuneration Committee's 2019 meeting date, period, the content of the proposal, the outcome of the resolution, and the Bank's dealing with the opinions of the Remuneration Committee:

- (1) The 14<sup>th</sup> meeting of the 4<sup>th</sup> Remuneration Committee on Jan. 14, 2019 and The 15<sup>th</sup> meeting of the 4<sup>th</sup> Remuneration Committee on Feb. 20, 2019 (submitting for review by the 21<sup>th</sup> meeting of the 25<sup>th</sup> Board of Directors on Feb. 26, 2019):
  - ① Approved the amendment of the Bank's "Rules on Employee Performance Review."
  - ② Approved the Bank's 2018 employee performance bonus issue.
  - ③ Approved the Bank's 2018 special incentive fund allocation ratio and the ratio of business units and other units.
- (2) The 16<sup>th</sup> meeting of the 4<sup>th</sup> Remuneration Committee on Mar. 12, 2019 (submitting for review by the 22<sup>th</sup> meeting of the 25<sup>th</sup> Board of Directors on Mar. 15, 2019):
  - ① Approved the Bank's 2018 proposal to distribute the amount and ratio of directors' and employees' compensation.
  - ② Approved the proposal of the amount of the 2018 special incentives issued to the President, the EVP & Chief Auditor, the Executive Vice Presidents, the EVP & Chief Compliance Officer, and the Supervisors of head office, commercial regional centers, and business units.
  - ③ Approved the Bank subsidiary's proposal of "CHB venture capital Co., Ltd." in employee compensation distribution ratio.

- (3) The 17<sup>th</sup> meeting of the 4<sup>th</sup> Remuneration Committee on Apr. 15, 2019 and the 18<sup>th</sup> meeting of the 4<sup>th</sup> Remuneration Committee on Apr. 26, 2019 (submitting for review by the 23<sup>th</sup> meeting of the 25<sup>th</sup> Board of Directors on Apr. 26, 2019):
- ① Approved the proposal of related matters such as the remuneration and benefits of the Bank's Chairperson Joanne Ling.
  - ② Approved the proposal of related matters such as the remuneration and benefits of the Bank's President Jui-Mui Huang.
- (4) The 19<sup>th</sup> meeting of the 4<sup>th</sup> Remuneration Committee on May 3, 2019 (submitting for review by the 24<sup>th</sup> meeting of the 25<sup>th</sup> Board of Directors on May 10, 2019):
- ① Approved the proposal of "Standard of salary, allowance, and bonus of employee in CHB Venture Capital Co., Ltd." of the Bank's subsidiary CHB Venture Capital Co., Ltd.
  - ② Approved the proposal of related matters such as the remuneration and benefits of CHB Venture Capital Co., Ltd.'s President Jung-Chien Hu.
- (5) The 20<sup>th</sup> meeting of the 4<sup>th</sup> Remuneration Committee on Jun. 3, 2019 (submitting for review by the 25<sup>th</sup> meeting of the 25<sup>th</sup> Board of Directors on Jun. 21, 2019):
- Approved the Bank's 2019 annual salary adjustment.
- (6) The 21<sup>th</sup> meeting of the 4<sup>th</sup> Remuneration Committee on Jul. 10, 2019 (submitting for review by the 26<sup>th</sup> meeting of the 25<sup>th</sup> Board of Directors on Jul. 18, 2019):
- ① Approved the proposal of 2018 Director's remuneration distribution.
  - ② Approved the proposal of related matters such as the remuneration and benefits of the Bank's Executive Vice President Chang-Hua Cheng.
- (7) The 22<sup>th</sup> meeting of the 4<sup>th</sup> Remuneration Committee on Aug. 20, 2019 and the 23<sup>th</sup> meeting of the 4<sup>th</sup> Remuneration Committee on Aug. 26, 2019 (submitting for review by the 27<sup>th</sup> meeting of the 25<sup>th</sup> Board of Directors on Aug. 27, 2019)
- ① Approved the amendment of "Health Examination Subsidiary of Unit Manager."
  - ② Approved the proposal of "Self Contribution Payment and the Bank's Incentive Standard of Employee Stock Ownership Trust Committee."
  - ③ Approved the proposal of "2019 remuneration adjustment of senior management officer, salary adjustment of employee and lunch allowance for employee from Aug. 2019" by the subsidiary-Chang Hua Commercial Bank, Ltd.
  - ④ Approved the proposal of employee retirement, severance, and bereavement compensation of subsidiary-CHB Venture Capital Co., Ltd.
  - ⑤ Approved the proposal of employee remuneration distribution plans of subsidiary-CHB Venture Capital Co., Ltd.
  - ⑥ Approved the proposal of employee bonus payment plans of subsidiary-CHB Venture Capital Co., Ltd.
- (8) The 24<sup>th</sup> meeting of the 4<sup>th</sup> Remuneration Committee on Nov. 1, 2019 (submitting for review by the 30<sup>th</sup> meeting of the 25<sup>th</sup> Board of Directors on Nov. 12, 2019)
- ① Approved the proposal of "Attending Fee on Sustainable Development Committee."
  - ② Approved the amendment of "policies on employee retirement, severance, and bereavement compensation."
  - ③ Approved the amendment of "rules to issue salaries ceiling staff's incentive payments."
- (9) The 25<sup>th</sup> meeting of the 4<sup>th</sup> Remuneration Committee on Dec. 13, 2019 and the 26<sup>th</sup> meeting of the 4<sup>th</sup> Remuneration Committee on Dec. 20, 2019 (submitting for review by the 32<sup>th</sup> meeting of the 25<sup>th</sup> Board of Directors on Dec. 30, 2019)
- ① Approved the amendment of "the Bank's current staff salary scale's lower limit in job levels 1 and 2."
  - ② Approved the amendments of "compensation and welfare standard of the Chairperson of the subsidiary-Chang Hua Commercial Bank, Ltd." and "compensation and welfare of the Chairperson Ming-Jeng Shyn of the subsidiary-Chang Hua Commercial Bank."

(10) The 27<sup>th</sup> meeting of the 4<sup>th</sup> Remuneration Committee on Jan. 10, 2020 (submitting for review by the 33<sup>th</sup> meeting of the 25<sup>th</sup> Board of Directors on Jan. 21, 2020):

In accordance with 2019 directors' performance evaluation, the assessment items include "Awareness of the duties of the board," "Participation in the operation of the Bank," "Management and communication of internal relationship," and links the remuneration of directors (including Chairperson, directors, and independent directors) according to the results of performance evaluation of directors:

- ① Approved the annual assessment of the monthly remuneration of the Bank's managing directors (excluding managing independent directors) and directors (excluding general independent directors).
- ② Approved the annual assessment of the Bank's independent directors' monthly remuneration.
- ③ Approved the annual assessment of compensation and welfare of the Chairperson of the Bank.

**【The Bank's handling of the opinions expressed by the Remuneration Committee】** The bank has done as suggested.

**【Other matters required to be recorded】**

1. If the Board of Directors does not adopt or revise the recommendations of the Remuneration Committee, the meeting date, the ordinal number of the meeting, content of motion, and resolution result of the Board of Directors as well as the bank's handling of the Remuneration Committee's opinions (e.g. to state the differences and reasons if the remuneration adopted by the Board of Directors is better than that recommended by the Remuneration Committee) shall be all stated:

None.

2. With respect to any resolution by the Remuneration Committee, if any member has dissenting or qualified opinion that is on record or in a written statement, the meeting date, the ordinal number of the meeting, and content of motion for the Remuneration Committee as well as all the members' opinions with whose handling shall all be stated:

None.

g. Implementation of Performing Social Responsibility and Differences & Reasons of TWSE /GTSM-listed companies' Corporate Social Responsibility best practice principles.

Evaluation Items	Implementation Status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE /GTSM Listed Companies' with Reasons
	Y	N	Interpretation	
1. Does the Bank assess the risks of the Bank's related operational environment, social and corporate governance issues according to Materiality Principle, and formulate related risk management policy or strategy?	✓		<p>The Bank refers to GRI (Global Reporting Initiative) standard, identifies the Bank's stakeholder concerns about related environment of company business operation, social and corporate governance, correspond to GRI significant theme and conducts relevant risk assessment, and stipulates risk management policies as follows:</p> <p>1.1 Corporate Governance Aspect In order to comply with related legal regulations of corporate governance, practice AML/CFT, and prevent from occurrence of dishonest behavior in business operation risk, the Bank stipulated "Chang Hwa Commercial Bank Ltd. Corporate Governance Best Practice Principles," "AML/CFT Policy," "Ethical Management Guidelines," "Employee Code of Conduct," "Code of Ethical Conduct," etc. In addition to reinforcement of educational training on employees of all level and the set of corporate governance supervisor for the supervision of corporate governance related affairs, the establishments of legal compliance risk management structure, conduct of legal compliance risk assessment are settled. By strengthening operation efficiency of Board of Directors and reduce legal compliance risk, enhance the company's business performance, so as to reach the goal of corporate sustainable development.</p> <p>1.2 Social Aspect Employee is the most valuable asset of the Bank. In order to achieve the goal of talent recruitment and retention and facilitate the Bank's business operational development, the Bank actively establishes workplace of gender equality, diversified development, health and safety. Therefore, the Bank stipulates "Human Right Policy," "Anti Sexual Harassment Measure and Complaints Guidelines," "Occupational safety and Health Rules," and related preventive plans, endeavors to build a friendly workplace of respecting human right, ensuring employees' rights, improving occupational safety and health.</p> <p>1.3 Environmental Aspect Extreme weather and natural disaster have intensified in recent years, which may cause potential interruption of the Bank's business operation. In the face of natural disaster and climate related risk, the Bank stipulates and implements Business Continuity Plan and continuously promotes plans of energy saving and carbon reduction, waste reduction, resource management, and Green building so as to alleviate impact brought by climate change. The Bank conducts assessment of risk and opportunity in climate change and formulates countermeasures, in the meantime, participates in completing CDP questionnaire to give feedbacks and reflect on what should be done, all in order to reach the sustainable environment management goals.</p>	1. No difference.
2. Does the bank have a unit that specializes (or is involved) in CSR practices? Is the CSR unit run by senior management and reports its progress to the Board of Directors?	✓		<p>The Bank established Sustainable Development Committee, which is affiliated to the Board of Directors, is responsible for promoting the implementation of CSR, coordinating the establishment of related systems, supervising the implementation of CSR and its performance, and regularly reviews relevant implementation reports. To implement CSR policy, Sustainable Implementation Task Force was established under Sustainable Development Committee, which is in charge of daily routine of CSR and regularly report to Sustainable Development Committee of task plan and implementation of performance, and submits to the Board of Directors according to the regulation.</p>	2. No difference.
3. Environment Issues				
3.1 Does the bank establish proper environmental management systems based on the characteristics of their industries?	✓		<p>3.1 The Bank's environment management system has passed the ISO14001:2015, and its energy management system has passed the ISO50001:2018, Greenhouse gases inventory has passed the ISO 14064-1:2018. The aforesaid information is disclosed on the Bank's official website: CSR-Awards and Recognition-International Certifications.</p>	3.1 No difference.
3.2 Does the bank endeavor to utilize all resources more efficiently and use renewable materials which have a low impact on the environment?	✓		<p>3.2 The Bank continuously purchases environmental products for the purpose of increasing resource utilization efficiency, creating sustainable environment, related actions are as below:</p> <p>a. The Bank has adopted the use of environmentally-friendly hand towels in its headquarter of Taipei office building. Furthermore, the Bank has commissioned Syin-Lu Social Welfare Foundation to recycle all used toners, ink cartridges, and redundant printers.</p> <p>b. All operating units of the Bank adopt the use of "green building materials" to renovate its business premises.</p> <p>c. All operating units of the Bank purchase various types of heat-sensing paper rolls. Before purchasing, they would require that vendors furnish their product test reports to ensure that all products conform to national standards.</p>	3.2 No difference.

Evaluation Items	Implementation Status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE / GTSM Listed Companies" with Reasons
	Y	N	Interpretation	
3.3 Does the Bank assess the impact of climate change on its present and potential risks and opportunities in the future, and implement countermeasures to related climate issues?	✓		<p>3.3 a. The Bank refers to domestic and foreign information of climate change and TCFD structure, assess possible risk and opportunity of climate change and formulate relevant counter policies:</p> <p>(a) In the face of climate change caused by global warming, which also prolongs the summer time, raises temperature, intensifies potential natural disasters, in response to the increase of cost of electricity usage, the Bank considers utilizing energy saving, environment friendly products, expecting to increase energy efficiency and lower cost expenditure caused by climate-related risks. With a view to preventing the Bank from potential intensified natural disasters and damage of the Bank's asset and equipment, the Bank takes countermeasures such as ensuring emergency generators are under sound operation, fixing doors, windows, signboards, billboards, stacking sandbags in front of doors, setting up waterproof gate, in order to minimize property loss.</p> <p>(b) The significant goal of the Bank's IT division is to build green computer data center of energy saving and carbon reduction and continuously extend server virtualization, replace and reduce existing physical mainframe step by step, increase energy efficiency so as to reduce impacts of the Bank's business operations to the environment.</p> <p>(c) The Bank follows the issuance of Green bond from both in domestic and overseas, and brings into the Bank's investment portfolio at the right time. The Bank also continuously traces development of domestic and international Green industry so as to increase credit ratio of Green industry. The Bank launched Green industry related financial program such as "Solar Equipment Special Loan in Photovoltaic," "Green Industry Special Loan of Taoyuan City," "Low Carbon Special Loan for sustainable homeland," "Special Loan for Green Enterprise," in order to facilitate development of Green industry and environmental industry, reduce existing and potential risk caused by climate change.</p> <p>b. The Bank values environmental sustainability issues and has participated in international organization, Carbon Disclosure Project (CDP) climate change questionnaire from 2018, discloses relevant risk assessment, countermeasures and implementation status in terms of potential risk impact and opportunity of development caused by climate change. The Bank has received a recognition of score of B/Management from CDP in 2019.</p> <p>c. In the face of climate change, the Bank views impacts as business operation from climate change in a systematic way. From 2020, the Bank adopts TCFD (Task Force on Climate-related Financial Disclosures, TCFD) issued by FSB (Financial Stability Board, FSB), by adopting the 4 core pillars of TCFD, which are governance, strategy, risk management, metrics and targets, regularly assess and manage risk brought by climate change and discover business opportunities simultaneously, and present related countermeasures so as to achieve the target of environmental sustainability.</p>	3.3 No difference.
3.4 Does the Bank calculate GHG emissions, consumption of water and total weight of waste in the past two years, and formulate management policies of energy-saving, carbon-emission reduction, water saving, or waste reducing?	✓		<p>3.4 a. The Bank has measured "GHG emission," "Water consumption," "total weight of waste," related statistics information of past two years are disclosed on the Bank's official website: CSR-Environmental Aspect.</p> <p>b. In response to climate change and national greenhouse gas reduction policy, the Bank changed the base year as 2019 in accordance with expansion of scope to formulate quantified management target in the future and expect to reduce 30,000~60,000KgCO<sub>2</sub>e, 1% in water consumption and waste separately, and hope to reduce 10% in 2030 in the hope of facing climate change challenge with all countries around the world by substantial activities.</p> <p>c. Specific management measures for energy saving and carbon-emission reduction, reduction of greenhouse gas, and management of water use and waste include: (1) Replace old power-consuming air-conditioners to enhance energy-efficiency and set indoor temperature to more than 26°C to reduce the electrical burden of air-conditioning; (2) Replacement of old bulbs with high-efficiency LED bulbs to save power consumption on lighting and adjust the time length of operation of advertisement lights so as to reduce unnecessary power usage for lighting; (3) Equipped with water saving devices and adjust water flow from the faucets; (4) Promote paperless operation for official documents and business documents, e-learning for educational training; (5) eco-friendly tableware are provide in employee dining room to reduce the waste.</p> <p>d. In 2018, the amount of power used in the Bank's Taipei office building was equivalent to CO<sub>2</sub> emissions of 1,568,928KgCO<sub>2</sub>e; the amount of power used in abovementioned building was equivalent to CO<sub>2</sub> emissions of 1,464,897.2KgCO<sub>2</sub>e in 2019, reduced 104,030.8KgCO<sub>2</sub>e.</p> <p>e. In 2019, the Bank has replaced about 311 lamps and water dispensers were equipped with time serial control switch in its Taipei office building with LED lighting, thus reducing CO<sub>2</sub> emission by about 37,053.49kgCO<sub>2</sub>e. For 2020, the Bank plans to change into LED lighting for 1-2 floors. This amounts to about 300-600 lighting fixtures.</p> <p>f. In 2019, the amount of resource recycle is 2.8 metric tons more compared to 2018, recycle ratio is 20.39% more compared to 2018, and general garbage is 3.01metric ton (approximately deduct 2.41%) less compared to 2018.</p>	3.4 No difference.

Evaluation Items	Implementation Status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE / GTSM Listed Companies" with Reasons
	Y	N	Interpretation	
4. Social Issues				
4.1 Does the bank develop its policies and procedures in accordance with laws and the International Bill of Human Rights?	✓		4.1 a. In order to support and respect human rights spirit and fundamental principle announced by International Bill of Human Rights, the Bank formulated "Human Right Policy" in order to set a working environment with honesty, fairness, respect, openness, endeavor in raising attention of human rights related issues and focus on risk management and ensure human rights of labor. b. The Bank formulates concerned issues include: "occupational human rights assurance," "health and safety workplace," "support for freedom of association," "personal privacy protection," "anti-corruption, forbid bribe offer / acceptance and related dishonest behaviors," "promote human rights policy," according to characteristics and development strategy of financial industry.	4.1 No difference.
4.2 Does the Bank formulate reasonable employee welfare measures (including remuneration, paid leave and other welfare), and apply business performances or results to adequately reflect the employee's remuneration?	✓		4.2 a. Implementation of the Bank's employee welfare measures, special leaves and other welfares please referred to annual report: V. Operations Overview-F. Labor Relations. b. The Bank reviews salary of its employees in accordance with "Remuneration List for Personnel of Chang Hwa Bank"; reasonable and competitive remuneration is given to employees according to the appointment and responsibility so as to ensure that they do not have different remuneration as a result of their gender, age or race. All salaries are in conformity with basic salary standards. Each year the Bank determines the level of its salary-adjustment based on consumer price index and its performance and capability. c. The Bank issues a performance bonus in accordance with the Bank's overall business operating performance and various indicators of its "Rules on Employee Performance Review," "Regulations for Bonus Payment to Employees," "Regulations for Reward Payment to Employee," by combining individual employee's professional performance with their performance review.	4.2 No difference.
4.3 Does the bank provide safe and healthy work environments for its employees, and organize training on safety and health for its employees on a regular basis?	✓		4.3 a. The Bank holds the Occupational Safety and Health Committee every quarter to review the Bank's occupational safety and health management issues of the working environment. It also outsources professional institute for monitoring the indoor carbon dioxide and lighting operation environment of each unit every six months and each unit is equipped with first aid kit, providing employees with a safe and healthy work environment. On the other hand, the Bank regularly holds seminars on occupational safety and health, irregularly invites professionals to present seminars of health education, it also appoints professional institutions to provide psychological counseling and protect mental health for employees, so as to implement safety and health education. b. The Bank has safety and health work rules, and also has the Program to Prevent Employee Musculoskeletal Disorders Brought on by Repetitive Tasks, the Program to Prevent Employee Ailments Brought on by Exceptional Workload, the Program to Protect Maternal Employee's Health, and the Program to Prevent Employee Infringement Happened in Workplace to prevent occupational disasters and diseases. And the Bank has Automatic Safety and Health Inspection Plan to ensure that equipment remains in normal operation and reduces accident rates.	4.3 No difference.
4.4 Does the bank implement an effective training program that helps employees develop skills over the course of their career?	✓		4.4 The Bank values the career development of employee, to increase professional skills, multiple education channels are provided for employees during their service time. The Bank also encourages employees to participate in various occupational curriculum, certificate verification, e-learning English class, if employees resign and leave the Bank for any reasons, they still own the ability to work.	4.4 No difference.
4.5 Does the bank implement principles of consumer health and safety, privacy, marketing and mark of products and services to set consumer protection policies and procedures for complaint in accordance with related regulations and international guidelines?	✓		4.5 a. For the purpose of establishing enterprise culture of valuing financial consumer protection, the Bank formulated "Guidelines for Fair Treatment to CHB's Customers," ensuring every division shall abide by related regulations of financial consumer protection, ensuring all divisions provide products and services meet the standard of fair treatment through transaction in design, advertisement, sale, contract fulfillment, service counseling, dealing customer complaints. b. The Bank also formulated "Policies to Protect CHB's Financial Consumers," "Guidelines for CHB to Conduct Protection for Financial Consumers," and "CHB Consumer Complaint Handling Guidelines" in place for resolving consumers' complaints and major consumption incidents. The Bank can deal with financial consuming disputes effectively and regularly review the processing status and types of consuming disputes incidents, analyze the cause and reason of complaints and plan related countermeasures and submit to the Board of Directors so as to implement financial consumer rights and interest protection and improve service quality. c. The Bank complies with relevant regulations and international guidelines for the marketing and labeling of every products and services. For the important content of product and service contract, would be seen clear font on it and the Bank shall list complaint channel and dispute resolution for financial consumer to make use of.	4.5 No difference.

Evaluation Items	Implementation Status			Deviations from Corporate Social Responsibility Best Practice Principles for TWSE / GTSM Listed Companies" with Reasons
	Y	N	Interpretation	
4.6 Does the bank formulate supplier management policy which requires supplier to implement related regulations in environmental protection, occupational safety and health or labor human right issues, and the implementation results?	✓		4.6 a. To cooperate with suppliers are committed to the practice of corporate social responsibility, and comply with relevant laws and regulations such as environmental protection, the safety and health of employees, and labor human rights, the Bank has issued "Supplier CSR Policy" stipulates when the Bank signs a contract with a supplier, the supplier shall be required to sign a "Supplier Social Responsibility Commitment" and the content shall be implemented to comply with the Bank's "Corporate Social Responsibility Best Practice Principles" and corporate social responsibility policy of both parties. The Bank may terminate or cancel the contract at any time when abovementioned policies have been violated and have a great impact on environment from which product or service is sourced or when suppliers are involved in dishonest behaviors. b. To fulfill commitment and responsibility for supplier management, the Bank stipulates "Implementation of Corporate Social Responsibility Guidelines for Suppliers" to promote corporate social responsibility policies through communication meetings with suppliers and requires suppliers to fill in "Self-assessment of Corporate Social Responsibility Guidelines for Suppliers" and substantive transactions can be carried out after the Bank's review that there is no violation of laws and regulations. The Bank also visits suppliers irregularly, and fills in "Visiting Report for Suppliers" according to results to make sure the current status of suppliers to supervise them to implement corporate social responsibility.	4.6 No difference.
5. Does the bank refer internationally accepted criteria or guidelines to compile CSR report to disclose Bank's non-financial information? Does the Pre-disclosed report accredited or given guarantee opinion by third party certification?	✓		5.1 The Bank has accomplished its "2018 Corporate Social Responsibility Report" under the rules of GRI Standards declared by Global Reporting Initiative (GRI) in 2016. It includes "Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies" and Correspondence contents in Sustainable Development Goals (SDGs), and connects with global sustainable trends. 5.2 The Bank's "Corporate Social Responsibility Report" in 2018 has been verified by the third party Inspection-British Standards Institution (BSI) according to AA1000, and issued Independent Verification Statement to demonstrate efforts to fulfill corporate social responsibility of the Bank.	5. No difference.
6. If the bank has established corporate social responsibility principles based on "Corporate Social Responsibility Best Practice Principles for TWSE / GTSM Listed Companies," please describe any discrepancy between the principles and their implementation: The Bank refers to "Corporate Social Responsibility Best Practice Principles for TWSE / GTSM Listed Companies" to set up "Chang Hwa Commercial Bank Corporate Social Responsibility Best Practice Principles" for execution of related routines. As a result, no discrepancy between the principles and their implementation exists.				
7. Other important information to facilitate better understanding of the Bank's corporate social responsibility practices: 7.1 In line with government's policy, the Bank signed "Counseling Plan to Enhancing the Financial Competitiveness of SMEs" with Taiwan Small & Medium Enterprise Counseling Foundation (Taiwan SMECF). A total of NT\$ 780,000 was spent to assist SMEs to improve their financial structure and operating physique to enhance their competitiveness. 7.2 In response to the rapid aging population structure in Taiwan and promotion of 10-year long-term care plan 2.0 policy by government, initiated "Preferential loan for long-term care service agency" to help the institutions to obtain funds needed to purchase construction sites, equipment and operations to support the development of long-term care industry in Taiwan. 7.3 The Bank abides by Credit Rules of the Bankers Association of the Republic of China and upholds the spirit of Equator Principles to review whether the loan applicants are involved in activities of environment protection, business integrity and CSR as a reference of loan approval. 7.4 The Bank actively strives for sale and custody of ESG-related funds, which can bring more attention for enterprises to positive cycle of social responsibility. 7.5 Other corporate social responsibility operations of the Bank, please refer to V. Operations Overview, C. Corporate Responsibility and Moral Behavior.				



h. Implementation of Business Integrity and Deviations from “Ethical Corporate Management Best Practice Principles for TWSE /GTSM Listed Companies” with Reasons.

Evaluation Items	Implementation Status		Summary Information	Deviations from “Ethical Corporate Management Best Practice Principles for TWSE /GTSM-Listed Companies” with Reasons
	Y	N		
1. Policies and strategies established to ensure business integrity				
1.1 Has the bank formulated business integrity policy which is approved by the Board of Directors and stated in its Memorandum or external correspondence about the policies and practices it has to maintain business integrity? Are the Board of Directors and the top management committed in fulfilling this commitment?	✓		1.1 To implement the policy of business integrity, and actively guard against dishonest behavior, the Bank has formulated the “Ethical Corporate Management Best Practice Principles,” and approved by the Board of Directors, stipulating that the Bank’s personnel (including directors, managerial persons, employees, appointees, etc.) shall stick to principles of fairness, honesty, trustworthiness, and transparency, when conducting business and commercial activities, and shall establish a good corporate governance and risk control mechanism, so as to create a business environment for sustainable development; the Code also stipulates the Bank’s Board of Directors and top management to actively realize business doing with integrity as a code of conduct based on the Best Practice Principles for the internal management and external commercial activities to actually follow.	1.1 No difference.
1.2 Has the bank established risk assessment mechanism of dishonest conducts and regularly analyzed and assessed high-level dishonest conducts risk among operation? Does the bank have any measures which at least include the preventive measures in Paragraph 2, Article 7 of “Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies”?	✓		1.2 a. The Bank implements compliance risk assessment mechanism, regularly analyzes and assesses risks in every aspect of business operation, including internal risk management of dishonesty and corruption annually. According to business operation status of the year, internal audit performance, implementation status of inspection by competent authority, the Bank shall amend risk factors and indicators, the Bank’s business operation division shall stipulate and amend relevant preventive measures based on the assessment results, including the Bank’s “Ethical Corporate Management Best Practice Principles” which stipulates: that the Bank’s personnel shall not provide or receive, either directly or indirectly command or require, any unreasonable presents, hospitality or other improper benefits; that they shall abide by related regulations pertaining to intellectual property rights, the Bank’s guidelines and contract regulations; nor can they engage in unfairly competitive conduct, that they shall comply with the “Securities and Exchange Act” and shall not use privileged and undisclosed information to engage in inside trading, or disclose it to any third party in order to prevent other parties from using such undisclosed information for inside trading, etc. b. The Bank’s “Employee Code of Conduct” stipulates the following related guidelines: (a) Employees need to obtain the Bank’s permission before taking part in political campaign activities, political fund-raising activities, charitable activities, non-for-profit activities or volunteer activities in the name of the Bank. (b) Employees shall not promise customers of sharing interest and bearing financial losses, and refrain from demanding, offering or receiving, directly or indirectly, any improper funds, things of value, donations, hospitality or other benefits, which may impact their professional judgment and the objectivity of executing duties. (c) Employees shall protect the Bank’s assets as well as other assets under his / her dutiful custody. (d) Employees shall provide premium customer service and innovative products, and shall not seek competitive benefits via unethical or illicit business activities, and shall not promise customer of providing specific interest, consideration, undertaking losses, promoting investment of specific financial products. c. The Bank has formulated the “Regulations for External Donation,” stipulates donation cases shall be pre-reviewed, major business division shall review eligibility of the donated objective, donation purpose, rationality of the donation amount, and shall assess whether the donation is benefit for the morality, which have substantial benefits or devotions for the Bank’s corporate image and business promotion are allowed to perform or accept. In 2019, relevant donations meet standard of the Bank’s relevant regulations, none of them are provided with illicit political donations, charitable donations, bribes in disguise.	1.2 No difference.
1.3 Does the bank have any measures against dishonest conducts? Are these measures supported by proper procedures, behavioral guidelines, disciplinary actions and complaint systems and regularly review aforementioned measures?	✓		1.3 a. The Bank has formulated the “Ethical Corporate Management Best Practice Principles” and the relevant regulations to guard against dishonest behavior, which include the “Code of Ethical Conduct,” “Rules of Procedure for Board of Directors Meetings,” “Employee Code of Conduct,” “Work Rules,” “Directions for Treasury Division to Conduct Financial Transactions,” “Operating Guidelines for Business with the Interested Parties as Defined by the Banking Act,” “Operating Guidelines for Transactions with the Interested Parties Other than Credit Extension,” etc., in order to actually prevent dishonest behavior, and periodically review aforesaid related regulations. b. The Bank has also adopted the “Implementation Regulations of Employees Reward and Punishment” as a basis for rewards, punishments and remedies; any employee who is found and proved to have committed a dishonest act will be transferred to the Personnel Review Committee for punishment. If the abovementioned employee refuses to accept the disciplinary disposition, he / she has to file an appeal with the reasons and the relevant evidence to such committee for a new review.	1.3 No difference.

Evaluation Items	Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE / GTSM-Listed Companies" with Reasons
	Y	N	Summary Information	
2. Actions to ensure business integrity				
2.1 Does the bank evaluate the integrity of all counterparties it has business relationships with? Are there any integrity clauses stipulated in the agreements it signs with business partners?	✓		2.1 The Bank's "Ethical Corporate Management Best Practice Principles" stipulates that prior to the establishment of commercial relations with any third party, the Bank shall review whether the parties have been implicated in prior incidents of unethical behavior in accordance with the Bank's related rules and regulations (for example: "Guidelines for Suppliers' Corporate Social Responsibility"), and shall formulate terms with respect to good faith in contracts (for example: related activity contracts of retail channel, etc.) Relevant clauses were included in commercial contracts established by all divisions of the Bank in the year.	2.1 No difference.
2.2 Does the bank have an unit that specializes (or is involved) in business integrity? Does this unit report its progress to the Board of Directors on a regular basis (at least once a year) of integrity operation policy and program of preventing dishonest conduct and implementation of monitoring?	✓		2.2 The Bank's "Sustainable Development Committee" is set under the Board which is responsible for business integrity, and designates Compliance Division to report to Sustainable Development Committee and the Board of Directors annually and shall responsible for the following matters: a. To assist relevant divisions to comply with legal system and set integrity and ethical values into the Bank's business strategy, and stipulate related anti-fraud measures. b. To assist relevant division to stipulate related regulation on prevention of dishonest behavior. c. To assist to review internal organization, establishment and responsibility, and set a scheme of checks and balances involves a degree of mutual supervision between internal organizations of the Bank for higher dishonest behavior in business activities. d. To promote and coordinate integrity policy for propaganda and training. e. To plan whistleblower system, ensuring effectiveness of implementation. f. To assist the Board of Directors and management to audit and assess the precaution measures set for implementing business integrity are operating effectively, regularly assess the compliance status of related business process, and present a report.	2.2 No difference.
2.3 Does the bank have any policy that prevents conflict of interest, and channels that facilitate the reporting of conflicting interests?	✓		2.3 a. The Bank's "Ethical Corporate Management Best Practice Principles" specifically stipulates articles for avoiding conflict of interest, as the Bank's Board of Directors, management and all employees shall abide by related regulations such as the Bank's "Code of Ethical Conduct," "Rules of Procedure for Board of Directors Meetings," "Operating Guidelines for Business with the Interested Parties as Defined by the Banking Act," and "Operating Guidelines for Transactions with the Interested Parties Other than Credit Extension," in order to prevent conflict of interest. Directors shall also exercise self-discipline and refrain from coming to each other's rescue improperly. b. The Bank's "Rules of Procedure for Board of Directors Meetings," specifically stipulates that in the event, a director, or a corporate entity represented by a director, is considered a stakeholder to the discussed agenda, the said director must state important facts about his/her stakes involved during the current meeting and shall disassociate from all discussions and voting if it contradicts the Bank's interests, in which case, the director may not exercise voting rights on behalf of other directors. c. The Bank's "Employee Code of Conduct" outlines its policy against conflict of interest, specifically requiring employees to prioritize seeking the best interest of the Bank in performing their business operations, as well as to prevent conflict or contradiction between an employee's personal interest and the Bank's interest, including possible conflict of interest involving customers, trading counterparties, competitors or other employees as a result of the performance of duties on his/her post. Once employee alerts incidents happen stipulated in "Employee Code of Conduct," or other possible incidents involved in conflict of interest, shall avoid and resort confirmation to manager or compliance supervisor of the unit at once, and make sure after exclusion of possible conflict of interest, employee shall proceed to former conduct or activity. d. The Bank shall abide by relevant regulations enacted by the Banking Act and stipulated by competent authority when conducting credit business with the Bank's stakeholders.	2.3 No difference.
2.4 Has the bank implemented effective accounting and internal control systems for maintaining business integrity? Are these systems formulated with related audited plan according to the result of dishonest conduct risk, and apply it to prevent dishonest conduct of implementation of program, or by external auditors?	✓		2.4 a. The Bank establishes its accounting policies and amended it at appropriate times in accordance with regulations as bookkeeping guidelines for business operations and management. Furthermore, multiple layers of authority and accountability have been implemented to ensure sound internal control so that all employees can conduct the Bank's various business operations in good faith. b. The Bank's "Ethical Corporate Management Best Practice Principles" stipulates: "The Bank shall establish an effective accounting system and internal control system, and shall not keep external books or retain secret accounts. Furthermore, it shall review these systems at all times in order to ensure the continued effectiveness of the design and enforcement of these systems. The Bank's internal audit units shall audit whether the aforementioned systems are in compliance on a regular basis and compile audit reports for submission to the Board of Directors." In line with the aforementioned regulation, the Bank's internal audit shall regularly audit compliance with regard to the accounting system and the internal control system. The Bank shall plan and implement related audit plan according to the risk assessment performance of compliance and implementation of prevention of dishonest behavior program, and report to the Bank's Board of Directors.	2.4 No difference.

Evaluation Items	Implementation Status		Summary Information	Deviations from "Ethical Corporate Management Best Practice Principles for TWSE / GTSM-Listed Companies" with Reasons
	Y	N		
2.5 Does the bank organize internal or external training on a regular basis to maintain business integrity?	✓		2.5 a. The Bank regularly holds educational training relating to ethical management, on the other hand, a short film "The taste of Spring Onion Bread" made by Agency Against Corruption, Ministry of Justice is played at ATMs through the Bank's business unit, multimedia digital signage systems of digital branch, Facebook fan page, official website, and employee e-learning website, so as to advocate the value of business integrity. b. The Bank collects material sanction cases among competitors in the banking industry promulgated by the Financial Supervisory Commission, as written notices are sent to notify the supervisory units of related business operations for compliance review of their operations, the review would be also announced at the Bank's internal website and regulatory compliance area, and through various promotional campaigns, the Bank aims to elevate employees' professional ethical standards, enhance employees' regulatory compliance awareness. c. Internal educational training such as self-assessment is conducted on a regular basis every year on the responsible persons of business operation units to enhance their ability to guard against corruption. Training courses include the discussion of corruption control highlights, in addition to delving deep into reviewing the reasons behind the occurrence of corruption in financial institutions and explaining the Bank's related internal control operations so as to effectively enforce self-audit, enhance internal control at business operation units to guard against the occurrence of unethical behavior.	2.5 No difference.
3. Implementation of a misconduct reporting system				
3.1 Does the bank provide incentives and means for employees to report misconducts? Does the bank assign dedicated personnel to investigate the reported misconducts?	✓		3.1 The Bank has formulated the "Ethical Corporate Management Best Practice Principles" and "Rules of Internal Whistle-blowing," setting up address, mailbox, hotlines, related channel for complaints. In the circumstances unethical behavior is identified, including commit crime, misconduct, violation of regulation, the Bank's Internal Auditing Division which is the receiving unit shall designate appropriate personnel to deal with the incident. If the whistle-blower meets the standard of "Implementation Regulations of Employees Reward and Punishment," the Bank would give reward based on practical circumstance.	3.1 No difference.
3.2 Has the bank implemented any standard procedures, subsequent measures after the procedures, or confidentiality measures for handling reported misconducts?	✓		3.2 a. The Bank has formulated "Rules of Internal Whistle-blowing," which clarified on the investigated whistle-blowing cases, organization responsibilities of the reviewing unit, avoidance of interest, whistleblower protection, file management. The investigation of whistle blowing cases' review or reexamination which identifies to be true would be proceeded by the aforementioned regulation, related investigative unit shall review its internal control system and operational procedure, and submit improvement measures to prevent from occurrence of identical conduct. In addition, respondent and relevant respondent are required to stop doing related behavior and shall be proper handled by related personnel management regulation, and shall be handled by legal procedure for loss claim or dealing by prosecution authority. Receiving unit of complaints shall summarize and report, results of review, related information of improvement measures suggested by relevant unit, should submit to the Audit Committee and the Board of Directors regularly. b. The Bank has formulated the "Ethical Corporate Management Best Practice Principles" and "Rules of Internal Whistle-blowing," which ensure the confidentiality of the identity of whistle-blowers and the content of complaints, while investigations in line with regulations and public announcement by competent authority should be revealed.	3.2 No difference.
3.3 Does the bank assure employees who report misconducts that they will not face repercussions for making such reports?	✓		3.3 The Bank has formulated the "Ethical Corporate Management Best Practice Principles" and "Rules of Internal Whistle-blowing," which ensure the confidentiality of all information with regard to whistle-blowers; the Bank also makes sure that they will not suffer improper treatment including not to be fired, dismissed, degraded, salary reduction, and shall not be deprived from entitled interest of its legal regulations, contracts or habits, and other inadequate arrangements.	3.3 No difference.
4. Enhanced information disclosure Has the Bank disclosed its stipulated integrity principles and progress on its website and MOPS?	✓		The "Ethical Management Guidelines" formulated by the Bank have been disclosed on the Bank's official website as well as MOPS. In addition, the Bank's implementation of ethical management operations is also disclosed in the "Corporate Governance Report" section of the annual report as well as on the Bank's official website. An electronic version of the annual report is also disclosed on the Bank's official website and MOPS.	4. No difference.
5. For banks that have stipulated business integrity policies in accordance with "Ethical Corporate Management Best Practice Principles for TWSE / GTSM-Listed Companies," please describe the stipulation of current practice and any deviations from the Bank's policies: The Bank has formulated the "Ethical Management Guidelines" for execution of related Ethical Management affairs. All conducts are in compliance with the "ECMBP."				
6. Other information relevant to understanding the Bank's business integrity (e.g.: reviews over the bank's business integrity principles, etc.): The Bank shall follow the development of domestic and international ethical management related regulations as a basis for review and improvement of the Bank's ethical management regulations, and for its implementation, to improve the effectiveness of ethical management.				

- i. If the Bank has adopted corporate governance best-practice principles or related by laws, disclose how these are to be searched.

The Bank has made related rules of corporate governance, please visit the corporate governance on the official website (<https://www.bankchb.com>) or please refer to MOPS (<https://mops.tse.com.tw>).

- j. Other significant information that will provide a better understanding of the state of the Bank's implementation of corporate governance may also be disclosed.

Please refer to this chapter e. 6 The other relevant information for better understanding the Bank's corporate governance operation.

k. Execution of Internal Control System

1. INTERNAL CONTROL SYSTEM STATEMENT:

Chang Hwa Commercial Bank, Ltd.  
Internal Control Statement

March 20, 2020

To : Financial Supervisory Commission, R.O.C.

- I .On behalf of Chang Hwa Commercial Bank, Ltd. (the “Bank”), we hereby declare that from January 1, 2019 to December 31, 2019, the Bank has duly complied with the “Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries” in establishing its internal control system, implementing risk management, designating an independent and objective department to conduct audits, and regularly reporting to the Board of Directors and the Audit Committee.
- II .With respect to the securities business, evaluation of the effectiveness of the design and implementation of its internal control system has been done in accordance with the criteria for evaluating effectiveness of internal control systems described in the “Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets,” promulgated by the Securities and Futures Bureau, Financial Supervisory Commission.
- III .Regarding insurance agent business:
- A.The Bank determines if the effectiveness of the design and execution of the internal control system according to “Regulations Governing the implementation of Internal Control and Audit System and Business Solicitation System of Insurance Agent Companies and Insurance Broker Companies” (the “Regulations”). According to the judgment criteria for internal control systems stipulated in Regulations, there shall be at least the following elements: 1. a controlled environment, 2. risk analysis, 3. controlled operations, 4. information and communication, and 5. monitoring operations.
- B.The Bank investigates the effectiveness of the design and execution of the internal control system by adopting the internal control system judgment criteria listed above.
- C.Based on the results of the investigation described in the previous item, the Bank determined that the design and execution of the internal control system (including the integrity of operations, the reliability of reports, and the compliance of relevant rules and regulations) during the said period is effective, and the goals listed above is reasonably confirmed to have been achieved.
- IV .After prudent evaluation, except for items listed in the table attached below, the internal control and legal compliance systems of each department have been in effect during the year.
- V .This Statement will be included as the main content of the Bank’s annual report and prospectus and make public. If there is any illegal activity such as fraud or concealment, liabilities under Article 20, 32, 171, and 174 of the Securities and Exchange Act or aforementioned Regulations will be involved.
- VI .This Statement has been approved by the Board of Directors on March 20, 2020.

Chairman : *Joanne Ling*

President : *Jui-Mu Huang*

Executive Vice President &  
Chief Auditor : *Su you*

Executive Vice President &  
Chief Compliance Officer : *Wu Cheng Yang*

**【Attached list】**

**Items to be improved and Countermeasures of Internal Auditing System of Chang Hwa Bank**

(Base Date: December 31, 2019)

Items to be improved	Countermeasures	Estimated time of completion
1. FSC conducted a targeted examination on the Bank's Insurance Agency operation and found insurance buyer bought investment-linked product by applying loan service, it implied there were inadequacies in KYC policy. As a result, FSC issued a reprimand letter on September 16, 2019 and the Bank was required to be rectified within one month and imposed an administrative fine of NT 200 thousand.	<ol style="list-style-type: none"> <li>The Bank strengthened employee KYC education training and promotion.</li> <li>The Bank established systematic inspection mechanism, preventing insurance buyer from buying investment-linked product by applying loan service.</li> </ol>	The review and improvement has been done and reported to FSC.
2. The Bank's former employee Lin who held position as financial consultant was involved in circumstances include improper marketing, misappropriation funds from customer, unusual fund transfer with customer.	<ol style="list-style-type: none"> <li>The Bank strengthened relevant supervisory mechanisms according to "Operation Principles in Relevant Internal Control of Preventing Financial Consultant from Misappropriating Fund of Customer," so as to effectively executive countermeasures of avoiding against malpractice of financial consultant.</li> <li>The Bank established care mechanism for the purpose of articulating customers' funds status.</li> </ol>	The review and improvement has been done and reported to FSC.
3. FSC conducted a full-scope examination on the Bank and found the design of Bank's internal control system in related business operation and implementation of executive supervision and management control are not completed and shall actively review the weakness of internal control and discuss designing measures to strengthen internal control.	<ol style="list-style-type: none"> <li>The Bank actively reviewed the weakness of internal control on the basis of three lines of defense, discussed effectiveness of internal control in systematic aspect and strengthened horizontal communication between divisions so as to complete implementation of internal control.</li> <li>The Bank strengthened risk management and supervisory structure of legal compliance and continuously strengthened education training for increasing knowledge in legal regulation of the Bank's employee of all levels.</li> </ol>	The review and improvement has been done and reported to FSC.

2. Report of Independent Auditor appointed to conduct special audit on the Bank's internal control system:

**Independent Auditors' Report on Applying Agreed-Upon Procedures**

The Board of Directors and Shareholders  
Chang Hwa Commercial Bank, Ltd. (hereinafter refer as "CHB")

Pursuant to the agreed-upon procedures, we have performed CHB's the correctness of the report submitted to the competent authority for the banking business, the execution status of internal control system and compliance officer system, the appropriateness of policies for loan loss reserves, and the execution status of personal information protection in 2019. Your company made the final decision in these procedures; therefore, we do not express our opinions regarding whether these procedures were sufficient. This work is conducted in accordance with the Statement on Auditing Standard No. 34 "Perform Agreed-Upon Procedures Regarding Financial Information," and its purpose is to assist your company in evaluating the compliance with "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries," promulgated by the Financial Supervisory Commission. Complying with the aforementioned regulation is the responsibility of your company's management. We have provided the procedures and the associated findings in the attachments herein, respectively.

The audits we performed are not in accordance with Generally Accepted Auditing Standards; hence, we do not assure your company of the correctness of the report submitted to the competent authority for the banking business, the execution status of internal control system and compliance officer system, the appropriateness of policies for loan loss reserves, and the execution status of personal information protection. If we perform additional procedures or the audits in accordance with Generally Accepted Auditing Standards, we may have other findings.

This report provides your company as the use for the purpose of the first paragraph mentioned only, and should not distribute to any third parties for any purposes whatsoever.

Deloitte & Touche  
March 26, 2020

I. Major malfeasant cases and operational improprieties and remedial measures adopted for the past two years as of the date of annual report publication.

1. Legal Action Involving Bank Executives or Employees:

None.

2. Fines imposed by FSC as a punishment for violating laws and regulations:

Major malfeasant cases and operational improprieties	Countermeasures
A full-scope examination on the Bank's Yuanlin and Shuangyuan Branches and the improper operation that was found by FSC violated Paragraph 1, Article 8 of the Money Laundering Control Act, causing the Bank's unsound operation. As a result, FSC issued a reprimand letter on May 29, 2018 and imposed an administrative fine of NT 400 thousand for violating Paragraph 4, Article 8 of the Money Laundering Control Act and Paragraph 1, Article 61-1 of the Banking Act.	<ol style="list-style-type: none"> <li>1. The Bank implemented the examination of transaction monitoring reports completely and held the relevant training.</li> <li>2. The Bank amended the directions of "Certificate of Account Balance."</li> </ol>
The Bank's former employees of Dong Guan Branch received improper funds from property appraisal firm, which is in violation of Paragraph 1, Article 45-1 of the Banking Act on July 3 <sup>rd</sup> , 2018 approved by FSC. On the same day, FSC punished the Bank with the penalty of NT 3 million based on Subparagraph 7, Article 129 of the Banking Act. For the same case, China Banking Regulatory Commission of Dongguan imposed a fine of CNY300 thousand on June 8, 2018, according to Article 46 of The Law of the People's Republic of China on Banking Regulation and Supervision.	<ol style="list-style-type: none"> <li>1. The Bank reiterated that all staffs are prohibited from breaching the laws and regulations.</li> <li>2. The Bank has strengthened and improved the supervision of branches.</li> <li>3. The Bank has strengthened and implemented the reporting process regarding the crisis management and related incident response activities.</li> <li>4. According to the instructions of the Competent Authorities, the Bank has established and revised its related internal control policies to compliance.</li> <li>5. The Bank has established the more complete internal whistle-blowing system to accept and investigate the reported issues effectively.</li> <li>6. The Bank has developed its crisis management and resilience mechanism for major cases.</li> <li>7. CHB overseas branches have formulated the management guideline for business related to the property appraisal companies. In order to evaluate and monitor the appraisal companies, the selection criteria and annual reviews are included in the guideline.</li> <li>8. The Bank has implemented employee abnormal behavior investigations and employee home visits.</li> </ol>
FSC implemented business professional inspection on the Bank and found customers purchased investment-linked insurance products by crediting. The Bank took responsibility for imperfection in KYC and was required to be rectified within one month on September 16, 2019 and FSC imposed a fine of NT\$ 200,000.	<ol style="list-style-type: none"> <li>1. The Bank strengthened employee KYC education training and promotion.</li> <li>2. The Bank established systematic inspection mechanism, preventing insurance buyer from buying investment-linked product by applying loan service.</li> </ol>

3. Any Item Committing Penalty Pursuant to Article 61-1 by Financial Supervision Committee:

None.

4. Any violation related to internal control system with internal employee of the Bank for penalty:

None.

5. Disclosures of financial losses caused by corruptions by employees, major incidental cases or major breaches of security maintenance regulations with losses exceeding NT\$50 million in individual and/or combined cases:

None.

6. Other Mandatory Disclosures as Instructed by the Financial Supervisory Commission:

None.

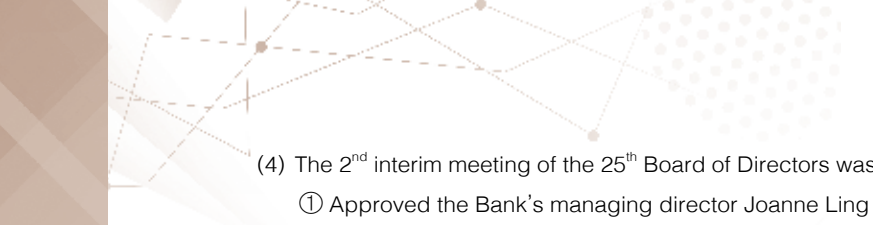
m. Major resolutions passed at General Shareholders' Meeting (GSM) & Board of Directors Meeting in 2019

1. Decisions made at the 2019 GSM:

Date	Agenda	Results	Implementation Status
June 14, 2019	Discussion of the Bank's 2018 Business Report and Financial Statements.	Voted and acknowledged as proposed.	Compliant with the Company Act and Securities Exchange Act, related documents have been submitted to regulators for recordkeeping and proclamation.
	Discussion of the Bank's distribution of 2018 profit.	Voted and acknowledged as proposed.	Distribution of dividend and bonus to common stock shareholders – cash (NT\$0.64 per share): NT\$6,265,293,277 and stock (NT\$0.2 per share): NT\$1,957,904,140 are approved by shareholders' meeting, after the board has decided the base day for the cash dividend, stock dividend, and surplus profit distributed in the form of new shares is August 12, 2019; the dividends have been allocated on September 6, 2019.
	Discussion of the Bank's issuance of new shares through capitalization of earnings.	Voted and approved as proposed.	Resolved by shareholders' meeting on September 6, 2019 after reporting to FSC and become effective on July 9, 2019 after being approved for the registration change by MOEA on August 20, 2019.
	The amendment of the Bank's Rules for Director Elections.	Voted and approved as proposed.	The amendment has put into force after acknowledged.
	The amendment of the Bank's Rules of Procedures for Shareholders' Meetings.	Voted and approved as proposed.	The amendment has put into force after acknowledged.
	The amendment of the Bank's Asset Acquisition and Disposal Procedures.	Voted and approved as proposed.	The amendment has put into force and published on June 25, 2019.

2. Important resolutions of the 2019 Board of Directors' meeting:

- (1) The 20<sup>th</sup> meeting of the 25<sup>th</sup> Board of Directors was held on January 23, 2019:
  - ① Approved the Bank's budget draft for the fiscal year 2019.
  - ② Approved the Bank's "Corporate Governance Best Practice Principles."
  - ③ Approved the Bank's "Internal Control Systems in Securities."
- (2) The 21<sup>th</sup> meeting of the 25<sup>th</sup> Board of Directors was held on February 26, 2019:
  - ① Approved the proposal to acknowledge the 2018 annual business report and annual financial report during the shareholders' meeting.
  - ② Approved the case of the "2019 Chang Hwa Bank Risk Appetite Declaration."
- (3) The 22<sup>th</sup> meeting of the 25<sup>th</sup> Board of Directors held on March 15, 2019:
  - ① Approved the Bank's 2018 "Internal Control System Declaration."
  - ② Approved the Bank's 2018 "Internal Control System Statements for AML/CFT."
  - ③ Approved the appointment and compensation for the Bank's 2019 annual financial and tax auditing accountant.
  - ④ Approved the Bank's "Asset Acquisition and Disposal Procedures."
  - ⑤ Approved the Bank's "Rules of Procedures for Shareholders' Meetings."
  - ⑥ Approved the Bank's "Rules for Director Elections."
  - ⑦ Approved the convening of the Bank's 2019 General Shareholders' Meeting.
  - ⑧ Approved the Bank's "internal auditing head" personnel change.

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- (4) The 2<sup>nd</sup> interim meeting of the 25<sup>th</sup> Board of Directors was held on April 8, 2019:
    - ① Approved the Bank's managing director Joanne Ling as the Chairperson of the Bank.
    - ② Approved the Bank's President Hong-Chi Chang for retirement.
    - ③ Approved the employment of Mr. Jui-Mu Huang as the Bank's President.
  - (5) The 23<sup>th</sup> meeting of the 25<sup>th</sup> Board of Directors was held on April 26, 2019:
    - ① Approved application of Unsecured Subordinate Financial Debenture Bonds with quota NT\$20,000,000,000 (or equivalent in foreign currency) to competent authority.
    - ② Approved the proposal to acknowledge the 2018 appropriation of earnings by shareholders' meeting.
    - ③ Approved the proposal to discuss the issuance of new shares via earned surplus-turned capital increase by shareholder meeting.
    - ④ Adopted amendment of the Bank's "Long-term Equity Investment Business and Subsidiary Company Management Guidelines."
    - ⑤ Adopted amendment of the Bank's "Overseas Subsidiary Management Guidelines."
    - ⑥ Adopted amendment of the Bank's "Rules for Director Elections."
    - ⑦ Adopted amendment of the Bank's "Corporate Governance Best Practice Principles."
    - ⑧ Approved appointment of Mrs.Chang-Hua Cheng as the Bank's EVP.
    - ⑨ Approved related cases the evaluation of salary, benefits, etc. of the Chairperson of the Board.
  - (6) The 24<sup>th</sup> meeting of the 25<sup>th</sup> Board of Directors was held on May 10, 2019:
    - ① Adopted amendment to the Bank's "Accounting System."
    - ② Adopted amendment to the Bank's "Implementation Rules of Legal Compliance System."
  - (7) The 25<sup>th</sup> meeting of the 25<sup>th</sup> Board of Directors was held on June 21, 2019:
    - ① Adopted amendment to the Bank's "Code of Ethical Conduct."
    - ② Adopted amendment to the Bank's "Ethical Management Guidelines."
    - ③ Adopted amendment to the Bank's "Rules of Procedures for Board of Directors Meetings."
    - ④ Adopted amendment to the Bank's "Internal Control System for Trust Enterprises."
    - ⑤ Approved designation of Mrs. Hsueh-Ni Hsieh as the Bank's corporate governance officer.
  - (8) The 26<sup>th</sup> meeting of the 25<sup>th</sup> Board of Directors was held on July 18, 2019:
    - ① Approved the Bank's baseline date for the Bank's 2018 cash and stock dividends, and capitalization of earnings as well as the distribution date for the Bank's 2018 cash dividends.
    - ② Adopted amendment to the Bank's "Internal Control System for Securities Broker."
    - ③ Approved amendment to the Bank's "Internal Control System for Securities Transactions Assistance Services of Securities Broker."
    - ④ Approved the Bank's 2018 remuneration resolution of directors.
  - (9) The 27<sup>th</sup> meeting of the 25<sup>th</sup> Board of Directors was held on August 27, 2019:
    - ① Approved the Bank's 2019 semi-annual financial statement.
    - ② Adopted amendment to the Bank's "Policy for Anti-Money Laundering and Countering Financing Terrorism," "Directions for Governing Anti-Money Laundering and Countering Financing Terrorism."
    - ③ Approved the Bank's "Employee Stock Ownership Trust Committee" to deal with employee stock ownership trust.
  - (10) The 28<sup>th</sup> meeting of the 25<sup>th</sup> Board of Directors was held on September 27, 2019:

Approved the Bank's 2019 business plan, the evaluation of capital adequacy, and self-assessment of risk indicators.
  - (11) The 29<sup>th</sup> meeting of the 25<sup>th</sup> Board of Directors was held on October 14, 2019:

Approved the establishment of "Sustainable Development Committee" and stipulated the Bank's "Organizational Regulations of Sustainable Development Committee."
  - (12) The 30<sup>th</sup> meeting of the 25<sup>th</sup> Board of Directors was held on November 12, 2019:
    - ① Approved the proposal of the Bank's "Human Right Policy."
    - ② Approved appointment of the Chairperson, 3 independent directors and the President as the member of the Bank's Sustainable Development Committee.



- (13) The 31<sup>th</sup> meeting of the 25<sup>th</sup> Board of Directors was held on December 17, 2019:  
Approved the Bank's auditing plan for fiscal year 2020.
- (14) The 32<sup>th</sup> meeting of the 25<sup>th</sup> Board of Directors was held on December 30, 2019:  
① Approved the Bank's budget draft for fiscal year 2020.  
② Adopted amendment to the Bank's "Corporate Social Responsibility Best Practice Principles."  
③ Adopted amendment to the Bank's "Organizational Regulations of Remuneration Committee."
- (15) The 33<sup>th</sup> meeting of the 25<sup>th</sup> Board of Directors was held on Jan. 21, 2020:  
① Approved the annual assessment of the monthly remuneration of the Bank's managing directors (excluding managing independent directors) and directors (excluding general independent directors).  
② Approved the annual assessment of the monthly remuneration of the Bank's independent directors.  
③ Approved the annual assessment of the Bank's chairperson's remuneration, benefits and other related matters.
3. Important Resolutions of Board of Directors (From Jan. 1, 2020 to the date of annual report publication):  
For details please visit the Bank's official website (<https://www.bankchb.com>).
- n. Major issues of record or written statements made by any director dissenting to important resolutions passed by the Board of Directors for the past year as of the date of annual report publication:  
None.
- o. Disclosures the resignation or dismissal of managerial officer

March 31, 2020

Title	Name	Date of Appointment	Date of Dismissal	Reasons for Resignation or Dismissal
Internal Auditing Division SVP & Division Head	Chang-Hua Cheng	October 1, 2015	March 25, 2019	Job Relocation
Chairman	Ming-Daw Chang	December 10, 2014	April 8, 2019	Dismissal
President	Hong-Chi Chang	March 23, 2018	April 8, 2019	Application for Retirement
Financial Management Division SVP & Division Head	Tsai-Feng Lin	August 1, 2007	March 1, 2020	Mandatory Retirement

## E. Information on the Professional Fees of the CPAs

### Professional Fees of the CPAs

Name of Accounting Firm	Name of CPAs	Auditing Period	Note
Deloitte & Touche	Jummy S.Wu   Titan Lee	2019/1/1 ~ 2019/12/31	

Note: Reason for independent auditor replacement is internal organizational adjustment for Deloitte & Touche.

Unit: NT\$ thousand

Professional Fee Item	Audit Fee	Non-Audit Fee	Total
1			
2			
3			
4			
5	9,765		9,765
6		11,897	11,897

- a. Whether non-audit fees paid to the CPA, to the accounting firm of the CPA, and to any affiliated enterprise of such accounting firm are equivalent to one quarter or more of the audit fees paid to them:

Unit: NT\$ thousand

Accounting Firm	Name of the CPA	Auditing Fee	Non-Auditing Fee					CPAs Auditing Period	Note
			System Design	Corporate Registration	Human Resources	Other	Subtotal		
Deloitte & Touche	Jimmy S. Wu   Titan Lee	9,765				11,897	11,897	From Jan. 1, 2019 to Dec. 31, 2019	

Note 1: Reason for the CPA replacement is internal organizational adjustment of Deloitte & Touche.

Note 2: The contents of non-auditing service fee include: information security test and management, AML/CFT assurance, and implementation of personal data protection.

b. When change of accounting firm happens and the audit fee of the said year is less than that of previous year that shall be disclosed.

None.

c. A decrease over 10% compared to the previous year for audit fee shall be disclosed.

None.

## F. Changes of Accountants

a. Former Accountants

Date of Change	March 15, 2019		
Reasons for Changes Made & Relevant Explanations	Organization Adjustment for Administration in Accounting Firm		
Service Contract Terminated by Appointer or Accountant / Not Accepting Continued Appointment	Event	Accountant	Appointer
		Termination of Appointment	N/A
		Not Accepting (continued) Appointment	N/A
Unqualified Opinions in Auditing Reports Certified within the Last 2 Years with Reasons	None		
Any Disagreement with the Bank's Opinions	Yes		Accounting Principles or Practices
			Disclosure of Financial Statements
			Auditing Scope or Steps
			Other
	None	✓	
	Reason		
Other Disclosures (Required by Art.10.6.A.d of Regulations Governing Information to be Published in Annual Reports of Bank)	None		

b. Successor Accountants

Accounting Firm	Deloitte & Touche
Name of Accountant	Jimmy S. Wu
Date of Appointment	Mar. 15, 2019
Consultations on Accounting Measures or Principles Concerning Specific Transactions or on Likely Opinions in Financial Statements	None
Written Opinions by Successor Accountant on Disagreements with Former Accountant	None

c. Response by former accountants regarding Point 3, Item 2 and Item 1, Subparagraph 6, Article 10 of Regulations Governing Information to be Published in Annual Reports of Bank:

None.

## G. The Bank's Chairperson, President, or any Managerial Officer in Charge of Finance or Accounting Matters Has in the Most Recent Year Held a Position at the Accounting Firm of Its Certified Public Accountant or at an Affiliated Enterprise

None.

## H. The Changes in Shareholding

- a. Changes in Shareholdings of Directors, Executive Officers, and Shareholders Conform to the Regulations Governing the Same Person or Same Concerned Party Holding the Issued Shares with Voting Rights over a Particular Ratio of a Bank, Article 11

Title	Name	2019		As of Mar. 31, 2020	
		Changes in shareholding	Changes in pledged shareholding	Changes in shareholding	Changes in pledged shareholding
Chairperson (Delegate of Ministry of Finance (MOF))	Joanne Ling	0	0	0	0
Managing Director (Delegate of Taishin Financial Holding Co., Ltd. (TSFHC))	Cheng-Ching Wu	0	0	0	0
Managing Director (Independent Director)	Kuo-Yuan Liang	0	0	0	0
Director (Delegate of TSFHC)	Julius Chen	3,153	0	0	0
Director (Delegate of MOF)	Chia-Chi Hsiao	0	0	0	0
Director (Delegate of National Development Fund, Executive Yuan)	Chien-Yi Chang	0	0	0	0
Director (Independent Director)	Jung-Chun Pan	0	0	0	0
Director (Independent Director)	Chi-Chang Yu	0	0	0	0
President	Jui-Mu Huang	0	0	0	0
Executive Vice President	Horng-Yao Tu	1,734	0	0	0
	Hom-Gang Wang	2,210	0	(108,000)	0
	Bin Chen	10,000	0	0	0
	Chang-Hua Cheng	2,038	0	0	0
EVP & Chief Compliance Officer	Jih-Cheng Yang	309	0	0	0
EVP & Chief Auditor	Ya-Ling Lin	27	0	0	0
SVP & Division Head	Nell-H. Tseng	0	0	0	0
	Hsueh-Ni Hsieh	798	0	0	0
	Yu-Hsueh Liu	524	0	0	0
	Chiou-Yueh Chen	445	0	0	0
	Chih-Chen Hsu	0	0	0	0
	Li-Ling Lan	975	0	0	0
	Hsiu-Chuan Teng	13	0	0	0
	Rueih-Hwa Cheng	4,232	0	0	0
	Hsiu-Hsia Tsai	280	0	0	0
	Hsiu-Luan Hsieh	266	0	0	0
	Shwu-Fang Wang	3,502	0	0	0
	Mei-Fang Wu	0	0	0	0
	Fu-Jinn Chiou	8	0	0	0
	Hsien-Lung Chen	0	0	0	0
	Yi-Jung Chan	4	0	0	0
	Hsiang-Chun Wu	0	0	0	0
	Hui-Jen Wu	1,133	0	0	0
	Hui-Yu Chen	0	0	0	0
	Ruei-Jan Chen	0	0	0	0
	Yu-Chin Fan	185	0	1,000	0
	Jin-Yu Yeh	2,453	0	0	0
	Wen-Chung Huang	8	0	0	0

Title	Name	2019		As of Mar. 31, 2020	
		Changes in shareholding	Changes in pledged shareholding	Changes in shareholding	Changes in pledged shareholding
VP & GM	Yao-Ju Lu	0	0	0	0
	Shun-Hung Huang	2,221	0	0	0
	Shuo-Hung Huang	847	0	0	0
	Fu-Rong Chiu	(3,982)	0	0	0
VP & GM	Hsiao-Hua Yin	222	0	0	0
VP & GM	Tse-Tsang Tso	2,188	0	0	0
	Fang-Yuan Wu	855	0	0	0
	Rong-Horng Way	368	0	0	0
	Yen-Chun Chen	538	0	0	0
	You-Chen Lee	411	0	0	0
	Shiu-Hwa Chang	(10,897)	0	0	0
	Chiung-Hsiao Hung	1,399	0	0	0
	Mei-Ling Chiu	236	0	0	0
	Jiunn-Horng Lin	712	0	0	0
	Su-Min Hsin	241	0	0	0
	Der-Ho Chen	27	0	0	0
	Jung-Chen	15	0	0	0
	Shinn-Guang Duh	0	0	0	0
	Hsi-Lung Wu	8	0	0	0
	Kao-Jung Hsu	202	0	0	0
	Don-Y.T. Wang	6	0	0	0
	Shu-Chung Chen	231	0	0	0
	Yu-Tang Shen	0	0	0	0
	Shu-Ju Tsai	809	0	0	0
	Cheng-I Huang	0	0	0	0
	Chien-Long Kuo	23	0	0	0
	Feng-Tsung Chang	26	0	0	0
	Li-Feng Shen	472	0	0	0
	Zhen-Dong Jian	14	0	0	0
	Ching-Hsiang Liu	474	0	0	0
	Chang-Ho Wang	0	0	0	0
	I-Hsin Weng	9	0	0	0
	Chang-Cheng Chu	1,960	0	0	0
	Hueih-Rur Shy	0	0	0	0
	Hsueh-Wen Wang	27	0	0	0
	Shyh-Chau Lin	1,137	0	0	0
	Huey-Wen Chang	0	0	0	0
	Chiu-Ling Chen	0	0	0	0
	Kui-Min Hsiao	22	0	0	0
	Chia-Chen Shen	228	0	0	0
	Shey-Lin Chang	3	0	0	0
Yung-Ping Lin	328	0	0	0	
Chun-Jen Tsai	316	0	0	0	
Yu-Ling Tang	13	0	0	0	
Shu-Hsuan Lin	25	0	0	0	
Ai-Fen Hu	222	0	0	0	
Shu-Hua Tsai	977	0	0	0	

Title	Name	2019		As of Mar. 31, 2020	
		Changes in shareholding	Changes in pledged shareholding	Changes in shareholding	Changes in pledged shareholding
VP & GM	Hsiu-Chu Tseng	0	0	0	0
	Kuei-Mei Hsu	305	0	0	0
	Chi-Hsin Chao	0	0	0	0
	Chi-Tsung Shih	0	0	0	0
	Ting-Feng Cho	449	0	0	0
	Chih-Ning Chang	0	0	0	0
	Szu-Yen Lin	2,055	0	0	0
	Chin-Li Lin	(2,995)	0	0	0
	Su-Jane Lin	0	0	0	0
	Chun-Feng Lee	218	0	0	0
	Kui-Fang Tsai	185	0	0	0
	Huei-Jin Lin	124	0	0	0
	Hui-Chen Tai	1,049	0	0	0
	Mei-Ching Chang	1,587	0	0	0
	Yu-Yeh Lin	0	0	0	0
	Shu-Fen Liu	252	0	0	0
	Pan-Der Chin	0	0	0	0
	Jinn-Sheng Wu	11	0	0	0
	Hui-Ling Lee	0	0	0	0
	Lan-Zu Lin	290	0	0	0
	Ying-Hui Hung	1,208	0	0	0
	Shr-Jan Tzeng	15	0	0	0
	Shu-Fen Cheng	0	0	0	0
	Yao-Shen Hsieh	0	0	0	0
	Chin-Hsuan Lee	80	0	0	0
	Chun-Yuan Chen	15	0	0	0
	Su-Chen Cheng	7	0	0	0
	Chun-Nu Yeh	19	0	0	0
	Ching-Fu Lin	0	0	0	0
	Tzy-Yun Chen	8	0	0	0
	Mei-Hwa Huang	0	0	0	0
	Lih-Lan Yang	3	0	0	0
	Li-Min Cheng	71	0	0	0
	Quei-Ying Ho	1,354	0	0	0
	Shu-Chen Yang	27	0	0	0
	Ai-Ling Wang	754	0	0	0
	Tsung-Ming Lai (Note 1)	-	-	0	0
	Yin-Chao Liao	10	0	0	0
	Su-Man Hsueh	274	0	0	0
	Chyi-Ying Yeh	589	0	0	0
	Shu-Chen Shih	261	0	0	0
	Pi-Chin Shao	63	0	0	0
	Meng-Chen Chiang	1,227	0	0	0
Yi-Huei Chiu	306	0	0	0	
Mei-Hsing Lin	320	0	0	0	
Wei-Shuo Luo	(5,582)	0	0	0	

Title	Name	2019		As of Mar. 31, 2020	
		Changes in shareholding	Changes in pledged shareholding	Changes in shareholding	Changes in pledged shareholding
VP & GM	Hui-Fang Chen	0	0	0	0
	Jia-Jen Hou	1,405	0	0	0
	Ya-Huei Hung	0	0	0	0
	Jui-Hui Hsu	250	0	0	0
	Lin-Li Ku	457	0	0	0
	Mei-Fen Shieh	18	0	0	0
	Jiun-Uei Lin	0	0	0	0
	Pei-Fen Shieh	3,347	0	0	0
	Ai-Hsiu Lai	(3,172)	0	0	0
	Yueh-Chiu Lai	810	0	0	0
	Hsiu-O Hsieh	10	0	0	0
	Cheng-Chu Wang (Note 1)	-	-	0	0
	Yuan-Kuang Pan	21	0	0	0
	Jui-Yueh Wu	0	0	0	0
	Mei-Chun Tsou	0	0	0	0
	Chi-Min Chung	104	0	0	0
	Ya-Fang Lee	0	0	0	0
	Ming-Thur Chen	559	0	0	0
	Chi-Hsiang Chen	20	0	0	0
	Su-Ming Cheng	355	0	0	0
	Feng-Fuh Chang	18	0	0	0
	Shiow-Ling Kao	22	0	0	0
	Lin-Ling Chen	386	0	0	0
	Kun-Lin Lee (Note 1)	-	-	0	0
	Tung-Chia Lu	0	0	0	0
	Chiu-Min Shen	38	0	0	0
	Shao-Mao Wang	1,865	0	0	0
	Tsuey Shya-Jang	253	0	0	0
	Pei-Chung Yang	910	0	0	0
	Chun-Hong Yeh	10	0	0	0
	Kuen-Shan Wang	65	0	0	0
	Li-Fen Tzeng	(4,684)	0	0	0
	Wen-Ching Chen	785	0	0	0
	Shu-Lin Liu	861	0	0	0
	Yu-Fang Chang (Note 1)	0	0	0	0
	Li-Mei Chang	464	0	0	0
	Tain-Maw Chang	115	0	0	0
	Yuan-Fen Chen	264	0	0	0
	Yi-Chen Wang	1,996	0	0	0
	Chia-Yu Chang	895	0	(18,000)	0
Chin-Ping Lai	1,433	0	(27,000)	0	
Ruei-Jui Chen	1,643	0	0	0	
Ming-Chuan Lin	1,893	0	0	0	
A-R Liu	(34,950)	0	0	0	
Chih-Hao Lo	18	0	0	0	
Kuo-Heng Hsu	213	0	0	0	

Title	Name	2019		As of Mar. 31, 2020	
		Changes in shareholding	Changes in pledged shareholding	Changes in shareholding	Changes in pledged shareholding
VP & GM	Ji-Ming Huang	27	0	0	0
	Ti-Tien Liao	43	0	0	0
	Jui-Hung Weng	104	0	0	0
	Weng-Chung Chen	973	0	0	0
	Wen-Ling Tsai	38	0	0	0
	Tzu-Chiung Huang	2,557	0	0	0
	Lih-Lan Kuo	0	0	0	0
	Kung-Ming Chang	1,019	0	2,000	0
	Tung-Sheng Huang	74	0	0	0
	Shinn-Huei Leu	246	0	0	0
	Shu-Chuan Lin	20	0	0	0
	Chung-Shing Ho	0	0	0	0
	Show-Fone Lu	0	0	0	0
	Hsiu-Chih Huang	1,036	0	0	0
	Hsui-Chin Hsu	0	0	0	0
	Chen-Ying Wu	72	0	0	0
	Wen-Ko Ho	0	0	0	0
	Mei-Hui Wu	215	0	0	0
	Shu-Hui Lin	0	0	0	0
	Chun-Hung Tung	1,318	0	0	0
	Fen-Lan Lu	717	0	0	0
	Lun-Jan Lan	236	0	0	0
	Yen-Yu Liu	11	0	0	0
	Chien-Tai Ping	0	0	0	0
	Shiou-Yann Lin	29	0	0	0
	Chen-Huan Liu	0	0	0	0
	Shu-Li Chang	283	0	0	0
	Hui-Ju Lee	933	0	0	0
	Show-Ching Chen	0	0	0	0
	Hsu-Lin Huang	3,654	0	0	0
	Su-Chuan Wang	54	0	0	0
	Shwu-Ruu Lee	1,103	0	0	0
	Su-Wei Liang	470	0	0	0
	Chih-Ming Kuo	(7,254)	0	(10,000)	0
	Shu-Fen Wu	347	0	0	0
	Shen-Hui Lu	0	0	0	0
	Shyh-Maw Wang	233	0	0	0
	Yung-Sheng Chen	23	0	0	0
	Chia-Hsiang Tsai (Note 1)	-	-	0	0
	Wan-Ling Chen	706	0	0	0
	Shu-Mei Yeh	0	0	0	0
	Shu-Hei Chang	989	0	0	0
	Li-Chu Shu	0	0	0	0
Chiang-An Chang	1,828	0	0	0	
Ching-Chung Chen	18	0	0	0	
Shu-Yun Hsu	69	0	0	0	
Shu-Fen Lee	1,481	0	0	0	

Title	Name	2019		As of Mar. 31, 2020	
		Changes in shareholding	Changes in pledged shareholding	Changes in shareholding	Changes in pledged shareholding
VP & GM	Ming-Han Tsai	0	0	0	0
	Ming-Jer Lin	91	0	0	0
	Wen-Ching Chang	71	0	0	0
	Che-Fang Hung	0	0	0	0
	Chien-Shan Liu	0	0	0	0
	Wan-Chin Chang	3,329	0	0	0
	Li-fang Liu	0	0	0	0
	Cheng-Yi Hsieh	0	0	0	0
	Chien-Mei Yu	326	0	0	0
	Chin-Lung Pan	118	0	0	0
	Kwang-Wu Liu	0	0	0	0
The Government or Juristic Person Shareholder Representative by Director (Major Shareholder) (Note 2)	Taishin Financial Holding Co., Ltd	44,143,273	0	0	0
The Government or Juristic Person Shareholder Representative by Director (Major Shareholder) (Note 2)	Ministry of Finance	23,872,696	0	0	0
The Government or Juristic Person Shareholder Representative by Director (Major Shareholder) (Note 2)	National Development Fund, Executive Yuan	5,383,433	0	0	0
Same Person or Same Concerned Party holding 10% or more of the shares (Note 3)	Taishin Financial Holding Co., Ltd.	44,143,273	0	0	0
	Taishin International Bank Co., Ltd. (Note 4)	520,259	0	0	0

Note 1: New appointment for manager in 2020.

Note 2: The shareholder holding 1% or more of the Bank's shares.

Note 3: Shareholders conform to the Regulations Governing a Same Person or Same Concerned Party Holding the Issued Shares with Voting Rights over a Particular Ratio of a Bank, Article 11.

Note 4: Subsidiary of TSFHC.

b. Information of shareholding transfer

None.

c. Information for shareholding pledge

None.



## I. Information Disclosing the Relationship between Any of the Bank's Top Ten Shareholders

April 21, 2020

Name	Shareholding		Shareholding by Spouse & Minor Children		Shareholding under Others' Name		Names and the Relationship among the Top Ten Shareholders in the Relationship of Related Parties or Spouses, Blood Relatives within the Second Degree of Kinship		Note
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Taishin Financial Holding Co., Ltd. (Representative Thomas T.L. Wu)	2,251,306,956	22.55	0	0	0	0	Excel Chemical Co., Ltd.	Chairman of Excel Chemical Co., Ltd. as representative of a Juristic Person Director and major shareholder's Chairman of Taishin Financial Holding Co., Ltd.	None
Ministry of Finance (Representative Jain-Rong Su)	1,217,507,539	12.19	0	0	0	0	First Commercial Bank	Ministry of Finance as a Juristic Person Shareholder representative by Director of First Commercial Bank's parent company, First Financial Holding Co., Ltd.	None
							Taiwan Tobacco & Liquor Corporation	Taiwan Tobacco & Liquor Corporation, a state-owned enterprise, 100% owned by the Ministry of Finance	
							Mega International Commercial Bank Co., Ltd.	Ministry of Finance as a Juristic Person Shareholder representative by Director of Mega International Commercial Bank's parent company, Mega Financial Holding Co., Ltd.	
							Taiwan Cooperative Bank, Ltd.	Ministry of Finance as a Juristic Person Shareholder representative by Director of Taiwan Cooperative Bank's parent company, Taiwan Cooperative Financial Holding Co., Ltd.	
Chunghwa Post Co., Ltd. (Representative Hong-Mo Wu)	599,161,144	6.00	0	0	0	0	Mega International Commercial Bank Co., Ltd.	Chunghwa Post Co., Ltd. as a Juristic Person Shareholder representative by Director of Mega International Commercial Bank's parent company, Mega Financial Holding Co., Ltd.	None
							Hua Nan Commercial Bank, Ltd.	Ministry of Finance as a Juristic Person Shareholder representative by Director of Hua Nan Commercial Bank's parent company, Hua Nan Financial Holding Co., Ltd.	
First Commercial Bank (Representative Tsan-Chang Liao)	385,577,469	3.86	0	0	0	0	Ministry of Finance	Ministry of Finance as a Juristic Person Shareholder representative by Director of First Commercial Bank's parent company, First Financial Holding Co., Ltd.	None

Name	Shareholding		Shareholding by Spouse & Minor Children		Shareholding under Others' Name		Names and the Relationship among the Top Ten Shareholders in the Relationship of Related Parties or Spouses, Blood Relatives within the Second Degree of Kinship		Note
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Excel Chemical Co., Ltd. (Representative Cheng-Ching Wu)	284,176,576	2.85	0	0	0	0	Taishin Financial Holding Co., Ltd.	Chairman of Excel Chemical Co., Ltd. as representative of a Juristic Person Director and major shareholder's Chairman of Taishin Financial Holding Co., Ltd.	None
							Mega International Commercial Bank Co., Ltd.	Mega International Commercial Bank as a Juristic Person Shareholder representative by Director of Excel Chemical Co., Ltd.	
National Development Fund, Executive Yuan (Representative Mei-Ling Chen)	274,555,117	2.75	0	0	0	0	Mega International Commercial Bank Co., Ltd.	National Development Fund, Executive Yuan as a Juristic Person Shareholder representative by Director of Mega International Commercial Bank's parent company, Mega Financial Holding Co., Ltd.	None
Taiwan Tobacco & Liquor Corporation (Representative Yen-che Ting)	231,759,708	2.32	0	0	0	0	Ministry of Finance	Taiwan Tobacco & Liquor Corporation, a state-owned enterprise, 100% owned by the Ministry of Finance	None
Mega International Commercial Bank Co., Ltd., Head Office, Treasury Department (Representative Michael Chang )	216,650,285	2.17	0	0	0	0	Ministry of Finance	Ministry of Finance as a Juristic Person Shareholder representative by Director of Mega International Commercial Bank's parent company, Mega Financial Holding Co., Ltd.	None
							Chunghwa Post Co., Ltd.	Chunghwa Post Co., Ltd. as a Juristic Person Shareholder representative by Director of Mega International Commercial Bank's parent company, Mega Financial Holding Co., Ltd.	
							National Development Fund, Executive Yuan	National Development Fund, Executive Yuan as a Juristic Person Shareholder representative by Director of Mega International Commercial Bank's parent company, Mega Financial Holding Co., Ltd.	
Taiwan Cooperative Bank, Ltd. (Representative Chung-dar Lei)	144,786,105	1.45	0	0	0	0	Ministry of Finance	Ministry of Finance as a Juristic Person Shareholder representative by Director of Taiwan Cooperative Bank's parent company, Taiwan Cooperative Financial Holding Co., Ltd.	None
Hua Nan Commercial Bank, Ltd. (Representative Derek Chang)	144,772,298	1.45	0	0	0	0	Ministry of Finance	Ministry of Finance as a Juristic Person Shareholder representative by Director of Hua Nan Commercial Bank's parent company, Hua Nan Financial Holding Co., Ltd.	None

## J. Omnibus Shareholding Ratio

December 31, 2019 Unit: Shares, %

Invested Venture (Note 1)	The Bank's Investment		The investment subsidiaries directly or indirectly controlled and managed by directors, supervisors, general managers, executive vice president, the chief of each division or branch and the Bank		Omnibus Investment	
	Shares	%	Shares	%	Shares	%
Taiwan Stock Exchange Corp.	21,859,396	3.00	0	0	21,859,396	3.00
Taiwan Sugar Corporation	23,246,159	0.41	0	0	23,246,159	0.41
Taiwan Power Company	235,726,532	0.71	0	0	235,726,532	0.71
Chi Yi Construction Management Company	410,395	1.47	0	0	410,395	1.47
Taipei Forex Inc	700,000	3.53	0	0	700,000	3.53
Lien-An Service Corp.	125,000	5.00	0	0	125,000	5.00
CDIB & Partners Investment Holding Corp.	54,000,000	4.95	0	0	54,000,000	4.95
Nomura Asset Management Taiwan Ltd.	1,413,725	4.09	0	0	1,413,725	4.09
Financial Information Service Co.	6,229,800	1.19	0	0	6,229,800	1.19
Taiwan Futures Exchange	3,541,364	1.00	0	0	3,541,364	1.00
Asia Pacific Telcom	15,000,000	0.35	0	0	15,000,000	0.35
Taiwan Asset Management Corporation	120,000,000	11.35	0	0	120,000,000	11.35
Taiwan Financial Asset Service Corporation	5,000,000	2.94	0	0	5,000,000	2.94
Financial ESolution Co., Ltd.	905,475	4.12	0	0	905,475	4.12
Taiyu Products Corp.	5,748,382	4.77	0	0	5,748,382	4.77
Debt Instruments Depository and Clearing Co. Taiwan	314,988	0.08	0	0	314,988	0.08
Sun Asset Management Corporation	41,768	0.70	0	0	41,768	0.70
Taiwan Mobile Payment Co., Ltd.	1,800,000	3.00	0	0	1,800,000	3.00
Taiwan Urban Regeneration & Financial Services Co., Ltd.	2,500,000	5.00	0	0	2,500,000	5.00
Taiwan High Speed Rail Corporation	44,500,000	0.79	0	0	44,500,000	0.79
Shin Kong Financial Holding Co., Ltd	54,210,125	0.43	0	0	54,210,125	0.43
Chang Hua Commercial Bank, Ltd. (Note 2)	-	100.00	0	0	-	100.00
CHB Venture Capital Co., Ltd. (Note3)	60,000,000	100.00	0	0	60,000,000	100.00

Note 1: Pursuant to Article 74 of the Banking Act.

Note 2: Chang Hua Commercial Bank, Ltd. is a wholly-owned subsidiary of the Bank, without issued shares and a capital contribution of CNY 2,500,000 thousand dollars.

Note 3: CHB Venture Capital Co., Ltd. is a wholly-owned subsidiary of the Bank.

# IV | Fund-Raising Status

## A. Shares and Dividends

### a. Capital Sources

Year / Month	Issuing Price	Authorized Capital		Paid-in Capital		Note	
		Shares	Amount	Shares	Amount	Sources of Capital	Others
Mar. 2020	NT\$ 10	11,000,000,000	110,000,000,000	9,985,311,160	99,853,111,600	Capital Increased by Capital Surplus was NT\$ 7,322,073,289	Letter No. 0910135530 issued by MOF registration effective on Jun. 28, 2002.
						Issuance of Common Stock for Cash was NT\$ 17,197,857,875	Letter No. 0920144278 issued by MOF registration effective on Sep. 18, 2003.
						Issuance of Common Stock for Cash (private placement) was NT\$ 14,000,000,000	Letter No. 0942000915 issued by FSC registration effective on Sep. 29, 2005. Letter No. 1090333812 issued by FSC registration effective on Mar. 23, 2020. (applied for public offerings); listed date: Mar. 31, 2020.
						Capital Increased by Earning was NT\$ 61,333,180,436	Effective date of FSC registration was on Jul. 9, 2019.

Category of Shares	Authorized Capital			Note
	Outstanding Shares	Un-issued Shares	Total	
Common Shares	9,985,311,160	1,014,688,840	11,000,000,000	Listed Stocks

### b. Structure of Shareholders

April 21, 2020

Quantity	Structure of Shareholders						Total
	Government Institutions	Financial Institutions	Other Juristic Person Shareholder	Personal Shareholder	Foreign Institutions and Personal Shareholder		
Number of Holders	11	41	376	183,853	608	184,889	
Shareholding Amount	1,745,255,798	4,202,932,586	834,931,284	1,787,025,589	1,415,165,903	9,985,311,160	
Shareholding Ratio (%)	17.48	42.09	8.36	17.90	14.17	100	

### c. Distribution of Shareholding

April 21, 2020; Par Value NT\$ 10

Classification of Shareholding	Number of Shareholders	Shareholding Amount	Shareholding Ratio (%)
1 ~ 999	71,680	19,351,593	0.19
1,000 ~ 5,000	62,265	149,533,875	1.50
5,001 ~ 10,000	20,348	147,468,801	1.48
10,001 ~ 15,000	8,657	105,722,757	1.06
15,001 ~ 20,000	6,152	104,543,224	1.05
20,001 ~ 30,000	4,994	121,815,765	1.22
30,001 ~ 50,000	4,582	175,216,166	1.76
50,001 ~ 100,000	3,169	221,201,623	2.22
100,001 ~ 200,000	1,679	230,541,932	2.31
200,001 ~ 400,000	652	176,000,949	1.76
400,001 ~ 600,000	195	96,031,245	0.96
600,001 ~ 800,000	110	76,240,497	0.76
800,001 ~ 1,000,000	71	63,247,245	0.63
1,000,001 ~	335	8,298,395,488	83.10
Total	184,889	9,985,311,160	100.00

## d. Major Shareholders

April 21, 2020

Ranking	Major Shareholders	Shareholding Amount	Shareholding Ratio (%)
1	Taishin Financial Holding Co., Ltd.	2,251,306,956	22.55
2	Ministry of Finance	1,217,507,539	12.19
3	Chunghwa Post Co., Ltd.	599,161,144	6.00
4	First Commercial Bank Co., Ltd.	385,577,469	3.86
5	Excel Chemical Co., Ltd.	284,176,576	2.85
6	National Development Fund, Executive Yuan	274,555,117	2.75
7	Taiwan Tobacco & Liquor Corporation	231,759,708	2.32
8	Mega International Commercial Bank Co., Ltd., Head Office, Treasury Department	216,650,285	2.17
9	Taiwan Cooperative Bank, Ltd.	144,786,105	1.45
10	Hua Nan Commercial Bank, Ltd.	144,772,298	1.45
11	Bank of Taiwan Co., Ltd.	120,055,620	1.20
12	Land Bank of Taiwan Co., Ltd.	120,000,000	1.20
13	Taiwan Business Bank Co., Ltd.	119,855,683	1.20
14	JPMorgan Chase Bank N.A. Taipei Branch in Custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	112,021,913	1.12

Note: Referring to declared shareholding ratio up to over 1%.

## e. Market Price Per Share, Net Assets Per Share, EPS, Dividends and Other Relevant Information for the Past Two Fiscal Years

Unit: NT\$

Items		FY	2019	2018
Market Price Per Share	Highest		24.00	19.20
	Lowest		17.10	16.35
	Average		20.29	17.56
Net Assets Per Share	Before Distribution		16.25	15.99
	After Distribution		15.24	15.05
Earning Per Shares	Average Outstanding Stock (thousand shares)		9,985,311	9,789,521
	EPS	Before Adjustments	1.15	1.28
		After Adjustments	1.11	1.26
Dividends	Cash Dividend (Note 1)		0.4	0.64
	Stock Grant	Allotment by Earning	0.4	0.2
		Allotment by Capital Surplus	-	-
	Accumulated Undistributed Dividends		-	-
Analysis for Return on Investment	Price to Earnings Ratio (Note 2)		17.64	13.72
	Price to Dividends Ratio (Note 3)		50.73	27.44
	Cash Dividends Yield (%) (Note 4)		1.97	3.64

Note1: The earnings distribution for year 2019 hasn't been approved by the 2020 General Shareholders' Meeting.

Note2: Price to earnings ratio=Average closing price of the said year / Earnings per share.

Note3: Price to dividends ratio=Average closing price of the said year / Cash dividends per share.

Note4: Cash dividends yield= Cash dividends per share / Average closing price of the said year.

f. The Policy and Implementation of Dividends

1. Dividend Policy:

According to Article 38-1 of Articles of Incorporation of the Bank, the dividend policies are as follows: After the final closing of accounts, surplus, if any, shall be used to make up for the prior year's loss and payment of tax before setting aside 30% of the net profit as statutory reserve in accordance with Banking Act and provision or reverse of special reserves under other relevant law. The rest of surplus at the said year and other undistributed surplus of previous years as distributed shareholder's dividends and bonuses can be allocated 30% to 100% proposed by the Board of Directors and approved at the Shareholders' General Meeting before actual distribution.

In order to continuously expand the Bank's operation and increase its profitability, the Bank adopts the residual dividend approach. According to the Bank's business needs and taking into account future plan for capital budgeting, shareholders' dividend and bonus shall be given primarily in the form of stock dividend in order to reserve an amount for necessary funds and distribute the remainder in the form of cash, provided such cash dividend shall not be less than 10% of the total dividends. No cash dividend will be distributed if the cash dividend falls short of NT 0.1 per share, unless otherwise determined in the shareholders' meeting.

The Bank shall not distribute cash profits or buy back shares if any situation stipulated in Article 44-1, paragraph 1 of the Banking Act occurs.

If the total amount of the legal reserve as stipulated in subparagraph 1 has not reached the total amount of capital, the amount of profit distributed as cash may not exceed 15% of the total capital.

In the event that the legal reserve equals or exceeds the Bank's paid-in capital or the Bank is sound in both its finance and business operations and has set aside legal reserve in compliance with the Company Law, the restrictions stipulated in paragraph 1 and paragraph 4 shall not apply.

2. The dividend distribution proposed by shareholders' meeting:

(1) A cash dividend (NT\$0.4 per share) is distributed among common stockholders: a total of NT \$3,994,124,464.

(2) A stock dividend (NT\$0.4 per share) is distributed among common stockholders: a total of NT\$3,994,124,460.

g. The Effects of Stock Dividends Proposed by Shareholders' Meeting on the Operation Results and Earnings Per Share

According to "Regulations Governing the Publication of Financial Forecasts of Public Companies" and "Criteria for Judging Whether a Listed Company Publishes Complete Financial Forecasts" announced by the Taiwan Stock Exchange, the Bank did not publish its 2020 financial forecasts. The Bank is unable to disclose the forecasts, affected by distributing stock dividends mentioned above, for operating income, profits, losses, and earnings per share; hence this item is not applicable for the Bank.

h. Employees' Bonus and the Compensations for Directors

1. According to Article 38 of Articles of Incorporation of the Bank, the Employees' Bonus and the Compensations for Directors are as follow:

At the end of fiscal year, profit (profit refers to profit before tax and before deduction of bonuses of employees and remuneration of directors), if any, shall be distributed with 1% to 6% of the profit as employees' bonuses and up to 0.8% distributed as remuneration of directors. However, if the Bank has any accumulated losses, profits shall be reserved to cover such amounts first.

The aforementioned bonuses of employees can be in the form of stocks or cash; while remuneration for directors shall be in the form of cash.

The aforementioned bonuses and remuneration shall be proposed at the Board of Directors' Meeting attended by at least two-thirds of the directors and approved by at least half the directors present at the meeting, and reported at the Shareholders' Meeting.

2. The difference between estimated and actual employee bonuses and remuneration to directors as well as actual stock dividends distributed amount shall be handled by accountants as follows:
- During the fiscal year for employees providing labor services, employees' bonuses and remuneration to directors shall be adequately estimated and recognized as expenses based on past experiences. If the amounts are changed after approved annual financial statement releases in the following year, the changes shall be handled as per the "changes in accounting estimates" procedure and recognized as profit/loss of the following year.
3. The information of proposed distribution approved by the Board of Directors:
- (1) Payment in cash bonus to employees is NT\$ 714,177,900, stock bonus to employees is NT\$0 and compensation to directors in cash is NT\$57,134,232. The total amount of above payment is different from the estimated amount which was recognized as expense in fiscal year. The difference between two amounts is NT\$ 230,132 caused by the change of accounting estimation and recognized as the profit and loss in 2020.
  - (2) The proportion of the proposed distribution amount of employees' stock bonus to net income, and the sum of employees' bonus:  
None.
4. Actual earnings distribution to employees' bonus and remunerations to directors for the previous year:
- In the previous year (2018), the Bank distributed an employee cash bonus of NT\$ 777,326,700, the Director (excluding Independent Director) remuneration totaled NT\$ 62,186,136, the same as what had been approved at the General Shareholders' Meeting.
- i. Repurchase of the Banks' Shares
1. Completed: None.
  2. In progress: None.



## B. Issuance Status of Financial Bonds

Unit: thousand

Types of Financial Bonds	1 <sup>st</sup> Perpetual Non-cumulative Subordinate Financial Debentures Issue in 2010	1 <sup>st</sup> Subordinate Financial Debentures Issue in 2011	2 <sup>nd</sup> Subordinate Financial Debentures Issue in 2011	1 <sup>st</sup> Subordinate Financial Debentures Issue in 2014
Date and serial No. approved by authority	April 20, 2010 Letter No. (FSC) Gin-Guan-Ying Guo 09900131270	April 20, 2010 Letter No. (FSC) Gin-Guan-Ying Guo 09900131270	April 20, 2010 Letter No. (FSC) Gin-Guan-Ying Guo 09900131270	June 13, 2013 Letter No. (FSC) Gin-Guan-Ying Guo 10200162140
Issuing Date	June 29, 2010	March 11, 2011	April 18, 2011	April 16, 2014
Face Value	10 million	10 million	10 million	10 million
Issuance & Trading Location	Taipei City	Taipei City	Taipei City	Taipei City
Currency	NT\$	NT\$	NT\$	NT\$
Offering Price	Issued at Par Value	Issued at Par Value	Issued at Par Value	Issued at Par Value
Issuing Amount	5,000,000	B: 1,100,000	6,700,000	A: 2,200,000 B: 5,300,000 C: 2,500,000
Coupon Rate	The coupon rate for the first ten years from issuing date is 3.15%. If the bond is not recalled at the end of the tenth year, its coupon rate will be changed to 4.15%	B: 1.72%	The annual rate is a floating rate of the index rate (Note) plus 0.20%.	A: 1.70% B: 1.85% C: The annual rate is a floating rate of the index rate (Note) plus 0.45%.
Maturity	Perpetual	B: 10-year term maturity date: March 11, 2021	10-year term, maturity date: April 18, 2021	A: 7-year term, maturity date: April 16, 2021 B: 10-year term, maturity date: April 16, 2024 C: 10-year term, maturity date: April 16, 2024
Rank	Given a priority next to holders of the Bank's Tier II capital subordinated bonds, all other depositors, and other ordinary creditors.	Second-Lien	Second-Lien	Second-Lien
Guarantor	-	-	-	-
Trustee	-	-	-	-
Underwriter	-	-	-	-
Verification Lawyer	Lawyer Ya-Ping Chaing	Lawyer Ya-Ping Chaing	Lawyer Ya-Ping Chaing	Lawyer Ya-Ping Chaing
Verification Accountant	Deloitte & Touche Hung-Hsiang Tsai	Deloitte & Touche Hung-Hsiang Tsai	Deloitte & Touche Hung-Hsiang Tsai	Deloitte & Touche Jerry Gung
Verification Financial Institution	-	-	-	-
Payment	Ten years after this bond is issued, if the Bank's capital adequacy ratio (CAR) after redemption of the bond meets the minimum CAR requirement stipulated by the supervisory authority and its redemption has been approved by the supervisory authority, the Bank may redeem the bond before the maturity date by making an announcement 35 days prior to the scheduled redemption date and redeem the bond in full at its face value with the accrued interest paid.	Bullet	Bullet	Bullet
Outstanding Amount	5,000,000	B: 1,100,000	6,700,000	A: 2,200,000 B: 5,300,000 C: 2,500,000
Prior Year Paid-in Capital	62,094,756	62,094,756	62,094,756	77,490,592
Prior Year Net Book Value	79,154,442	79,154,442	79,154,442	103,084,694
Payment Status	Normal	Normal	Normal	Normal
Redemption or Early Settlement Terms	Ten years after this bond is issued, if the Bank's capital adequacy ratio (CAR) after redemption of the bond meets the minimum CAR requirement stipulated by the supervisory authority and its redemption has been approved by the supervisory authority, the Bank may redeem the bond before the maturity date by making an announcement 35 days prior to the scheduled redemption date and redeem the bond in full at its face value with the accrued interest paid.	None	None	None
Conversion and Exchange Terms	None	None	None	None
Restriction Terms	Subordinate bonds	Subordinate bonds	Subordinate bonds	Subordinate bonds
Use of Proceeds	To strengthen the capital structure according to the mid- to long-term capital requirements of the Bank	To strengthen the capital structure according to the mid- to long-term capital requirements of the Bank	To strengthen the capital structure according to the mid- to long-term capital requirements of the Bank	To strengthen the capital structure according to the mid- to long-term capital requirements of the Bank
Debt/Prior Year Net Book Value (Debt includes current new issue plus all outstanding issue amount) (%)	35.82%	39.99%	48.45%	51.66%
Ranking of Capital Assets (Tier I, Tier II ...)	Yes, Tier I	Yes, Tier II	Yes, Tier II	Yes, Tier II
Credit Rating Agency, Rating Date and Rating	Taiwan Rating October 29, 2019 Bond Rating twA+	Taiwan Rating October 29, 2019 Bond Rating twAA	Taiwan Rating October 29, 2019 Bond Rating twAA	Taiwan Rating October 29, 2019 Bond Rating twA+



Types of Financial Bonds	1 <sup>st</sup> Subordinate Financial Debentures Issue in 2016	1 <sup>st</sup> Subordinate Financial Debentures Issue in 2017	1 <sup>st</sup> Non-cumulative perpetual Subordinate Financial Debentures Issue in 2018	2 <sup>nd</sup> Non-cumulative perpetual Subordinate Financial Debentures Issue in 2018	1 <sup>st</sup> Non-cumulative perpetual Subordinate Financial Debentures Issue in 2019
Date and serial No. approved by authority	August 23, 2016 Letter No. (FSC) Gin-Guan-Ying Guo 10500201300	August 23, 2016 Letter No. (FSC) Gin-Guan-Ying Guo 10500201300	November 10, 2017 Letter No. (FSC) Gin-Guan-Ying Guo 10600263560	November 10, 2017 Letter No. (FSC) Gin-Guan-Ying Guo 10600263560	May 29, 2019 Letter No. (FSC) Gin-Guan-Ying Guo 10801084520
Issuing Date	September 27, 2016	March 29, 2017	April 26, 2018	November 8, 2018	June 27, 2019
Face Value	10 million	10 million	10 million	10 million	10 million
Issuance & Trading Location	Taipei City	Taipei City	Taipei City	Taipei City	Taipei City
Currency	NT\$	NT\$	NT\$	NT\$	NT\$
Offering Price	Issued at Par Value	Issued at Par Value	Issued at Par Value	Issued at Par Value	Issued at Par Value
Issuing Amount	A: 3,000,000 B: 3,300,000	A: 1,530,000 B: 8,670,000	7,000,000	3,000,000	5,960,000
Coupon Rate	A: 1.09% B: 1.20%	A: 1.50% B: 1.85%	2.66%	2.30%	1.90%
Maturity	A: 7-year term, maturity date: September 27, 2023 B: 10-year term, maturity date: September 27, 2026	A: 7-year term, maturity date: March 29, 2024 B: 10-year term, maturity date: March 29, 2027	Perpetual	Perpetual	Perpetual
Rank	Second-Lien	Second-Lien	Given a priority next to holders of the Bank's Tier II capital subordinated bonds, all other depositors, and other ordinary creditors.	Given a priority next to holders of the Bank's Tier II capital subordinated bonds, all other depositors, and other ordinary creditors.	Given a priority next to holders of the Bank's Tier II capital subordinated bonds, all other depositors, and other ordinary creditors.
Guarantor	-	-	-	-	-
Trustee	-	-	-	-	-
Underwriter	-	-	-	-	-
Verification Lawyer	Lawyer Ya-Ping Chaing	Lawyer Ya-Ping Chaing	Lawyer Ya-Ping Chaing	Lawyer Ya-Ping Chaing	Lawyer Ya-Ping Chaing
Verification Accountant	Deloitte & Touche Jerry Gung	Deloitte & Touche Jerry Gung	Deloitte & Touche Jerry Gung	Deloitte & Touche Jerry Gung	Deloitte & Touche Jimmy S. Wu
Verification Financial Institution	-	-	-	-	-
Payment	Bullet	Bullet	Five years and three months after this bond is issued, if the Bank's capital adequacy ratio (CAR) after redemption of the bond meets the minimum CAR requirement stipulated by the supervisory authority and its redemption has been approved by the supervisory authority, the Bank may redeem the bond before the maturity date by making an announcement 30 days prior to the scheduled redemption date and redeem the bond in full at its face value with the accrued interest paid.	Five years and one month after this bond is issued, if the Bank's capital adequacy ratio (CAR) after redemption of the bond meets the minimum CAR requirement stipulated by the supervisory authority and its redemption has been approved by the supervisory authority, the Bank may redeem the bond before the maturity date by making an announcement 30 days prior to the scheduled redemption date and redeem the bond in full at its face value with the accrued interest paid.	Five years and one month after this bond is issued, if the Bank's capital adequacy ratio (CAR) after redemption of the bond meets the minimum CAR requirement stipulated by the supervisory authority and its redemption has been approved by the supervisory authority, the Bank may redeem the bond before the maturity date by making an announcement 30 days prior to the scheduled redemption date and redeem the bond in full at its face value with the accrued interest paid.
Outstanding Amount	A: 3,000,000 B: 3,300,000	A: 1,530,000 B: 8,670,000	7,000,000	3,000,000	5,960,000
Prior Year Paid-in Capital	84,573,232	84,573,232	94,130,007	94,130,007	97,895,207
Prior Year Net Book Value	126,514,896	126,514,896	133,758,323	140,711,714	150,296,338
Payment Status	Normal	Normal	Normal	Normal	Normal
Redemption or Early Settlement Terms	None	None	Five years and three months after this bond is issued, if the Bank's capital adequacy ratio (CAR) after redemption of the bond meets the minimum CAR requirement stipulated by the supervisory authority and its redemption has been approved by the supervisory authority, the Bank may redeem the bond before the maturity date by making an announcement 30 days prior to the scheduled redemption date and redeem the bond in full at its face value with the accrued interest paid.	Five years and one month after this bond is issued, if the Bank's capital adequacy ratio (CAR) after redemption of the bond meets the minimum CAR requirement stipulated by the supervisory authority and its redemption has been approved by the supervisory authority, the Bank may redeem the bond before the maturity date by making an announcement 30 days prior to the scheduled redemption date and redeem the bond in full at its face value with the accrued interest paid.	Five years and one month after this bond is issued, if the Bank's capital adequacy ratio (CAR) after redemption of the bond meets the minimum CAR requirement stipulated by the supervisory authority and its redemption has been approved by the supervisory authority, the Bank may redeem the bond before the maturity date by making an announcement 30 days prior to the scheduled redemption date and redeem the bond in full at its face value with the accrued interest paid.
Conversion and Exchange Terms	None	None	None	None	None
Restriction Terms	Subordinate bonds	Subordinate bonds	Subordinate bonds	Subordinate bonds	Subordinate bonds
Use of Proceeds	To strengthen the capital structure according to the mid- to long-term capital requirements of the Bank	To strengthen the capital structure according to the mid- to long-term capital requirements of the Bank	To strengthen the capital structure according to the mid- to long-term capital requirements of the Bank	To strengthen the capital structure according to the mid- to long-term capital requirements of the Bank	To strengthen the capital structure according to the mid- to long-term capital requirements of the Bank
Debt/Prior Year Net Book Value (Debt includes current new issue plus all outstanding issue amount) (%)	52.14%	38.90%	40.59%	40.72%	42.14%
Ranking of Capital Assets (Tier I, Tier II ...)	Yes, Tier II	Yes, Tier II	Yes, Tier I	Yes, Tier I	Yes, Tier I
Credit Rating Agency, Rating Date and Rating	Taiwan Rating October 29, 2019 Bond Rating twAA+	Taiwan Rating October 29, 2019 Bond Rating twAA+	Taiwan Rating October 29, 2019 Bond Rating twAA+	Taiwan Rating October 29, 2019 Bond Rating twAA+	Taiwan Rating October 29, 2019 Bond Rating twAA+

Note: The index rate is the average of the fixing rate of the 90 days commercial paper in the secondary market shown on page 6165 of Reuters information screen around 11:00 am (Taipei Time) on the issuance day and 2 days before the rate adjusting day. However, starting from January 1, 2015, the above benchmark interest has been changed to the 3-month "Taipei Interbank Offered Rate (TAIBOR)" published on Bankers Association website 2 banking business days before the adjustment date. If there is no quotation of the benchmark interest due to any reason, an interest rate of equivalent tenor available 1 banking business day before the adjustment date can be used instead.

### C. Issuance of Preferred Shares

The Bank's type B preferred stocks issued on October 3, 2005 have been converted to common stock on October 3, 2008. No preferred stocks were issued as of baseline date December 31, 2019.

### D. The Issuance of Global Depositary Receipt

None.

### E. The Status of Employees' Stock Warrant

- a. Disclosure of the utilization status of outstanding employee stock options and its effect on shareholders' equity as of the publication date of the annual report.

None.

- b. Names, options size and subscription status of bank executives whose accumulated subscription option shares rank among the top 10 with a subscription value over NT\$30 million.

None.

### F. Status of New Employee Restricted Shares

- a. Any new restricted shares that employees are not yet fully entitled to receive, and its impact on shareholders' equity as of the date of annual report publication.

None.

- b. Names and stock size of managers who are entitled to receive new restricted shares and employees in top 10 ranking for new restricted shares as of the date of annual report publication.

None.

### G. Merger or Stock Transfer for other Financial Institutions

- a. Any merger or stock transfer for other financial institutions in a recent year should disclose accountants' opinion on the rationality of the stock exchange rate.

None.

- b. Any merger or stock transfer for other financial institutions for the last five years.

The Bank engaged in consolidating CHB Insurance Agency Company, Ltd. and CHB Insurance Brokerage Company, Ltd. on April 1, 2016, and both entities were wholly-owned subsidiaries by the Bank. The Bank has assumed assets as well as liability on the book after merger, all rights and obligations as of merger baseline date of CHB Life Insurance Agency Company, Ltd. and CHB Insurance Brokerage Company, Ltd. There were no impacts to the shareholders.

## H. Capital Investment and Utilization Plans

FY	Plan	Date and Serial No. Approved by FSC	Purpose	Execution and Quota Usage	Comparison with the Expected Performance
2014	The Bank was approved by FSC on November 5, 2014, to issue US\$ 1 billion long-term unsecured financial debenture. Valid for one year from the approval date (until November 5, 2015).	November 5, 2014 Letter No. (FSC) Gin-Guan-Ying Guo 10300313330	Supplement to mid- to long-term US\$ funding source	(1) Execution The bank has issued of the US\$500 Million long-term Unsecured Financial Debentures C, B and A on December 17, 18 and 19 of 2014, respectively. All capital obtained from the issuance is used to be the supplement for the mid- to long-term US\$ funding source of the Bank. Unsecured Financial Debenture A (US\$ 140 Million), B (US\$ 100 Million), and C (US\$260 Million), were early redeemed on December 19, 2016, December 18, 2017, and December 17, 2019 respectively.  (2) Quota Usage Due to the issuing cost rose above the Bank's target, the Bank stopped the remaining quota US\$500 Million execution.	Met expectations of funding utilization.
2016	The Bank was approved by FSC on August 23, 2016 to issue the subordinate bonds and the non-cumulative perpetual subordinate bonds. Total amount of NT\$20 billion with maximum amount of NT\$ 10 billion from the non-cumulative perpetual subordinate bonds. Valid for one year from the approval date (on August 23, 2017).	August 23, 2016 Letter No. (FSC) Gin-Guan-Ying Guo 10500201300	Increase capital of the Bank, and strengthen capital structure	(1) Execution The Bank has issued NT\$6.3 billion of the subordinate bonds on September 27, 2016. All capital obtained from the issuance bond were used for the capital needs of lending and investment businesses.  (2) Quota Usage Total remaining unused quota was NT\$13.7 billion, including a maximum amount of NT\$10 billion for the non-cumulative perpetual subordinate bonds.	Met expectations to enrich the capital performance. The Bank's consolidated capital adequacy ratio rose above 12% at the end of December 2016.
2017	The Bank was approved by FSC on August 23, 2016 to issue the subordinate bonds and the non-cumulative perpetual subordinate bonds. Total amount of NT\$20 billion with maximum amount of NT\$ 10 billion from the non-cumulative perpetual subordinate bonds. Valid for one year from the approval date (on August 23, 2017).	August 23, 2016 Letter No. (FSC) Gin-Guan-Ying Guo 10500201300	Increase capital of the Bank, and strengthen capital structure	(1) Execution The Bank has issued NT\$ 10.2 billion of the subordinate bonds on March 29, 2017. All capital obtained from the issuance bond were used for the capital needs of lending and investment businesses.  (2) Quota Usage Total remaining unused quota was NT\$3.5 billion, no debentures had been issued before the quota expiration.	Met expectations to enrich the capital performance. The Bank's consolidated capital adequacy ratio rose above 13% at the end of December 2017.
	The Bank was approved by FSC on November 10, 2017 to issue the subordinate bonds and the non-cumulative perpetual subordinate bonds. Total amount of NT\$20 billion with maximum amount of NT\$ 10 billion from the non-cumulative perpetual subordinate bonds. Valid for one year from the approval date (on November 10, 2018).	November 10, 2017 Letter No. (FSC) Gin-Guan-Ying Guo 10600263560		Execution: The quota has not been implemented by the end of 2017.	
2018	The Bank was approved by FSC on November 10, 2017 to issue the subordinate bonds and the non-cumulative perpetual subordinate bonds. Total amount of NT\$20 billion with maximum amount of NT\$ 10 billion from the non-cumulative perpetual subordinate bonds. Valid for one year from the approval date (on November 10, 2018).	November 10, 2017 Letter No. (FSC) Gin-Guan-Ying Guo 10600263560	Increase capital of the Bank, and strengthen capital structure	(1) Execution The Bank has issued NT\$7 billion as well as NT\$3 billion of the non-cumulative perpetual subordinate bonds on April 26, 2018 and November 8, 2018 respectively. All capital obtained from the issuance bond were used for the capital needs of lending and investment businesses.  (2) Quota Usage Total remaining unused quota was NT\$10 billion, no debentures had been issued before the quota expiration.	Met expectations to enrich the capital performance. The Bank's consolidated capital adequacy ratio rose above 14% at the end of December 2018.
2019	The Bank was approved by FSC on May 29, 2019 to issue the subordinate bonds and the non-cumulative perpetual subordinate bonds. Total amount of NT\$ 13 billion with maximum amount of NT\$ 10 billion from the non-cumulative perpetual subordinate bonds. Valid for one year from the approval date (on May 29, 2020).	May 29, 2019 Letter No. (FSC) Gin-Guan-Ying Guo 10801084520	Increase capital of the Bank, and strengthen capital structure	(1) Execution The Bank has issued NT\$5.96 billion of the non-cumulative perpetual subordinate bonds on June 27, 2019. All capital obtained from the issuance bond were used for the capital needs of lending and investment businesses.  (2) Quota Usage Total remaining unused quota was NT\$7.04 billion.	Met expectations to enrich the capital performance. The Bank's consolidated capital adequacy ratio rose above 14% at the end of December 2019.

# V | Operations Overview

## A. Business Information

### a. Business performance during the past two years

The business activities of each primary business category, assets of each business category and (or) as percentage of total assets, and (or) as percentages of revenue, growth and changes are as follows:

#### 1. Deposit:

Unit: NT\$ thousand

Items	FY	2019		2018		Increase (Decrease) Amount	Increase (Decrease) %
		Amount	Proportion %	Amount	Proportion %		
Demand Deposit		1,044,279,600	59.16	980,697,848	57.12	63,581,752	6.48
Time Deposit		720,212,049	40.80	706,930,580	41.17	13,281,469	1.88
Interbank Deposit		642,009	0.04	29,336,611	1.71	(28,694,602)	-97.81
Total		1,765,133,658	100.00	1,716,965,039	100.00	48,168,619	2.81
Ratio (to liabilities and equity)		2,135,643,203	82.65	2,081,811,670	82.47	53,831,533	2.59

Note: Total amount of liabilities and equity for 2019 and 2018 were 2,135,643,203 thousand and 2,081,811,670 thousand.

#### 2. Loans:

Unit: NT\$ thousand

Items	FY	2019		2018		Increase (Decrease) Amount	Increase (Decrease) %
		Amount	Proportion %	Amount	Proportion %		
Short-term Loans		419,287,204	29.11	368,070,329	27.29	51,216,875	13.91
Mid-term Loans		430,295,179	29.88	421,455,388	31.25	8,839,792	2.10
Long-term Loans		590,558,692	41.01	559,202,595	41.46	31,356,097	5.61
Total		1,440,141,075	100.00	1,348,728,312	100.00	91,412,763	6.78
Ratio (to total assets)		2,135,643,203	67.43	2,081,811,670	64.79	53,831,533	2.59

Note: Total assets for 2019 and 2018 were 2,135,643,203 thousand and 2,081,811,670 thousand.

#### 3. Foreign exchange:

Unit: US\$ thousand

Items	FY	2019		2018		Increase (Decrease) Amount	Increase (Decrease) %
		Amount	Proportion %	Amount	Proportion %		
Exports		3,594,882	2.65	3,689,112	2.64	(94,230)	-2.55
Imports		4,839,138	3.57	5,072,465	3.64	(233,327)	-4.60
Remittances		127,051,286	93.78	130,771,705	93.72	(3,720,419)	-2.84
Total		135,485,306	100.00	139,533,282	100.00	(4,047,976)	-2.90

#### 4. Cards:

Unit: Cards / NT\$ thousand

	Items	2019	2018	Increase (Decrease)	Increase (Decrease) %
Card issuance	Credit cards in circulation	518,004	478,326	39,678	8.30
	Active cards	251,381	231,433	19,948	8.62
	Credit card-spending	18,891,778	17,120,864	1,770,913	10.34
	Revolving credit	370,176	375,222	(5,046)	-1.34
Merchant business	Entity store, internet store and ATM transaction amount	15,322,336	12,897,538	2,424,798	18.80

#### 5. E-Banking:

Items	FY	2019	2018	Increase (Decrease)	Increase (Decrease) %
		Number of transactions	Number of transactions		
Internet Banking		36,702,939	36,134,026	568,913	1.57
Telephone Banking		877,350	984,071	(106,721)	-10.84
Mobile Banking		23,724,058	14,457,260	9,266,798	64.10
Total		61,304,347	51,575,357	9,728,990	18.86

## 6. Trust:

## (1) Trust business volume:

Unit: NT\$ million

Items	FY	2019	2018	Growth Rate %
Non-discretionary money trusts investing in foreign securities		18,728	20,898	-10.38
Non-discretionary money trusts investing in domestic securities		17,267	15,377	12.29
Balance of assets under custody at year-end		226,850	146,109	55.26
Attestation for the issuance of securities		19,634	34,112	-42.44
Securities trust at year-end		867	739	17.32
Real estate trust at year-end		25,093	17,663	42.07

## (2) Trust fee Income:

Unit: NT\$ million

Items	FY	2019		2018		Fee Income Growth Rate of Trust Business %
		Fee Income of Trust Business	Ratio (to fee income of the Bank)	Fee Income of Trust Business	Ratio (to fee income of the Bank)	
Non-discretionary money trusts investing in foreign securities		556	9.25	574	9.38	-3.14
Non-discretionary money trusts investing in domestic securities		167	2.78	226	3.69	-26.11
Custodian fees		327	5.44	301	4.92	8.64
Attestation fees for securities issuance		4	0.07	4	0.07	0
Other		52	0.86	44	0.72	18.18
Total		1,106	18.40	1,149	18.78	-0.37

## 7. Wealth management:

Unit: NT\$ million

Items	FY	2019	2018	Growth Rate %
Fee income from fund subscriptions		387	370	4.59
Commission revenues from life insurance		2,045	1,913	6.90
Revenues from structured investments		14	15	-6.67
Total		2,446	2,298	6.44

## 8. Investment:

## (1) Investment in securities:

Unit: NT\$ million

Items	FY	2019	2018	Growth Rate %
Government Bonds		33,441	22,804	46.65
Financial Bonds		52,557	37,186	41.33
Corporate Bonds		23,955	24,501	-2.23
Stocks (Short-term Investment)		5,313	3,130	69.75

## (2) Short-term bills underwriting and trading:

Unit: NT\$ million

Items	FY	2019	2018	Growth Rate %
Amount of Outright Purchases		16,256	8,888	82.90
Amount of Outright Sales		499	390	27.95
Amount of Repurchase Agreements		20,413	33,257	-38.62

## (3) Proprietary trading in government bonds:

Unit: NT\$ million

Items	FY	2019	2018	Growth Rate %
Volume of Proprietary Trading in Government Bonds (Outright Transactions)		18,145	44,217	-58.96
Volume of Proprietary Trading in Government Bonds (With Repo)		9,887	15,065	-34.37
Balance of Proprietary Trading in Government Bonds		8,620	5,922	45.56

## 9. Security:

Unit: NT\$ million

Items	FY	2019	2018	Growth Rate %
Amount of Security Underwritten		786	1,000	-21.40
Volume of Security Brokerage Operations		83,937	99,181	-15.37
Credit Outstanding in the Security Financing Business		251.43	321.07	-21.69

## 10. Weightings and changes of net income:

Unit: NT\$ thousand

Items	FY	2019		2018		Increase (Decrease) Amount	Increase (Decrease) %
		Amount	%	Amount	%		
Net Interest Income		22,849,707	71.23	23,189,644	70.05	(339,937)	-1.47
Net Fee Income		4,634,766	14.45	4,867,954	14.70	(233,188)	-4.79
Net Trading Income		4,120,929	12.85	4,574,406	13.82	(453,477)	-9.91
Net Securities Brokerage and Underwriting Income		68,276	0.21	74,112	0.22	(5,836)	-7.87
Other Operation Net Income		404,675	1.26	402,073	1.21	2,602	0.65
Total		32,078,353	100.00	33,108,189	100.00	(1,029,836)	-3.11

### b. 2020 Business plans

Please refer to "I. Letter to Shareholders B. 2020 Highlights of Business Plans."

### c. Market analysis

#### 1. Main areas of the Bank (CHB):

The Bank's service network spans Asia, Europe, the Americas and Taiwan. We have 185 domestic offices, Offshore Banking Unit, 7 overseas units and 1 representative office located in the world's major financial centers, including branches in New York, Los Angeles, Tokyo, London, Hong Kong, Singapore, Manila, and Yangon Representative Office; the Bank has a subsidiary "Chang Hua Commercial Bank Co., Ltd." which was established with Kunshan, Kunshan Huaqiao Sub-Branch, Dongguan, Fuzhou and Nanjing branch under its jurisdiction. They provide far-reaching and prompt services around the clock to customers who require access to their funds and financial services. For the locations of the Bank's global service network, please refer to IX. Directory of Head Office, Domestic/Foreign Branches.

#### 2. Prospective and growth of market:

In terms of market supply, Taiwan's market already has an excessive number of banks providing insignificant differentiation of services, making all financial businesses highly competitive. Therefore, the market is not only competitive but also has sufficient funds, resulting in relatively narrow interest spreads. In addition, the development of FinTech trends, P2P lending platform, personal wealth management, crowd funding, and third-party payment providers began to participate in the microfinance market actively are also gradually taking shape. It will weaken the functions of the traditional bank in financial system. And FSC approved the establishment of internet-only bank (including Next Bank, Line Bank and Rakuten Bank) that makes the industry more competitive.

In terms of market demand, although the impact of the U.S.-China trade war and rising manufacturing costs in China have reduced the trade proportion between Taiwan and mainland China (including Hong Kong and Macao), China is still the largest trading partners of Taiwan. In addition, in June 2018, Chinese stocks has been included in MSCI's emerging markets index, and the weight has been increased several times. Therefore, in addition to the RMB-related business derived from trade, the business opportunities brought by wealth management can still be expected. On the other hand, the outbreak of COVID-19 in early 2020 has affected economic activities such as production, consumption and trading. And it has also resulted in a crisis of work halt and disruption of material supply. Therefore, Taiwanese businessmen dispersed their production bases in China. No matter where their migration capacity to Southeast Asia, Americas or Taiwan, the relevant capital demand should benefit banks. Moreover the repatriation funds which is applicable to the Taiwanese businessmen's homecoming trend, it not only increases domestic investment but also brings related wealth management business opportunities.

### 3. Competitive niche, positive and negative factors, and response measures:

#### (1) The Bank's competitive niche:

##### ① Long-standing history reputation and large customer base:

The Bank has a history of over a century, and our positive, trustworthy enterprise image has been established firmly in the hearts of customers. The Bank has enormous corporate customers. To increase the loyalties of corporate customers, the Bank can, based on their needs to provide suitable or customized financial instruments or services.

##### ② Extensive service network:

The Bank has numerous domestic offices. The Bank has a total of 185 domestic offices (as at the end of December 2019); We also have 649 ATMs as at the end of December 2019) throughout the country to meet customers' deposit, withdrawal, and transfer needs.

##### ③ Continuously offering the various digitized services:

The Bank will continue to expand the features of our Internet and mobile banking systems, around-the-clock complete and secure financial services to customers, effectively reducing the time customers spend at the service counters as well as lowering the Bank's manpower costs.

##### ④ First mover advantage in China:

The Bank is in the first group of Taiwan-invested banks to set up branches and sub-branches in China, and is the first government-owned bank to set up subsidiaries in Mainland China in order to expand the scale of business and increase the efficiency of fund management invested in China gradually.

#### (2) Positive factors:

##### ① The "5+2 Industrial Transformation Plan" is the direction of banking business development.

##### ② Repatriation funds from Taiwanese businessmen and decentralization of production base is expected to drive domestic related factory financing, capital flow and wealth management business.

##### ③ The authority has released limits on bank's investments in FinTech which is highly beneficial for its facilitating services, differentiation between the financial instruments to improve efficiency.

##### ④ FSC rises total retail exposure of single counterparty accrual to NT\$20 million weighted to 100% which is beneficial to the promotion of credit cards and microfinance.

##### ⑤ The network of subsidiaries in China has included Yangtze River Delta, Pearl River Delta, and Haixi Special Economic Zone, with a wide range of services. In the future, the subsidiaries in Mainland China can be more flexible and faster to expand its business bases and effectively in response to market development and adjust their operational strategies quickly.

#### (3) Negative factors:

##### ① High similarity of financial products in the domestic banking sector causes intense price competition.

##### ② The price in domestic housing and loan in proportion of government-owned banks are in high grade, while the loan credit risk are still high.

##### ③ The establishment of internet-only banks and third-party payment providers enter the microfinance market have contributed to more intensive market competition.

##### ④ The related regulations on global anti-money laundering, privacy protection and Common Standard on Reporting and Due Diligence for Financial Account Information are gradually becoming stricter, which brings about raised compliance cost and increased operating costs for banks.

##### ⑤ Slow economic growth in Mainland China deteriorates business environment. In addition to disturbance of COVID-19 pandemic, profit of banks may be eroded.

##### ⑥ Restarting interest rate cuts and monetary easing in the United States, Eurozone, South Korea, New Zealand and Australia will be unfavorable for the rise of global interest spreads.

##### ⑦ Initial operating costs of subsidiaries in Mainland China are high.

(4) Response measures:

- ① Promote wealth management business and RMB wealth management services for return funds.
- ② Adjust deposit and loan portfolios for widening spread.
- ③ Manage credit risks of controlled industries and the mortgage portfolio; redirect capital to other potential industries, government incentive for industries, small and medium enterprises, and new businesses.
- ④ Develop digital service items and activate new mobile payment functions, introduce artificial intelligence (AI), big data analysis to understand customer needs and seize business opportunities.
- ⑤ Continue to expand the global financial services to enhance international competitiveness.

d. Current status of financial product R&D

1. Major financial products and department added as well as major financial products' size and profit(loss) within the two most recent fiscal years as of the date of annual report publication:

(1) Major financial products:

① Deposits and remittances:

- I. In order to facilitate customers to manage their funds, the “small butler deposits” and “promotion of small butler deposit” are launched.
- II. Continue to promote “financial blockchain confirmations” business and “digitization of confirmations” to replace manual filling.
- III. In order to provide convenient redemption services for customers, the Bank serves as a redemption service base for issuing uniform invoice awards.

② Corporate banking:

- I. In order to grasp the opportunities for Taiwanese businessmen returning to finance, manufacturers setting up factories, purchasing equipment, etc., launched “welcome Taiwanese businessmen to return to Taiwan for investment project loan,” “SME accelerated investment loan” and “rooted Taiwanese enterprises accelerated investment project loan.”
- II. In order to implement finance inclusion and take the initiative to strive for credit exchanges between SMEs and the Bank, the “SME small loan project” and “small and micro business credit” were launched.
- III. In response to the rapid aging of population structure in Taiwan and the promotion of the government's policy of long-term care 2.0, launched “long-term care service institution concessionary project loan.”
- IV. Cooperate with the Environmental Protection Administration, Executive Yuan to launch a “low-carbon sustainable home project loan” to balance environmental protection and social development.
- V. In response to the development trend of international green finance, enterprises are encouraged to engage in green production and services, and a “green enterprise project loan” was launched.

③ Consumer banking:

- I. In order to provide senior citizens to utilize their own houses and obtain stable living with supporting funds to meet their financial needs in aging society, the “house reverse mortgage accompanied by housing pension loan” was established.
- II. To help franchisees raise the funds needed to start a business and reduce the financial pressure at the initial stage of business, a “chain franchisee loan” was established.

④ FX:

- I. In order to provide customers consultation and planning services after the return of funds to Taiwan, and to cooperate with the implementation of “The Management, Utilization, and Taxation of Repatriated Offshore Funds Act” and the implementation of related sub-laws, the Bank stipulated “Chang Hwa Bank Regulations of Repatriated Offshore Funds.”
- II. To provide customers with more complete information for cross-border remittance transaction and real-time tracking services, the Bank has joined SWIFT GPI (Global Payments Innovation).



## ⑤ Card:

- I. Issue “My love cash back credit card” and provide extra rewards for customers who adopt linking digital demand savings deposits and mobile payment transactions and provide extra rewards.
- II. Customers can use “credit card QR code scanning payment” service at CHB Wallet to bind the Bank’s credit card to conduct payment, tax and shopping transactions.
- III. Provide “Cross-Bank Scan and Withdraw” service. Customers don’t need to carry a physical financial card and just hold a mobile device to ATM that supports the “Cross-Bank Scan and Withdraw” function to withdraw cash.

## ⑥ Trust:

- I. Replace new fund system, greatly improve operation efficiency and strengthen data analysis function for funding.
- II. To strengthen risk control of the trust account data transaction, the Bank implemented real-time notification to the change of trust account information transaction by customers when handling online banking (including mobile banking).

## ⑦ Digital Financial Products:

- I. Build CHB “good-to-receive” APP, which is an integrated multiple collection tools that provides a comprehensive mobile payment channel and expand foundation of the Bank’s acquiring business.
- II. Launch the Bank’s advanced version of the official LINE account and provide LINE personalized services. Customers can get exchange rate pricing, credit card consumption and payment notification, credit card accounting and bonus point inquiry services.
- III. Continue to conduct various mobile payment promotion activities to strengthen the Bank’s digital financial competitive advantages.

## (2) Department Added:

Please refer to “I. Letter to Shareholders A. 2019 Results of Operations a. Organization Changes.”

## (3) Major financial products’ size and profit (loss) within the two most recent fiscal years:

Please refer to one of this units “a. Business performance during the past two years.”

## 2. Achievements and Expenditures on Research &amp; Development in the past two years:

## (1) Expenditures of R&amp;D in past two years:

2019 NT\$4,559 thousand.

2018 NT\$3,678 thousand.

## (2) R&amp;D achievements in the past two years:

- ① The Bank continuously researches and develops various digital finance products by using FinTech, and R&D results have obtained 55 utility model patents, 20 new inventions have been applied and 47 invention patents from MOEA’s Intellectual Property Office. Also, the implementation of these patents shall be applied to provide customers with safe and convenient services, improve information security, operation efficiency and strengthen risk management, and discover potential customers as well as business opportunities.
- ② With respect to the Bank’s business expanding, big data, digital finance and technology, human resources, risk management, compliance, corporate governance, social responsibility and green finance, a total of 49 research reports were completed in 2018 and 2019, which are archived at the Bank’s library for convenient access by all employees in order to enhance the utilization of professional skills and expertise in day-to-day operations and to effectively foster bank-wide reform, progress and development.

## (3) Future R&amp;D projects:

- ① Plan to build a shared face recognition and authentication platform of the Bank to create a shared face identity interface for future expansion of the Bank’s financial technology applications.
- ② In response to the coming advent of digital finance, with the goals of keeping balance between business development and risk management, the Bank continues to develop quantitative models related to credit risk management technology and expected losses under automatic modeling platform, with a view of making relevant risk management mechanism in more sensitive and effective ways.

#### e. Long-and Short-Term Business Plans

##### 1. Short-term business plans:

Please refer to “I. Letter to Shareholders B. 2020 Highlights of Business Plans.”

##### 2. Long-term business plans:

The operational strategies for its long-term business development plans are summarized below:

###### (1) Treasury:

- ① Continue to improve the foreign exchange financial products for client in marketing business system and provide customers with diversified foreign exchange financial products and strive to increase market share.
- ② Actively participate in inter-bank market-making transactions and create price differentiation to assist branches to promote foreign exchange business and increase foreign exchange market share and earnings.
- ③ Actively participate in the domestic RMB exchange rate futures market and become the top five market makers to provide market liquidity and risk aversion pipeline.

###### (2) Wealth management:

Plan to establish wealth management priority development branches combined the Bank’s profession in corporate finance, provide high quality clients with customized services, set high goals on wealth management business.

###### (3) Loan:

- ① Utilize big data analysis techniques so as to meet potential business clients, strengthen business bond with clients, and increase loan business market share.
- ② Actively search business opportunity for “Three Major Programs for Investing in Taiwan,” including “Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan,” “Action Plan for Accelerated Investment by Domestic Corporations,” and “Action Plan for Accelerated Investment by SMEs.” The Bank also provides assistance measures for startup industry, innovation industry and renewable energy industry.
- ③ Explore and analyze customer management structure, actively explore the potential needs of customers, integrate bank-wide resources to provide customized financial services, deepen the corporate loan relationship, and establish a win-win cooperation model between the Bank and its customers.

###### (4) Overseas financial services:

- ① Upgrade Yangon Representative Office (Myanmar) to a branch and continually evaluate the expansion of overseas operations in New Southbound countries with potentially developing financial markets.
- ② Continually improve corporate governance and internal control system of subsidiaries in Mainland China and actively undergo business expansion.

###### (5) E-Banking:

- ① Optimize digital demand savings deposit, plan and evaluate its APP to provide the simplified version of complex transaction functions with multiple design styles, in order to make the Bank’s brand appeal to younger generation and enhance the Bank’s competitiveness of digital demand savings deposit.
- ② Establish online computer simulation of Corporate loan credit line calculation function, corporate clients are allowed to submit company information, main financial statements, and consent the Bank to credit information inquiry, the computer simulation system could calculate initial credit score and possible loan limit in order to raise corporate clients.

###### (6) Trust:

- ① For the sake of consolidating custody services foundation, the Bank continuously conduct new funds offering & sale, and custody services.
- ② Actively promote customers with trust services including senior nursing trust and disability trust; continue to promote real estate trusts, real estate values trust and pre-sale house value trust business.

## (7) Cards:

To extend the business scope of the Bank's multiple payment methods, the Bank plans to launch mobile payment service of APPLE PAY, PX PAY and My FamiPay.

## (8) Insurance Agency Business:

In response to digital trends in financial services, the Bank plans to establish "E-insurance" operation platform, and set up integrated platform for the purpose of linking different insurance companies' operation systems. In the meantime, increase insurance agency business with applying information data.

## B. Employee

### a. Employee information for two most recent fiscal years as of the date of annual report publication

Unit: Person

FY		2018	2019	As of February 29, 2020
Number of Employees		6,556	6,625	6,654
Average Age		42.90	42.88	42.86
Year of Experience		16.91	16.75	16.67
Education	PhD	2 (0.03%)	4 (0.06%)	4 (0.06%)
	Graduate School	1,263 (19.26%)	1,314 (19.83%)	1,323 (19.88%)
	University / College	4,781 (72.93%)	4,826 (72.85%)	4,850 (72.89%)
	Senior High School	481 (7.34%)	452 (6.82%)	448 (6.73%)
	Others	29 (0.44%)	29 (0.44%)	29 (0.44%)
The list of employees' certificates	CPA & CPA (USA)	6	4	3
	CFA	4	3	3
	FRM	13	12	12
	CFP	12	13	13
	CIA	2	2	2
	CISA	1	1	1
	CAMS	34	38	38
	Senior Securities Specialist	1,128	1,127	1,134
	Securities Specialist	912	936	944
	Futures Specialist	1,149	1,131	1,132
	Individual Insurance Broker	7	7	7
	Individual Insurance Agent	13	12	12
	Individual Life Insurance Representative	5,818	5,831	5,871
	Property Insurance Broker	9	8	9
	Property Insurance Agent	9	9	8
	Property Insurance Representative	5,419	5,463	5,481
	Investment-Orient Insurance Product Representative	4,843	4,932	5,013
	Proficiency Test for Trust Operations	5,331	5,384	5,414
	Basic Proficiency Test on Bank Internal Controls	4,590	4,544	4,554
	Basic Proficiency Test for Bank Lending Personnel	2,945	2,851	2,849
Advanced Proficiency Test for Bank Lending Personnel	55	47	48	
Basic Proficiency Test for International Banking Personnel	2,361	2,330	2,343	
Proficiency Test for Financial Planning Personnel	2,148	2,068	2,065	

b. Career development and training

1. Annual employee training programs are in coordination with annual business development: The Bank provides employees training through hands-on and digital courses, assisting them to specialize in finance; the Bank provided 396,887.85 hours training in total, with the per capita training hours of 59.93 based on 6,625 employees as of December 31, 2019 at a total expense of NT\$36,330 thousand.
2. Complete knowledge inheritance, enhancing education and training synergies: Continuously develop diversified internal teaching system.
3. Diversified hands-on and digital training are provided, encouraging employees innovative learning and improving organizational performance: Enrichment of online learning system with updates on and additions to multiple functions and interfaces to provide a diverse training environment, and continuous encouragement of employees innovative learning; total of 285 hands-on courses, 806 digital courses, 633 expat trainings were given between January 1, 2019 and December 31, 2019.

### C. Corporate Responsibility and Moral Behavior

a. Implement environmental protection policies and achieve environmental sustainability management goals

The Bank continually promotes campaigns including energy saving, carbon emission reduction, waste reduction, source management, and green building. In order to achieve the goal of environmental sustainability, the Bank implements various international management systems spontaneously, hoping to alleviate the impact of climate change and achieve the goal of managing environmental sustainability.

b. Actively participated in charity activities and continuously supporting underprivileged groups

1. Sponsored the efforts of Huashan Social Welfare Foundation in delivering New Year's Day dishes and measurement of blood pressure, to care for the underprivileged.
2. Sponsored "7<sup>th</sup> Charitable Carnival for Loving the Elderly" of Huashan Social Welfare Foundation by serving as volunteers to accompany the disadvantaged elderly to live a healthier life through exercise.
3. Sponsored "7<sup>th</sup> Charitable Carnival for Loving the Elderly-Enlightening the Moon Festival" of Huashan Social Welfare Foundation. By serving as volunteers, the Bank's president, Mr. Huang acted as a leader to serve underprivileged elderly, giving back to the society with practical action.
4. To care for underprivileged elderly living alone, the Bank made donations to heartwarming year-end party held by Huashan Social Welfare Foundation.
5. Made donations to the program-"Tuition Subsidy for Financially Disadvantaged High School Students" organized by Twilight Elite Development Association.
6. Established "CHB Tuition Support Program" organized by Taiwan Fund for Children and Families, which assisted financially disadvantaged elementary school and junior high school students in their studies.
7. Made donations to the various athletes training programs organized by Taitung County Athletics Committee, which assisted the development of sports and athletics.
8. Sponsored "Assist Visually impaired people with Visually Impaired Assistant Program" of Eden Social Welfare Foundation by helping visually impaired people replace unbearable assistants and take care of their walking safety.
9. Sponsored "Love with Heart benefit concert" of Taipei Kuanyin-Line Psychological and Social Service Association by providing people who are upset with immediate mental support and assistance.
10. Sponsored "Indigenous Children's Choir Performance Tour" of Kaoshiung Bunun Indigenous Humanity and Education Foundation, to support remote art education.
11. Sponsored "Developing International Outlook by Books for Taiwan Program" by fostering young talents of Central News Agency, encouraging underprivileged students to read excellent books for developing international outlook.
12. Sponsored "2019 Taiwan Fashion Design Award" of Taiwan Textile Federation by assisting development of domestic cultural and creative industry.

13. Sponsored “2019 Taiwan Economic Association Annual Conference” of Taiwan Economic Association by supporting economic research.
  14. Participated in “Earth Hour 2019” campaign of Society of Wilderness, to demonstrate the Bank’s steadfast commitment to the planet.
  15. Participated in “2019 Financial Services Charitable Carnival” of Taiwan Financial Services Roundtable, to promote financial knowledge jointly.
  16. Sponsored the Keelung City in organizing “28<sup>th</sup> Union Cup Basketball Championship,” which promoted citizens’ physical and mental health, and carried out the objective of nurturing basketball talents and country-wide exercise.
  17. Sponsored operating budget for 2019 sport events of Chinese Taipei Football Association so as to implement the support of national sport development policy, foster national sports talents jointly, and raise Taiwan’s global profile.
  18. With a view to seeking potential future star in Taiwan industry, accelerating innovative development & growth of industry, the Bank participated in “3<sup>rd</sup> Start-up Star Contest” of Economic Daily News.
  19. Participated in “2019 Accounting Elite Cup Debating Competition” of Accounting Research and Development Foundation, to help nurture accounting professionals.
  20. Cooperated with TV media, by interviewing SMEs clients with innovative technique or transformation, elaborate the diversity and critical items of domestic SMEs and address competitiveness of domestic SMEs.
  21. Made donations NT\$ 127,956,013 to “Small and Medium Enterprise Credit Guarantee Fund,” which helped SMEs obtain the funding they needed and contributed to the growth of the nation’s economy and the social stability.
  22. Made donations NT\$ 10,000,000 to “Agricultural Credit Guarantee Fund,” which helped to expand the notional amount of Agricultural Credit Guarantee Fund, facilitating economic growth and social stability.
  23. In response to that authority has been promoting the microinsurance policy, which is an insurance product that provided for financially disadvantaged people with specific risk, the Bank actively plans to cooperate with insurance company to donate insurance premium, prevents financially disadvantaged people from sudden incidents causing impact on their family economic conditions, and commits corporate social responsibility.
  24. Hold “Taiwan Pay Charitable Donation Campaign,” collaborated with Taipei Orphan Welfare Foundation and Double Bliss and Charity Foundation. The donation of the Bank’s clients from Apr. 26, 2019 to Nov. 30, 2019 is NT\$387,506, and total donation of the Bank is NT\$ 1,167,506 (including the Bank’s clients). The Bank not only promotes mobile payment but also integrates social kindness resources, cares for orphan education and elderly people living alone.
- c. Internship opportunities offered to financially disadvantaged youths and university students
1. As support to “2019 Internship Program for the Financially Self-reliance Youths” organized by Youth Department Administration, Ministry of Education, the Bank had offered 35 internship opportunities for existing students during the summer vacation, and catered to the needs of financially disadvantaged youths by helping them learn, experience, explore, and develop their own competitiveness in future careers, which may potentially reduce wealth inequality within the nation.
  2. During summer break of 2019, the Bank joined China Youth Corps in offering 10 internship opportunities to university students. The internship program was aimed at cultivating independence and comprehending banking jobs on the spot early in young adults and increasing their experiences.
- d. Community participation
- The Bank donated handheld lanterns from “2019 Taiwan Lantern Festival” to social welfare groups including community organization, orphanages, nursing homes in Pingtung and to care for underprivileged families.

## D. Number of Non-managerial Full-Time Employees, Average, Median of Full-Time Employees' Salary, and the Differences from the Previous Year

Unit: Per employee/NT\$thousand

FY	2019	2018	Differences from the previous year
Non-managerial full-time employees			
Number of Non-managerial full-time employees	6,018	5,988	30
Total Salary Amount	7,761,648	7,655,840	105,808
Average Salary	1,290	1,279	11
Median Salary	1,176	1,154	22

Note 1: Reference to "Non-managerial, full-time employee salary information declaration explanation" edited jointly by TWSE and TPEX.

Note 2: Non-managerial, full-time employee mentioned here refers to employees excluded employees in managerial position, part-time employees, overseas employees, and employees who meets the standard of excluded exemption. (Taiwanese employees and foreign employees are included.)

Note 3: "Number of employee" is calculated by yearly average, rounding up to the whole number.

## E. IT Equipment

a. The software and hardware configurations and maintenance of our principal information systems

1. Configurations:

- (1) Mainframe hardware (Core banking system): Using Unisys mainframe, the service area covers both domestic and overseas, processing deposits, loans, exchange, import and export, etc. The system has an operating capacity of 7 days x 24 hours.
- (2) Open system server: including virtual machine (VM) and physical machine.
- (3) Open System Storage: Using SAN and Storage for centralized management by IBM SAN Volume Controller (SVC) to reducing the space of storage.
- (4) Open system backup system: Using Tivoli Storage Manager (TSM) and NBU (Net Backup) system.
- (5) Network Equipment: The network device system includes core networks and branch networks. The core networks connect the core firewall and the core router through the core switch. Separate different network segments according to different properties of the system to protect systems safety by firewall policy and various security systems. The core network architecture is high availability (HA) to prevent a single node failure. The branch networks include domestic branch networks and oversea branch networks that transfer data from branch to the Hub center through the operation main line and the backup line to ensure the daily business.
- (6) Database: DB2, MS SQL, Oracle, Sybase, Teradata, Aster, Hadoop.

2. Maintenance:

The Bank has entered into maintenance agreements with vendors, which will provide both on-demand repair services and regular maintenance services to ensure that our IT systems are operating satisfactorily and without interruption.

b. Future Development and Procurement Plans

IT systems to be deployed in 2020: A new generation of full media customer service system, computer facility room expansion and equipment rehabilitation, information asset inventory of overseas branches and the establishment of highest level administration of access, Privileged Account Trajectory System Expansion Project, Action Insurance Operating Installation Project, API Management Platform Installation Project, Corporate e-banking System Upgrade Project, and EAI system platform upgrade project.

c. Emergency Back-up and Security Protection Strategies

1. Emergency Back-Up Center:

The Bank's IT Data Center is located in Taipei that connects with the Emergency Back-Up Center in Taichung, utilizing ROADM (Reconfigurable Optical Add-Drop Multiplexer) network to synchronously replicate critical data for disaster recovery purpose. The emergency back-up center with transferred information system is activated when the Bank's IT Data Center is unable to continue normal operations due to disasters. The Bank has established standard procedures and drills according to "Information Operations Disaster Recovery Plan," in principle, two drills will be carried out both in the off-site/local back-up center or one time off-site/local back-up separately on a yearly basis to ensure the successful implementation of the recovery procedures.

## 2. Strengthen information security:

- (1) Improve information system security control strength: independent SWIFT host network segment, recycle host supreme authority, manage host security parameters to improve overall host security strength.
- (2) Follow the requirements of laws and regulations: adjust the information system structure, management system and procedures to meet the supervisory expectations in response to the requirements of national supervisory agencies and international organizations (eg, Society for Worldwide Interbank Financial Telecommunication, SWIFT).
- (3) Establish a detection and alarm mechanism, implement the security incident processing and follow-ups: use different security-oriented security detection tools (eg, internal threat monitoring system, privileged account trajectory system) to establish a detection alarm mechanism and instantly discover potential intrusion and proper follow-up to reduce security risks.
- (4) Centrally store and manage system logs, and establish an analysis and early warning mechanism to meet the requirements of the laws and regulatory agencies.
- (5) Regular situation and back-up exercises: in order to familiarize employees with the accident response procedures, regular situational drills and information system back-up exercises to improve the resilience of employees.
- (6) Continuously improve information security management system, and periodically examine and amend information security regulation, identify and improve security weaknesses through information security risk assessment and security testing operations to meet requirements of international security standards and overseas regulations.

## F. Labor Relations

### a. Benefits, Training and Pensions Offered by the Bank, Retirement Scheme and Implementation Status, and Policies on Employer-employee Negotiations and the Protection of Workers

#### 1. Benefits:

##### (1) Labor insurance:

Labor insurance is for employees, with the Bank paying 70% of the premium, the employees paying 20%, and the government paying 10%.

##### (2) Health insurance:

Health insurance is for employees and their dependents with the Bank paying 60% of the premium, the employees paying 30%, and the government paying 10%.

##### (3) Health examination:

Provide employees regular items superior to the law requirement, and conduct an employee health examination every 2 years.

##### (4) Nursery care:

Sign a childcare contract with the nursery school to provide a preferential childcare program for employees in need.

##### (5) Special leaves:

Employees are entitled to a paid vacation of 3 to 30 days, depending on their job tenure at the Bank.

##### (6) Recreation:

The Bank has recreation committees, which organize annual sports, hiking, observation of art and culture activities in their territories for the betterment of employees' physical and mental health.

##### (7) Welfare committee:

The Bank has the 21-member welfare committee. An Executive Vice President occupies one of the seats as appointed by the general manager of the Bank, and the rest of the seats shall be filled by representatives selected from the Bank and the employee union respectively through elections according to election regulation. The committee oversees collecting, keeping and managing a fund for the betterment of employees' welfare. The Bank has established an employee commissary providing daily necessities.

(8) Employee Stock Ownership Trust:

In order to take care for employee, enhance welfare and develop a sense of belonging, the Bank officially start Employee Stock Ownership Trust on September 26, 2019, encouraging employees to plan retirement life by saving money in a long term. The program set standard of 6 categories of contribution payments, which is based on position, employee could choose minimal contribution payment or twice the payment to enroll, in the meantime, the Bank will also appropriate NT\$ 1,000 or NT\$ 1,500 for the employee.

(9) Library:

A library is located in Taipei headquarters where books and periodicals are kept for employees to read or to borrow, in order to accumulate knowledge and enhance self-enrichment.

(10) Online English Learning:

In order to cooperate with national bilingual policy, strengthen employees' English ability and cultivate international financial talents, the Bank not only provides free "Web English study for Studio Classroom" for all employees to study English online, but also gives a free year magazines to those who study at top 10 hours every season to encourage employees to self-study, participate in English certification and actively promote bilingual counter financial services.

2. Retirement Scheme and Implementation Status:

- (1) The Bank provides policies on employee retirement and pension plans, which are related to the retirement, pension(including occupational disaster compensation) and lay off of employees. Unmentioned regulation under the plans shall be bound by the Labor Standards Act and related labor laws and regulations.
- (2) 150 people(including 47 voluntary and 103 compulsory) in total applied for retirement in 2019.
- (3) According to the Bank's "Rules Governing Organization of Supervisory Committee of Labor Retirement Reserve," the Supervisory Committee of Labor Retirement Reserve is composed of representatives both from the labor and employer. A total of 9 members are appointed, including 6 labor representatives and 3 employers. The meeting is held once every 3 months and an extraordinary meeting may be held when necessary. The task of the Supervisory Committee of Labor Retirement Reserve is to deal with the matters relating to the consideration of the labor retirement reserve suspension, the examination of the amount allocated, the examination of the storage and expenditure, the examination of the paid amount and the supervision of other matters relating to the labor retirement reserve.
- (4) For employees with the old pension system, the Bank provides monthly retirement allowance to the account of Supervisory Committee of Labor Retirement Reserve in the Bank of Taiwan at the rate of 10% of the total monthly salary; and the Bank provides monthly retirement allowance at the rate of 6% for employees with new pension system.

3. Protection of employees' safety:

- (1) Insure employees with an "Employer's Liability Insurance" so that employees are protected while carrying out duties. The premium is entirely covered by the Bank.
- (2) Established Occupational Safety and Health Committee, a total of 9 members are appointed, including 3 labor representatives, the Bank holds the committee every quarter to review the safety and health policy of the working environment so as to enhance the Bank's safety of hygiene management quality.
- (3) The Bank regularly holds seminars/online seminar on occupational safety and health to implement safety and health education; irregularly host by experts. It also appoints professional institutions to provide psychological counseling and protect mental health for employees so as to increase employees' work performance and overall business performance.
- (4) The Bank got certified to ISO 45001 Occupational Health and Safety Management Systems, actively implements the principle of safety workplace and employee health, improve and advance occupational safety of a workplace hygiene, in order to protect safety and health of employee and relevant workers.



- (5) The Bank's building and premise are equipped with first aid medicine and appliance, the Bank also monitors the indoor carbon dioxide and lighting operation environment of each unit by professionals outside the firm every six months to provide employees with a safe and healthy work environment.
  - (6) The Bank has the Program to Prevent Employee Ailments Brought on by Exceptional Workload, the Program to Prevent Employee Musculoskeletal Disorders Brought on by Repetitive Tasks, the Program to Protect Maternal Employee's Health, and the Program to Prevent Employee Infringement Happened in Workplace to prevent occupational disasters and diseases.
  - (7) According to the concept of prevent employee musculoskeletal disorders brought on by repetitive tasks at workplace, the Bank's new calisthenics were designed by calisthenics expert, in the replacement of the old one.
  - (8) All units have been requested to regularly hold security meetings and employee self-defense drills to enhance security protection.
  - (9) The Bank requires security service companies and suppliers of alarm system and monitoring cameras to maintain relevant equipment based on the need of related units.
  - (10) The Bank has each division well-guarded by security professionals from outside firms, who receive job related training periodically to improve their skills under supervision and are assessed quarterly.
  - (11) All cash transporting and replenishing operations outside of branches are outsourced to security companies.
  - (12) The Bank supervises each division to strengthen the maintenance and management of firefighting safety and escape equipment with safety check and training.
4. Employer-employee negotiations:
- (1) The Bank has organized regular employee-management meetings since July 28, 1999 in accordance with "Guidelines for Employee-Management Meetings" of the Bank. In the meetings, the management and the employees will jointly decide on proposals and negotiate. The Bank's employee-management relationship is harmonious and stable, thanks to communication in employee-management meetings. 4 meetings are convened in 2019.
  - (2) In response to the changes in labor policy and statutory amendments, the Bank restarted the Collective Agreement Consultative Dialogue with union representatives and signed a Collective Agreement again on May 14, 2018.
5. Employees' rights and responsibilities:
- The Bank has issued a "rights and responsibilities" handbook to employees; Policies on hiring, work hours, evaluations, wages and benefits shall be bound to the content of the handbook. Also, relevant regulations for leave, attendance, assessment, rewards and punishments, bonuses and codes of conduct are stipulated.
- b. Labor Inspection Violated Labor Standards Act:
1. On Apr. 25, 2019, New Taipei City Government issued a sanction (no. 1084255320) against the Bank due to violating Article 38 of the Labor Standards Act. Calculation of annual leaves based on anniversary system instead of calendar system violated the regulation and penalize the penalty of NT\$ 100,000. The Bank had made up the balance by calculating the overtime pay for the gaps.
  2. On Jul. 25, 2019, New Taipei City Government issued a sanction (no. 1084268216) and on Oct. 28, 2019, Taipei City Government also issued a sanction (no. 10860317522) against the Bank due to violating Article 24 of the Labor Standards Act, for not paying wages of extending work hours, and penalize the penalty of NT\$ 120,000 and NT\$ 600,000. The Bank has processed related Labor Acts and Announcement and inform all units to implement legal compliance.
- c. Losses suffered due to employer-employee disputes during the latest year as of the date of annual report publication, disclosure of estimated contingent losses from current and future disputes, and response measures None.

## G. Important Contracts

Contract Character	Contract Firm	Period	Contents	Restriction Terms
Outsourcing contract	Beltom Technology Corp.	August 1, 2019 to July 31, 2020	Printing, enveloping and mailing of credit card related statements	Terms of Confidentiality
Outsourcing contract	Yung Hsing Ent. Co., Ltd.	August 28, 2019 to August 27, 2020	Printing and mailing mutual fund notifications and statements	
Outsourcing contract	Taiwan Security Co., Ltd. Lien-An Service Co., Ltd.	December 16, 2019 to December 15, 2020	Troubleshooting ATMs off the Bank's premises and replenishing cash	
Outsourcing contract	CHUNG HWA Express Corp.	December 10, 2019 to December 9, 2020	Commissioning of an express delivery company to ship notes and documents	
Outsourcing contract	Lee Bao Security Co., Ltd.	January 1, 2020 to December 31, 2020	Outsourcing of cash transporting operations	
Outsourcing contract	Yuen Foong Paper Co., Ltd.	November 21, 2019 to November 20, 2020	Commissioning of a paper company to print, envelop and mail notes	
Outsourcing contract	Taiwan MobilePayment Co., Ltd.	October 7, 2019 to December 31, 2021	Data processing services of card life cycle in mobile payment	
Outsourcing contract	Financial Information Service Co., Ltd.	January 1, 2020 to December 31, 2020	Related operation service of international card	
Contract for issuing cards	EasyCard Corporation	February 1, 2018 to June 30, 2021	Authorizing to issue e-card with EasyCard function	
Contract for issuing cards	iPASS Corporation	January 23, 2020 to January 22, 2025	Authorizing to issue e-card with iPASS function	
Installment Contract of computer	Unisys Co., Ltd.	December 28, 2019 to June 27, 2020	Extent network and renewal of equipment	
Installment Contract of computer	Dimerco Data System Corporation	November 21, 2019 to August 20, 2020	Information related system installation of overseas branches	

## H. Categories and Relevant Information of Securitization Commodities Launched in Accordance with Financial Asset Securitization Act or the Real Estate Securitization Act, and with Approval of the Competent Authority

None.

# VI | Financial Status

## A. Brief Balance Sheets and Comprehensive Income Statements of Recent Five Years

### a. Brief Balance Sheets:

Unit: NT\$ thousand

Items	FY	Consolidation Financial Information of Recent Five Years				
		2019	2018	2017	2016	2015
Cash, Cash Equivalents, Due from the Central Bank and Call Loans to Banks		199,335,770	249,015,779	239,850,189	240,024,553	177,879,891
Financial Assets at fair value through profit or loss		11,483,389	10,917,490	13,552,513	34,699,024	43,518,615
Available-For-Sale Financial Assets		-	-	73,175,886	76,824,866	67,415,202
Financial assets for hedging		247,375	244,763	243,372	86,265	192,521
Bonds and Securities Purchased under Resell Agreements		0	0	0	0	0
Receivables, net		23,201,037	29,933,985	24,670,023	20,280,261	19,729,443
Current tax assets		207,520	289,771	135,714	56,689	55,436
Financial assets at fair value through other comprehensive income		116,296,139	91,938,199	-	-	-
Investments in debt instruments at amortized cost		276,058,976	268,059,805	-	-	-
Available for Sale Financial Assets, net		0	0	0	0	0
Discounts and loans, net		1,427,350,947	1,336,701,095	1,377,040,660	1,367,259,890	1,321,934,363
Held-To-Maturity Financial Assets		-	-	237,412,046	204,864,541	205,777,255
Investments Accounted For Using Equity Method		0	0	0	0	0
Restricted Assets		0	0	0	0	0
Other Financial Assets, net		40,133,881	55,045,230	31,247,373	23,097,828	31,748,420
Property and equipment, net		20,739,036	21,071,298	20,639,732	20,801,823	22,253,008
Right-of-use Assets, net		1,620,404	-	-	-	-
Investment property, net		13,872,790	13,742,376	13,747,787	13,753,981	12,536,509
Intangible Assets, net		720,656	731,364	436,176	423,465	500,710
Deferred Tax Assets, net		3,312,325	3,120,664	3,175,050	2,447,734	2,367,489
Other Assets		1,062,958	999,851	931,879	530,584	348,357
<b>Total Assets</b>		<b>2,135,643,203</b>	<b>2,081,811,670</b>	<b>2,036,258,400</b>	<b>2,005,151,504</b>	<b>1,906,257,219</b>
Deposits from the Central Bank and banks		102,305,626	113,038,541	108,151,867	139,162,582	124,025,228
Financing from Central Bank and Banks		0	0	0	0	3,879,840
Financial liabilities at fair value through profit or loss		4,247,279	11,047,488	12,309,330	18,093,146	22,732,139
Derivative Financial Liability for Hedging		0	0	0	0	0
Securities sold under repurchase agreements		1,547,291	5,285,890	3,118,536	2,954,981	4,612,047
Payables		21,846,910	36,677,779	34,849,855	33,834,971	23,164,932
Current tax liabilities		507,880	241,285	954,609	550,984	146,692
Liabilities Related to Assets Classified as Held for Sale		0	0	0	0	0
Deposits and Remittances		1,765,948,203	1,689,581,112	1,672,079,784	1,624,429,817	1,547,739,711
Bank notes payable		55,521,014	49,549,055	41,739,657	31,375,226	35,176,580
Preferred Liability		0	0	0	0	0
Other Financial Liabilities		4,274,900	4,387,078	3,662,600	2,718,964	1,075,196
Reserve for Liabilities		5,340,555	5,296,332	4,758,835	4,524,224	4,371,316
Lease Liabilities		1,420,392	-	-	-	-
Deferred Tax Liabilities		7,902,609	7,352,277	7,019,970	6,672,201	6,644,859
Other Liabilities		2,543,349	2,793,202	2,665,793	3,310,883	3,213,720
Total Liabilities	Before Distribution	1,973,406,008	1,925,250,039	1,891,310,836	1,867,627,979	1,776,782,260
	After Distribution (Note)	1,977,400,132	1,931,515,332	1,895,546,686	1,871,393,179	1,779,742,323
Equity Attributable to Owners of the Parent Company		162,237,195	156,561,631	144,947,564	137,523,525	129,474,959
Capital	Before Distribution	99,853,111	97,895,207	94,130,007	89,647,626	84,573,232
	After Distribution (Note)	103,847,235	99,853,111	97,895,207	94,130,007	89,647,626
Capital Surplus		0	0	0	0	0
Retained Earnings	Before Distribution	58,495,437	55,271,433	51,271,528	47,775,705	43,926,296
	After Distribution (Note)	50,507,189	47,048,236	43,270,478	39,528,124	35,891,839
Other Equities		3,888,647	3,394,991	(453,971)	100,194	975,431
Treasury Stock		-	-	-	-	-
Non-controlling Interests		-	-	-	-	-
Total Shareholders' Equity	Before Distribution	162,237,195	156,561,631	144,947,564	137,523,525	129,474,959
	After Distribution (Note)	158,243,071	150,296,338	140,711,714	133,758,325	126,514,896

Note: The earnings distribution for year 2019 hasn't been approved by the 2020 General Shareholders' Meeting.

Items	FY	Individual Financial Information of Recent Five Years				
		2019	2018	2017	2016	2015
Cash, Cash Equivalents, Due from Central Bank and Call Loans to Banks		193,321,396	247,107,964	239,850,189	240,024,553	177,879,881
Financial Assets at fair value through profit or loss		11,483,389	10,917,490	13,552,513	34,699,024	43,518,615
Available-For-Sale Financial Assets		-	-	73,175,886	76,824,866	67,415,202
Financial assets for hedging		247,375	244,763	243,372	86,265	192,521
Bonds and Securities Purchased under Resell Agreements		0	0	0	0	0
Receivables, net		22,979,066	28,984,785	24,670,023	20,280,261	19,898,538
Current tax assets		207,398	289,771	135,714	56,689	55,436
Financial assets at fair value through other comprehensive income		111,610,083	90,390,520	-	-	-
Investments in debt instruments at amortized cost		276,058,976	268,059,805	-	-	-
Available for Sale Financial Assets, net		0	0	0	0	0
Discounts and loans, net		1,412,641,860	1,320,077,226	1,377,040,660	1,367,259,890	1,321,934,363
Held-To-Maturity Financial Assets		-	-	237,412,046	204,864,541	205,777,255
Investments Accounted For Using Equity Method, net		13,087,475	12,536,866	0	0	635,777
Restricted Assets		0	0	0	0	0
Other Financial Assets, net		44,428,881	51,821,709	31,247,373	23,097,828	31,748,420
Property and equipment, net		19,995,240	20,200,024	20,639,732	20,801,823	22,249,904
Right-of-use Assets, net		1,601,174	-	-	-	-
Investment property, net		13,872,790	13,742,376	13,747,787	13,753,981	12,536,509
Intangible Assets, net		645,360	714,842	436,176	423,465	500,710
Deferred Tax Assets, net		3,197,348	3,001,405	3,175,050	2,447,734	2,367,489
Other Assets		1,051,475	990,474	931,879	530,584	343,041
<b>Total Assets</b>		<b>2,126,429,286</b>	<b>2,069,080,020</b>	<b>2,036,258,400</b>	<b>2,005,151,504</b>	<b>1,907,053,661</b>
Deposits from the Central Bank and banks		102,187,587	110,858,179	108,151,867	139,162,582	124,025,228
Financing from Central Bank and Banks		0	0	0	0	3,879,840
Financial liabilities at fair value through profit or loss		4,247,279	11,047,488	12,309,330	18,093,146	22,732,139
Derivative Financial Liability for Hedging		0	0	0	0	0
Securities sold under repurchase agreements		1,547,291	5,285,890	3,118,536	2,954,981	4,612,047
Payables		21,676,201	35,699,603	34,849,855	33,834,971	23,064,707
Current tax liabilities		465,752	218,866	954,609	550,984	82,436
Liabilities Related to Assets Classified as Held for Sale		0	0	0	0	0
Deposits and Remittances		1,757,136,850	1,680,087,976	1,672,079,784	1,624,429,817	1,548,700,629
Bank notes payable		55,521,014	49,549,055	41,739,657	31,375,226	35,176,580
Preferred Liability		0	0	0	0	0
Other Financial Liabilities		4,274,900	4,387,078	3,662,600	2,718,964	1,075,196
Reserve for Liabilities		5,322,733	5,272,477	4,758,835	4,524,224	4,371,316
Lease Liabilities		1,401,162	-	-	-	-
Deferred Tax Liabilities		7,892,389	7,350,045	7,019,970	6,672,201	6,644,859
Other Liabilities		2,518,933	2,761,732	2,665,793	3,310,883	3,213,725
Total Liabilities	Before Distribution	1,964,192,091	1,912,518,389	1,891,310,836	1,867,627,979	1,777,578,702
	After Distribution (Note)	1,968,186,215	1,918,783,682	1,895,546,686	1,871,393,179	1,780,538,765
Equity Attributable to Owners of the Parent Company		162,237,195	156,561,631	144,947,564	137,523,525	129,474,959
Capital	Before Distribution	99,853,111	97,895,207	94,130,007	89,647,626	84,573,232
	After Distribution (Note)	103,847,235	99,853,111	97,895,207	94,130,007	89,647,626
Capital Surplus		0	0	0	0	0
Retained Earnings	Before Distribution	58,495,437	55,271,433	51,271,528	47,775,705	43,926,296
	After Distribution (Note)	50,507,189	47,048,236	43,270,478	39,528,124	35,891,839
Other Equities		3,888,647	3,394,991	(453,971)	100,194	975,431
Treasury Stock		-	-	-	-	-
Non-controlling Interests		-	-	-	-	-
Total Shareholders' Equity	Before Distribution	162,237,195	156,561,631	144,947,564	137,523,525	129,474,959
	After Distribution (Note)	158,243,071	150,296,338	140,711,714	133,758,325	126,514,896

Note: The earnings distribution for year 2019 hasn't been approved by the 2020 General Shareholders' Meeting.

b. Brief Statements of Comprehensive Income:

Unit: NT\$ thousand

Items	FY	Consolidation Financial Information of Recent Five Years				
		2019	2018	2017	2016	2015
Interest Income		39,190,235	38,422,200	34,602,915	32,589,526	32,991,503
Interest Expense		16,340,528	15,232,556	11,946,045	10,862,757	12,075,574
Net Interest Income		22,849,707	23,189,644	22,656,870	21,726,769	20,915,929
Net Income Other Than Interest Income		9,228,646	9,918,545	8,139,849	9,281,712	8,753,930
Net Income		32,078,353	33,108,189	30,796,719	31,008,481	29,669,859
Bad Debts Expense, Commitment and Guarantee Liability Provision		2,136,395	2,203,252	791,185	1,138,044	329,372
Operating Expenses		16,421,666	16,194,853	15,821,315	15,787,396	15,594,286
Income Before Income Tax of Continued Operations		13,520,292	14,710,084	14,184,219	14,083,041	13,746,201
Income Tax (Expense) Benefit		(1,948,510)	(2,063,549)	(2,091,113)	(1,997,069)	(2,102,864)
Net Income of Continued Operations		11,571,782	12,646,535	12,093,106	12,085,972	11,643,337
Gain (Loss) from Discontinued Operations		0	0	0	0	0
Net Income (Loss)		11,571,782	12,646,535	12,093,106	12,085,972	11,643,337
Other Comprehensive Income		369,075	109,534	(903,865)	(1,077,343)	171,329
Total Comprehensive Income		11,940,857	12,756,069	11,189,241	11,008,629	11,814,666
Net Income Attributed to Owners of the Parent Company		11,571,782	12,646,535	12,093,106	12,085,972	11,643,337
Net Income Attributed to Non-controlling Interests		0	0	0	0	0
Total Comprehensive Net Income Attributed to Owners of the Parent Company		11,940,857	12,756,069	11,189,241	11,008,629	11,814,666
Total Comprehensive Income Attributed to Non-controlling Interests		0	0	0	0	0
Basic EPS (NT\$) (Note)		1.16	1.27	1.21	1.21	1.17
Diluted EPS (NT\$) (Note)		1.15	1.26	1.21	1.21	1.16

Note: EPS is based on the unit of NT\$ 1 and adjusted retrospectively for the effects of bonus stock.

Unit: NT\$ thousand

Items	FY	Individual Financial Information of Recent Five Years				
		2019	2018	2017	2016	2015
Interest Income		38,189,030	38,335,813	34,602,915	32,589,526	32,991,503
Interest Expense		16,118,024	15,210,271	11,946,045	10,862,757	12,077,770
Net Interest Income		22,071,006	23,125,542	22,656,870	21,726,769	20,913,733
Net Income Other Than Interest Income		9,641,018	9,870,554	8,139,849	9,281,712	8,503,470
Net Income		31,712,024	32,996,096	30,796,719	31,008,481	29,417,203
Bad Debts Expense, Commitment and Guarantee Liability Provision		2,148,065	2,213,028	791,185	1,138,044	329,372
Operating Expenses		16,051,483	16,076,534	15,821,315	15,787,396	15,448,091
Income Before Income Tax of Continued Operations		13,512,476	14,706,534	14,184,219	14,083,041	13,639,740
Income Tax (Expense) Benefit		(1,940,694)	(2,059,999)	(2,091,113)	(1,997,069)	(1,996,403)
Net Income of Continued Operations		11,571,782	12,646,535	12,093,106	12,085,972	11,643,337
Gain (Loss) from Discontinued Operations		0	0	0	0	0
Net Income (Loss)		11,571,782	12,646,535	12,093,106	12,085,972	11,643,337
Other Comprehensive Income		369,075	109,534	(903,865)	(1,077,343)	171,329
Total Comprehensive Income		11,940,857	12,756,069	11,189,241	11,008,629	11,814,666
Net Income Attributed to Owners of the Parent Company		11,571,782	12,646,535	12,093,106	12,085,972	11,643,337
Net Income Attributed to Non-controlling Interests		0	0	0	0	0
Total Comprehensive Net Income Attributed to Owners of the Parent Company		11,940,857	12,756,069	11,189,241	11,008,629	11,814,666
Total Comprehensive Income Attributed to Non-controlling Interests		0	0	0	0	0
Basic EPS (NT\$) (Note)		1.16	1.27	1.21	1.21	1.17
Diluted EPS (NT\$) (Note)		1.15	1.26	1.21	1.21	1.16

Note: EPS is based on the unit of NT\$ 1 and adjusted retrospectively for the effects of bonus stock.

c. CPA-Auditor of the Consolidated Financial Report:

Items	FY	2019	2018	2017	2016	2015
CPA Firm		Deloitte & Touche				
CPA-Auditor		Jimmy S. Wu, Titan Lee	Jerry Gung, Titan Lee	Jerry Gung, Walter Liu		
Independent Auditors' Opinion		Standard unqualified opinions				

## B. Financial Analysis of Recent Five Years

### a. Financial Analysis

Unit: NT\$ thousand

Items (Note)	FY	Consolidation Financial Analysis of Recent Five Years				
		2019	2018	2017	2016	2015
Operating Ability	Ratio of Loans to Deposits	80.93	81.82	83.03	86.77	87.82
	Ratio of Non-performing Loan	0.34	0.32	0.30	0.25	0.21
	Ratio of Interest Expense to Annual Average Deposits	0.73	0.69	0.59	0.59	0.69
	Ratio of Interest Income to Annual Average Lending	2.06	2.09	2.00	1.94	2.03
	Total Assets Turnover ratio (Times)	0.015	0.016	0.015	0.016	0.016
	Average Revenue Per Employee (NT\$ thousand)	4,726	5,016	4,672	4,722	4,544
	Average Profit Per Employee (NT\$ thousand)	1,705	1,916	1,835	1,840	1,783
Profitability	Return on Tier I Capital	8.86	10.57	11.17	11.79	12.41
	Return on Assets	0.55	0.61	0.60	0.62	0.63
	Return on Equity Ratio	7.26	8.39	8.56	9.05	9.36
	Ratio of Net Income	36.07	38.20	39.27	38.98	39.24
	Basic Earnings Per Share (NT\$)	1.16	1.27	1.21	1.21	1.17
	Diluted Earnings Per Share (NT\$)	1.15	1.26	1.21	1.21	1.16
Financial Structure	Ratio of Liabilities to Assets	92.40	92.48	92.88	93.14	93.21
	Ratio of Real Estate and Equipment to Shareholders' Equity	12.78	13.46	14.24	15.13	17.19
Growth Rate	Ratio of Asset Growth	2.59	2.24	1.55	5.19	4.98
	Ratio of Profit Growth	-8.09	3.71	0.72	2.45	10.64
Cash Flow	Ratio of Cash Flow	-36.42	-2.53	24.26	26.88	41.53
	Net Cash Flow Adequacy Ratio	371.01	631.61	565.94	618.85	406.99
	Cash Flow Satisfaction Ratio	4,566	242	-5,126	-10,706	-8,928
Ratio of Liquid Reserve		19.03	19.00	16.42	16.14	16.48
Related Party Secured Loan		41,193,710	41,166,929	41,115,344	14,576,761	14,939,802
Ratio of Related Party Secured Loan of Total Loan		2.71	2.89	2.95	1.00	1.06
Operating Scale	Market Share of Assets	4.15	4.23	4.34	4.55	4.45
	Market Share of Net Worth	4.07	4.23	4.18	4.11	4.10
	Market Share of Deposits	4.21	4.24	4.34	4.36	4.40
	Market Share of Lending	4.55	4.48	4.79	5.04	4.97

Reasons for changes of financial ratios for the last two years:

The growth rate of asset goes up because the growth of investment in 2019 increased compared to 2018. The growth rate of profit goes down because the growth of income before income tax in 2019 decreased compared to 2018. The related ratio of cash flow were in excess of 20% in 2019 because net cash out-flows of operating and investing activities in 2019 increased compared to 2018.

Note: The instruction and calculation formulas in this table are as follows:

1. Operating Ability:

- (1) Ratio of Loans to Deposits = Total Loans / Total Deposits
- (2) Ratio of Non-performing loan = Non-performing loan / Total Loans
- (3) Ratio of Interest expense to Annual Average Deposits = Interest expense Related to Deposits / Annual Average Deposits
- (4) Ratio of Interest Income to Annual Average Lending = Interest Income Related to Lending / Annual Average Lending
- (5) Total Assets Turnover ratio = Net Revenue / Average Total Assets
- (6) Average Revenue Per Employee = Net Revenue / Number of Employees
- (7) Average Profit Per Employee = After-tax net Income / Total Number of Employees

2. Profitability:

- (1) Return on Tier I Capital = Before-tax Earnings or Losses / Net Average Tier I Capital
- (2) Return On Assets = Net Income / Average of Total Assets
- (3) Return On Equity = Net income / Net Average of Total Shareholders' Equity
- (4) Ratio of Net Income = After-tax Net Income / Net Income
- (5) Earnings Per Share = (Equity Attributable to Owners of the Parent Company – Preferred stock Dividend) / Average Weighted Outstanding Stock

3. Financial Structure:

- (1) Ratio of Liabilities to Total Assets = Liabilities / Total Assets
- (2) Ratio of Real Estate and Equipment to Shareholders' Equity = Real Estate and Equipment / Shareholders' Equity

4. Growth Rate:

- (1) Asset Growth Rate = (Total Assets of the Year – Total Assets of Previous Year) / Total Assets of Previous Year
- (2) Profit Growth Rate = (Income Before-tax – Income Before-tax of Previous Year) / Income Before-tax of Previous Year

5. Cash Flow:

- (1) Ratio of Cash Flow = Net cash flow from business activities / (call loans to banks and banks overdrafts + commercial paper payable + financial liabilities measured at FVTPL + Changes in Notes and Bonds Issued under Repurchase Agreement + account payable due in 1 year)
- (2) Net Cash Flow Adequacy Ratio = Net cash flow from operating activities for the past five years / (capital expenditures + cash dividends) for the past five years
- (3) Cash Flow Satisfaction Ratio = current assets regulated by central bank / all liability need liquid reserves

6. Liquid Reserves Ratio = Liquid Assets regulated by Central Bank / all liability need liquid reserve

7. Operating Scale:

- (1) Market Share of Asset = Total Assets / Total Assets of all financial institutions allowed to operate deposit / lending business
- (2) Market Share of Net Worth = Net Worth / Total Assets of all financial institutions allowed to operate deposit / lending business
- (3) Market Share of Deposit = Total Deposits / Total deposit of all major financial institutions allowed to operate deposit / lending business
- (4) Market Share of Lending = Total Lending / Total lending of the all financial institutions allowed to operate deposit / lending business

Items (Note)	FY	Individual Financial Analysis of Recent Five Years				
		2019	2018	2017	2016	2015
Operating Ability	Ratio of Loans to Deposits	80.39	81.78	83.03	86.77	87.82
	Ratio of Non-performing Loan	0.34	0.32	0.30	0.25	0.21
	Ratio of Interest Expense to Annual Average Deposits	0.73	0.69	0.59	0.59	0.69
	Ratio of Interest Income to Annual Average Lending	2.03	2.08	2.00	1.94	2.03
	Total Assets Turnover ratio (Times)	0.015	0.016	0.015	0.016	0.016
	Average Revenue Per Employee (NT\$ thousand)	4,787	5,033	4,672	4,722	4,535
	Average Profit Per Employee (NT\$ thousand)	1,747	1,929	1,835	1,840	1,795
Profitability	Return on Tier I Capital	9.23	10.81	11.17	11.80	12.35
	Return on Assets	0.55	0.62	0.60	0.62	0.63
	Return on Equity Ratio	7.26	8.39	8.56	9.05	9.36
	Ratio of Net Income	36.49	38.33	39.27	38.98	39.58
	Basic Earnings Per Share (NT\$)	1.16	1.27	1.21	1.21	1.17
	Diluted Earnings Per Share (NT\$)	1.15	1.26	1.21	1.21	1.16
Financial Structure	Ratio of Liabilities to Assets	92.37	92.43	92.88	93.14	93.21
	Ratio of Real Estate and Equipment to Shareholders' Equity	12.32	12.90	14.24	15.13	17.18
Growth Rate	Ratio of Asset Growth	2.77	1.61	1.55	5.14	4.99
	Ratio of Profit Growth	-8.12	3.68	0.72	3.25	10.54
Cash Flow	Ratio of Cash Flow	-40.28	0.85	24.26	26.88	41.56
	Net Cash Flow Adequacy Ratio	380.02	671.60	566.00	618.93	407.14
	Cash Flow Satisfaction Ratio	3,238	-9	-5,126	-10,706	-8,931
Ratio of Liquid Reserve		19.03	19.00	16.42	16.14	16.48
Related Party Secured Loan		41,193,710	41,166,929	41,115,344	14,576,761	14,939,802
Ratio of Related Party Secured Loan of Total Loan		2.71	2.89	2.95	1.00	1.06
Operating Scale	Market Share of Assets	4.15	4.23	4.34	4.55	4.45
	Market Share of Net Worth	4.07	4.23	4.18	4.11	4.10
	Market Share of Deposits	4.21	4.24	4.34	4.36	4.40
	Market Share of Lending	4.55	4.48	4.79	5.04	4.97

Reasons for changes of financial ratios for the last two years:

The growth rate of asset goes up because the growth of investment in 2019 increased compared to 2018. The growth rate of profit goes down because the growth of income before income tax in 2019 decreased compared to 2018. The related ratio of cash flow were in excess of 20% in 2019 because net cash out-flows of operating and investing activities in 2019 increased compared to 2018.

Note: The instruction and calculation formulas in this table are the same as those of previous table.



b. Adequacy of Capital:

Unit: NT\$ thousand

Items (Note 2)		FY	Consolidation Capital Adequacy Ratio of Recent Five Years (Note 1)					
			2019	2018	2017	2016	2015	
Regulatory Capital	Common Equity Tier I		140,790,667	136,278,731	128,325,492	121,271,653	112,853,258	
	Additional Tier I Capital		16,874,772	11,398,831	1,853,200	2,332,643	2,606,267	
	Tier II Capital		54,231,213	57,012,582	58,525,280	43,971,841	38,454,781	
	Regulatory Capital		211,896,652	204,690,144	188,703,972	167,576,137	153,914,306	
Total Risk-Weighted Assets	Credit Risk	Standardized Approach	1,360,106,227	1,302,768,815	1,318,331,599	1,330,834,716	1,249,155,462	
		Internal Ratings-Based Approach						
		Asset Securitization	0	133,357	12,922	17,711	22,558	
	Operational Risk	Basic Indicator Approach						
		Standardized Approach / Alternative Standardized Approach	57,819,213	57,297,063	53,616,863	50,906,050	46,064,950	
		Advanced Measurement Approach						
	Market Risk	Standardized Approach	22,515,159	19,340,309	19,542,238	13,292,788	11,798,713	
		Internal Models Approach						
	Total Risk-Weighted Assets			1,440,440,599	1,379,539,544	1,391,503,622	1,395,051,265	1,307,041,683
	Total Capital Adequacy Ratio (%)			14.71	14.84	13.56	12.01	11.78
Tier I Capital Ratio (%)			10.95	10.70	9.36	8.86	8.83	
Common Equity to Risk Assets Ratio (%)			9.77	9.88	9.22	8.69	8.63	
Leverage Ratio (%)			6.90	6.62	5.96	5.76	5.65	

Reasons for changes of capital adequacy ratios for the last two years: None.

Note 1: The definition of Regulatory Capital, Risk-Weighted Assets and exposure measure hereby shall be in compliance with the "Regulations Governing the Capital Adequacy Ratio and Capital Category of Banks" and "Calculation Method and table for Regulatory Capital and Risk-Weighted Assets of Banks."

Note 2: Calculation formulas as follows:

1. Regulatory Capital = Common Equity + Tier I Capital other than Common Equity + Tier II Capital
2. Total Risk-Weighted Asset = Credit Risk-Weighted Risk Asset + (Operational Risk + Market Risk) Capital Requirement × 12.5
3. Total Capital Adequacy Ratio = Regulatory Capital / Total Risk-Weighted Asset
4. Tier I Capital Ratio = (Common Equity Tier I + Additional Tier I Capital) / Total Risk - Weighted Asset
5. Common equity Tier II Ratio = Common Equity Tier I / Total Risk - Weighted Asset
6. Leverage Ratio = Tier I Capital / Exposure Measurement

Unit: NT\$ thousand

Items (Note 2)		FY	Individual Capital Adequacy Ratio of Recent Five Years (Note 1)					
			2019	2018	2017	2016	2015	
Regulatory Capital	Common Equity Tier I		137,632,587	133,169,964	128,325,492	121,271,653	112,694,314	
	Additional Tier I Capital		13,602,903	8,264,615	1,853,200	2,332,643	2,447,323	
	Tier II Capital		47,495,511	50,502,460	58,525,280	43,971,841	38,136,892	
	Regulatory Capital		198,731,001	191,937,039	188,703,972	167,576,137	153,278,529	
Total Risk-Weighted Assets	Credit Risk	Standardized Approach	1,346,134,887	1,283,755,061	1,318,331,599	1,330,834,716	1,249,316,137	
		Internal Ratings-Based Approach						
		Asset Securitization	0	133,357	12,922	17,711	22,558	
	Operational Risk	Basic Indicator Approach						
		Standardized Approach / Alternative Standardized Approach	57,479,000	57,175,125	53,616,863	50,906,050	46,064,950	
		Advanced Measurement Approach						
	Market Risk	Standardized Approach	19,495,451	18,998,850	19,542,238	13,292,788	11,798,713	
		Internal Models Approach						
	Total Risk-Weighted Assets			1,423,109,338	1,360,062,393	1,391,503,622	1,395,051,265	1,307,202,358
	Capital Adequacy Ratio (%)			13.96	14.11	13.56	12.01	11.73
Tier I Capital to Risk Assets Ratio (%)			10.63	10.40	9.36	8.86	8.81	
Common Equity to Risk Assets Ratio (%)			9.67	9.79	9.22	8.69	8.62	
Leverage Ratio (%)			6.67	6.40	5.96	5.76	5.63	

Reasons for changes of capital adequacy ratios for the last two years: None.

Note 1 and Note 2: The instruction and calculation formulas in this table are the same as those of previous table.

### C. Any Financial Crunch Confronted by the Bank or Its Subsidiaries and the Related Impacts in Recent Years and as of the Date of Annual Report Publication

None.



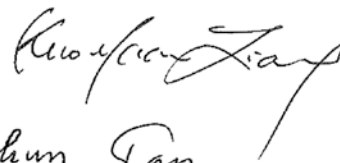
Chang Hwa Commercial Bank, Ltd.  
Audit Report of Audit Committee  
February 25, 2020

**To: Shareholders of Chang Hwa Commercial Bank, Ltd.**

The Board of Directors has prepared the 2019 Report on Business Operations and various financial statements (including Balance Sheet, Statement of Comprehensive Income, Statement of Changes in Equity, and Cash Flow Statement). All the financial statements (including consolidated basis) have been certified by Jimmy S. Wu, CPA and Titan Lee, CPA of Deloitte & Touche, and upon which a Standard Unqualified Opinion has been issued. These statements referred to above present fairly the financial position as of December 31, 2019 and the operation results and cash flows in 2019 of the company. The Audit Committee has reviewed the above-mentioned statements in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act and hereby provides such audit report.

The Audit Committee, Chang Hwa Commercial Bank, Ltd.


Independent Director & Chairman : Kuo-Yuan Liang



Independent Director : Jung-Chun Pan



Independent Director : Chi-Chang Yu

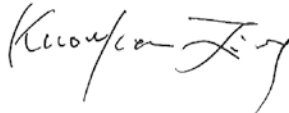



Chang Hwa Commercial Bank, Ltd.  
Audit Report of Audit Committee  
April 17, 2020


**To: Shareholders of Chang Hwa Commercial Bank, Ltd.**

The Board of Directors has prepared the 2019 Earnings Distribution Proposal. The Audit Committee has reviewed the aforementioned Proposal in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, and confirmed its consistency with related laws and rules. The Audit Committee hereby provides the said audit report.

The Audit Committee, Chang Hwa Commercial Bank, Ltd.

Independent Director & Chairman : Kuo-Yuan Liang 

Independent Director : Jung-Chun Pan 

Independent Director : Chi-Chang Yu 

### INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders  
Chang Hwa Commercial Bank, Ltd.

#### Opinion

We have audited the accompanying consolidated financial statements of Chang Hwa Commercial Bank, Ltd. (the “Bank”) and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

#### Basis for Opinion

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

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The following is the description for the key audit matter in the audit of the consolidated financial statements of the Group for the year ended December 31, 2019.

#### Impairment Assessment of Loans

Loans are the most important assets of the Group. As of December 31, 2019, the balance of the Group's loans totaled \$1,427,350,947 thousand, accounting for 67% of the Group's total consolidated assets. The Group assessed the impairment on loans in accordance with IFRS 9 and with relevant regulations in recognizing allowance for loans. As the assessment of the impairment on the aforementioned assets involves the management's critical judgments, estimations and assumptions, we considered the impairment assessment on loans as a key audit matter. Refer to Notes 4, 5 and 12 to the Group's consolidated financial statements for related information.

Our main audit procedures performed in response to the key audit matter described above were as follows:

When assessing the appropriateness of the impairment on loans, we understood and tested the internal controls relevant to the lending process and assessment of loan impairment. We tested whether the expected credit loss was calculated by loans grouped by borrowers and credit risk characteristics. We further verified whether the parameters utilized in the impairment loss model (including probability of default adjusted for forward looking factors, loss given default, and exposure at default) reflects the actual situation, and recalculated the impairment loss on loans, examined the classification of loan credit assets, and assessed the loan provisions in compliance with relevant regulations.

#### **Other Matter**

We have also audited the financial statements of Chang Hwa Commercial Bank, Ltd. as of and for the years ended December 31, 2019 and 2018 on which we have issued an unqualified opinion.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the 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 auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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



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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Shih Tsung Wu and Tung Feng Lee.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 25, 2020

#### 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.*

## CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

### CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019		2018	
	Amount	%	Amount	%
<b>ASSETS</b>				
Cash and cash equivalents (Notes 4, 6 and 36)	\$ 32,418,679	1	\$ 51,073,179	2
Due from the Central Bank and call loans to banks (Notes 4, 6 and 36)	166,917,091	8	197,942,600	10
Financial assets at fair value through profit or loss (Notes 4, 7, 34 and 37)	11,483,389	1	10,917,490	1
Financial assets at fair value through other comprehensive income (Notes 4, 8 and 34)	116,296,139	5	91,938,199	4
Financial assets for hedging (Notes 4 and 13)	247,375	-	244,763	-
Investments in debt instruments at amortized cost (Notes 4, 5, 9, 34 and 37)	276,058,976	13	268,059,805	13
Receivables, net (Notes 4, 11 and 12)	23,201,037	1	29,933,985	1
Current tax assets (Notes 4 and 31)	207,520	-	289,771	-
Discounts and loans, net (Notes 4, 5, 12, 35 and 36)	1,427,350,947	67	1,336,701,095	64
Other financial assets, net (Notes 4, 14 and 37)	40,133,881	2	55,045,230	3
Property and equipment, net (Notes 4 and 16)	20,739,036	1	21,071,298	1
Right-of-use assets (Notes 4 and 17)	1,620,404	-	-	-
Investment properties, net (Notes 4 and 18)	13,872,790	1	13,742,376	1
Intangible assets, net (Notes 4 and 19)	720,656	-	731,364	-
Deferred tax assets (Notes 4 and 31)	3,312,325	-	3,120,664	-
Other assets, net (Notes 20 and 37)	<u>1,062,958</u>	<u>-</u>	<u>999,851</u>	<u>-</u>
<b>TOTAL</b>	<u>\$ 2,135,643,203</u>	<u>100</u>	<u>\$ 2,081,811,670</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
Deposits from the Central Bank and banks (Notes 4, 21 and 36)	\$ 102,305,626	5	\$ 113,038,541	6
Financial liabilities at fair value through profit or loss (Notes 4 and 7)	4,247,279	-	11,047,488	1
Securities sold under repurchase agreements (Note 4)	1,547,291	-	5,285,890	-
Payables (Notes 4, 22 and 29)	21,846,910	1	36,677,779	2
Current tax liabilities (Notes 4 and 31)	507,880	-	241,285	-
Deposits and remittances (Notes 4, 23 and 36)	1,765,948,203	83	1,689,581,112	81
Bank notes payable (Notes 4, 24 and 34)	55,521,014	3	49,549,055	2
Other financial liabilities (Notes 4 and 25)	4,274,900	-	4,387,078	-
Reserve for liabilities (Notes 4, 5 and 27)	5,340,555	-	5,296,332	-
Lease liabilities (Notes 4 and 17)	1,420,392	-	-	-
Deferred tax liabilities (Notes 4 and 31)	7,902,609	-	7,352,277	-
Other liabilities (Notes 4, 16 and 26)	<u>2,543,349</u>	<u>-</u>	<u>2,793,202</u>	<u>-</u>
Total liabilities	<u>1,973,406,008</u>	<u>92</u>	<u>1,925,250,039</u>	<u>92</u>
<b>EQUITY (Notes 4, 29 and 31)</b>				
Capital stock				
Common stock	99,853,111	5	97,895,207	5
Retained earnings				
Legal reserve	34,832,629	2	31,038,668	1
Special reserve	12,204,648	1	12,141,416	1
Unappropriated earnings	11,458,160	-	12,091,349	1
Other equity	<u>3,888,647</u>	<u>-</u>	<u>3,394,991</u>	<u>-</u>
Total equity	<u>162,237,195</u>	<u>8</u>	<u>156,561,631</u>	<u>8</u>
<b>TOTAL</b>	<u>\$ 2,135,643,203</u>	<u>100</u>	<u>\$ 2,081,811,670</u>	<u>100</u>

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

## CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018		Percentage Increase (Decrease) %
	Amount	%	Amount	%	
INTEREST INCOME (Notes 4, 30 and 40)	\$ 39,190,235	122	\$ 38,422,200	116	2
INTEREST EXPENSE (Notes 30 and 40)	<u>(16,340,528)</u>	<u>(51)</u>	<u>(15,232,556)</u>	<u>(46)</u>	7
NET INCOME OF INTEREST	<u>22,849,707</u>	<u>71</u>	<u>23,189,644</u>	<u>70</u>	(1)
NET NON-INTEREST INCOME (LOSS)					
Net service fee income (Notes 4 and 30)	4,634,766	14	4,867,954	15	(5)
Gain (loss) on financial assets or liabilities measured at fair value through profit or loss (Notes 4, 7 and 30)	1,836,773	6	2,711,956	8	(32)
Realized gain (loss) on financial assets at fair value through other comprehensive income (Notes 4 and 30)	1,365,271	4	781,888	2	75
Gain (loss) arising from derecognition of financial assets at amortized cost	-	-	(101,029)	-	100
Foreign exchange gain (loss) (Notes 4 and 34)	918,885	3	1,181,591	4	(22)
Net other non-interest income (loss) (Note 15)	<u>472,951</u>	<u>2</u>	<u>476,185</u>	<u>1</u>	(1)
Net non-interest income	<u>9,228,646</u>	<u>29</u>	<u>9,918,545</u>	<u>30</u>	(7)
NET REVENUE AND GAINS	<u>32,078,353</u>	<u>100</u>	<u>33,108,189</u>	<u>100</u>	(3)
BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION (Notes 4 and 12)	<u>(2,136,395)</u>	<u>(7)</u>	<u>(2,203,252)</u>	<u>(7)</u>	(3)

(Continued)



# CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
<b>OPERATING EXPENSES</b>					
Employee benefits expenses (Notes 4 and 30)	\$ (10,867,641)	(34)	\$ (10,796,961)	(33)	1
Depreciation and amortization expenses (Notes 4 and 30)	(1,436,869)	(4)	(716,163)	(2)	101
Other general and administrative expenses	<u>(4,117,156)</u>	<u>(13)</u>	<u>(4,681,729)</u>	<u>(14)</u>	(12)
Total operating expenses	<u>(16,421,666)</u>	<u>(51)</u>	<u>(16,194,853)</u>	<u>(49)</u>	1
INCOME BEFORE INCOME TAX	13,520,292	42	14,710,084	44	(8)
INCOME TAX EXPENSE (Notes 4 and 31)	<u>(1,948,510)</u>	<u>(6)</u>	<u>(2,063,549)</u>	<u>(6)</u>	(6)
NET INCOME	<u>11,571,782</u>	<u>36</u>	<u>12,646,535</u>	<u>38</u>	(8)
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>					
Items that will not be reclassified to profit or loss, net of tax:					
Remeasurement of defined benefit plans (Notes 4 and 28)	(157,063)	-	(317,259)	(1)	(50)
Revaluation gains (losses) on investments in equity instruments measured at fair value through other comprehensive income	1,629,390	5	(237,132)	-	787
Changes in fair value of financial liabilities attributable to changes in credit risk of liability	(818)	-	900	-	(191)
Income tax related to items that will not be reclassified to profit or loss (Notes 4 and 31)	31,412	-	63,452	-	(50)

(Continued)

## CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018		Percentage Increase (Decrease) %
	Amount	%	Amount	%	
Items that will be reclassified to profit or loss, net of tax:					
Exchange differences on translation (Note 4)	\$ (1,185,701)	(4)	\$ 657,497	2	(280)
Revaluation gains (losses) on investments in debt instruments measured at fair value through other comprehensive income	44,954	-	(46,579)	-	197
(Impairment loss) reversal of impairment loss on investments in debt instruments measured at fair value through other comprehensive income	(107,044)	-	(26,306)	-	307
Income tax related to items that will be reclassified to profit or loss (Notes 4 and 31)	<u>113,945</u>	<u>-</u>	<u>14,961</u>	<u>-</u>	662
Other comprehensive income, net of tax	<u>369,075</u>	<u>1</u>	<u>109,534</u>	<u>1</u>	237
TOTAL COMPREHENSIVE INCOME	<u>\$ 11,940,857</u>	<u>37</u>	<u>\$ 12,756,069</u>	<u>39</u>	(6)
NET INCOME ATTRIBUTABLE TO:					
Owners of the Parent	<u>\$ 11,571,782</u>	<u>36</u>	<u>\$ 12,646,535</u>	<u>38</u>	(8)
Non-controlling equity	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>	-
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owners of the Parent	<u>\$ 11,940,857</u>	<u>37</u>	<u>\$ 12,756,069</u>	<u>39</u>	(6)
Non-controlling equity	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>	-
EARNINGS PER SHARE (Note 32)					
Basic	<u>\$ 1.16</u>		<u>\$ 1.27</u>		
Diluted	<u>\$ 1.15</u>		<u>\$ 1.26</u>		

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

(Concluded)

## CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018  
(In Thousands of New Taiwan Dollars, Except Shares of Capital Stock)

	Equity Attributable to Owners of the Bank										
	Capital Stock			Retained Earnings			Other Equity				Total Equity
	Common Stock (In Thousands)	Amount	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Unrealized Gains (Losses) on Financial Assets Measured at Fair Value Through Other Comprehensive Income	Change in Fair Value of Financial Liability Attributable to Change in Credit Risk of Liability		
BALANCE, JANUARY 1, 2018	9,413,001	\$ 94,130,007	\$ 27,410,736	\$ 12,080,950	\$ 11,779,842	\$ (1,251,858)	\$ 797,969	\$ -	\$ (82)	\$ 144,947,564	
Effect of retrospective application	-	-	-	-	(347,750)	-	(797,969)	4,239,567	-	3,093,848	
BALANCE, JANUARY 1, 2018 AS RESTATED	9,413,001	94,130,007	27,410,736	12,080,950	11,432,092	(1,251,858)	-	4,239,567	(82)	148,041,412	
Appropriation of 2017 earnings	-	-	3,627,932	-	(3,627,932)	-	-	-	-	-	
Legal reserve appropriated	-	-	60,466	-	(60,466)	-	-	-	-	-	
Special reserve appropriated	-	-	-	60,466	(60,466)	-	-	-	-	-	
Cash dividends	376,520	3,765,200	-	-	(4,235,850)	-	-	-	-	(4,235,850)	
Stock dividends	-	-	-	-	(3,765,200)	-	-	-	-	-	
Net profit for the year ended December 31, 2018	-	-	-	-	12,646,535	-	-	-	-	12,646,535	
Other comprehensive income (loss) for the year ended December 31, 2018, net of tax	-	-	-	-	(253,807)	637,065	-	(274,624)	900	109,534	
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	12,392,728	637,065	-	(274,624)	900	12,756,069	
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(44,023)	-	-	44,023	-	-	
BALANCE, DECEMBER 31, 2018	9,789,521	97,895,207	31,038,668	12,141,416	12,091,349	(614,793)	-	4,008,966	818	156,561,631	
Appropriation of 2018 earnings	-	-	3,793,961	-	(3,793,961)	-	-	-	-	-	
Legal reserve appropriated	-	-	63,232	-	(63,232)	-	-	-	-	-	
Special reserve appropriated	-	-	-	63,232	(63,232)	-	-	-	-	-	
Cash dividends	195,790	1,957,904	-	-	(6,265,293)	-	-	-	-	(6,265,293)	
Stock dividends	-	-	-	-	(1,957,904)	-	-	-	-	-	
Net profit for the year ended December 31, 2019	-	-	-	-	11,571,782	-	-	-	-	11,571,782	
Other comprehensive income (loss) for the year ended December 31, 2019, net of tax	-	-	-	-	(125,651)	(1,027,810)	-	1,523,354	(818)	369,075	
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	11,446,131	(1,027,810)	-	1,523,354	(818)	11,940,857	
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	1,070	-	-	(1,070)	-	-	
BALANCE, DECEMBER 31, 2019	9,985,311	99,853,111	34,832,629	12,204,648	11,458,160	(1,642,603)	-	5,531,650	-	162,237,195	

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

## CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income before income tax	\$ 13,520,292	\$ 14,710,084
Non-cash (income and gains) or expenses and losses		
Expected credit loss recognized on trade receivables	2,136,395	2,203,252
Depreciation expense	1,216,452	514,203
Amortization expense	220,417	201,960
Interest income	(39,190,235)	(38,422,200)
Dividend income	(523,627)	(464,340)
Interest expense	16,340,528	15,232,556
Net gain on financial assets or liabilities at fair value through profit or loss	(72,939)	(3,505,054)
Gain on disposal of investments	(844,113)	(324,537)
Unrealized foreign exchange (gains) losses	(1,763,834)	793,098
Other adjustments	285,165	(2,625)
Changes in operating assets and liabilities		
Decrease (increase) in due from the Central Bank	5,948,432	(2,341,880)
Decrease in financial assets at fair value through profit or loss	52,006	1,206,800
Decrease (increase) in receivables	6,274,408	(3,949,093)
(Increase) decrease in discounts and loans	(92,787,355)	38,661,627
Increase in financial assets at fair value through other comprehensive income	(21,946,527)	(15,912,118)
Increase in investments in debt instruments at amortized cost	(8,009,682)	(21,311,578)
Decrease (increase) in other financial assets	14,911,349	(28,029,476)
Increase in other assets	(266,582)	(35,330)
Decrease in deposits from the Central Bank and banks	(28,694,309)	(430,887)
Increase in deposits and remittances	76,367,091	17,501,328
(Decrease) increase in payables	(14,750,537)	1,211,122
Increase (decrease) in financial liabilities at fair value through profit or loss	2,337,430	(2,133,537)
Decrease in reserve for liabilities	(256,647)	(233,675)
(Decrease) increase in other financial liabilities	(111,522)	724,478
(Decrease) increase in other liabilities	(263,315)	234,690
Cash flows used in operations	(69,871,259)	(23,901,132)
Interest received	39,829,059	37,023,809
Dividends received	523,627	464,340
Interest paid	(16,381,104)	(14,648,505)
Income taxes paid	(1,177,886)	(2,394,598)
Net cash flows used in operating activities	<u>(47,077,563)</u>	<u>(3,456,086)</u>

(Continued)

# CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property and equipment	\$ (457,661)	\$ (1,079,159)
Proceeds from disposal of property and equipment	170	1,061
Acquisition of intangible assets	(139,782)	(347,387)
Acquisition of right-of-use assets	(432,554)	-
Acquisition of investment properties	<u>(1,203)</u>	<u>(1,281)</u>
Net cash flows used in investing activities	<u>(1,031,030)</u>	<u>(1,426,766)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in due to the Central Bank and banks	17,961,394	5,317,561
Proceeds from issuing bank notes	5,960,000	10,000,000
Repayments of bank notes	(7,991,100)	(2,200,000)
Repayment of the principal portion of lease liabilities	(363,684)	-
Cash dividends paid	(6,265,293)	(4,235,850)
(Decrease) increase in securities sold under repurchase agreement	<u>(3,738,599)</u>	<u>2,167,354</u>
Net cash flows generated from financing activities	<u>5,562,718</u>	<u>11,049,065</u>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<u>(1,185,702)</u>	<u>657,497</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(43,731,577)	6,823,710
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>179,641,968</u>	<u>172,818,258</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 135,910,391</u>	<u>\$ 179,641,968</u>
	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<b>Reconciliation of cash and cash equivalents</b>		
Cash and cash equivalents in the consolidated balance sheets	\$ 32,418,679	\$ 51,073,179
Call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	<u>103,491,712</u>	<u>128,568,789</u>
Cash and cash equivalents at end of year	<u>\$ 135,910,391</u>	<u>\$ 179,641,968</u>

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

(Concluded)

## CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

#### 1. ORGANIZATION AND BUSINESS SCOPE

Chang Hwa Commercial Bank, Ltd. (the "Bank") was incorporated under Banking Law, Securities and Exchange Law and Taiwan Company Law on March 1, 1947 and got license from the Ministry of Economic Affairs in July 1950. Since February 1962 the Bank's stocks have been listed and traded on the Taiwan Stock Exchange (TWSE).

The Bank mainly engages in the following business:

- a. All commercial banking operations allowed by the Banking Law;
- b. Trust operations;
- c. International banking operations;
- d. Overseas branch operations authorized by the respective foreign governments; and
- e. Other operations authorized by the central authority.

The consolidated financial statements are presented in the Bank's functional currency, the New Taiwan dollar.

#### 2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Bank's board of directors on February 25, 2020.

#### 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 Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the FSC

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

- IFRS 16 "Leases"

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

#### Definition of a lease

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

#### The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases on the consolidated balance sheet except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the consolidated statement of comprehensive income, the Group presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statement of cash flows, cash payments for the principal portion of lease liabilities are reported under financing activities; cash payments for the interest portion are reported under operating activities. Prior to the application of IFRS 16, payments under operating lease contracts, including property interest qualified as investment properties, were recognized as expenses on a straight-line basis. Cash flows for operating leases were reported under operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables were recognized on the consolidated balance sheet for contracts classified as finance leases.

The Group elected to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information was not restated.

The Group also applies the following practical expedients:

- 1) The Group applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- 2) The Group accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- 3) The Group excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- 4) The Group uses hindsight, such as in determining lease terms, to measure lease liabilities.

For leases previously classified as finance leases under IAS 17, the carrying amounts of right-of-use assets and lease liabilities on January 1, 2019 are determined as at the carrying amounts of the respective leased assets and finance lease payables on December 31, 2018.

#### The Group as lessor

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

Anticipated impact on assets, liabilities and equity

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
Prepayments for leases	\$ 201,486	\$ (176,211)	\$ 25,275
Lease assets, net	760	(760)	-
Right-of-use assets, net	-	2,020,507	2,020,507
Total effect on assets	\$ 202,246	\$ 1,843,536	\$ 2,045,782
Lease liabilities - non-current	\$ -	\$ 1,748,076	\$ 1,748,076
Finance lease payables - non-current	656	(656)	-
Reserve for liabilities - non-current	-	60,116	60,116
Total effect on liabilities	\$ 656	\$ 1,843,536	\$ 1,844,192

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

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	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022	January 1, 2022

Note: Unless stated otherwise, the above New IFRSs are effective for annual reporting 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 Public Banks.

##### Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair values, and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

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

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

##### Current/Noncurrent Assets and Liabilities

Because of its business characteristics, assets and liabilities of the Group are classified according to their liquidity rather than classified as current or noncurrent assets or liabilities.

##### Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries).

	New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 1)	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"	January 1, 2020 (Note 2)	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)	January 1, 2020 (Note 3)

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

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

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

- Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"

The amendments deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark (such as the London Interbank Offered Rate or LIBOR) with an alternative interest rate, and provide temporary exceptions to all hedging relationships that are directly affected by the interest rate benchmark reform. The Group would apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform. The amendments also require additional disclosures about the extent to which the entity's hedging relationships are affected by the amendments.

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.

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

See Note 15 and Table 1 for detailed information on subsidiaries (including percentages of ownership and main businesses).

#### **Foreign Currencies**

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

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

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

For the purpose of presenting consolidated financial statements, the functional currencies of the Group are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

#### **Property and Equipment**

Property and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss. Before January 1, 2019, property and equipment also included assets held under finance leases.

Property and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property and equipment when completed and ready for intended use.

Except for freehold land which is not depreciated, the depreciation of property and equipment is recognized using the straight-line method. Each significant part is depreciated separately. For assets which were held under finance leases before January 1, 2019, if their respective lease terms are shorter than their useful lives, such assets are depreciated over the lease term. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

#### **Investment Properties**

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

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

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

#### **Intangible Assets**

##### **a. Intangible assets acquired separately**

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

##### **b. Derecognition of intangible assets**

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

#### **Impairment of Tangible and Intangible Assets**

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

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

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

#### **Financial Instruments**

Financial assets and financial liabilities are recognized when the Group 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 issuance 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.



a. Financial assets

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

1) Measurement categories

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

a) Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified or 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, and dividends, interest earned and remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 34.

b) Financial assets at amortized cost

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

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

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

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

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

A financial asset is credit impaired when one or more of the following events have occurred:

- i. Significant financial difficulty of the issuer or the borrower;
- ii. Breach of contract, such as a default;
- iii. It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv. The disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include time deposits 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.

c) Investments in debt instruments designated 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 such financial assets; and
- ii. The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

d) Investments in equity instruments designated at FVTOCI

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

Investments in equity instruments designated 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, it 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.

### 2) Impairment of financial assets

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

The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables, lease receivables and contract assets. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a 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 ECLs.

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

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts 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 the carrying amounts of such financial assets are not reduced.

### 3) 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.

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

### b. 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 instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Group'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, issuance or cancellation of the Group's own equity instruments.

### c. Financial liabilities

#### 1) Subsequent measurement

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

##### a) Financial liabilities at FVTPL

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

Financial liabilities held for trading are stated at fair value, and any interest paid on such financial liabilities is recognized in finance costs; any remeasurement gains or losses on such financial liabilities are recognized in other gains or losses.

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 dividends paid on such 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 liability is derecognized. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in the fair value of the liability are presented in profit or loss.

Fair value is determined in the manner described in Note 34.

##### b) Financial guarantee contracts

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

- i. The amount of the loss allowance reflecting expected credit losses; and
- ii. The amount, initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the revenue recognition policies.

#### 2) Derecognition of financial liabilities

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

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

#### Revenue Recognition

- a. Dividend and interest income

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

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis with reference to the principal outstanding and at the applicable effective interest rate. When the loans become past due and are considered uncollectible, the principal and interest receivable are transferred to delinquent loan accounts, and the accrual of interest income is stopped. Interest income will be recognized when the delinquent interest is collected.

If the repayment of loan is extended under an agreement, the related interest should be recognized as deferred revenue, classified into other liability and recognized as income when collected.

A single or a group of financial assets are written off due to impairment loss, the subsequent recognition of interest income is calculated by using the interest rate used by discount future cash flows when measuring impairment loss.

- b. Service fee

Service revenue and real estate management service revenue are recognized at once after providing loans or other services. If the service revenue belongs to several significant items, it is recognized when the significant items accomplished, such as the service revenue which the lead arranger bank of syndication loan received. If the service revenue is for further loan service and of significant amount, it is allocated during the period of the service or included in the base of calculation the effective interest rate of loans and receivables.

#### Leases

2019

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

For a contract that contains a lease component and non-lease components, the Group allocates the consideration in the contract to each component on the basis of the relative stand-alone price and accounts for each component separately.

- a. The Group as lessor

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

When the Group subleases a right-of-use asset, the sublease is classified by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. However, if the head lease is a short-term lease that the Group, as a lessee, has accounted for applying recognition exemption, the sublease is classified as an operating lease.

- d. Derivative financial instruments

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

Derivatives are initially recognized at fair value at the date on which 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 hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instrument is negative, the derivative is recognized as a financial liability.

Derivatives embedded in hybrid contracts that contain financial asset hosts that is 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 that is within the scope of IFRS 9 (i.e. 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.

#### Bonds or Securities Purchased/Sold under Specific Agreements

Bonds or securities sold under repurchase agreement are recorded at sale price. Interest revenues and expenses are recorded on accrual basis.

#### Hedge Accounting

The Group designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges. Hedges of foreign exchange risk on firm commitments are accounted for 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.

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. The fair value adjustment to the carrying amount of the hedged instrument arising from the hedged risk for which the effective interest method is used is amortized to profit or loss from the date on which the hedge accounting is discontinued. The adjustment is based on a recalculated effective interest rate at the date on which amortization begins and will be amortized fully upon maturity of the financial instrument.

#### Reserve for liabilities

Reserve for liabilities, including those arising from contractual obligations specified in service concession arrangements to maintain or restore infrastructure before it is handed over to the grantor and levies imposed by governments, are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

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

b. The Group as lessee

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

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

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. However, if leases transfer ownership of the underlying assets to the Group by the end of the lease terms or if the costs of right-of-use assets reflect that the Group will exercise a purchase option, the Group depreciates the right-of-use assets from the commencement dates to the end of the useful lives of the underlying assets.

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

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

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

2018

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

a. The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

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

b. The Group as lessee

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheets as a finance lease obligation.

Finance expenses implicit in lease payments for each period are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets; in which case, they are capitalized.

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

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

### Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

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

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

The Group provides employees with high-yield savings account. The premium interest rate applies to a fixed amount of principal and the interest is paid to present employees (within employment and retirement) and retired employees. The difference between the premium rate and the market rate is classified as employee benefits.

According to the "Regulations Governing the Preparation of Financial Reports by Public Banks" Rule No. 28, the premium interest resulting from the yield between the premium rate and the general market rate shall immediately be actuarially calculated based on the FSC-recognized IAS 19 when employees retire. However, if there are authorized regulations from the government regarding the actuarial assumption parameters, the regulations shall prevail. Actuarial benefits and service cost from prior periods are recognized as profit or loss when they are incurred.

## Taxation

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

### a. Current tax

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

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

### b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carry forward, research and development expenditures, and personnel training expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

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

### c. Current and deferred tax

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

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimations 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 estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

### Key Sources of Estimation Uncertainty

#### Estimated impairment of financial assets

The provision for impairment of trade receivables, investments in debt instruments and financial guarantee contracts is based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs for the impairment calculation, which are 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 Notes 8, 9, 11, 12 and 27. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

## 6. CASH AND CASH EQUIVALENTS/DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS

### a. Cash and cash equivalents

	2019	December 31	2018
Cash on hand	\$ 18,315,646		\$ 11,307,867
Checks for clearing	3,559,426		18,042,831
Due from banks	9,012,687		20,056,292
Foreign currencies on hand	<u>1,530,920</u>		<u>1,666,189</u>
	\$ 32,418,679		\$ 51,073,179

### b. Due from the Central Bank and call loans to banks

	2019	December 31	2018
Call loans to banks	\$ 103,491,712		\$ 128,568,789
Reserve for checking accounts	11,299,268		17,165,934
Reserve for demand accounts	44,349,154		42,402,505
Reserve for foreign deposits	469,765		482,288
Others	<u>7,307,192</u>		<u>9,323,084</u>
	\$ 166,917,091		\$ 197,942,600

Cash and cash equivalents and due from the Central Bank and call loans to banks are assessed for impairment using approach similar to those used for investments in debt instruments (refer to Note 10). The Group considers its cash and cash equivalents to have low credit risk so its credit loss evaluation is on a 12-month expected credit loss basis.

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

### Financial Assets at Fair Value through Profit or Loss (FVTPL)

	December 31	
	2019	2018
Financial assets mandatorily classified at FVTPL		
Derivative financial assets (not under hedge accounting)		
Futures	\$ 114,919	\$ 173,149
Forward exchange contracts	140,099	49,518
Interest rate swaps	468,855	741,343
Cross-currency swaps	21,671	32,867
Currency swaps	2,135,583	1,314,821
Currency call option premiums	59,098	24,244
Non-derivative financial assets		
Investment in bills	7,560,413	6,626,120
Domestic listed stock	75,046	-
Government bonds	5,678	1,103,764
Corporate bonds	902,027	851,664
	<u>\$ 11,483,389</u>	<u>\$ 10,917,490</u>

The par values of notes provided for transactions with repurchase agreements were \$247,000 thousand and \$923,300 thousand as of December 31, 2019 and 2018, respectively.

### Financial Liabilities at FVTPL

	December 31	
	2019	2018
Financial liabilities designated at FVTPL		
Financial liabilities held for trading	\$ -	\$ 9,130,255
Derivative financial liabilities (not applying hedge accounting)		
Forward contracts	32,285	65,379
Interest rate swaps	465,546	953,280
Cross-currency swaps	128,427	32,761
Currency swaps	3,561,915	841,567
Currency put option premiums	59,106	24,246
	<u>4,247,279</u>	<u>1,917,233</u>
	<u>\$ 4,247,279</u>	<u>\$ 11,047,488</u>

a. The unsecured U.S. dollar-denominated bank notes issued by the Group were as follows:

Note C, 20-year term, US\$260,000 thousand, issued at par value without interest payment, callable 5 years after issue date with interest payment, maturity: 2034.12.17. This note was redeemed on December 17, 2019.

b. The Group designated the unsecured U.S. dollar-denominated banks notes as financial liabilities at FVTPL to reduce the inconsistency of measurement or recognition.

The Group entered into derivative contracts during the years ended December 31, 2019 and 2018 to manage exposures due to exchange rate and interest rate fluctuations. The financial risk management objective of the Group is to minimize risks due to changes in fair value and cash flows.

The nominal principal amounts of outstanding derivative contracts as of December 31, 2019 and 2018 were as follows:

	December 31	
	2019	2018
Currency swaps	\$ 544,771,238	\$ 349,448,614
Currency options	18,546,651	12,774,097
Forward exchange contracts	13,833,533	17,114,455
Interest rate swaps	338,302,150	358,411,064
Cross-currency swaps	7,497,500	3,688,200

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2019	2018
Investments in equity instruments at FVTOCI		
Domestic listed stocks	\$ 6,400,568	\$ 4,785,216
Domestic unquoted stocks	8,050,548	7,138,045
	<u>14,451,116</u>	<u>11,923,261</u>
Investments in debt instruments at FVTOCI		
Government bonds	28,085,689	17,893,192
Corporate bonds	20,083,472	16,494,550
Bank notes	50,566,442	31,428,851
Bonds issued by international organizations	2,020,092	11,025,870
Beneficiary and asset-based securities	-	666,787
Investments in bills	1,089,328	2,505,688
	<u>101,845,023</u>	<u>80,014,938</u>
	<u>\$ 116,296,139</u>	<u>\$ 91,938,199</u>

A part of investments in equity instruments is for strategic instruments and are not held for trading, so the management designated these investments as at FVTOCI.

- Refer to Note 10 for information relating to their credit risk management and impairment.
- The par values of bonds provided for transactions with repurchase agreement were \$1,178,600 and \$4,380,200 thousand as of December 31, 2019 and 2018, respectively.
- Government bonds placed as deposits in courts amounted to \$335,700 thousand and \$391,900 thousand as of December 31, 2019, and 2018, respectively. Another government bonds placed as operating deposits amounted to \$330,000 thousand; government bonds placed as a reserve fund for trust compensation amounted to \$170,000 thousand; overseas branches' bonds provided as collateral for operations were \$152,304 thousand and \$155,720 thousand as of December 31, 2019, and 2018, respectively. Refer to Note 37 for information relating to investments in debt instruments at FVTOCI pledged as security.

## 9. INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST

	December 31, 2019	2018
Investments in bills	\$ 262,797,272	\$ 251,312,321
Bank notes	6,710,913	7,327,497
Corporate bonds	2,943,223	7,038,802
Government bonds	<u>3,607,568</u>	<u>2,381,185</u>
	<u>\$ 276,058,976</u>	<u>\$ 268,059,805</u>

- Refer to Note 10 for information relating to their credit risk management and impairment.
- The amounts of the overseas branches' bonds provided as collateral for operations were \$89,970 thousand and \$307,061 thousand as of December 31, 2019 and 2018, respectively.
- Certificates of deposit placed as reserves for clearing at the Central Bank amounted to \$36,000,000 thousand; certificates of deposit which were issued by the Central Bank and pledged for call loans from banks amounted to \$5,300,000 thousand as of December 31, 2019 and 2018.
- Refer to Note 37 for information relating to investments in debt instruments at amortized cost pledged as security.

## 10. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

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

	December 31, 2019	At FVTOCI	At Amortized Cost	Total
Gross carrying amount		\$ 101,631,174	\$ 276,063,342	\$ 377,694,516
Less: Allowance for impairment loss		<u>(60,364)</u>	<u>(4,366)</u>	<u>(64,730)</u>
Amortized cost		<u>101,570,810</u>	<u>276,058,976</u>	<u>377,629,786</u>
Adjustment to fair value		<u>274,213</u>		<u>274,213</u>
		<u>\$ 101,845,023</u>		<u>\$ 377,903,999</u>
<u>December 31, 2018</u>				
Gross carrying amount		\$ 79,846,043	\$ 268,066,420	\$ 347,912,463
Less: Allowance for impairment loss		<u>(167,408)</u>	<u>(6,615)</u>	<u>(174,023)</u>
Amortized cost		<u>79,678,635</u>	<u>268,059,805</u>	<u>347,738,440</u>
Adjustment to fair value		<u>336,303</u>		<u>336,303</u>
		<u>\$ 80,014,938</u>		<u>\$ 348,074,743</u>

The Group only invests in debt instruments that are rated as investment grade or higher and are assessed as having low credit impairment. The credit rating information is supplied by independent rating agencies. The Group's exposure and the external credit ratings are continuously monitored and assessed for whether there has been a significant increase in credit risk since the last period to the reporting date.

The Group considers the historical default rates of each credit rating supplied by external rating agencies to estimate 12-month or lifetime expected credit losses. The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for Recognizing Expected Credit Losses
Stage 1	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12-month ECLs
Stage 2	There has been a significant increase in credit risk since initial recognition	Lifetime ECLs - not credit impaired
Stage 3	There is evidence indicating that the asset is credit impaired	Lifetime ECLs - credit impaired
Write-off	There is evidence indicating that the debtor is experiencing severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

Gross carrying amount and applicable expected credit loss rate of investments in debt instruments are as follows:

	December 31, 2019	At FVTOCI	At Amortized Cost
Category			
Stage 1	0%-0.3271%	\$ 101,572,014	\$ 276,063,342
Stage 2	45.0485%	<u>59,160</u>	<u>-</u>
		<u>\$ 101,631,174</u>	<u>\$ 276,063,342</u>
<u>December 31, 2018</u>			
Category			
Stage 1	0%-0.3422%	\$ 79,704,057	\$ 268,066,420
Stage 3	100%	<u>141,986</u>	<u>-</u>
		<u>\$ 79,846,043</u>	<u>\$ 268,066,420</u>

The allowance for impairment loss of investments in debt instruments at FVTOCI and at amortized cost for the years ended December 31, 2019 and 2018 grouped by credit rating is reconciled as follows:

At FVTOCI

	Credit Rating			Total
	Performing (12-month ECLs)	Doubtful (Lifetime ECLs - Not Credit-impaired)	Defaulted (Lifetime ECLs - Credit-impaired)	
<b>Allowance for Impairment Loss</b>				
Balance at January 1, 2019	\$ 25,422	\$ -	\$ 141,986	\$ 167,408
Purchase of investments in debt instruments	24,177	26,651	-	50,828
Derecognition	(14,735)	-	(141,986)	(156,721)
Change in exchange rates or others	(1,151)	-	-	(1,151)
Balance at December 31, 2019	\$ 33,713	\$ 26,651	\$ -	\$ 60,364
Balance at January 1, 2018	\$ 29,316	\$ 27,285	\$ 137,112	\$ 193,713
Purchase of investments in debt instruments	11,681	-	-	11,681
Derecognition	(13,174)	(27,285)	-	(40,459)
Change in exchange rates or others	(2,401)	-	4,874	2,473
Balance at December 31, 2018	\$ 25,422	\$ -	\$ 141,986	\$ 167,408

At amortized cost

	Credit Rating			Total
	Performing (12-month ECLs)	Doubtful (Lifetime ECLs - Not Credit-impaired)	Defaulted (Lifetime ECLs - Credit-impaired)	
<b>Allowance for Impairment Loss</b>				
Balance at January 1, 2019	\$ 6,615	\$ -	\$ -	\$ 6,615
Purchase of investments in debt instruments	56	-	-	56
Derecognition	(1,830)	-	-	(1,830)
Change in exchange rates or others	(475)	-	-	(475)
Balance at December 31, 2019	\$ 4,366	\$ -	\$ -	\$ 4,366
Balance at January 1, 2018	\$ 9,623	\$ -	\$ -	\$ 9,623
Purchase of investments in debt instruments	213	-	-	213
Derecognition	(2,790)	-	-	(2,790)
Change in exchange rates or others	(431)	-	-	(431)
Balance at December 31, 2018	\$ 6,615	\$ -	\$ -	\$ 6,615

**11. RECEIVABLES, NET**

a. Details of receivables

	2019	2018
Accounts receivable	\$ 10,707,132	\$ 16,329,369
Accrued incomes	6,816	5,993
Interests receivable	4,847,831	5,401,681
Acceptances receivable	4,756,072	5,402,488
Credit cards accounts receivable	2,225,416	1,833,999
Settlement price	340,835	392,434
Accounts receivable for settlement	305,067	217,848
Other receivables	451,350	985,194
	<u>23,640,519</u>	<u>30,569,006</u>
Less: Allowance for bad debts, receivables	<u>(439,482)</u>	<u>(635,021)</u>
	\$ 23,201,037	\$ 29,933,985

b. Allowance for receivables

1) Movements in the allowance for receivables

	For the Year Ended December 31, 2019				
	12-Month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on IFRS 9	Total
Receivables	\$ 32,258	\$ 2,678	\$ 19,906	\$ 54,842	\$ 635,021
Changes from financial instruments					
recognized at the beginning of the period					
Transfers to lifetime expected credit loss	(56)	53	(39)	(22)	(22)
Transfers to credit-impaired financial assets	(5)	(4)	486	477	477
Transfers to 12-months expected credit losses	332	(137)	(27)	168	168
Financial assets derecognized for the period	(30,991)	(1,725)	(16,170)	(48,886)	(48,886)
Purchased or originated financial assets	21,404	2,675	77,418	101,497	101,497

(Continued)



For the Year Ended December 31, 2019

	12-Month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on IFRS 9	Recognized Impairment Difference Based on Regulations of the Procedures For Banking Institutions to Evaluate Assets And Deal With Non- performing Loans and Bad Debts	Total
Recognized impairment difference based on the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts	\$ -	\$ -	\$ -	\$ -	\$ (212,068)	\$ (212,068)
Changes in exchange rates or others	(21)	(5)	(36,678)	(27)	(36,678)	(27)
Ending balance	<u>\$ 22,941</u>	<u>\$ 3,535</u>	<u>\$ 44,895</u>	<u>\$ 71,371</u>	<u>\$ 368,111</u>	<u>\$ 439,482</u>

For the Year Ended December 31, 2018

	12-Month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on IFRS 9	Recognized Impairment Difference Based on Regulations of the Procedures For Banking Institutions to Evaluate Assets And Deal With Non- performing Loans and Bad Debts	Total
Receivables	\$ 28,086	\$ 2,295	\$ 25,436	\$ 55,817	\$ 525,516	\$ 581,333
Changes from financial instruments recognized at the beginning of the period:						
Transfers to lifetime expected credit loss	(55)	78	(78)	(55)	-	(55)
Transfers to credit-impaired financial assets	(1)	(3)	408	404	-	404
Transfers to 12-month expected credit loss	239	(168)	192	263	-	263
Financial assets derecognized for the period	(26,896)	(1,458)	1,574	(26,780)	-	(26,780)
Purchased or originated financial assets	30,867	1,932	15,059	47,858	-	47,858

(Continued)

For the Year Ended December 31, 2018

	12-Month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on IFRS 9	Recognized Impairment Difference Based on Regulations of the Procedures For Banking Institutions to Evaluate Assets And Deal With Non- performing Loans and Bad Debts	Total
Recognized impairment difference based on the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts	\$ -	\$ -	\$ -	\$ -	\$ 54,663	\$ 54,663
Changes in exchange rates or others	16	3	(22,684)	19	(22,684)	(22,684)
Ending balance	<u>\$ 32,256</u>	<u>\$ 2,679</u>	<u>\$ 19,907</u>	<u>\$ 54,842</u>	<u>\$ 580,179</u>	<u>\$ 635,021</u>

2) Movements in the total carrying amount of receivables

For the Year Ended December 31, 2019

	12-Month Expected Credit Losses	Significant Increase in Risk Due to Lifetime Expected Credit Losses	Impairment Due to Lifetime Expected Credit Losses	Total
Beginning balance	\$ 30,337,486	\$ 159,683	\$ 71,837	\$ 30,569,006
Changes from financial instruments recognized at the beginning of the period:				
Transfers to lifetime expected credit loss	(32,499)	28,404	(207)	(4,302)
Transfers to credit-impaired financial assets	(10,381)	(398)	5,718	(5,061)
Transfers to 12-month expected credit loss	218,447	(13,660)	(215)	204,572
Purchased or originated financial assets	11,647,928	94,506	236,123	11,978,557
Derecognized	(18,943,461)	(104,597)	(36,678)	(19,056,178)
Changes in exchange rates or others	(8,224)	(1,149)	(24)	(9,397)
Ending balance	<u>\$ 23,209,296</u>	<u>\$ 162,789</u>	<u>\$ 268,434</u>	<u>\$ 23,640,519</u>

	For the Year Ended December 31, 2018			
	12-Month Expected Credit Losses	Significant Increase in Risk Due to Lifetime Expected Credit Losses	Credit Impairment Due to Lifetime Expected Credit Losses	Total
Beginning balance	\$ 25,015,385	\$ 156,888	\$ 79,083	\$ 25,251,356
Changes from financial instruments recognized at the beginning of the period:				
Transfers to lifetime expected credit loss	(35,730)	31,671	(479)	(4,538)
Transfers to credit-impaired financial assets	(7,970)	(256)	1,442	(6,784)
Transfers to 12-month expected credit losses	75,732	(15,456)	(1,189)	59,087
Purchased or originated financial assets	19,987,535	93,257	44,067	20,124,859
Derecognized	(14,705,314)	(107,364)	(28,403)	(14,841,081)
Doubtful debts written off	-	-	(22,684)	(22,684)
Changes in exchange rates or others	7,848	943	-	8,791
Ending balance	\$ 30,337,486	\$ 159,683	\$ 71,837	\$ 30,569,006

	December 31	
	2019	2018
Negotiated and discounted Overdrafts	\$ 3,870,803	\$ 4,541,384
Short-term loans	1,289,623	1,388,976
Margin loans receivable	413,838,056	361,909,922
Medium-term loans	288,722	230,047
Long-term loans	430,295,179	421,455,388
Overdue loans	590,558,692	559,202,595
	4,747,136	4,545,418
	1,444,888,211	1,353,273,730
	(17,537,264)	(16,572,635)
Less: Allowance for loan losses	\$ 1,427,350,947	\$ 1,336,701,095

Loans of which the accrual of interest income had ceased internally as of December 31, 2019 and 2018 were \$4,747,136 thousand and \$4,545,418 thousand, respectively. The amounts of interest income that would have been accrued on these loans for the years ended December 31, 2019 and 2018 were \$126,749 thousand and \$121,363 thousand, respectively.

The Group did not write off any loans without legal claims process during the years ended December 31, 2019 and 2018.

b. Allowance for discounts and loans

1) Movements in the allowance for discounts and loans

	For the Year Ended December 31, 2019					For the Year Ended December 31, 2018						
	12-Month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Losses Recognized Based on IFRS 9	Recognized Impairment Difference Based on Regulations of the Principles for Banking Institutions to Evaluate Assets And Deal with Non-performing Loans and Bad Debts	Total	12-Month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Losses Recognized Based on IFRS 9	Recognized Impairment Difference Based on Regulations of the Principles for Banking Institutions to Evaluate Assets And Deal with Non-performing Loans and Bad Debts	Total
Loans	\$ 1,884,305	\$ 1,844,323	\$ 5,102,485	\$ 8,831,113	\$ 7,741,522	\$ 16,572,635	\$ 1,779,566	\$ 1,920,325	\$ 5,033,684	\$ 8,276,626	\$ 8,810,630	\$ 17,537,264
Beginning balance												
Changes from financial instruments recognized at the beginning of the period:												
Transfers to lifetime expected credit losses	(42,040)	46,149	(908)	3,201	-	3,201						
Transfers to credit-impaired financial assets	(7,825)	(73,822)	82,744	1,097	-	1,097						
Transfers to 12-month expected credit losses	246,992	(233,577)	(5,313)	6,102	-	6,102						
Financial assets												
Derecognized for the period	(1,319,366)	(973,741)	(1,738,089)	(4,051,196)	-	(4,051,196)						
Purchased or originated financial assets	1,016,601	1,316,244	3,738,626	6,091,471	-	6,091,471						
Recognized for the difference based on the Regulations of the Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts	-	-	(2,144,763)	-	1,069,117	1,069,117						
Doubtful debts written off	(6,101)	(3,201)	(1,028)	(10,400)	-	(10,400)						
Changes in exchange rates or others												
Ending balance	\$ 1,779,566	\$ 1,920,325	\$ 5,033,684	\$ 8,276,626	\$ 8,810,630	\$ 17,537,264						

	For the Year Ended December 31, 2018					For the Year Ended December 31, 2018						
	12-Month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Losses Recognized Based on IFRS 9	Recognized Impairment Difference Based on Regulations of the Principles for Banking Institutions to Evaluate Assets And Deal with Non-performing Loans and Bad Debts	Total	12-Month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Losses Recognized Based on IFRS 9	Recognized Impairment Difference Based on Regulations of the Principles for Banking Institutions to Evaluate Assets And Deal with Non-performing Loans and Bad Debts	Total
Loans	\$ 1,757,974	\$ 1,233,981	\$ 5,076,651	\$ 8,074,606	\$ 8,292,373	\$ 16,366,979	\$ 1,779,566	\$ 1,920,325	\$ 5,033,684	\$ 8,276,626	\$ 8,810,630	\$ 17,537,264
Beginning balance												
Changes from financial instruments recognized at the beginning of the period:												
Transfers to lifetime expected credit losses	(28,373)	31,712	(5,521)	(2,182)	-	(2,182)						
Transfers to credit-impaired financial assets	(676)	(89,530)	89,906	(300)	-	(300)						
Transfers to 12-month expected credit losses	302,535	(306,226)	(4,302)	(7,993)	-	(7,993)						
Financial assets												
Derecognized for the period	(644,929)	(199,297)	(2,754,150)	(3,598,376)	-	(3,598,376)						
Purchased or originated financial assets	1,155,363	1,324,491	3,912,776	6,392,630	-	6,392,630						

(Continued)

	For the Year Ended December 31, 2018		
	12-Month Expected Credit Losses	Significant Increase in Risk Due to Lifetime Expected Credit Losses	Credit Impairment Due to Lifetime Expected Credit Losses
Beginning balance	\$ 1,334,668,075	\$ 45,871,466	\$ 12,868,098
Changes from financial instruments recognized at the beginning of the period:			
Transfers to lifetime expected credit losses	(16,768,851)	16,561,897	(44,477)
Transfers to credit-impaired financial assets	(1,536,123)	(1,681,737)	3,216,165
Transfers to 12-month expected credit losses	4,134,661	(7,005,441)	(41,959)
Purchased or originated financial assets	594,201,380	24,757,939	7,286,332
Doubtful debts written off	(665,581)	(158,990)	(2,037,746)
Derecognized	(630,986,258)	(24,855,031)	(8,500,525)
Changes in exchange rates or others	2,912,738	251,432	1,695
Ending balance	<u>\$ 1,285,960,041</u>	<u>\$ 53,741,535</u>	<u>\$ 13,572,154</u>

c. Details of provision for bad debts expense, commitment and guarantee for the years ended December 31, 2019 and 2018

	For the Year Ended December 31	
	2019	2018
Provision for receivable and loan (including overdue loan) losses	\$ 2,052,705	\$ 2,232,079
Reversal for loan commitment	(11,130)	(104,474)
Provision for guarantee liability	69,141	73,742
Provision for others	<u>25,679</u>	<u>1,905</u>
	<u>\$ 2,136,395</u>	<u>\$ 2,203,252</u>

### 13. FINANCIAL ASSETS FOR HEDGING

Financial assets for hedging  
Fair value hedges - interest rate swaps

	December 31
	2019
	<u>\$ 247,375</u>
	<u>\$ 244,763</u>

The Group used interest rate swaps to minimize its exposure to the fair value fluctuations of its fixed-rate borrowings by entering into fixed-to-floating interest rate swap contracts. The interest swaps and the corresponding borrowings have the same terms, and management believes that the interest rate swaps are highly effective hedging instruments. The respective, nominal principal amount of the Group's outstanding interest rate swaps as of December 31, 2019 and 2018 was \$8,200,000 thousand. The maturity period is from April 19, 2021 to September 27, 2026.

	For the Year Ended December 31, 2018			
	12-Month Expected Credit Losses	Lifetime Expected Credit Losses	Recognized Impairment Difference Based on Regulations on Provisions for Banking Assets and Deal with Non-performing Loans and Bad Debts	Recognized Impairment Difference Based on Regulations on Provisions for Banking Assets and Deal with Non-performing Loans and Bad Debts
Beginning balance	\$ (665,581)	\$ (158,990)	\$ (2,037,746)	\$ (500,851)
Changes from financial instruments recognized at the beginning of the period:				
Transfers to lifetime expected credit losses	7,992	2,182	10,474	(2,037,746)
Transfers to credit-impaired financial assets	1,884,305	1,844,323	8,831,113	7,741,522
Transfers to 12-month expected credit losses				
Purchased or originated financial assets				
Doubtful debts written off				
Changes in exchange rates or others				
Ending balance	<u>\$ 1,884,305</u>	<u>\$ 1,844,323</u>	<u>\$ 8,831,113</u>	<u>\$ 7,741,522</u>
				<u>\$ 16,572,635</u>
				<u>(C)oncluded</u>

2) Movements in the total carrying amount of discounts and loans

	For the Year Ended December 31, 2019		
	12-Month Expected Credit Losses	Significant Increase in Risk Due to Lifetime Expected Credit Losses	Credit Impairment Due to Lifetime Expected Credit Losses
Beginning balance	\$ 1,285,960,041	\$ 53,741,535	\$ 13,572,154
Changes from financial instruments recognized at the beginning of the period:			
Transfers to lifetime expected credit losses	(16,914,967)	17,171,088	(9,966)
Transfers to credit-impaired financial assets	(2,806,168)	(1,161,154)	3,999,121
Transfers to 12-month expected credit losses	6,778,647	(4,498,690)	(44,918)
Financial assets derecognized for the period	(603,698,403)	(28,985,906)	(7,439,656)
Purchased or originated financial assets	699,244,104	28,386,349	6,252,756
Doubtful debts written off	-	-	(2,144,763)
Changes in exchange rates or others	(2,235,039)	(246,155)	(31,799)
Ending balance	<u>\$ 1,366,328,215</u>	<u>\$ 64,407,067</u>	<u>\$ 14,152,929</u>
			<u>\$ 1,444,888,211</u>

The fixed-to-floating interest swaps were designated and effective fair value hedge instruments. During the years ended December 31, 2019 and 2018, the swaps were effective in hedging the fair value exposure to interest rate movements, and as a result, the carrying amounts of the fixed-rate borrowings were adjusted by \$261,014 thousand and \$249,055 thousand as of December 31, 2019 and 2018, respectively; these amounts were included in profit or loss at the same time that the fair value of the interest rate swap was included in profit or loss.

The information of hedging transactions is as follows:

- Hedging type: Fair value hedging.
- Hedging objective: To minimize the Group's risks from changes in fair value due to fluctuating interest rates, by converting fixed-rate notes to floating-rate notes.
- Hedging method: By signing interest rate swap contracts, which pay floating rates (interest rate: 0.6681%) and charge fixed rates (interest rate range: 1.2900%-1.6075%).
- Hedging effect: The results of hedging are all in the line with the effective range of hedge accounting as defined by IFRSs. The realized gains or losses from hedging tools were \$70,234 thousand and \$69,523 thousand for the years ended December 31, 2019 and 2018, respectively, and the realized gains or losses from fair-value hedging were \$(11,958) thousand and \$(9,398) thousand, accounted for as net other non-interest income or loss, for the years ended December 31, 2019 and 2018, respectively.

#### 14. OTHER FINANCIAL ASSETS

	2019	2018
Time deposits with original maturities of more than 3 months	\$ 40,179,375	\$ 54,923,845
Exchange bills negotiated	13,970	10,360
Overdue receivables	179,538	380,211
Call loan to security brokers	-	153,675
Less: Allowance for bad debts	(239,002)	(422,861)
	<u>\$ 40,133,881</u>	<u>\$ 55,045,230</u>

The market rates of time deposits with original maturities of more than 3 months were ranging from 2.24%-3.53% and 2.65%-4.85% for the years ended December 31, 2019 and 2018, respectively.

Refer to Note 37 for information relating to other miscellaneous financial assets pledged as security.

#### 15. SUBSIDIARIES

##### Subsidiaries Included in Consolidated Financial Statements

Investor	Investee	Main Business	% of Ownership	
			2019	2018
The Bank	Chang Hua Commercial Bank, Ltd.	Banking	100	100
The Bank	Chang Hua Bank Venture Capital Co., Ltd.	Investing	100	-

On December 11, 2018, the Bank changed its operation units in China by establishing its subsidiary Chang Hua Commercial Bank, Ltd. The Bank established Chang Hua Bank Venture Capital Co., Ltd. on April 17, 2019.

#### 16. PROPERTY AND EQUIPMENT

	December 31, 2019
Assets used by the Group	\$ 20,562,423
Assets leased under operating leases	<u>176,613</u>
	<u>\$ 20,739,036</u>

##### a. Asset used by the Group - 2019

Cost	Freehold land	Buildings	Machinery Equipment	Transportation Equipment	Miscellaneous Equipment	Leasehold Improvement	Leased Assets	Construction in Progress and Program for Equipment	Total
Balance at January 1, 2019	\$ 14,677,460	\$ 8,441,708	\$ 4,980,715	\$ 726,071	\$ 1,458,869	\$ 972,308	\$ 908	\$ 629,499	\$ 31,900,598
2019 additions and disposals	-	-	-	-	-	-	-	-	-
IFRS 16 application of	-	-	-	-	-	-	-	-	-
Balance at January 1, 2019 (restated)	14,677,460	8,441,708	4,980,715	726,071	1,458,869	972,308	908	629,499	31,899,600
Depreciation	(163,000)	(217,366)	(166,470)	(23,857)	(15,213)	(16,560)	-	(6,641.5)	(372,729)
Transfers to assets leased under operating leases	-	-	-	-	-	-	-	-	-
Transfers to assets leased under operating leases	(11,531.4)	37,216	7,700	4,006	2,743	5,341	-	(72,911)	(40,030)
Effect of exchange differences	-	(10,220)	(2,523)	(130)	(1,104)	(6,282)	-	(21,158)	(49,243)
Balance at December 31, 2019	<u>\$ 14,464,146</u>	<u>\$ 8,300,626</u>	<u>\$ 4,666,622</u>	<u>\$ 695,425</u>	<u>\$ 1,405,226</u>	<u>\$ 960,424</u>	<u>\$ -</u>	<u>\$ 531,474</u>	<u>\$ 31,053,317</u>
Accumulated depreciation and impairment	-	-	-	-	-	-	-	-	-
Balance at January 1, 2019	-	\$ 4,300,908	\$ 3,973,165	\$ 617,158	\$ 1,307,289	\$ 857,587	\$ 148	\$ -	\$ 11,002,155
2019 additions and disposals	-	-	-	-	-	-	-	-	-
IFRS 16 application of	-	-	-	-	-	-	-	-	-
Balance at January 1, 2019 (restated)	-	4,300,908	3,973,165	617,158	1,307,289	857,587	148	-	11,002,107
Depreciation expense	-	(190,808)	(220,704)	(43,315)	(45,443)	(37,772)	-	-	(496,062)
Transfers to assets leased under operating leases	-	-	-	-	-	-	-	-	-
Transfers to assets leased under operating leases	-	(17,933)	-	-	-	-	-	-	(17,933)
Effect of exchange differences	-	(12,429)	-	-	-	-	-	-	(12,429)
Balance at December 31, 2019	<u>\$ 6,641,504</u>	<u>\$ 4,060,422</u>	<u>\$ 3,602,422</u>	<u>\$ 568,266</u>	<u>\$ 1,196,622</u>	<u>\$ 763,814</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,292,228</u>
Carrying amounts at December 31, 2019	<u>\$ 14,464,146</u>	<u>\$ 4,666,622</u>	<u>\$ 4,666,622</u>	<u>\$ 695,425</u>	<u>\$ 1,405,226</u>	<u>\$ 960,424</u>	<u>\$ -</u>	<u>\$ 531,474</u>	<u>\$ 30,462,143</u>

##### b. Assets leased under operating leases - 2019

Cost	Buildings
Balance at January 1, 2019	\$ 341,422
Adjustments on initial application of IFRS 16	<u>341,422</u>
Balance at January 1, 2019 (restated)	<u>10,030</u>
Transfers from assets used by the Group	<u>\$ 351,452</u>
Balance at December 31, 2019	<u>(Continued)</u>

#### Buildings

Operating leases relate to the property owned by the Group with lease terms between 5 and 10 years, with an option to extend an additional 10 years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have a bargain purchase option to acquire the property at the expiry of the lease period.

As of December 31, 2018, refundable deposits received under operation leases amounted to \$55,213 thousand.

The future minimum lease payments of non-cancellable operating lease are as follows:

	<b>December 31, 2018</b>
Not later than 1 year	\$ 239,809
Later than 1 year and not later than 5 years	498,706
Later than 5 years	<u>82,454</u>
	<u>\$ 820,969</u>

The above items of property and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets:

Building	20-60 years
Main buildings	5-10 years
Air-conditioning	4-16 years
Machinery equipment	2-10 years
Transportation equipment	3-10 years
Miscellaneous equipment	5 years
Leasehold improvements	9 years
Leased assets	9 years

## 17. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	<b>December 31, 2019</b>
Carrying amounts	
Land	\$ 1,636
Buildings	1,535,387
Machinery equipment	289
Transportation equipment	69,160
Miscellaneous equipment	<u>13,932</u>
	<u>\$ 1,620,404</u>

## Buildings

	\$ 150,467
	<u>150,467</u>
	6,439
	<u>17,933</u>
	<u>\$ 174,839</u>
	<u>\$ 176,613</u>
	(Concluded)

Operating leases relate to buildings owned by the Group with lease terms between 1 and 20 years without an option to extend lease terms. All operating lease contracts contain market review clauses in the event that the lessees exercise their options to extend. The lessees do not have bargain purchase options to acquire the assets at the expiry of the lease periods.

The maturity analysis of lease payments receivable under operating lease payments for property used by the Group was as follows:

	<b>December 31, 2019</b>
Year 1	\$ 30,100
Year 2	19,048
Year 3	13,408
Year 4	3,241
Year 5	<u>60</u>
	<u>\$ 65,857</u>

## 2018

Carrying amounts	Leased Assets	Leasehold Improvements	Miscellaneous Equipment	Transportation Equipment	Machinery Equipment	Buildings	Prepaid Land	Total
Balance at January 1, 2018	\$ 1,636	\$ 1,535,387	289	69,160	13,932	-	-	\$ 1,636,304
Depreciation expense	(1,636)	(1,535,387)	(289)	(69,160)	(13,932)	-	-	(3,277,404)
Disposals	-	-	-	-	-	-	-	-
Effect of foreign currency exchange differences	-	-	-	-	-	-	-	-
Balance at December 31, 2018	-	-	-	-	-	-	-	-
Balance at January 1, 2019	\$ 1,636	\$ 1,535,387	289	69,160	13,932	-	-	\$ 1,636,304
Depreciation expense	(1,636)	(1,535,387)	(289)	(69,160)	(13,932)	-	-	(3,277,404)
Disposals	-	-	-	-	-	-	-	-
Effect of foreign currency exchange differences	-	-	-	-	-	-	-	-
Balance at December 31, 2019	-	-	-	-	-	-	-	-

2019

**For the Year Ended December 31, 2019**

Additions to right-of-use assets

Depreciation charge for right-of-use assets

Land

Buildings

Machinery equipment

Transportation equipment

Miscellaneous equipment

\$ 432,554

\$ 1,332

624,304

464

37,139

9,845

\$ 673,084

b. Lease liabilities - 2019

**December 31, 2019**

Carrying amounts

\$ 1,420,392

Range of discount rate for lease liabilities was as follows:

**December 31, 2019**

0.91%

0.20%-2.99%

0.20%-2.89%

2.12%-3.00%

0.86%-2.89%

c. Material lease-in activities and terms

The Group leases certain buildings for operations of branches with lease terms from 3 to 15 years. The lease contract for offices located in New York specifies that lease payments are subject to 4 modifications during the lease terms and the Group can sublease the underlying assets. The lease contracts for offices located in Hong Kong and Taiwan specify that the premium for lease was \$2,152 thousand and lease payments will be adjusted each year. In addition, the Group was prohibited from subleasing all or any portion of the underlying assets.

d. Other lease information

Lease arrangements under operating leases for the leasing out of investment properties and freehold property, plant and equipment are set out in Notes 16 and 18.

**December 31, 2019**

Expenses relating to short-term leases

Expenses relating to low-value asset leases

Expenses relating to variable lease payments not included in the measurement of lease liabilities

Total cash outflow for leases

\$ 29,859

\$ 32,246

\$ 209,864

\$ (271,969)

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

For the year ended December 31, 2019, expenses relating to short-term leases also include expenses relating to leases for which the lease terms end on or before December 31, 2019 and for which the recognition exemption is applied. Just before the balance sheet date, the Group also entered into several lease arrangements for additional office equipment that qualified as short-term leases. The amount of lease commitments for short-term leases, for which the recognition exemption is applied was \$22,272 thousand as of December 31, 2019.

2018

Operating leases relate to leases of land, houses and cars with lease terms between 3 and 10 years. All operating lease contracts over 5 years contain clauses for 5-year market rental reviews. The Group does not have a bargain purchase option to acquire the leased land, houses and cars at the expiration of the lease periods.

As of December 31, 2018, refundable deposits paid under operation leases amounted to \$47,992 thousand.

The future minimum lease payments of non-cancellable operating lease commitments are as follows:

**December 31, 2018**

Not later than 1 year

Later than 1 year and not later than 5 years

Later than 5 years

\$ 621,178

1,118,117

255,874

\$ 1,995,169

#### 18. INVESTMENT PROPERTY

<u>Cost</u>	<b>Completed Investment Property</b>
Balance at January 1, 2019	\$ 14,097,759
Additions	1,203
Reclassification	<u>148,508</u>
Balance at December 31, 2019	<u>\$ 14,247,470</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2019	\$ 355,383
Depreciation expense	6,867
Reclassification	<u>12,430</u>
Balance at December 31, 2019	<u>\$ 374,680</u>
Carrying amounts at December 31, 2019	<u>\$ 13,872,790</u>
<u>Cost</u>	
Balance at January 1, 2018	\$ 14,096,478
Additions	<u>1,281</u>
Balance at December 31, 2018	<u>\$ 14,097,759</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2018	\$ 348,691
Depreciation expense	<u>6,692</u>
Balance at December 31, 2018	<u>\$ 355,383</u>
Carrying amounts at December 31, 2018	<u>\$ 13,742,376</u>

Operating leases relate to the investment property owned by the Group with lease terms between 1 and 20 years, with no option to extend. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have a bargain purchase option to acquire the property at the expiry of the lease period.

The maturity analysis of lease payments receivable under operating leases of investment properties as of December 31, 2019 was as follows:

	December 31, 2019
Year 1	\$ 186,406
Year 2	152,812
Year 3	127,227
Year 4	111,345
Year 5	99,500
Year 6 onwards	<u>94,743</u>
	<u>\$ 772,033</u>

The investment properties are depreciated using the straight-line method over their estimated useful lives as follows:

Main buildings	20-60 years
Air-conditioning units	5-10 years

The investment properties are measured and stated at cost in the consolidated balance sheets. For management purpose, the Group periodically measures the fair value of investment properties in accordance with the Group's internal rules and procedures. The Group conducts regular evaluations, measured by level 3 inputs. The fair values were \$26,959,699 thousand and \$26,506,226 thousand as of December 31, 2019 and 2018, respectively.

All investment properties are own right and interest.

The rental incomes and direct operating expenses generated by the investment property for the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
Rental incomes	\$ 181,431	\$ 186,129
Direct operating expenses	<u>\$ 103,717</u>	<u>\$ 103,365</u>

#### 19. INTANGIBLE ASSETS

	Computer Software
<u>Cost</u>	
Balance at January 1, 2019	\$ 731,364
Additions	139,782
Amortization expense	(220,050)
Reclassification	69,735
Effect of foreign currency exchange differences and others	<u>(175)</u>
Balance at December 31, 2019	<u>\$ 720,656</u>

(Continued)

<b>Computer Software</b>	
\$ 436,176	
347,387	
(201,851)	
<u>149,652</u>	
<u>\$ 731,364</u>	
(Concluded)	

Balance at January 1, 2018  
 Additions  
 Amortization expense  
 Effect of foreign currency exchange differences and others  
 Balance at December 31, 2018

The intangible asset mentioned above is amortized on a straight-line basis over the estimated useful life of 3 to 5 years.

#### 20. OTHER ASSETS

	December 31	
	2019	2018
Refundable deposits	\$ 959,061	\$ 666,426
Assumed collateral and residuals	23,462	23,462
Less: Accumulated impairment	(23,462)	(23,462)
Prepayments	102,413	332,556
Others	1,484	869
	<u>\$ 1,062,958</u>	<u>\$ 999,851</u>

#### 21. DEPOSITS FROM THE CENTRAL BANK AND BANKS

	December 31	
	2019	2018
Deposits from the Central Bank	\$ 26,128	\$ 25,835
Deposits from banks	199,103	28,639,448
Overdrafts on banks	322,914	1,167,669
Call loans from banks	101,314,575	82,508,426
Deposits transferred from Chungghwa Post Co., Ltd.	442,906	697,163
	<u>\$ 102,305,626</u>	<u>\$ 113,038,541</u>

#### 22. PAYABLES

	December 31	
	2019	2018
Checks issued to payees for clearing	\$ 6,706,074	\$ 18,402,780
Accounts payable	1,592,510	1,776,020
Accrued expenses	2,343,601	2,568,648
Accrued interests	2,642,908	2,711,071
Acceptances	4,863,813	6,105,324
Others	3,698,004	5,113,936
	<u>\$ 21,846,910</u>	<u>\$ 36,677,779</u>

#### 23. DEPOSITS AND REMITTANCES

	December 31	
	2019	2018
Checking account deposits	\$ 40,797,582	\$ 44,742,967
Demand deposits	425,688,524	391,831,065
Time deposits	401,783,691	395,634,572
Negotiable certificates of deposit	6,186,997	5,670,685
Savings account deposits	890,034,856	849,749,138
Remittances	1,456,553	1,952,685
	<u>\$ 1,765,948,203</u>	<u>\$ 1,689,581,112</u>

#### 24. BANK NOTES PAYABLE

The Bank has issued bank notes to enhance its capital adequacy ratio and raise medium to long-term operating funds. The information of the Bank notes is as follows:

The Bank issued \$5,000 million perpetual subordinated bank notes 99-1 on June 29, 2010 which is callable after 10 years of issue date.

The Bank issued \$3,300 million subordinated bank notes 100-1 on March 11, 2011, divided into Financial Debentures A \$2,200 million with 7-year term and Financial Debenture B \$1,100 million with 10-year term.

The Bank issued \$6,700 million subordinated bank notes 100-2 with 10-year term on April 18, 2011.

The Bank issued \$2,200 million subordinated bank notes A 103-1 with 7-year term on April 16, 2014.

The Bank issued \$5,300 million subordinated bank notes B 103-1 with 10-year term on April 16, 2014.

The Bank issued \$2,500 million subordinated bank notes C 103-1 with 10-year term on April 16, 2014.

The Bank issued \$3,000 million subordinated bank notes A 105-1 with 7-year term on September 27, 2016.

The Bank issued \$3,300 million subordinated bank notes B 105-1 with 10-year term on September 27, 2016.

The Bank issued \$1,530 million subordinated bank notes A 106-1 with 7-year term on March 29, 2017.

The Bank issued \$8,670 million subordinated bank notes B 106-1 with 10-year term on March 29, 2017.

The Bank issued \$7,000 million perpetual subordinated bank notes 107-1 on April 26, 2018. Callable 5 years and 3 months after issue date.

The Bank issued \$3,000 million perpetual subordinated bank notes 107-2 on November 8, 2018. Callable 5 years and 1 month after issue date.

The Bank issued \$5,960 million perpetual subordinated bank notes 108-1 on June 27, 2019. Callable 5 years and 1 month after issue date.



The outstanding balance and details of subordinated bank notes are as follows:

Bank Note, Interest Rate and Maturity Date	December 31	
	2019	2018
<b>Hedged financial liabilities at fair value</b>		
103-1 Note A, 7-year term, interest payable annually, interest rate 1.70%, maturity date: April 16, 2021	\$ 2,200,000	\$ 2,200,000
103-1 Note B, 10-year term, interest payable annually, interest rate 1.85%, maturity date: April 16, 2024	3,000,000	3,000,000
105-1 Note A, 7-year term, interest payable annually, interest rate 1.09%, maturity date: September 27, 2023	1,000,000	1,000,000
105-1 Note B, 10-year term, interest payable annually, interest rate 1.20%, maturity date: September 27, 2026	2,000,000	2,000,000
Valuation adjustment	261,014	249,055
	<u>8,461,014</u>	<u>8,449,055</u>
<b>Non-hedged bank notes payable</b>		
99-1, No maturity date, interest payable annually, interest rate from first to tenth year is 3.15%, after tenth year is 4.15%	5,000,000	5,000,000
100-1 Note B, 10-year term, interest payable annually, interest rate 1.72%, maturity date: March 11, 2021	1,100,000	1,100,000
100-2, 10-year term, interest payable annually, floating rate, maturity date: April 18, 2021	6,700,000	6,700,000
103-1 Note B, 10-year term, interest payable annually, interest rate 1.85%, maturity date: April 16, 2024	2,300,000	2,300,000
103-1 Note C, 10-year term, interest payable annually, floating rate, maturity date: April 16, 2024	2,500,000	2,500,000
105-1 Note A, 7-year term, interest payable annually, interest rate 1.09%, maturity date: September 27, 2023	2,000,000	2,000,000
105-1 Note B, 10-year term, interest payable annually, interest rate 1.20%, maturity date: September 27, 2026	1,300,000	1,300,000
106-1 Note A, 7-year term, interest payable annually, interest rate 1.50%, maturity date: March 29, 2024	1,530,000	1,530,000
106-1 Note B, 10-year term, interest payable annually, interest rate 1.85%, maturity date: March 29, 2027	8,670,000	8,670,000
107-1, no maturity date, interest payable annually, interest rate 2.66%	7,000,000	7,000,000
107-2, no maturity date, interest payable annually, interest rate 2.30%	3,000,000	3,000,000
108-1, no maturity date, interest payable annually, interest rate 1.90%	5,960,000	-
	<u>47,060,000</u>	<u>41,100,000</u>
	<u>\$ 55,521,014</u>	<u>\$ 49,549,055</u>

The Group engaged in derivative transactions as hedging tools for the 103-1 Note A, 103-1 Note B, 105-1 Note A and 105-1 Note B fixed interest rate bank notes to avoid fair value risks due to changes in interest rates. The nominal principal of interest rate swaps was accounted as hedging derivative financial assets. (Refer to Note 13).

## 25. OTHER FINANCIAL LIABILITIES

	December 31	
	2019	2018
Principal received on structured notes	\$ 3,495,607	\$ 3,715,307
Appropriations for loans	779,293	671,115
Lease payable	-	656
	<u>\$ 4,274,900</u>	<u>\$ 4,387,078</u>

The principal received on structured notes were the hybrid instruments issued at fixed income. The related income of structured notes were determined by the interest rates linked to targets.

## 26. OTHER LIABILITIES

	December 31	
	2019	2018
Advance receipts	\$ 672,643	\$ 662,897
Guarantee deposits	1,857,871	2,115,346
Deferred revenue	12,835	14,959
	<u>\$ 2,543,349</u>	<u>\$ 2,793,202</u>

## 27. RESERVE FOR LIABILITIES

	December 31	
	2019	2018
Reserve for employee benefits (Note 28)	\$ 4,248,254	\$ 4,337,337
Reserve for guarantee liabilities	626,383	557,933
Reserve for loan commitments	357,282	369,150
Reserve for decommissioning restoration and rehabilitation costs	55,603	-
Others	53,033	31,912
	<u>\$ 5,340,555</u>	<u>\$ 5,296,332</u>

Movements in reserve for guarantee liabilities, reserve for loans commitments and reserve for others are as follows:

	For the Year Ended December 31, 2019					Total
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on IFRS 9	Recognized Impairment Difference Based on the Laws	
Beginning balance	\$ 458,177	\$ 26,188	\$ 41,182	\$ 525,547	\$ 433,448	\$ 958,995
Changes from financial instruments recognized at the beginning of the period:						
Transfers to lifetime expected credit losses	(5,522)	5,731	-	209	-	209
Transfers to credit-impaired financial assets	(19)	(9)	29	1	-	1
Transfers to 12-month expected credit losses	1,350	(930)	-	620	-	620
Financial assets derecognize for the period	(348,218)	(6,727)	(18,065)	(372,950)	-	(372,950)
Purchased or originated financial assets	354,555	28,205	4,925	387,685	-	387,685
Recognized impairment difference based on the Laws	-	-	-	-	62,973	62,973
Changes in exchange rates or others	(584)	(251)	-	(835)	-	(835)
Ending balance	\$ 459,939	\$ 52,207	\$ 28,131	\$ 540,277	\$ 496,421	\$ 1,036,698

	For the Year Ended December 31, 2018					Total
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on IFRS 9	Recognized Impairment Difference Based on the Laws	
Beginning balance	\$ 490,854	\$ 126,871	\$ 427,500	\$ 1,045,225	\$ -	\$ 1,045,225
Changes from financial instruments recognized at the beginning of the period:						
Transfers to lifetime expected credit losses	(4,338)	4,283	-	(55)	-	(55)
Transfers to credit-impaired financial assets	(73)	(6)	181	102	-	102
Transfers to 12-month expected credit losses	101,781	(102,402)	-	(621)	-	(621)
Financial assets derecognize for the period	(456,216)	(23,559)	(390,609)	(870,384)	-	(870,384)
Purchased or originated financial assets	325,550	20,946	4,212	350,708	-	350,708
Recognized impairment difference based on the Laws	-	-	-	-	433,448	433,448
Changes in exchange rates or others	619	55	(102)	572	-	572
Ending balance	\$ 458,177	\$ 26,188	\$ 41,182	\$ 525,547	\$ 433,448	\$ 958,995

## 28. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Group adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Group makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The defined benefit plan adopted by the Group in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Group contributes amounts equal to 10% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Bank assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Bank is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Group has no right to influence the investment policy and strategy.

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

	2019	2018
Present value of defined benefit obligation	\$ 9,979,092	\$ 9,864,472
Fair value of plan assets	(7,152,662)	(6,915,260)
Deficit	2,826,430	2,949,212
Others	13,351	12,132
Net defined benefit liability	\$ 2,839,781	\$ 2,961,344

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

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2019	\$ 9,864,472	\$ 6,915,260	\$ 2,949,212
Service cost	-	-	-
Current service cost	246,671	-	246,671
Net interest cost	97,919	69,968	27,951
Recognized in profit or loss	344,590	69,968	274,622
Remeasurement	-	-	-
Return on plan assets (excluding amounts included in net interest)	-	245,537	(245,537)
Actuarial loss - changes in financial assumptions	301,482	-	301,482
Actuarial loss - experience adjustments	101,043	-	101,043
Recognized in other comprehensive income	402,525	245,537	156,988
Contributions from the employer	-	554,392	(554,392)
Benefits paid	(632,495)	(632,495)	-
Balance at December 31, 2019	\$ 9,979,092	\$ 7,152,662	\$ 2,826,430

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2018	\$ 9,553,277	\$ 6,698,414	\$ 2,854,863
Service cost			
Current service cost	248,690	-	248,690
Net interest cost	123,261	88,215	35,046
Recognized in profit or loss	371,951	88,215	283,736
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	184,002	(184,002)
Actuarial loss - changes in financial assumptions	330,529	-	330,529
Actuarial loss - experience adjustments	170,732	-	170,732
Recognized in other comprehensive income	501,261	184,002	317,259
Contributions from the employer	-	506,646	(506,646)
Benefits paid	(562,017)	(562,017)	-
Balance at December 31, 2018	\$ 9,864,472	\$ 6,915,260	\$ 2,949,212 (Concluded)

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

- Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- Interest risk: A decrease in the government and corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	2019	2018
Discount rate(s)	0.70%	1.00%
Expected rate(s) of salary increase	2.05%	2.04%

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

	2019	2018
Discount rate(s)		
0.25% increase	\$ (244,279)	\$ (244,869)
0.25% decrease	\$ 253,503	\$ 254,327
Expected rate(s) of salary increase		
0.25% increase	\$ 249,465	\$ 251,059
0.25% decrease	\$ (241,687)	\$ (243,003)

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

	2019	2018
The expected contributions to the plan for the next year	\$ 301,644	\$ 308,280
The average duration of the defined benefit obligation	10 years	10 years

c. Plan of high-yield savings account for employee

The Group has the obligation to pay premium interest on the high-yield savings account of its present employees and retired employees. Such obligation is recognized based on its internal guidelines in the Rules of Employee Preferential Deposit for Retired Employees. Refer to Note 30 for information on related expenses.

- Reconciliation of assets and liabilities at the end of the reporting period with the present value of defined benefit obligation and the fair value of plan assets was as follows:

	2019	2018
Present value of defined benefit obligation	\$ 1,408,473	\$ 1,375,993
Less: Fair value of defined benefit plan assets	-	-
Assets and liabilities at the end of the reporting period	\$ 1,408,473	\$ 1,375,993

- Analysis of defined benefit obligation

	2019	2018
All or part of defined benefit obligation contributed	\$ -	\$ -
Defined benefit obligation not contributed	\$ 1,408,473	\$ 1,375,993
	\$ 1,408,473	\$ 1,375,993

## 3) Movements of the present value of defined benefit obligation

	For the Year Ended December 31	
	2019	2018
Balance, January 1	\$ 1,375,993	\$ 1,385,297
Interest cost	52,169	52,560
Actuarial gains and losses	264,525	215,306
Benefits paid	(284,214)	(277,170)
Balance, December 31	\$ 1,408,473	\$ 1,375,993

## 4) Movements of the fair value of plan assets

	For the Year Ended December 31	
	2019	2018
Balance, January 1	\$ -	\$ -
Contribution by employers	284,214	277,170
Benefits paid	(284,214)	(277,170)
Balance, December 31	\$ -	\$ -

## 5) Details of gains and losses recognized in expenses

	For the Year Ended December 31	
	2019	2018
Interest cost	\$ 52,169	\$ 52,560
Actuarial gains and losses	264,525	215,306
	\$ 316,694	\$ 267,866

## 6) Main actuarial assumptions

	For the Year Ended December 31	
	2019	2018
Discount rate of high-yield savings account for employee	4.00%	4.00%
Return rate of funds deposited	2.00%	2.00%
Account balance decrease rate per year	1.00%	1.00%
Probability of future high-yield savings account system change	50.00%	50.00%
Mortality rate	Based on Taiwan Life Insurance Industry Mortality Tables	Based on Taiwan Life Insurance Industry Mortality Tables
Rate provided to ordinary clients for similar deposit	1.09%-1.14%	1.09%-1.14%

## 29. EQUITY

## a. Capital

	December 31	
	2019	2018
Common stock		
Shares granted (in thousands)	11,000,000	11,000,000
Capital stock granted	\$ 110,000,000	\$ 110,000,000
Shares issued and fully paid (in thousands)	9,985,311	9,789,521
Capital stock issued	\$ 99,853,111	\$ 97,895,207

Fully paid common stocks, which have a par value of \$10, carry one vote per stock and carry a right to dividends.

As of January 1, 2018, the Bank's authorized and registered capital was \$110,000,000 thousand divided into 11,000,000 thousand shares at \$10 par value; the total paid-in capital was \$94,130,007 thousand. In August 2019 and September 2018, the Bank resolved its capitalization of earnings and increased its paid-in capital by \$1,957,904 thousand and \$3,765,200 thousand, respectively. The amount of the Bank's authorized and registered capital as at December 31, 2019 and 2018 was \$110,000,000 thousand divided into 11,000,000 thousand shares and, also at those dates, the total amounts of paid-in capital were \$99,853,111 thousand and \$97,895,207 thousand divided into 9,985,311 thousand and 9,789,521 thousand outstanding shares at \$10 par value, respectively.

## b. Distribution of earnings and dividend policy

Under the dividend policy as set forth in the Bank's amended Articles of Incorporation, where the Bank generates profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 30% of the remaining profit, setting aside or reversing special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Bank's board of directors as the basis for proposing distribution plan, and 30% to 100% of the basis for proposing distribution plan should be resolved in the stockholders' meeting for distribution of dividends and bonus to stockholders. For the policies on distribution of employees' compensation and remuneration of directors after amendment, refer to Note 30 (g) "employees' compensation and remuneration of directors".

To ensure the Bank has sufficient cash for present and future expansion plans and to enhance the profitability, the Bank prefers to distribute more stock dividends, but cash dividends shall not be less than 10% of total dividends distributed. If the cash dividends are less than \$0.1 per share, the Bank will not distribute any cash dividends, unless otherwise adopted in the stockholders' meeting.

Appropriation of earnings to legal reserve shall be made until the balance of legal reserve reaches the Bank's paid-in capital. Legal reserve may be used to offset deficit. If the Bank has no deficit and the legal reserve has exceeded 25% of the Bank's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Bank.

Under Rule No. 10510001510 issued by the FSC on May 25, 2016, the Bank should appropriate 0.5%-1.0% net income as a special reserve when distributing surplus earnings for 2016, 2017 and 2018. Since 2017, the Bank should reverse an amount which is the same as the distributed surplus earnings mentioned above for the expense of employees' bridging-over arrangements and settlements caused by the development of financial technology.

The Bank cannot distribute cash dividends or purchase treasury stocks if the Bank has any of the situations cited in Item 1, Section 1, Article 44 of the Banking Law.

The maximum amount of cash dividends cannot exceed 15% of the Bank's total capital if the Bank's capital surplus is less than the capital based on Section 1.

The restriction of the cash dividends stated above does not apply if the Bank's capital surplus exceeds the capital or the Bank's financial position satisfied the criteria from the authority and also the Bank appropriates the legal reserve based on the Banking Law.

The appropriations of earnings for 2018 and 2017 were approved in the stockholders' meetings on June 14, 2019 and June 8, 2018, respectively. The appropriations of earnings and dividends per stock were as follows:

	Appropriation of Earnings	
	For the Year Ended December 31	2017
	2018	
Legal reserve	\$ 3,793,961	\$ 3,627,932
Special reserve	63,232	60,466
Cash dividends	6,265,293	4,235,850
Share dividends	1,957,904	3,765,200
Cash dividends per share (NT\$)	0.64	0.45
Share dividends per share (NT\$)	0.20	0.40

The appropriation of earnings for 2019 is subject to the resolution of shareholders in the shareholders' meeting to be held in June 2020.

c. Special reserve

	December 31	
	2019	2018
Initial application of IFRSs	\$ 11,778,829	\$ 11,778,829
Others	425,819	362,587
	<u>\$ 12,204,648</u>	<u>\$ 12,141,416</u>

30. NET INCOME

a. Net interest income

	For the Year Ended December 31	2018
	2019	
Interest income	\$ 29,268,023	\$ 29,313,149
Loans	5,289,325	5,077,150
Due from and call loans to banks	4,367,222	3,723,677
Investments in marketable securities	265,665	308,224
Others	<u>39,190,235</u>	<u>38,422,200</u>
Interest expense	(12,664,246)	(11,684,110)
Deposits	(2,530,693)	(2,570,629)
Due to central bank and call loans from banks	(1,145,589)	(977,817)
Others	<u>(16,340,528)</u>	<u>(15,232,556)</u>
Net interest income	<u>\$ 22,849,707</u>	<u>\$ 23,189,644</u>

b. Net service fee income

	For the Year Ended December 31	2018
	2019	
Service fee income	\$ 313,138	\$ 333,377
Fees from import and export	451,563	483,992
Remittance fees	460,531	605,083
Loan fees	774,748	844,518
Fees from trust	330,872	304,732
Fees from trust business	2,239,128	2,132,840
Fees from insurance agency	1,267,462	1,172,872
Others (1) (2)	<u>5,837,442</u>	<u>5,877,414</u>
Service charge	(159,582)	(152,717)
Interbank charges	(17,884)	(27,811)
Charges from trust	(115,441)	(104,111)
Custodian charges	(262,997)	(168,505)
Charges from insurance agency	(646,772)	(556,316)
Others	<u>(1,202,676)</u>	<u>(1,009,460)</u>
Net service fee income	<u>\$ 4,634,766</u>	<u>\$ 4,867,954</u>

1) The service fee income from electronic payment business was \$4,257 thousand and \$3,409 thousand for the years ended December 31, 2019 and 2018, respectively.

2) In accordance with "Regulation Governing the Organization and Administration of Sinking Fund Established by Electronic Payment Institutions", the yield income from electronic payment business was both \$1 thousand for the years ended December 31, 2019 and 2018.

## c. Gain (loss) on financial assets or liabilities measured at FVTPL

	For the Year Ended December 31 2019	2018
Realized gain (loss) on financial assets or liabilities measured at FVTPL		
Stock and beneficiary certificates	\$ 30,748	\$ (88,595)
Bonds	20,351	(20,679)
Bills	(32)	34
Derivative financial instruments	2,301,772	3,042,871
Net interest loss	(304,628)	(322,638)
Stock dividends and bonus	2,469	6,989
	<u>2,050,680</u>	<u>2,617,982</u>
Valuation gain (loss) on financial assets or liabilities measured at FVTPL		
Stock	(455)	-
Bonds	(317,847)	311,073
Bills	215	229
Derivative financial instruments	104,180	(217,328)
	<u>(213,907)</u>	<u>93,974</u>
	<u>\$ 1,836,773</u>	<u>\$ 2,711,956</u>

## d. Realized gain (loss) on financial assets at FVTOCI

	For the Year Ended December 31 2019	2018
Stock dividends and bonus	\$ 521,158	\$ 457,351
Disposal gains		
Beneficiary securities	58,990	-
Bonds	799,172	342,348
Disposal losses		
Beneficiary securities	(671)	(2)
Bonds	(13,378)	(17,809)
	<u>\$ 1,365,271</u>	<u>\$ 781,888</u>

## e. Depreciation and amortization expense

	For the Year Ended December 31 2019	2018
Property and equipment	\$ 536,501	\$ 507,511
Investment property	6,867	6,692
Right-of-use assets	673,084	-
Intangible assets and other deferred assets	<u>220,417</u>	<u>201,960</u>
	<u>\$ 1,436,869</u>	<u>\$ 716,163</u>

## f. Employee benefits expenses

	For the Year Ended December 31 2019	2018
Short-term employee benefits	\$ 9,796,042	\$ 9,806,068
Post-employment benefits		
Defined contribution plans	195,093	181,849
Defined benefit plans	274,622	283,736
High-yield savings account for employees	316,694	267,865
Other post-employment benefits	275,550	246,116
Termination benefits	<u>9,640</u>	<u>11,327</u>
	<u>\$ 10,867,641</u>	<u>\$ 10,796,961</u>

## Salary adjustments for 2019:

- 1) The operational and staff performance of the Bank were excellent in 2018. To boost employee morale, the Bank made an adjustment to annual salary in 2019 and implemented overall evaluation on April 1, 2019.
- 2) The salary adjustment plan consisted of fixed adjustment and performance adjustment, which was similar to the adjustments in recent years. The Bank had adjusted salaries based on different job performances to motivate outstanding compassionate rank-and-file employees.

## a) Fixed adjustment

The monthly salary adjustment was increased from \$1 thousand to \$1.2 thousand for employees at job levels 5 to 7 and have less than 5 years seniority who earned 4 to 6 points in performance appraisal of 2018. The monthly salary adjustment was \$1 thousand for other employees.

## b) Performance adjustment

Employees who earned 6 points in 2018 performance appraisal of 2018 received a 4% raise in monthly salary; employees who earned 5 points received a 3% raise in monthly salary; employees who earned 4 points received a 2% raise in monthly salary; employees who earned 3 points received a 1% raise in monthly salary.

- c) In order to attract and retain excellent employees, the scope of salary adjustments has been expanded. Employees at job levels 5 to 7 without performance appraisal in 2018 were listed as the target of this salary adjustment, whereby the monthly salary was adjusted to \$1.2 thousand.

- 3) The annual salary adjustment in 2019 was implemented on April 1, 2019. The average salary increase of all employees was 3.27%. The average salary increase and the highest salary increase of employees at job levels 5 to 7 were both 7.19%. The salary adjustments show the determination of the Bank to fulfill the duty of care towards its employees and implement corporate social responsibility.

Year	2019	
	New Entry and Job Levels 5 to 7 Without Appraisal in 2018	With Appraisal in 2018
Appraisal	Job Levels 5 to 7 and Less than 5 Years Seniority	Other Job Levels
6 points	1,200+4%	1,000+4%
5 points	1,200+3%	1,000+3%
4 points	1,200+2%	1,000+2%
3 points	1,000+1%	-
2 points	-	-
1 points	-	-
Average salary increase of the Bank	3.27%	

g. Employees' compensation and remuneration of directors

The Bank accrued employees' compensation and remuneration of directors at the rates of 1%-6% and no higher than 0.8%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and the remuneration of directors for the years ended December 31, 2018 and 2019, which were approved by the Group's board of directors on March 20, 2020 and March 15, 2019, respectively, are as follows:

Accrual rate	For the Year Ended December 31	
	2019 (Expected)	2018
Employees' compensation	5.00%	5.00%
Remuneration of directors	0.40%	0.40%
Amount		
Employees' compensation	\$ 714,178	\$ 777,327
Remuneration of directors	57,134	62,186

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

Due to changes in accounting estimates, the actual amount of employees' compensation and directors' remuneration, which was resolved in the meeting of the board of directors dated on March 15, 2019 differs from what was accrued in the consolidated financial statements for 2018. The difference was then adjusted to profit and loss for 2019.

	For the Year Ended December 31, 2019	For the Year Ended December 31, 2018
Amounts approved in the board of directors' meeting	\$ 777,327	\$ 62,186
Amounts recognized in the annual consolidated financial statements	\$ 777,500	\$ 62,500
Differences	\$ (173)	\$ (314)

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

31. INCOME TAX

a. Major components of tax expense recognized in profit or loss

	For the Year Ended December 31 2019	For the Year Ended December 31 2018
Current income tax	\$ 1,428,865	\$ 1,521,821
In respect of the current period	15,617	5,396
Income tax on unappropriated earnings		
Deferred income tax	504,028	1,019,393
In respect of the current period	-	(483,061)
Effect of tax rate changes		
Income tax expense recognized in profit or loss	\$ 1,948,510	\$ 2,063,549

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

	For the Year Ended December 31 2019	For the Year Ended December 31 2018
Profit before tax	\$ 13,520,292	\$ 14,710,084
Income tax expense calculated at the statutory rate	2,704,058	2,942,017
Non-deductible expenses in determining taxable income	479	102,612
Income tax on unappropriated earnings	15,617	5,396
Overseas branch's additional income of deferred tax effect	203,757	186,078
Tax-exempt income	(1,077,899)	(940,216)
Non-deductible tax of overseas branches	112,096	241,614
Effect of tax rate changes	-	(483,061)
Adjustments for prior years' tax	4,748	6,613
Others	(14,346)	2,496
Income tax expense recognized in profit or loss	\$ 1,948,510	\$ 2,063,549

The Income Tax Act in the Republic of China ("ROC") was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings was reduced from 10% to 5%.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31 2019	2018
<u>Deferred tax</u>		
In respect of the current year:		
Exchange differences on translation	\$ (157,891)	\$ 20,432
Unrealized gains (losses) on financial assets at FVTOCI	43,946	(35,393)
Actuarial losses on defined benefit plan	(31,412)	(63,452)
Total income tax benefit recognized in other comprehensive income	<u>\$ (145,357)</u>	<u>\$ (78,413)</u>

c. Current tax assets and liabilities

	For the Year Ended December 31 2019	2018
Current tax assets		
Tax refund receivable	\$ 164,394	\$ 137,886
Others	43,126	151,885
Current tax liabilities	<u>\$ 207,520</u>	<u>\$ 289,771</u>
Income tax payable	<u>\$ 507,880</u>	<u>\$ 241,285</u>

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2019

	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Ending Balance
<u>Deferred tax assets</u>				
Temporary differences	\$ 1,510,676	\$ 11,223	\$ -	\$ 1,521,899
Doubtful debts	1,609,988	192,972	(12,534)	1,790,426
Others	<u>\$ 3,120,664</u>	<u>\$ 204,195</u>	<u>\$ (12,534)</u>	<u>\$ 3,312,325</u>
<u>Deferred tax liabilities</u>				
Land value increment tax	\$ 6,156,692	\$ -	\$ -	\$ 6,156,692
Temporary differences	<u>1,195,585</u>	<u>708,223</u>	<u>(157,891)</u>	<u>1,745,917</u>
	<u>\$ 7,352,277</u>	<u>\$ 708,223</u>	<u>\$ (157,891)</u>	<u>\$ 7,902,609</u>

For the year ended December 31, 2018

	Beginning Balance	Adjustments on IFRS 9	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Ending Balance
<u>Deferred tax assets</u>					
Temporary differences	\$ 1,944,366	\$ -	\$ (433,690)	\$ -	\$ 1,510,676
Doubtful debts	1,230,684	71,226	227,736	80,342	1,609,988
Others	<u>\$ 3,175,050</u>	<u>\$ 71,226</u>	<u>\$ (205,954)</u>	<u>\$ 80,342</u>	<u>\$ 3,120,664</u>
<u>Deferred tax liabilities</u>					
Land value increment tax	\$ 6,156,692	\$ -	\$ -	\$ -	\$ 6,156,692
Temporary differences	<u>863,278</u>	<u>-</u>	<u>330,378</u>	<u>1,929</u>	<u>1,195,585</u>
	<u>\$ 7,019,970</u>	<u>\$ -</u>	<u>\$ 330,378</u>	<u>\$ 1,929</u>	<u>\$ 7,352,277</u>

e. Income tax assessments

The Bank's income tax returns through 2017 had been examined and cleared by the tax authority.

### 32. EARNINGS PER SHARE

The computation of earnings per share was retrospectively adjusted for the effects of adjustments resulting from bonus stock issues on August 12, 2019. The basic and diluted after-tax earnings per stock of 2018 were adjusted retrospectively as follows:

	Unit: NT\$ Per Share	
	For the Year Ended December 31, 2018	After Adjusted Retrospectively
Basic earnings per stock	\$ 1.29	\$ 1.27
Diluted earnings per stock	<u>\$ 1.28</u>	<u>\$ 1.26</u>

The earnings and weighted average number of common stock outstanding in the computation of earnings per stock were as follows:

	For the Year Ended December 31 2019	2018
Net profit for the year	\$ 11,571,782	\$ 12,646,535



Weighted average number of common stocks outstanding (in thousands of stocks):

	For the Year Ended December 31	
	2019	2018
Weighted average number of common stock in computation of basic earnings per share	9,985,311	9,985,311
Effect of potentially dilutive common stock: Employees' compensation issued	<u>38,631</u>	<u>52,535</u>

Weighted average number of common stock used in the computation of diluted earnings per share

	<u>10,023,942</u>	<u>10,037,846</u>
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If the Bank offered to settle compensation or bonuses paid to employees in cash or stock, the Bank assumed the entire amount of the compensation or bonus would be settled in stock and the resulting potential stock were included in the weighted average number of stock outstanding used in the computation of diluted earnings per stock, as the effect is dilutive. Such dilutive effect of the potential stock is included in the computation of diluted earnings per stock until the number of stock to be distributed to employees is resolved in the following year.

### 33. CAPITAL RISK MANAGEMENT

#### a. Summary

The Group's goals in capital management are as follows:

- 1) The Group's qualified regulatory capital should meet the requirement of capital adequacy regulations, and reached the minimum capital adequacy ratio.
- 2) To ensure the Group is able to meet the capital needs, it should be evaluated periodically and observed the variation between regulatory capital and risk assets to keep common equity ratio in the interval approved by the board of directors.
- 3) Related to the calculation of qualified regulatory capital and legal capital were according to the regulation of administration.

#### b. Capital management procedures

The Group kept capital adequacy ratio completely to meet the requirement of the administration, and declared to the administration quarterly.

In addition, the capital management procedures for the overseas subsidiaries of the Group were carried out according to the regulation of local administrations.

The Group's capital adequacy performance, which was calculated based on Regulations Governing the Capital Adequacy and Capital Category of Banks, was reported to the Asset and Liability Management Committee of the Group periodically. The regulatory capital was classified into Tier 1 Capital, other Tier 1 Capital and Tier 2 Capital.

- 1) Tier 1 Capital: Include Common Equity and other Tier 1 Capital

Common Equity: Include common stock (include capital collected in advance), Capital reserves (exclude additional paid-in capital in excess of par - preferred stock), accumulated profit, reserve and adjusted equity. Deduct: Legal adjustments.

- 2) Other Tier 1 Capital: Include noncumulative perpetual preferred stock, noncumulative perpetual subordinated debts. Deduct: Legal adjustments.

- 3) Tier 2 Capital: Include cumulative perpetual preferred stock, cumulative perpetual subordinated debts, revaluation reserve, long-term subordinated debt, non-perpetual preferred stock include stock issue price 45% of unrecognized available-for-sale financial assets convertible bonds, operating reserves and allowance for doubtful accounts. Deduct: Legal adjustments.

#### c. Capital adequacy

Item	Period	
	December 31, 2019	December 31, 2018
Self-owned capital		
Common equity Tier I	\$ 140,790,667	\$ 136,278,731
Other Tier I capital	16,874,772	11,398,831
Tier II capital	54,231,213	57,012,582
Self-owned capital	211,896,652	204,690,144
Credit risk		
Standardized approach	1,360,106,227	1,302,768,815
IRB	-	-
Securitization	-	133,357
Basic indicator approach	-	-
Risk-weighted assets		
Standardized approach/optional standard	57,819,213	57,297,063
Advanced internal rating based approach	-	-
Market price risk		
Standardized approach	22,515,159	19,340,309
Internal model approach	-	-
Total	1,440,440,599	1,379,539,544
Capital adequacy ratio	14.71%	14.84%
Common equity Tier I to risk-weighted assets ratio	9.77%	9.88%
Tier I capital to risk-weighted assets ratio	10.95%	10.70%
Leverage ratio	6.90%	6.62%

Note 1: The ratios are calculated in accordance with the Regulations Governing the Capital Adequacy and Capital category of Banks.

Note 2: Annual financial report should include the capital adequacy ratio in current and previous period. Besides semiannual report should disclose the ratio the end of last year.

Note 3: Formula:

- a. Self-owned capital = Common equity Tier I + Other Tier I capital + Tier II capital
- b. Risk-weighted assets = Credit risk-weighted assets + (Operation risk capital + Market price risk capital) x 12.5
- c. Capital adequacy = Self-owned capital ÷ Risk-weighted assets
- d. Common equity Tier I capital to risk-weighted assets ratio = Common equity Tier I capital ÷ Risk-weighted assets
- e. Tier I capital to risk-weighted assets ratio = (Common equity Tier I + Other Tier I capital) ÷ Risk-weighted assets
- f. Leverage ratio = Tier I capital ÷ Adjusted average assets

### 34. FINANCIAL INSTRUMENTS

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

Fair value of financial instruments not measured at fair value

#### December 31, 2019

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets</b>					
Financial assets at amortized cost	\$ 276,058,976	\$ 5,708,893	\$ 270,388,077	\$ -	\$ 276,096,970
<b>Financial liabilities</b>					
Bank notes payable	55,521,014	-	8,461,014	48,299,657	56,760,671

#### December 31, 2018

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets</b>					
Financial assets at amortized cost	\$ 268,059,805	\$ 7,170,574	\$ 260,872,765	\$ -	\$ 268,043,339
<b>Financial liabilities</b>					
Bank notes payable	49,549,055	-	8,449,055	42,173,161	50,622,216

- b. Fair values of financial instruments that are measured at fair value on a recurring basis

#### 1) Fair value hierarchy

Fair Value Measurement of Financial Instruments	December 31, 2019			
	Total	Level 1	Level 2	Level 3
<b>Non-derivative financial products</b>				
<b>Assets</b>				
Financial assets at FVTPL	\$ 8,543,164	\$ 75,046	\$ 8,468,118	\$ -
Financial assets mandatorily measured at FVTPL				
Stock investments	75,046	75,046	-	-
Bond investments	907,705	-	907,705	-
Others	7,560,413	-	7,560,413	-
Financial assets at FVTOCI	116,296,139	76,511,042	31,784,179	8,000,918
Stock investments	14,451,116	6,400,568	49,630	8,000,918
Bond investments	100,755,695	69,021,146	31,734,549	-
Others	1,089,328	1,089,328	-	-
<b>Derivative financial products</b>				
<b>Assets</b>				
Financial assets at FVTPL	2,940,225	114,919	2,825,306	-
Other financial assets				
Financial assets for hedging	247,375	-	247,375	-
<b>Liabilities</b>				
Financial liabilities at FVTPL	4,247,279	-	4,247,279	-

Fair Value Measurement of Financial Instruments	Total	December 31, 2018		
		Level 1	Level 2	Level 3
<b>Non-derivative financial products</b>				
<b>Assets</b>				
Financial assets at FVTPL	\$ 8,581,548	\$ 300,526	\$ 8,281,022	\$ -
Financial assets mandatorily measured at FVTPL	8,581,548	300,526	8,281,022	-
Bond investments	1,955,428	300,526	1,654,902	-
Others	6,626,120	-	6,626,120	-
Financial assets at FVTOCI	91,938,199	67,016,293	17,783,861	7,138,045
Stock investments	11,923,261	4,785,216	17,783,861	7,138,045
Bond investments	77,509,250	59,725,389	-	-
Others	2,505,688	2,505,688	-	-
<b>Liabilities</b>				
Financial liabilities at FVTPL	9,130,255	-	9,130,255	-
<b>Derivative financial products</b>				
<b>Assets</b>				
Financial assets at FVTPL	2,335,942	173,149	2,162,793	-
Other financial assets				
Financial assets for hedging	244,763	-	244,763	-
<b>Liabilities</b>				
Financial liabilities at FVTPL	1,917,233	-	1,917,233	-

There were no transfers between Levels 1 and 2 in the current and prior periods.

- 2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2019

	Financial Assets at FVTOCI	Equity Instrument
Beginning balance	\$ 7,138,045	
Realized losses on other comprehensive income		862,873
Unrealized gains on other comprehensive income		8,000,918
Ending balance	\$ 8,000,918	

For the year ended December 31, 2018

	Financial Assets at FVTOCI	Equity Instrument
Beginning balance	\$ 7,678,043	
Realized losses on other comprehensive income		(539,998)
Unrealized gains on other comprehensive income		7,138,045
Ending balance	\$ 7,138,045	

### 3) Definition for the hierarchy classifications of fair value measurements

#### a) Level 1

Level 1 inputs are quoted prices unadjusted in active markets for identical financial instruments. An active market indicates the market that is in conformity with all of the following conditions: The products in the market are identical; it is easy to find a knowledgeable and willing transaction counterparty; and price information is available to the public.

The fair values of the Group investments in listed stocks, beneficiary certificates, on-the-run Taiwan central government bonds and derivative instruments with quoted market prices are included in Level 1.

#### b) Level 2

Level 2 inputs are inputs other than quoted prices with reference to an active market that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). The fair values of the Group's investments in off-the-run government bonds, corporate bonds, bank debentures, convertible bonds and most derivative bank debentures issued by the Group are included in Level 2.

#### c) Level 3

The input parameters used are not based on observable market data (unobservable input parameters are those such as option pricing models using historical volatility which cannot represent the expected value of all market participants). The fair values of the Group's investments in derivatives and equity investments without an active market are included in Level 3.

### 4) Valuation techniques and assumptions applied for the purpose of measuring fair value

#### a) Determination of fair value

A quoted market price is used as the fair value when a financial instrument has an active market. Such market prices are provided by the Stock Exchange Corporation, Bloomberg and Reuters, which are all the foundation of fair values for listed equity securities and debt instruments with a quoted market price in an active market.

If the market quotation from the Stock Exchange Corporation, commission merchants, underwriters or pricing service institutions can be frequently and readily obtained and the price represents actual and frequent at arm's length transactions, then a financial instrument is deemed to have an active market. If the above conditions are not met, the market is deemed inactive. In general, a significant price variance between the purchase price and selling price or a significantly increasing price variance are both indicators of an inactive market.

In addition to the above financial instruments with an active market, other financial instruments at fair value are assessed by valuation techniques or by referencing counterparties with other financial instruments at fair value with similar conditions and characteristics in actual practice, including market information obtained by exercising valuation models at the balance sheet date (such as yield curves used by TPEX and TAIBIR (page 02) secondary market fixing rates used by the Taiwan Depository & Clearing Corporation).

When a financial instrument has no standardized valuation and has a greater level of complexity, such as interest rate swaps, currency swaps and options, the Group usually adopts the valuation generally accepted by market users. The inputs used for these financial instruments' valuations are usually observable information in the market.

For financial instruments with greater complexity, the fair value is assessed through the valuation model developed by valuation methods and techniques generally accepted by competitors. These kinds of valuation models are usually applicable for derivative instruments, debt instruments without quoted market price (including debt instruments of embedded derivatives) or other debt instruments with low market liquidity. Certain inputs used in these valuation models are not observable in the market, and the Group needs to make appropriate estimates based on assumptions.

b) The types and nature of the valuation methods for financial instruments used by the Group are as follows:

- i. NTD central government bonds: The bond market rate and theoretical interest rate are price-per-hundred conversions announced by TPEX.
- ii. NTD corporate bonds and bank notes: The corporate bond reference rate is announced by TPEX, and the Group uses the appropriate credit rate and the remaining period to calculate the yield rate and convert it to price-per-hundred.
- iii. NTD convertible corporate bonds: The closing prices of outright purchase/sale trading are listed on TPEX on the valuation day. If the price is not available, the price is referenced from the outright purchase/sale trading information listed on TPEX.
- iv. Securitization instruments: Prices are those quoted from Bloomberg.
- v. NTD short-term bills: The TAIBIR (page 02) secondary market fixing rates used by the Taiwan Depository & Clearing Corporation are discounted from future cash flows.
- vi. Foreign securities: The latest prices quoted from Bloomberg, Reuters or other systems on the valuation day are used, if there is no available price or valuation, then the price used is that which is quoted from counterparties.
- vii. Listed stock, call/put warrants and depositary receipts: The closing price listed on TWSE or TPEX is adopted.
- viii. Unlisted stock: The fair value is referenced from related financial information or estimated using the price and parameters of listed companies which have similar service attributes.
- ix. Beneficiary certificates: Closed-end funds use the closing price in an active market as the fair value and open-end funds use the net asset value of the fund as the fair value.
- x. Derivatives:
  - i) Call/put warrants and stock index futures: Prices quoted from an active market are deemed the fair values.
  - ii) Foreign currency forward contracts, currency swaps, interest rate swaps, cross currency swaps and operating deposits of transactions: Discounted future cash flows are adopted.
  - iii) Options: The Black-Scholes model, binomial tree model and Monte Carlo method are mainly adopted for valuation.
  - iv) Certain derivatives use the quoted price from counterparties.

xi. Mixing Tools: The price from the active market, deal brokers and valuation models is used.

c) Adjustments for credit risks and the definitions are as follows:

Credit valuation adjustment (CVA) is a measurement for derivatives which are not transacted through the stock market, or for over-the-counter derivatives. CVA reflects the fair value should a counterparty default and the possibility of not collecting the derivative's full market value.

CVA is calculated by applying the loss given default (LGD) to the exposure at default (EAD), along with the consideration of the counterparty's probability of default (PD) (assuming the condition that the Group does not default).

c. Financial risk management objectives and policies

1) Market risk

a) The source and definition of market risk

Market risk is the uncertainty of changes in fair value of on- and off-balance sheet financial instruments due to changes in market risk factors. Market risk factors include interest rates, exchange rates, equity security prices and commodity prices.

The major market risks of the Group are equity securities price risks, interest rate risks, and exchange rate risks. The majority of equity securities risk includes domestic public stock, over-the-counter stock, emerging market stock, domestic stock index options and stock index futures. The main position of interest rate risk includes bonds and interest derivative instruments, such as interest rate swap. The main position of exchange rate risk includes the Group's investments denominated in foreign currencies, such as foreign currency spots, currency futures and foreign currency options.

b) Market risk management policy

The Group classifies the financial instruments held by the Group as trading book and banking book, and determines the market risk as interest rate risk, exchange rate risk, and equity security price risk. The Group establishes "Market Risk Management Regulation", "Derivative Financial Trading Process" and various financial instrument related regulations to manage the market risk of overall foreign exchange position, normal position, interest rate position of trading book and equity security position. The overall interest rate risk management of banking book belongs to Assets and Liabilities Management Committee.

The market risk management regulations are as follows:

- i. Establish the market risk management process to ensure the risk would be identified, measured, monitored and reported.
- ii. Measure and monitor the market risk and keep it under the risk limit and minimize unexpected loss from market risk.
- iii. Follow the regulations of Basel Accord.
- iv. Establish the market risk management system and economic capital allocation process.
- v. Monitor the credit line management of financial instrument, sensitivity analysis, stress testing and the calculation of VaR. Report the result of market risk monitoring to Risk Management Committee periodically and Board of Director quarterly.

c) Market risk management procedures

According to "Whole Risk Management Policy", Risk Management Department is the second line of defense against the market risk. Risk Management Department performs the market risk management, establishes related management process, and reports to the appropriate level of the management. Besides, Risk Management Department establishes independent risk management process and ensures it remains effective.

i. Identifying and measuring

The effective market risk management process begins with identifying the inherent risk of operating activities and financial instruments. The Group reviews the risk identifying method timely when the market environment changes and makes necessary adjustment to ensure the effective operation of the market risk management process. The Group's risk management department identifies market risk factors and measures the market risk. The market risk factors refer to the factors which affect the interest rate, exchange rate or the fair value of equity instruments. The market risk factors include the position, profits and loss, loss from stress testing, PVOI, Delta, VaR, etc.

ii. Monitoring and reporting

The Group controls market risk by managing risk limits. The risk management department sets various trading limits, such as position limits, stop-loss limits, and maximum potential loss. The trading limits are implemented only after they are reported to and approved by the board of directors.

The risk management department calculates exposures and estimated gains and losses on positions daily to make sure that the positions held and losses do not exceed the limits approved by the board of directors and prepares reports to the high-level management and the board of directors periodically for their sufficient understanding of the implementation of the market risk management and, if necessary, issuance of additional guidance.

The risk management department reports important market risk issues, such as discovery of possible loss on positions in each trading book or identification of weakness in the market risk management system, to the Risk Management Committee in order to improve the effectiveness of the market risk management.

iii. Stress testing

The stress testing is one of the important tools for risk management. It is used for verifying effects on the investment portfolio due to some extremely disadvantageous but possible stressful events and for analyzing exposure level and risk tolerance in such situations and furthermore evaluating the portfolio loss or the impact on the capital. Chang Hwa Bank performs stress testing for forecasting risk and for assessment and reinforcement of statistical models or historical data limitations.

d) Trading book market risk management

The trading book refers to the position of financial instruments held for trading or hedging. The position of financial instruments held for trading refers to the position which earns profits from actual or expected short-term price fluctuations.

i. Strategy

The Group determines the risk limitation of the investment portfolio of trading book by evaluating trading strategy, trading category, and annual performance.

- ii. Management strategy on banking book interest rate risk
  - According to the Group's interest rate risk management policy, the Group has set various measurement indicators and limits on banking book interest rate risk. To pursue profits and steady growth of stockholder value without exposure to extreme loss risks, the Group applies appropriate management strategy including on- and off-balance sheet adjustments and maintains appropriate amounts of assets and liabilities.
  - iii. Banking book interest rate risk report/range of measuring system
    - The Group mainly applies standard method for interest rate risk sensitivity gap analysis to measure banking book interest rate risks. The responsible department periodically measures banking book interest rate risks and reports to related departments and to the Asset and Liability Management Committee in order to adopt appropriate strategies for adjusting banking book interest rate risk combinations. Assessment information of banking book interest rate risk would be presented to the board of directors periodically to let the high-level management control such risks.
- g) Exchange rate risk management
  - i. Definition of exchange rate risk
    - Exchange rate risk is the gain or loss resulting from exchange or translation of two different foreign currencies at different times. The Group's exchange rate risk mainly comes from spot and forward exchange positions.
  - ii. Exchange rate risk management policy, procedures and measuring methods
    - The risk management department sets the position limit and stop-loss limit of trading book investment combinations in order to control exchange rate risk. If the losses reach the stop-loss limit, the trading department should decrease risk exposure positions so as to control losses.
    - The risk management department applies sensitivity analysis or Value at Risk to measure exchange rate risk and calculates stress loss of risk position held. In sensitivity analysis, Delta is applied to measure the exchange rate risk of the first order change and Gamma is applied to measure the exchange rate risk of the second order change. In addition, Vega is used to measure the first order risk of implied volatility rate. With regard to the Group's Value at Risk assumptions and calculation methods, refer to item i.
- h) Equity security price risk management
  - i. Definition of equity security price risk
    - Equity security price risk is the valuation effect on the position held by the Group when the equity security price changes. The Group's equity security price risk mainly comes from public and over-the-counter stock, index futures and options.

- ii. Management policy and procedures
  - The Group follows "Market Risk Management Rules", "Derivative Financial Trading Process" and various financial instrument related regulations as the important management rules of trading book.
  - iii. Valuation policy
    - The trading positions are valued real-time or daily basis. The hedging derivatives are valued at least twice a month. The resources of fair value of financial instruments are categorized as: (1) those derived from quoted prices in active markets; (2) the latest price without active market; (3) valuation without active market.
  - iv. Risk measuring methods
    - i) The sensitivity of the interest rate changes of investment portfolio is measured by DV01. The sensitivity of the foreign exchange derivatives is measured by the sensitivity factors (Delta, Gamma, and Vega).
    - ii) With regard to the Group's Value at Risk assumptions and calculation methods, refer to item i.
    - iii) The Group performs the stress test quarterly and report the result to Risk Management Committee periodically.
- e) Trading book interest rate risk management
  - i. Definition of interest rate risk
    - Interest rate risk is fair value changes in interest rate risk position held by the Group due to interest rate changes. The risks are mainly in debt securities and interest rate derivatives.
  - ii. Management procedures on trading book interest rate risk
    - The Group defines the trading limit of trading book and the stop-loss limit of different financial instruments by assessing the credit and the financial position of the issuers.
  - iii. Measuring methods
    - The interest rate factor sensitivity of debt securities and interest rate derivatives is measured by DV01. With regard to the Group's Value at Risk assumptions and calculation methods, refer to item i.
- f) Banking book interest rate risk management
  - i. Definition of banking book interest rate risk
    - The Group's banking book interest rate risk means the unfavorable change of interest rate of non-trading-book interest rate position which changes the present value of revenues and costs or assets and liabilities and causes decrease of earnings or impairment of economic value.

ii. Equity security price risk management purpose

The risk management department applies sensitivity analysis or Value at Risk to measure equity security price risk and calculates stress loss of risk position held. In sensitivity analysis, Delta, Gamma and Vega are, applied to measure the independent equity security price risk of the first order change, or market value is applied to indicate the exposure risks on positions of stock. With regard to the Group's Value at Risk assumptions and calculation methods, refer to item i.

iii. Equity security price risk management procedures

The Group sets restrictions on credit extensions with the same person, the same concerned party or the same affiliate to control the risk concentration. Risk Management Department monitors unrealized gain or loss of the holding position daily. If unrealized loss is over the stop-loss threshold, Risk Management Department would notice the department which holds the position to subject to the related regulations. The department which holds the position should report to Risk Management Committee if unrealized loss is over the stop-loss threshold but the department still holds the position.

iv. Measuring methods

The equity security price risk of Trading Book is monitored and controlled by VaR, refer to item i.

The Group would perform stress testing for the equity security price risk of non-trading position and report the result to Risk Management Committee.

i) Market risk measuring method

i. Value at Risk, "VaR"

The Group uses VaR model and stress testing to evaluate the risk of trading portfolio the market risk and the maximum expected loss of positions held through assumptions of changing market situation. VaR is the statistical estimation of potential losses of existing positions arising from unfavorable market changes. VaR refers to the maximum potential loss that Chang Hwa Bank might be exposed to within the confidence interval (99%), which means there is a certain probability (1%) that the actual loss would exceed VaR. Significant loss caused by excessive market volatility could not be avoided by using VaR.

The Group has been using historical simulation method to calculate VaR. The historical simulation method is based on historical data to estimate the future cash flow and assess the market risk of financial instrument. There are more and more financial institutions using the historical simulation method. However, there are some limitations for using the method. One of the limitations is that the assumption used in the method may not reflect the real situation. Besides, the simulation result may not be representative if the historical data used are too small. The Group would use proxy to respond to the limitations mentioned above.

According to the Group's "Risk Management Committee Establishment Points", the risk appetite of trading book market risk, operating limits and VaR limits should be approved by the Risk Management Committee. VaR is an important internal risk control in the Group. The VaR limits of investment portfolio are approved annually by the Risk Management Committee and reported to the board of directors. In addition, the daily actual VaR is monitored by the Group's risk management department.

ii. As of December 31, 2019 and 2018, the Bank's VaR factors based on historical simulation method were as follows:

	For the Year Ended December 31, 2019			Ending Balance
	Average	Highest	Lowest	
Exchange VaR	\$ 87,557	\$ 164,507	\$ 46,990	\$ 149,852
Interest rate VaR	4,292	6,997	2,070	5,039
Equity securities VaR	3,396	13,489	-	2,516
Value at risk	<u>\$ 95,245</u>	<u>\$ 184,993</u>	<u>\$ 49,060</u>	<u>\$ 157,407</u>

	For the Year Ended December 31, 2018			Ending Balance
	Average	Highest	Lowest	
Exchange VaR	\$ 99,012	\$ 134,964	\$ 52,314	\$ 52,314
Interest rate VaR	6,266	12,614	2,661	3,427
Equity securities VaR	4,353	10,043	-	-
Value at risk	<u>\$ 109,631</u>	<u>\$ 157,621</u>	<u>\$ 54,975</u>	<u>\$ 55,741</u>

2) Primary foreign currencies

The significant foreign-currency financial assets and liabilities as of December 31, 2019 and 2018 were as follows:

(In Thousands of Foreign Currencies/New Taiwan Dollars)

Financial assets	December 31, 2019	
	Foreign Currencies	New Taiwan Dollars
Monetary items		
USD	\$ 7,581,239	\$ 227,361,358
GBP	22,106	870,534
AUD	1,271,932	26,729,651
HKD	2,260,263	8,704,273
CAD	65,033	1,494,458
ZAR	4,284,442	9,083,017
JPY	48,671,485	13,438,197
EUR	608,363	20,465,331
NZD	71,076	1,435,735
RMB	11,512,518	49,446,265
		(Continued)

For the years ended December 31, 2019 and 2018, net foreign exchange gains (losses) were \$918,885 thousand and \$1,181,591 thousand, respectively. It is impractical to disclose net foreign exchange gains by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the Group and entities under its control.

3) Credit risk

a) Credit risk source and definition

Credit risk means the possible loss due to failure of debtors or counterparties to fulfill their contractual obligations or their ability to fulfill contractual obligations is impaired. Credit risk arises from the operation, on- and off-balance sheet items, including credit loans, derivatives transactions and securities investment, etc. Because the business becomes more complex, the credit risk is often generated with other risks that affect one another. For example, exchange rate risk also exists in foreign currency debt investment. Secured loans will be affected by the price volatility of the collateral and market liquidity risk of the collateral.

b) Credit risk management policy

i. The Group continuously improves its credit risk management technology and its efficiency to meet the requirements of internal operations, business scale and management objectives and build up the risk management system that fits the requirement of accuracy and completeness of the Group's risk management technology.

ii. The Group is building a complete monitoring mechanism, setting up a loan early warning system to track down bad indications and risk changes of high-risk credits, setting up "corporate clients' risk exposure and credit risk quick-search system" to understand the negative reporting and transactions with the Group in order to enhance the credit risk's identification, measurement and monitoring and improve the quality of risk management.

iii. The Group continues to develop methods of credit risk quantification models to elevate credit risk management techniques, which enable the Group's capital requirement and expected loss to become more risk sensitive.

iv. The Group implements strict and forward-looking credit risk stress testing to respond to the events or changes which may be unfavorable to the Group and in compliance with the requirements of the competent authority supervising risk management and improves the effectiveness of the Group's risk management.

v. The Group is holding sessions and training in risk management to strengthen risk management intelligence and increase the Group's financial institution of loan.

The Group's credit risk management procedures and measuring methods for major business are described as follows:

i. Credit business (including loan commitments and guarantees)

i) A signification increase in credit risk since initial recognition.

At the end of every reporting period, the Group evaluates the risk of default on credit assets occurring over their expected lifetime to determine whether the credit risk has increased significantly since their initial recognition.

	December 31, 2019	
	Foreign Currencies	New Taiwan Dollars
		Exchange Rate
Financial liabilities		
Monetary items		
USD	\$ 10,592,236	29.9900
GBP	28,742	39.3800
AUD	1,088,236	21.0150
HKD	1,525,516	3.8510
CAD	69,717	22.9800
ZAR	4,014,991	2.1200
JPY	49,659,212	0.2761
EUR	598,533	33.6400
NZD	84,477	20.2000
RMB	12,053,236	4.2950
Non-monetary items		
USD	2,593	29.9900
		77,764
		(C concluded)

(In thousands of Foreign Currencies/New Taiwan Dollars)

	December 31, 2018	
	Foreign Currencies	New Taiwan Dollars
		Exchange Rate
Financial assets		
Monetary items		
USD	\$ 8,898,028	30.7350
GBP	27,843	38.9000
AUD	1,095,013	21.6550
HKD	1,199,145	3.9230
CAD	67,346	22.5800
ZAR	72,053	2.1200
JPY	49,710,296	0.2774
EUR	390,042	35.1800
NZD	22,425	20.6300
RMB	13,892,214	4.4690
		\$ 273,480,891
		1,083,093
		23,712,507
		4,704,246
		1,520,673
		152,752
		13,789,636
		13,721,678
		462,628
		62,084,304

	December 31, 2019	
	Foreign Currencies	New Taiwan Dollars
		Exchange Rate
Financial liabilities		
Monetary items		
USD	10,260,713	30.7350
GBP	46,133	38.9000
AUD	1,089,360	21.6550
HKD	993,636	3.9230
CAD	80,216	22.5800
ZAR	1,759,369	2.1200
JPY	52,062,479	0.2774
EUR	452,284	35.1800
NZD	62,078	20.6300
RMB	12,686,266	4.4690
Non-monetary items		
USD	306,665	30.7350
		315,363,014
		1,794,574
		23,590,091
		3,898,034
		1,811,277
		3,729,862
		14,442,132
		15,911,351
		1,280,669
		56,694,923
		9,425,349

For this credit risk evaluation, the Group considers corroborative information (including forward-looking information) which indicates a significant increase in credit risk since initial recognition of the credit assets. The key indicators include:

- Quantitative indicators

A change in internal credit rating

The Group classifies each type of credit asset into three categories according to credit quality, internal credit rating and external credit rating (refer to the following table). A financial instrument is determined as having a significant increase in credit risk since initial recognition if its internal credit rating is at the level of 16-18 or if the scoring of a housing loan debtor is lower than 340.

- Qualitative indicators

A credit account is rated as ordinary-delinquent in accordance with the Group's "Detailed Rules for the Processing of Ordinary-delinquent Accounts".

The result of the credit review shows that the credit application and the loan application are inconsistent.

- ii) Definition of the credit-impaired financial assets

A credit account that meets one of the following conditions is classified under Stage 3 (Credit impaired):

- The debtor's payment of the principal or interest is past due for more than 3 months from the end of the credit term; or the Bank has already petitioned or withdrawn the debtor's collateral.
- The case has been agreed to be repaid in installments and is exempt from being listed as an overdue loan.
- The case was negotiated and adopted in accordance with the debt negotiation mechanism set by the Association of Banks in 2006.
- The case has been negotiated and agreed upon in accordance with "The Statute for Consumer Debt Clearance" (excluding secured debt fulfilled under the original contractual conditions).
- The case is ruled to undergo restructuring or liquidation by the court.
- The case is ruled to be restricted by the court.
- The case is declared bankrupt by the court.
- The case involves credit accounts of a debtor, excluding credit card accounts, which is partly transferred to class A and B non-performing loans (excluding the sixth item of class B: The credit account is totally guaranteed and the interest payment is not past due during the inheritance period after the death of the debtor and the collateral provider), as well as overdue loans or bad debt loans.
- The case is an enterprise account which has applied for relief from the Ministry of Economic Affairs.

- The case involves a credit account which has an internal credit rating at the level of 19-21.
- The case is a mortgage loan credit account of the Group which has no rating score.
- The case is a credit account which is determined as Stage 3 by the internal or external auditors, or the risk management department of the Group.

- iii) Expected credit loss measurement

The Group classifies credit assets into the following nine categories by the credit risk characteristics of the respective debtor's industry and organization size:

Business	Combination
Corporate banking loans	Government
	Large enterprise
	Small enterprise
	Legal person/group
	Overseas credit account
Individual banking loans	Other groups
	Individual-residential loan group
	Individual-other groups (unsecured)
	Individual-other groups (secured)

The Group measures the expected credit loss as follows:

- Stage 1, no significant increase in credit risk  
The Group measures the loss allowance for Stage 1 financial instruments at an amount equal to the 12-month ECLs based on past loss experience. The ECLs is the difference between the respective asset's EAD carrying amount and the present value of its estimated future cash flows, estimated at the forward-looking adjusted PD and discounted at the effective interest rate.
- Stage 2, significant increase in credit risk  
The Group measures the loss allowance for Stage 2 financial instruments at an amount equal to the lifetime ECLs. The ECLs is the difference between the respective asset's EAD carrying amount and the present value of its computed outcome which is discounted at the effective interest rate. The computed outcome is the product of the unpaid principal for each year end over instruments expected lifetime, the forward-looking adjusted PD, and the LGD.
- Stage 3, credit impairment  
The Group measures the loss allowance for Stage 3 financial instruments at an amount equal to the lifetime ECLs. The ECLs is the difference between the asset's EAD carrying amount and the present value of its estimated future cash flows, estimated assuming the credit impairment situation is given and discounted at effective interest rate.



The PD and EAD and LGD are used to measure the impairment loss for financial assets in the credit business:

- PD is meaning of using past credit-impaired situations to predict the probability of credit impairment in normal situation in a year. The PD for Stage 3 financial instruments is determined as 100%. The PD for Stages 1 and 2 are based on the categories and the remaining lifetime for each credit account. The credit accounts are divided into groups by remaining lifetimes. The PD of each group is determined as the PD of each credit quality stage. The Group shall update the probability of default at least once a year.
- The EAD is the total expected exposure amount of default which includes the unsecured line of credit.
- The exposure amount of impairment-tested off-balance sheet assets (i.e. guarantees, letters of credit issued yet unused, irrevocable loan commitments issued, and revocable loan commitments issued) is converted into the equivalent exposure amount of on-balance sheet assets through a credit conversion factor (CCF). The CCF is determined according to the standardized approach of the Capital Adequacy Ratio as either 0%, 20%, 50% or 100% by referring to the respective off-balance sheet item's characteristics.

iv) Forward-looking information

The Group classifies credit assets as either corporate banking - domestic, corporate banking - overseas, corporate banking - Singapore branch or individual banking business. Macroeconomic indicators for each of the above categories are estimated using the domestic economic growth rate, global economic growth rate, Southeast Asia economic growth rate and the domestic unemployment rate, respectively, and are updated at least once a year.

Macroeconomic indicators include the actual statistical value of the past five years and predicted value of the current year and the next five years at the time of calculation. The forward-looking adjusted PD is adjusted based on the reasonableness of each value's predicted trend.

The total amount of undiscounted ECLs at the time of initial recognition of the credit-impaired financial assets - loans which were purchased or originated is as follows:

	December 31	
	2019	2018
Discounts and Loans	\$ 6,252,756	\$ 7,286,332

ii. Call loans to banks

The Group evaluates the credit status of counterparties before deals are closed. The Group grants different limits to counterparties based on their respective credit ratings as suggested by domestic and foreign credit rating agencies. The Group assesses the credit limits of counterparties by level and financial status; the Group efficiently manages counterparties' credit risks through regular and special reviews, monitoring and reporting. Additionally, in accordance with the application of IFRS 9, the Group performs credit impairment assessments for call loans to banks, transfers the related credit losses to each of the three stages of credit impairment, and measures the related expected credit loss, so as to ensure adequate allowance for losses, in accordance with regulations.

iii. Debt instruments and derivative financial instruments

The Group identifies and manages the credit risks from debt instruments through the use of external credit ratings of the debt instruments along with the evaluation of credit qualities of bonds, regional conditions and counterparty risks.

The other banks with which the Group conducts derivative transactions are mostly considered investment grade. The Group monitors the credit limits (including lending limits) by counterparties. The credits extended to counterparties who are general customers are monitored in accordance with the related contract terms and conditions and the credit limits for derivatives established in normal credit granting processes.

The Group classifies the credit qualities of debt instruments as strong, medium, weak and non-rating.

A change in an external credit rating announced by international credit rating institutions (e.g. S&P and Moody's) is one of the quantitative indicators for judging a significant increase in the credit risk of financial assets at amortized cost and investments in debt instruments at FVOCI. The measurement of ECLs is calculated using the PD and LGD announced periodically by international credit rating institutions. The international credit rating institutions consider forward-looking information when establishing credit ratings. Thus, when the Group measures ECLs using such credit ratings it holds that an adequate evaluation of the forward-looking information, which was used by the institutions for establishing such credit rating, is inherent therein.

c) Credit risk hedging or mitigation policies

i. Collateral

The Group has a series of measures for credit granting to reduce credit risks. One of the procedures is asking for collateral from the borrowers. To secure the loans, the Group manages and assesses the collateral following the procedures that suggest the scope of collateralization and valuation of collateral and the process of disposition. In credit contracts, the Group stipulates the security mechanism for loans and the conditions and terms for collateral offsetting to state clearly that the Group reserves the right to reduce granted limit, to reduce repayment period, to demand immediate settlement or to offset the debts of the borrowers with their deposits in the Group in order to reduce the Group's credit risks.

ii. Credit line credit risks and control over concentration of credit risks

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

The table below analyzes the collateral held as security and other credit enhancements, and their financial effect in respect of the financial assets recognized in the Group's consolidated balance sheets:

**December 31, 2019**

Carrying Amount	Maximum Exposure to Credit Risk Mitigated by			Total
	Collateral	Master Netting Arrangement	Other Credit Enhancements	
\$ 1,444,882,311	\$ 962,322,022	-	-	\$ 962,322,022
Financial assets at FVTPL	5,466,346	-	-	5,466,346
Investments in debt instruments at FVOCI	11,483,389	-	-	11,483,389
Investments in debt instruments at amortized cost	100,845,623	2,102,573	-	102,948,196
	236,058,976	408,115	-	236,467,091

**December 31, 2018**

Carrying Amount	Maximum Exposure to Credit Risk Mitigated by			Total
	Collateral	Master Netting Arrangement	Other Credit Enhancements	
\$ 1,352,237,730	\$ 912,119,282	-	-	\$ 912,119,282
Financial assets at FVTPL	8,019,938	-	-	8,019,938
Investments in debt instruments at FVOCI	4,184,101	-	-	4,184,101
Investments in debt instruments at amortized cost	268,009,805	1,099,804	-	269,109,609

The carrying amount of financial assets with maximum exposure is as follows:

Credit rating	Discounts and Loans			Total
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	
Levels 1-5	\$ 830,468,301	\$ 3,677,985	\$ -	\$ 834,146,286
Levels 6-18	-	58,217,320	3,013,311	61,230,631
Levels 19-21	535,859,914	2,511,762	1,953,286	540,324,972
No rating	\$ 1,366,328,215	\$ 64,407,067	\$ 14,152,929	\$ 1,444,888,211
Total carrying amount	\$ 1,772,566	\$ 1,920,375	\$ 5,033,684	\$ 8,726,625

Expected credit losses Recognized impairment based on the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts	Discounts and Loans			Total
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	
Levels 1-5	\$ 829,132,008	\$ 794,433	\$ 36,123	\$ 829,962,564
Levels 6-18	-	50,738,114	3,166,966	53,905,080
Levels 19-21	456,828,033	2,208,988	2,082,326	461,119,347
No rating	\$ 1,285,960,041	\$ 53,741,535	\$ 13,572,154	\$ 1,353,273,730
Total carrying amount	\$ 1,884,305	\$ 1,844,323	\$ 5,102,485	\$ 8,831,113

Recognized impairment based on the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts

Carrying amount - non-cancellable	Discounts and Loans			Total
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	
Carrying amount - non-cancellable	\$ 680,878,308	\$ 12,987,768	\$ 1,649,946	\$ 695,516,022
Carrying amount - cancellable	\$ 64,459,258	\$ 4,316,557	\$ 515	\$ 68,776,330
	\$ 680,878,308	\$ 17,304,325	\$ 1,649,946	\$ 699,832,579

Expected credit losses - non-cancellable	Discounts and Loans			Total
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	
Expected credit losses - non-cancellable	\$ 680,878,308	\$ 12,987,768	\$ 1,649,946	\$ 695,516,022
Expected credit losses - cancellable	\$ 64,459,258	\$ 4,316,557	\$ 515	\$ 68,776,330
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	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	
Carrying amount - non-cancellable	\$ 680,878,308	\$ 12,987,768	\$ 1,649,946	\$ 695,516,022
Carrying amount - cancellable	\$ 64,459,258	\$ 4,316,557	\$ 515	\$ 68,776,330
	\$ 680,878,308	\$ 17,304,325	\$ 1,649,946	\$ 699,832,579

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	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	
Expected credit losses - non-cancellable	\$ 680,878,308	\$ 12,987,768	\$ 1,649,946	\$ 695,516,022
Expected credit losses - cancellable	\$ 64,459,258	\$ 4,316,557	\$ 515	\$ 68,776,330
	\$ 680,878,308	\$ 17,304,325	\$ 1,649,946	\$ 699,832,579

d) Maximum exposure to credit risk

The maximum credit risk exposures of various financial instruments held by the Group are the same as per book amounts. Refer to the notes to the consolidated financial statements.

As of December 31, 2019 and 2018, the maximum exposure to credit risk (before deducting the guarantees or other credit enhancement instruments and the irrepealably maximum amount of exposure) were as follows:

Financial Instrument Type	December 31	
	2019	2018
Unused loan commitments (excluding credit card)	\$ 72,353,744	\$ 68,776,330
Credit card commitments	322,128	316,154
Unused issued letters of credit	21,538,830	23,341,732
Guarantees in guarantee business	53,750,110	47,240,277

e) Situation of credit risk concentration

Prominent concentration of credit risks occurs when transaction parties for financial instruments prominently concentrate on one party, or on a few that are in similar business lines or exhibit similar economic characteristics. The characteristics of concentration of credit risks include the nature of business activities engaged by debtors. The Group has not engaged in transactions that involved a prominent concentration to one client or one transaction party, but has engaged in transaction parties of similar industry type or from similar region.

The Group's information on prominent concentration of credit risk was as follows:

Industry Type	December 31, 2019	
	Carrying Amount	Percentage of Item (%)
Financial and insurance	\$ 57,859,637	4
Manufacturing	365,087,003	25
Wholesale and retail	119,352,855	9
Real estate and leasing	116,599,212	8
Service	41,458,147	3
Individuals	480,099,759	33
Others	264,431,598	18
	<u>\$ 1,444,888,211</u>	

Industry Type	December 31, 2018	
	Carrying Amount	Percentage of Item (%)
Financial and insurance	\$ 61,513,658	5
Manufacturing	357,106,346	26
Wholesale and retail	119,732,031	9
Real estate and leasing	103,658,818	8
Service	42,521,269	3
Individuals	450,420,900	33
Others	218,320,708	16
	<u>\$ 1,353,273,730</u>	

Geographic Location	December 31, 2019	
	Carrying Amount	Percentage of Item (%)
Asia	\$ 1,339,980,751	93
America	75,096,223	5
Europe	16,976,716	1
Others	12,834,521	1
	<u>\$ 1,444,888,211</u>	

Geographic Location	December 31, 2018	
	Carrying Amount	Percentage of Item (%)
Asia	\$ 1,247,574,057	93
America	84,018,748	6
Europe	17,022,782	1
Others	4,658,143	-
	<u>\$ 1,353,273,730</u>	

Securities Type	December 31, 2019	
	Carrying Amount	Percentage of Item (%)
Unsecured	\$ 482,636,189	33
Secured	823,464,467	57
Properties	138,787,555	10
Others		
	<u>\$ 1,444,888,211</u>	

Securities Type	December 31, 2018	
	Carrying Amount	Percentage of Item (%)
Unsecured	\$ 441,154,448	33
Secured	773,714,213	57
Properties	138,405,069	10
Others		
	<u>\$ 1,353,273,730</u>	

f) Financial assets credit quality and non-performing impairment analysis

Part of financial assets held by the Group, such as cash and cash equivalents, due from the Central Bank and call loans to banks, financial assets at FVTPL, securities investments purchased under resell agreements, deposit refunds, operating deposits, and settlement deposits are exposed to low credit risks because the counterparties have rather high credit ratings.

4) Liquidity risk management

a) The definition of liquidity risk

Liquidity risk is the potential loss that the Group may suffer due to inability to liquidate assets or raise enough funds in reasonable time to perform obligations when due and to meet the demands of assets growth.

b) Liquidity risk management procedures

According to the Group's liquidity risk management policy, the Group clearly sets various indicators and limits for liquidity risk. The responsible department should implement operation procedures for funding liquidity, monitor and prepare maturity analysis periodically to assess liquidity risk. In addition, the responsible department should also report to related departments and Asset and Liability Committee to enable them to make appropriate adjustments to meet the needs of liquidity. Related information about the liquidity risk assessment should be reported to the board of directors to let the high-level management understand the Group's funding liquidity.

As of December 31, 2019 and 2018, the ratios of the liquidity reserve were 19.03% and 19.00%, respectively. Since the capital and working funds are deemed sufficient to meet the cash flow needs for performance of all contracted obligations, liquidity risk is not considered to be significant.

c) Maturity analysis of non-derivative financial assets and liabilities

The Group adopted appropriate grouping methods, which are based on the nature of non-derivative financial assets and liabilities, to do maturity analysis in order to assess liquidity. The maturity analysis is presented as follows:

(In Thousands of New Taiwan Dollars)

Item	December 31, 2018				Total
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	
Major maturity fund inflows	\$ 29,443,416	\$ -	\$ -	\$ -	\$ 29,443,416
Cash and cash equivalents	39,646,647	4,129,049	4,423,093	6,255,538	83,423,338
Due from the Central Bank and call loans to banks	7,729,884	-	-	-	7,729,884
Financial assets at FVTPL	16,275,268	872,180	445,913	248,536	18,033,788
Receivables	94,031,335	107,115,359	116,662,081	162,850,400	644,681,385
Discounts and loans	-	-	-	-	1,125,341,160
Investments in equity instruments designated as available-for-sale	-	-	-	-	11,923,261
Investments in debt instruments at FVOCI	800,273	1,400,115	502,125	2,213,254	23,433,556
Investments in debt instruments in debt	14,525,000	11,239,961	6,474,259	41,699,432	14,245,305
Investments in amortized cost	-	-	-	-	215,184,157
Other maturity funds inflow items	329,451,823	124,757,664	128,598,071	213,267,360	26,733,348
Major maturity fund outflows	\$ 189,672	\$ 191,747	\$ 19,089	\$ 424,959	\$ 825,467
Deposits from the Central Bank and banks	5,705,000	10,000	-	-	5,715,000
Securities sold under repurchase agreements	714,914	1,650,586	-	-	2,365,500
Payables	29,361,163	2,156,063	442,880	1,424,538	34,191,894
Deposits and remittances	110,834,474	124,202,476	133,370,347	188,618,379	1,278,570,742
Bank notes payable	-	-	-	-	49,300,000
Other maturity fund outflow items	40,584	25,316	48,354	269,826	5,793,570
Cap	\$ 182,606,016	\$ 128,286,188	\$ 133,880,670	\$ 190,737,702	\$ 1,377,196,253
	\$ 182,606,016	\$ 128,286,188	\$ 133,880,670	\$ 190,737,702	\$ 1,377,196,253
	\$ 182,606,016	\$ 128,286,188	\$ 133,880,670	\$ 190,737,702	\$ 1,377,196,253

Note: The amounts listed above were the position in N.T. dollars of the Bank

(In Thousands of United States Dollars)

Item	December 31, 2019				Total
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	
Major maturity fund inflows	\$ 544,782	\$ 100,000	\$ -	\$ -	\$ 644,782
Cash and cash equivalents	1,996,946	1,106,566	31,809	1,884	3,140,221
Due from the Central Bank and call loans to banks	262,769	-	-	-	262,769
Financial assets at FVTPL	585,187	106,515	217,117	22,894	935,647
Receivables	567,702	588,287	502,458	357,900	5,186,325
Discounts and loans	-	-	-	-	829,219
Investments in debt instruments at FVOCI	-	12,983	22,531	48,113	745,592
Investments in debt instruments in debt	-	-	-	-	218,425
Investments in amortized cost	-	7,997	9,495	27,974	263,889
Other maturity fund inflow items	-	-	-	-	23,056
Major maturity fund outflows	\$ 3,721,336	\$ 1,922,348	\$ 883,408	\$ 1,008,765	\$ 11,700,408
Deposits from the Central Bank and banks	16,819	523	784	1,568	85
Due to the Central Bank	1,817,252	732,000	-	-	2,549,252
Financial liabilities at FVTPL	813,101	48,488	10,068	6,836	878,494
Payables	2,354,485	2,223,800	1,549,521	1,705,462	11,029,838
Deposits and remittances	49,223	1,129	-	6,022	65,244
Other maturity fund outflow items	5,051,380	3,005,929	1,561,944	1,220,033	3,259,899
Cap	\$ 1,329,894	\$ 1,083,643	\$ 678,836	\$ 771,268	\$ 2,898,839
	\$ 1,329,894	\$ 1,083,643	\$ 678,836	\$ 771,268	\$ 2,898,839
	\$ 1,329,894	\$ 1,083,643	\$ 678,836	\$ 771,268	\$ 2,898,839

Note: The amounts listed above were the position in U.S. dollars of the Bank.

(In Thousands of New Taiwan Dollars)

Item	December 31, 2019				Total
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	
Major maturity fund inflows	\$ 21,988,924	\$ -	\$ -	\$ -	\$ 21,988,924
Cash and cash equivalents	21,174,806	4,128,212	4,296,655	6,421,140	61,992,408
Due from the Central Bank and call loans to banks	7,740,356	-	-	-	7,740,356
Financial assets at FVTPL	24,121,768	813,294	763,137	299,610	26,657,274
Receivables	106,829,848	133,212,354	131,849,292	205,462,586	657,484,986
Discounts and loans	-	-	-	-	1,231,839,046
Investments in equity instruments designated as available-for-sale	-	-	-	-	14,451,116
Investments in debt instruments at FVOCI	100,162	100,162	401,335	620,821	39,035,717
Investments in debt instruments in debt	141,850,000	8,099,449	9,455,000	51,499,529	13,672,568
Investments in amortized cost	-	-	-	-	224,576,946
Other maturity funds inflow items	320,705,702	146,353,471	146,265,219	264,304,006	1,421,926
Major maturity fund outflows	\$ 141,895	\$ 146,204	\$ 16,332	\$ 263,105	\$ 567,556
Deposits from the Central Bank and banks	9,610,000	10,000	-	-	9,620,000
Due to the Central Bank	510,935	1,036,356	-	-	1,547,291
Securities sold under repurchase agreements	22,431,702	645,811	1,459,879	1,493,074	26,997,742
Payables	107,916,729	124,678,010	130,074,293	194,398,694	1,442,107,250
Deposits and remittances	-	-	-	5,000,000	55,260,000
Bank notes payable	-	-	-	-	289,441
Other maturity fund outflow items	80,115	91,720	113,601	5,911,293	6,486,170
Cap	\$ 180,014,526	\$ 192,745,570	\$ 15,101,094	\$ 69,859,452	\$ 1,997,797,714
	\$ 180,014,526	\$ 192,745,570	\$ 15,101,094	\$ 69,859,452	\$ 1,997,797,714
	\$ 180,014,526	\$ 192,745,570	\$ 15,101,094	\$ 69,859,452	\$ 1,997,797,714

Note: The amounts listed above were the position in N.T. dollars of the Bank.

(In Thousands of United States Dollars)

Item	December 31, 2018				Over 1 Year	Total
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year		
Major maturity fund inflows	\$ 806,846	\$ 230,024	\$ -	\$ -	\$ -	\$ 1,036,870
Cash and cash equivalents	2,212,411	821,005	66,451	146,453	3,256	3,249,576
Due from the Central Bank and call loans to banks	540,228	189,153	234,864	13,399	16,178	27,710
Financial assets at FVTPL	552,202	713,629	369,275	290,125	3,459,503	993,822
Derivatives and loans	7,231	11,006	5,000	72,133	1,063,024	1,158,394
Investments at FVOCI	7,996	-	4,083	2,991	279,875	294,945
Investments in debt instruments at amortized cost	5,000	-	28,000	524,000	6,004	564,004
Other maturity fund inflow items	4,139,624	1,964,817	923,673	1,050,009	4,833,740	12,300,933
Major maturity fund outflows	809,709	74,535	10,802	1,605	85	896,736
Deposits from the Central Bank and banks	1,394,916	469,000	-	-	-	1,863,916
Financial liabilities at FVTPL	-	-	-	297,064	-	297,064
Securities sold under repurchase agreements	95,018	-	-	-	-	95,018
Payables	622,700	34,674	4,841	4,924	2,766,131	667,139
Deposits and remittances	2,576,125	2,334,002	1,226,298	1,256,576	10,145,132	14,538,133
Other maturity fund outflow items	60,389	1,001	532	10,946	87,633	160,521
Gain	\$ (4,419,233)	\$ (948,393)	\$ (300,830)	\$ (521,016)	\$ 1,974,891	\$ (1,214,573)

Note: The amounts listed above were the position in U.S. dollars of the Bank.

d) Maturity analysis of derivative financial assets and liabilities

The derivative instruments held by the Group, except for interest rate swaps with leveraging effects, have very little probabilities of failing to be sold with reasonable prices in the market, and thus have very low liquidity risks.

e) Maturity analysis of off-balance sheet items

Bank's off-balance sheet items - irrevocable loans, guarantees, and letters of credit - presented based on the residual time from the balance sheet date to the maturity date were as follows:

Item	December 31, 2019					Total
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	
Irrevocable loan commitments issued	\$ 57,017,716	\$ 178,259	\$ 1,130,997	\$ 1,693,847	\$ 12,333,925	\$ 72,353,744
Credit card commitments	-	7	11,045	2,1906	289,170	322,128
Letters of credit issued yet unused	21,437,556	101,274	144,787	648,768	-	21,538,890
Guarantees	\$ 131,284,045	\$ 342,659	\$ 1,286,829	\$ 2,364,521	\$ 12,680,738	\$ 147,964,812
Gain	\$ (118,501,101)	\$ 2,033,324	\$ 2,619,722	\$ 4,414,764	\$ 12,153,382	\$ 139,674,493

(In Thousands of New Taiwan Dollars)

Item	December 31, 2018					Total
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	
Irrevocable loan commitments issued	\$ 49,422,517	\$ 1,564,066	\$ 2,456,218	\$ 3,611,264	\$ 11,722,265	\$ 68,776,330
Credit card commitments	40	1,182	2,455	40,898	271,579	316,154
Letters of credit issued yet unused	23,262,124	61,714	18,304	-	-	23,341,732
Guarantees	\$ 118,501,101	\$ 2,033,324	\$ 2,619,722	\$ 4,414,764	\$ 12,153,382	\$ 139,674,493

(New Taiwan Dollars and Foreign Currencies Combined In Thousands of New Taiwan Dollars)

Item	December 31, 2019				Over 1 Year	Total
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year		
Foreign currency derivative instruments	\$ 154,875,016	\$ 324,648,718	\$ 65,469,620	\$ 49,988,208	\$ -	\$ 594,981,562
Outflows	154,178,175	324,467,148	65,300,756	50,001,141	-	593,947,220
Inflows	-	-	-	-	-	-
Interest rate derivative instruments	610,300	-	-	7,044,810	12,824	7,657,964
Outflows	676,016	-	-	6,918,860	-	7,594,876
Inflows	-	-	-	-	-	-
Outflows	28,749	-	-	-	-	28,749
Total outflows	\$ 155,485,316	\$ 324,648,718	\$ 65,469,620	\$ 57,033,048	\$ 12,824	\$ 602,649,526
Total inflows	\$ 154,882,940	\$ 324,467,148	\$ 65,300,756	\$ 56,920,001	\$ -	\$ 601,570,845

(New Taiwan Dollars and Foreign Currencies Combined In Thousands of New Taiwan Dollars)

Item	December 31, 2018				Over 1 Year	Total
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year		
Foreign currency derivative instruments	\$ 130,622,908	\$ 177,417,727	\$ 45,730,365	\$ 12,335,558	\$ 619,367	\$ 366,734,925
Outflows	130,934,978	177,661,565	45,998,167	12,261,809	637,738	367,494,277
Inflows	-	-	-	-	-	-
Interest rate derivative instruments	210,160	-	1,302,820	2,465,600	3,915	3,882,495
Outflows	210,160	-	1,302,820	2,465,600	-	3,882,495
Inflows	\$ 130,833,068	\$ 177,417,727	\$ 46,992,185	\$ 14,801,588	\$ 639,282	\$ 370,287,420
Total outflows	\$ 131,091,469	\$ 177,661,565	\$ 47,290,987	\$ 14,723,574	\$ 637,738	\$ 371,315,293

35. OTHER DISCLOSURES OF FINANCIAL INSTITUTION

a. Asset quality

Business Type	December 31, 2019				December 31, 2018			
	Non-performing Loans (Note a)	Loans	Non-performing Loans Ratio (Note b)	Coverage Ratio (Note c)	Non-performing Loans (Note a)	Loans	Non-performing Loans Ratio (Note b)	Coverage Ratio (Note c)
Corporate	3,212,827	482,411,050	0.67%	5,600,321	2,305,939	\$ 462,634,187	0.50%	\$ 5,480,295
Secured	157,130	467,742,059	0.03%	5,002,464	444,112	423,118,277	0.09%	4,899,868
Unsecured	297,697	1,566,291	19.01%	697,857	861,827	1,566,291	54.84%	1,117,427
Consumer	4,825	17,596,335	0.27%	19,927	4,045	1,587,222	0.25%	19,711
Secured	4,825	17,596,335	0.27%	19,927	4,045	1,587,222	0.25%	19,711
Unsecured	-	-	-	-	-	-	-	-
Others (Note f)	4,013,092	1,429,937,609	0.54%	17,296,409	4,315,669	1,336,393,464	0.32%	16,316,238
Total	12,050,741	1,912,044,989	0.63%	17,936,654	7,030,661	1,912,044,989	0.37%	17,936,654

Business Type	December 31, 2019				December 31, 2018			
	Non-performing Loans (Note a)	Loans	Non-performing Loans Ratio (Note b)	Coverage Ratio (Note c)	Non-performing Loans (Note a)	Loans	Non-performing Loans Ratio (Note b)	Coverage Ratio (Note c)
Credit card	5,181	2,163,802	0.24%	20,714	3,131	1,739,770	0.17%	20,293
No recourse receivable factoring (Note g)	-	9,700,899	-	147,092	-	14,539,251	-	143,398
Total	5,181	11,864,699	0.04%	167,806	3,131	16,279,021	0.02%	163,691

Note a: Non-performing loans are classified in accordance with the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Part Due/Non-performing Loans and Bad Debts issued by the MOF.

Note b: Non-performing loans of credit cards are defined in the Letter issued by the Banking Bureau on July 6, 2005 (Ref. No. Jin-Guan-Yin (4) 0944000378).

Note c: Non-performing loans ratio = Non-performing loan ÷ Loans

Note d: Coverage ratio of allowance for loan losses = Allowance for loan losses ÷ Non-performing loans

Note e: Coverage ratio of allowance for loan losses of credit card = Allowance for loan losses of credit card ÷ Non-performing loans of credit cards

Note f: Mortgage loans are for borrowers to build or repair buildings, allowing the borrowers, their spouses or their minor children to fully use their buildings as collateral and to mortgage their rights to financial institutions.

Note g: Credit loans are defined in the Letter issued by the Banking Bureau on December 19, 2006 (Ref. No. Jin-Guan-Yin (4) 09440010950), excluding credit loans of credit cards and cash cards.

Note h: The other consumer financial businesses are defined as secured or unsecured consumer financial businesses, excluding mortgage loans, cash loans, credit loans and credit cards.

Note i: In accordance with the Letter issued by the Banking Bureau on July 19, 2005 (Ref. No. Jin-Guan-Yin (5) 09400040494), non-recourse receivable factoring are not defined as non-performing loans until compensation from fact or insurance companies are ascertained to be non-recoverable.

Note j: The Bank does not engage in cash cards business.

Item	December 31, 2019		December 31, 2018	
	Non-performing Loans Exempted from Reporting	Non-performing Receivables Exempted from Reporting	Non-performing Loans Exempted from Reporting	Non-performing Receivables Exempted from Reporting
Business Type				
Negotiated loans transacted in accordance with the agreement and exempted from reporting as non-performing loans (Note a)	\$ -	\$ 943	\$ -	\$ 1,284
Negotiated accounts receivable transacted in accordance with the agreement and exempted from reporting as non-performing receivables (Note b)	486	19,520	554	17,484
Total	486	20,463	554	18,768

Note a: Negotiated loans and accounts receivable transacted in accordance with the agreement and exempted from reporting as non-performing loans are disclosed in accordance with the Letter issued by Banking Bureau on April 25, 2006 (Ref. No. Jin-Guan-Yin (1) 09510001270).

Note b: Loans and receivables transacted in accordance with debt clearance and renewal regulation and exempted from reporting as non-performing loans or receivables are disclosed in accordance with the Letter issued by Banking Bureau on September 15, 2008 (Ref. No. Jin-Guan-Yin (1) 09700318940).

b. Concentration of credit risk

Rank (Note a)	December 31, 2019		As Proportion of Net Equity (%) (Note d)
	Transaction Party (Note b)	Loans (Note c)	
1	A Corporation (railway transportation industry)	\$ 25,827,350	15.92
2	B Group (airline industry)	24,490,414	15.10
3	C Group (construction industry)	18,791,012	11.58
4	D Group (steel smelting industry)	16,970,744	10.46
5	E Group (concrete manufacturing industry)	16,318,376	10.06
6	F Group (steel manufacturing industry)	7,248,601	4.47
7	G Group (enterprise general management agency)	6,547,128	4.04
8	H Group (real estate development industry)	6,145,549	3.79
9	I Group (electric wire and cable manufacturing industry)	5,989,758	3.69
10	J Group (real estate leasing industry)	5,811,259	3.58

Rank (Note a)	December 31, 2018		As Proportion of Net Equity (%) (Note d)
	Transaction Party (Note b)	Loans (Note c)	
1	A Corporation (railway transportation industry)	\$ 26,066,037	16.65
2	B Group (airline industry)	24,417,805	15.60
3	D Group (steel smelting industry)	21,098,325	13.48
4	E Group (concrete manufacturing industry)	18,768,879	11.99
5	C Group (construction industry)	16,927,144	10.81
6	K Group (other computer peripheral equipment manufacturing industry)	8,906,450	5.69
7	F Group (steel manufacturing industry)	7,530,964	4.81
8	I Group (electric wire and cable manufacturing industry)	6,115,546	3.91
9	L Group (real estate development industry)	6,114,530	3.91
10	M Group (other financial services industry)	5,469,398	3.49

Note a: Sorted by the balance of loans on December 31, 2019 and 2018, excluding government or state-run business. The number of transaction party which belongs to a group business was included in the balance of group business.

Note b: Transaction party is in accordance with article 6 of the Supplementary Provisions to the Taiwan Stock Exchange Corporation Criteria for Review of Securities Listings.

Note c: Loans include import and export bill negotiations, bills discounted, overdraft, short-term loan, short-term secured loan, accounts receivable financing, medium-term loan, medium-term secured loan, long-term loan, long-term secured loan, delinquent loans, inward remittances, factoring without recourse, acceptance, and guarantee.

Note d: The percentage of loans to equity for the period: Domestic banks should use bank equity to calculate; the Taiwan branch of foreign banks should use branch's equity to calculate.

#### c. Interest rate sensitivity

(In Thousands of New Taiwan Dollars; %)

Item	December 31, 2019				Total
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	
Interest-sensitive assets	\$ 1,351,733,509	\$ 59,055,333	\$ 65,091,720	\$ 12,365,049	\$ 1,588,245,631
Interest-sensitive liabilities	320,397,347	894,994,787	98,106,938	53,953,478	1,367,452,550
Interest sensitivity gap	1,031,336,162	(835,939,454)	(33,015,218)	58,411,571	220,799,081
Net equity	141,078,002				141,078,002
Ratio of interest-sensitive assets to liabilities	116.15%				116.15%
Ratio of interest sensitivity gap to net equity	156.90%				156.90%

(In Thousands of New Taiwan Dollars; %)

Item	December 31, 2018				Total
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	
Interest-sensitive assets	\$ 1,271,933,192	\$ 39,554,518	\$ 62,221,289	\$ 97,643,050	\$ 1,471,352,049
Interest-sensitive liabilities	321,021,210	833,758,818	89,052,792	47,053,818	1,290,886,638
Interest sensitivity gap	950,911,982	(794,204,300)	(26,831,503)	50,589,232	180,465,411
Net equity	134,111,383				134,111,383
Ratio of interest-sensitive assets to liabilities	113.98%				113.98%
Ratio of interest sensitivity gap to net equity	134.56%				134.56%

Note a: The amounts listed above include accounts in N.T. dollars only (i.e. excluding foreign currency) for both head office and domestic branches.

Note b: Interest-sensitive assets and liabilities are interest-earning assets and interest-bearing liabilities with income or cost affected by interest rate fluctuations.

Note c: Interest sensitivity gap = Interest-sensitive assets - Interest-sensitive liabilities

Note d: Ratio of interest-sensitive assets to interest-sensitive liabilities =  $\frac{\text{Interest-sensitive assets}}{\text{Interest-sensitive liabilities}}$  (N.T. dollars only)

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

Item	December 31, 2019				Total
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	
Interest-sensitive assets	\$ 12,559,869	\$ 830,942	\$ 480,275	\$ 74,057	\$ 13,945,143
Interest-sensitive liabilities	13,950,748	1,413,764	1,405,394	109	16,770,015
Interest sensitivity gap	(1,390,879)	(582,822)	(925,119)	73,948	(2,824,872)
Net equity	508,858				508,858
Ratio of interest-sensitive assets to liabilities	83.16%				83.16%
Ratio of interest sensitivity gap to net equity	(555.14%)				(555.14%)

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

Item	December 31, 2018				Total
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	
Interest-sensitive assets	\$ 13,345,524	\$ 620,067	\$ 606,445	\$ 748,767	\$ 15,320,603
Interest-sensitive liabilities	14,383,210	1,042,284	1,022,113	111	16,447,718
Interest sensitivity gap	(1,037,686)	(422,217)	(415,668)	748,656	(1,127,115)
Net equity	590,622				590,622
Ratio of interest-sensitive assets to liabilities	93.15%				93.15%
Ratio of interest sensitivity gap to net equity	(212.41%)				(212.41%)

Note a: The amounts listed above include accounts in U.S. dollars only for domestic branches, offshore banking unit (OBU), and overseas branches, excluding contingent assets and contingent liabilities.

Note b: Interest-sensitive assets and liabilities are interest-earning assets and interest-bearing liabilities with income or cost affected by interest rate fluctuations.

Note c: Interest sensitivity gap = Interest-sensitive assets - Interest-sensitive liabilities

Note d: Ratio of interest-sensitive assets to interest-sensitive liabilities =  $\frac{\text{Interest-sensitive assets}}{\text{Interest-sensitive liabilities}}$  (U.S. dollars only)

#### d. Profitability

Item	December 31, 2019	December 31, 2018
Return on total assets	Pretax 0.64%	0.71%
	After tax 0.55%	0.61%
Return on net equity	Pretax 8.48%	9.76%
	After tax 7.26%	8.39%
Profit margin	36.07%	38.20%

f. Trust accounts

Under article 3 of the Trust Law, the Group can offer trust services. The items and amounts of trust accounts as of December 31, 2019 and 2018 were as follows:

	December 31	
	2019	2018
Special purpose trust accounts - domestic	\$ 32,055,153	\$ 30,954,936
Special purpose trust accounts - foreign	74,642,122	75,877,822
Insurance trust	10,760	10,697
Retirement and breeds trust	643,512	422,516
Umbilical cord blood trust	12,199,191	11,231,280
Money claim and guarantee trust	58,800	65,800
Marketable securities trust	866,543	739,231
Real estate trust	25,092,597	17,663,388
Securities under custody	215,616,230	134,752,976
Other money trust	2,248,066	2,006,512
	<u>\$ 363,432,974</u>	<u>\$ 273,725,158</u>

g. Disclosures on trust assets and liabilities and assets register as required by Enforcement Rules of ROC Trust Law Article 17 were as follows:

	December 31		December 31	
	2019	2018	2019	2018
<b>Trust Assets</b>				
Bank deposits	\$ 5,350,631	\$ 4,118,911		
Insurance claims	58,800	65,800		
Financial assets				
Common stock	2,244,637	1,867,776	\$ 126,248,077	\$ 119,998,578
Mutual funds	120,082,141	114,602,922	58,800	65,800
Bonds	3,560,451	2,784,909	Marketable securities trust	749,182
Interest receivable	921	1,459	Real estate trust	20,273,438
Land	4,384,643	10,862,297	Securities under custody	215,616,230
Buildings	580,681	597,410	payable	134,752,976
Construction in progress	11,553,839	4,070,698	Withholdings	57
Securities under custody	215,616,230	134,752,976	Profit and loss	218,211
			Unappropriated retained earnings - realized capital gain/loss	337,679
			Unappropriated retained earnings - gain on revenue/expense investment	52,859
			Unappropriated retained earnings	1,030,796
			Total trust liabilities	748,120
			Total trust assets	<u>\$ 363,432,974</u>
			Total trust liabilities	<u>\$ 273,725,158</u>
			Total trust assets	<u>\$ 363,432,974</u>
			Total trust liabilities	<u>\$ 273,725,158</u>

Note a: Return on total assets =  $\frac{\text{Income before (after) tax}}{\text{Average assets}}$

Note b: Return on net equity =  $\frac{\text{Income before (after) tax}}{\text{Average net equity}}$

Note c: Profit margin =  $\frac{\text{Income after tax}}{\text{Net revenue and gains}}$

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2019 and 2018, respectively.

e. Maturity analysis of assets and liabilities

(In Thousands of New Taiwan Dollars)

	Total	December 31, 2019		
		0-10 Days	Period Remaining until Due Date and Amount Due	More Than 1 Year
		11-30 Days	91-180 Days	181 Days-1 Year
Major maturity cash	\$ 1,940,852,644	\$ 187,749,922	\$ 158,894,940	\$ 798,945,630
Major maturity cash	2,474,479,488	139,853,921	454,558,706	1,009,055,386
Major maturity cash	(533,626,884)	47,221,001	(101,210,688)	(183,499,483)
Gap				

(In Thousands of New Taiwan Dollars)

	Total	December 31, 2018		
		0-10 Days	Period Remaining until Due Date and Amount Due	More Than 1 Year
		11-30 Days	91-180 Days	181 Days-1 Year
Major maturity cash	\$ 1,707,833,143	\$ 184,340,884	\$ 143,340,830	\$ 768,070,260
Major maturity cash	2,254,638,399	118,541,883	330,434,420	950,547,936
Major maturity cash	(546,405,166)	47,991,676	(18,667,344)	(184,477,676)
Gap				

Note: The amounts listed above include accounts in N.T. dollars only (i.e. excluding foreign currency) for both head office and domestic branches.

(In Thousands of U.S. Dollars)

	Total	December 31, 2019		
		1-30 Days	Period Remaining until Due Date and Amount Due	More Than 1 Year
		31-90 Days	91-180 Days	181 Days-1 Year
Major maturity cash	\$ 23,894,487	\$ 9,998,071	\$ 5,145,260	\$ 1,997,240
Major maturity cash	28,555,457	9,783,120	5,570,195	4,260,119
Major maturity cash	(4,660,970)	214,951	(424,935)	(2,262,879)
Gap				

(In Thousands of U.S. Dollars)

	Total	December 31, 2018		
		1-30 Days	Period Remaining until Due Date and Amount Due	More Than 1 Year
		31-90 Days	91-180 Days	181 Days-1 Year
Major maturity cash	\$ 22,371,236	\$ 9,764,134	\$ 4,338,156	\$ 1,817,531
Major maturity cash	27,471,708	10,457,265	5,130,078	3,737,405
Major maturity cash	(5,100,472)	(693,131)	(791,922)	(2,503,697)
Gap				

Note: The amounts listed above include accounts in U.S. dollars for head office, domestic branches, and OBU.



### Trust Assets Register

### 36. RELATED-PARTY TRANSACTIONS

#### a. Related parties and their relationships with the Bank

	December 31	
	2019	2018
<b>Investments</b>		
Bank deposits	\$ 5,350,631	\$ 4,118,911
Insurance claims	58,800	65,800
Financial assets		
Common stock	2,244,637	1,867,776
Mutual funds	120,082,141	114,602,922
Bonds	3,560,451	2,784,909
Land	4,384,643	10,862,297
Buildings	580,681	597,410
Construction in progress	11,553,839	4,070,698
Others	921	1,459
Securities under custody	215,616,230	134,752,976
Total trust assets	<u>\$ 363,432,974</u>	<u>\$ 273,725,158</u>

#### Income Statement of Trust

	For the Year Ended December 31	
	2019	2018
<b>Investments</b>		
Revenue		
Interest income	\$ 91,926	\$ 90,198
Dividends	92,496	102,913
Rental revenues	-	94,538
Gain on mutual funds	9,133	12,058
Foreign exchange gains	806,432	818,946
Realized capital gain - mutual funds	5,659	5,666
Realized capital gain - quoted stock	11,114	67,821
Realized capital gain - bonds	4,519	1,952
	<u>1,021,279</u>	<u>1,194,092</u>
Expense		
Maintenance	(1,948)	(1,614)
Tax expense	(3,508)	(2,169)
Others	(320)	(120)
Foreign exchange losses	(758,539)	(789,270)
Realized capital loss - bonds	(1,785)	(14,968)
Realized capital loss - mutual funds	(23,966)	(16,979)
Realized capital loss - quoted stock	(13,002)	(31,293)
	<u>(803,068)</u>	<u>(856,413)</u>
	<u>\$ 218,211</u>	<u>\$ 337,679</u>

Name	Relationship
Director and managers	The Bank's director and managers
Taishin Financial Holding	The Bank's corporate director
Taishin International Bank	Owned by the same parent company
The Export-Import Bank	Its director is the Bank's corporate director
Land Bank	Its director is the Bank's corporate director
Taiwan Business Bank	Its director is the Bank's corporate director
Taiwan High Speed Rail Corporation	Its director is the Bank's corporate director
Yang Ming Marine Transport Corporation	Its director is the Bank's corporate director
Unity OPTO Technology Co., Ltd.	Its director is the Bank's corporate director
Powertec Electrical Corporation (former name is Powertec Energy Corporation)	Its director is the Bank's corporate director
CSBC Corporation	Its director is the Bank's corporate director
United Renewable Energy Co., Ltd.	Its director is the Bank's corporate director
Kaohsiung Rapid Transit Corporation	Its director is the Bank's corporate director
Adimune Corporation	Its director is the Bank's corporate director
Others	FSC-approved IAS 24, "Related Party Disclosures" other related parties

#### b. Significant transactions with related parties

##### 1) Loans

	Balance	Percentage of Loans (%)
Balance as of December 31, 2019	\$ 31,515,937	2.21
Balance as of December 31, 2018	29,195,481	2.18

For the years ended December 31, 2019 and 2018, interest rates ranged from 0.63% to 4.20% and from 0.63% to 4.70%, respectively, and interest income amounted to \$611,993 thousand and \$587,840 thousand, respectively.

	December 31, 2019				Difference in Total Interest and Related Parties Non-related Parties
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	
<b>Consumer loans</b>					
37 accounts	\$ 18,234	\$ 19,552	\$ 18,234	\$ -	Credit
Self-use residential mortgage loans					
222 accounts	1,480,928	1,524,348	1,480,928	-	Real estate
<b>Others</b>					
Taiwan High Speed Rail Corporation	25,674,629	25,683,510	25,674,629	-	Credit and equipment station
Yang Ming Marine Transport Corporation	1,878,000	2,378,000	1,878,000	-	Credit and ship
Unity Opto Technology Co., Ltd.	744,849	1,142,872	744,849	-	Credit and land and plant
Powertec Electrical Corporation	666,383	666,383	666,383	-	Credit and plant
CSBC Corporation	500,000	672,483	500,000	-	Credit

(Continued)

	December 31, 2019				Difference in Terms Between Related Parties and Non-related Parties	
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans		Collateral
United Renewable Energy Co., Ltd.	\$ 100,000	\$ 490,000	\$ 100,000	\$ -	Credit	None
Other - corporation 10 accounts (Note 1)	452,092	929,683	452,092	-	Credit and fund guarantee and real estate	None
Other - individual 6 accounts (Note 2)	823	1,633	823	-	Deposit	None

(Continued)

	December 31, 2018				Difference in Terms Between Related Parties and Non-related Parties	
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans		Collateral
Consumer loans	\$ 14,309	\$ 15,788	\$ 14,309	\$ -	Credit	None
Self-use residential mortgage loans	1,237,988	1,271,456	1,237,988	-	Real estate	None
Others	25,739,237	26,764,830	25,739,237	-	Credit and ship equipment	None
Taiwan High Speed Rail Corporation	1,140,000	2,180,000	1,140,000	-	Ship	None
Yang Ming Marine Transport Corporation	628,791	628,791	628,791	-	Credit	None
Powerte Energy Corporation	431,595	779,460	431,595	-	Credit and fund guarantee and real estate	None
Other - individual 5 accounts (Note 2)	2,936	2,966	2,936	-	Deposit	None

Note 1: The balance of each corporate entity does not exceed \$1 billion.

Note 2: The balance of each single entity does not exceed 1% of the total ending balance.

Loans to managers for mortgage within \$8,000 thousand and credit loans within \$800 thousand per person all bore interests at 1.26% in December 31, 2019 and 2018. The interest rates and other terms provided to the other related parties are the same as those offered to the public.

## 2) Guaranteed loans

	December 31, 2019				Collateral
	Ending Balance	Highest Amount	Reserve for Guarantee Liabilities	Interest Rate (Per Annum %)	
Yang Ming Marine Transport Corporation	\$ 1,511,100	\$ 1,511,100	\$ 15,111	0.80%-1.00%	None
Kaohsiung Rapid Transit Corporation	21,327	21,327	213	0.50%	None
Adimunte Corporation	18,457	18,771	185	1.80%	Pledged demand deposit

	December 31, 2018				Collateral
	Ending Balance	Highest Amount	Reserve for Guarantee Liabilities	Interest Rate (Per Annum %)	
Yang Ming Marine Transport Corporation	\$ 500,000	\$ 500,000	\$ 5,000	0.80	None
Kaohsiung Rapid Transit Corporation	24,588	30,388	246	0.50	None
Adimunte Corporation	19,236	19,236	192	1.80	Pledged demand deposit

## 3) Deposits

	Balance	Percentage of Loans (%)
Balance as of December 31, 2019	\$ 9,078,174	0.51
Balance as of December 31, 2018	4,283,912	0.25

For the years ended December 31, 2019 and 2018, the interest rates intervals were both between 0.00% and 13.00%; the interest expense was \$72,814 thousand and \$50,410 thousand, respectively.

The interest rate for managers' deposits amounting to \$480 thousand per person was 13% per annum. The part of deposit exceeding \$480 thousand will earn interest calculated at the demand savings rate. The interest rates and others terms provided to the other related parties are the same as those offered to general public.

## 4) Call loans to banks and call loans from banks

### Call loans to banks

(In Thousands of Original Currencies)

	December 31, 2019				Interest Income
	Ending Balance	Interest Rate (Per Annum %)	Department	Currency	
Land Bank	\$ 260,000	1.55-3.28	OBU	USD	\$ 5,418
	10,000	2.38-2.94	London Branch	USD	258
	70,000	2.34-3.32	Hong Kong Branch	USD	2,570
Taiwan Business Bank	41,000	1.52-3.25	OBU	USD	1,327
	10,000	1.60-3.25	Hong Kong Branch	USD	542
	10,000	2.25-2.79	Singapore Branch	USD	81

	December 31, 2018				Interest Income
	Ending Balance	Interest Rate (Per Annum %)	Department	Currency	
Land Bank	\$ 1,500,000	0.18-0.19	DBU	NTD	\$ 274
	155,000	1.48-3.28	OBU	USD	3,089
	60,000	1.45-3.53	OBU	RMB	78
	10,000	2.79	Singapore Branch	USD	68
	90,000	1.62-3.32	Hong Kong Branch	USD	2,239
	10,000	1.45-3.25	OBU	USD	816
	20,000	1.50-3.25	Hong Kong Branch	USD	714



39. DISCLOSURES UNDER STATUTORY REQUIREMENTS

a. Material transactions

No.	Item	Explanation
1	Accumulated purchases and sales balance of specific investees' marketable security over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2019	None
2	Acquisition of fixed assets over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2019	None
3	Disposal of fixed assets over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2019	None
4	Discount on fees income from related parties over NT\$5 million	None
5	Receivables from related parties over NT\$300 million or 10% of outstanding capital as of December 31, 2019	None
6	Sale of NPL	None
7	Securitized instruments and related assets which are in accordance with the Statute for Financial Assets Securitization and the Statute for Real Estate Securitization	None
8	Other significant transactions which may affect decisions of the users of the financial statements	None

b. Information on the Bank's investees

No.	Item	Explanation
1	Investees' names, locations, etc.	Table 1
2	Capital lending to another party	None
3	Endorsement for another party	None
4	Marketable securities held as of December 31, 2019	None
5	Accumulated purchases and sales balance of specific marketable security over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2019	None
6	Acquisition of property, plant and equipment over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2019	None
7	Disposal of property, plant and equipment over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2019	None
8	Receivables from related parties over NT\$300 million or 10% of outstanding capital as of December 31, 2019	None
9	Derivative instrument	None
10	Discount on fees income from related parties over NT\$5 million	None
11	Sale of NPL by subsidiary	None
12	Other significant transactions which may affect decisions of the users of the financial statements	None

c. Investment in mainland China: Table 2.

d. Intercorpany relationships and significant intercorpany transactions: Table 3.

40. INFORMATION ON INVESTEES

Investee's Names (Note a)	Investee's Location	Principal Business Activities	Ownership at Ending Balance	Investment Book Value	Recognized Investment Income (Loss of Share)	Current Stock	Imputed Share (Note b)	Sum of Ownership (Note a) Imputed Share (Note b)	Ownership Interest (%)
Shin Kong Financial Holding	Taipei City	Financial holding company	0.43	\$ 50,075	\$ -	\$ 542,101.25	\$ -	\$ 542,101.25	0.43
Asia Pacific Broadband	Taipei City	Optical & optical communication business	0.53	1,129.50	\$ -	1,500,000.00	-	1,500,000.00	0.15
Edison Co.	Taipei City	High speed rail road	0.79	1,080.80	\$ -	44,500,000	-	44,500,000	0.79
Farow Securities Co., Ltd.	Taipei City	Securities brokerage, margin lending, securities investment fund	3.00	1,900,019	\$ -	21,859,306	-	21,859,306	3.00
Farow Signal Co.	Taipei City	Manufacture electronic products of products	0.41	1,330,378	\$ -	23,246,139	-	23,246,139	0.41
Farow Power Co.	Taipei City	Generate electric power, power transmission	0.71	1,973,051	\$ -	23,726,252	-	23,726,252	0.71
Lianhe Exchange Inc.	Taipei City	Exchange trading, IPO, OTC, and OTC	3.53	31,262	\$ -	70,000	-	70,000	3.53
Lianhe Service Co., Ltd.	Taipei City	ITM purchase, rental, and repair of equipment	5.00	1,674	\$ -	125,000	-	125,000	5.00
CPH & Partners Investment	Taipei City	Investment	4.95	684,130	\$ -	54,000,000	-	54,000,000	4.95
Sun Holding Co.	Taipei City	Securities investment fund	4.00	5,080	\$ -	143,132	-	143,132	4.00
Farow Information Service	Taipei City	Type IT communication business	1.19	135,498	\$ -	6,229,900	-	6,229,900	1.19
Farow Business Exchange	Taipei City	Business exchange	1.00	2,694.08	\$ -	3,541,354	-	3,541,354	1.00
Farow Management Co., Ltd.	Taipei City	Investment management, securities investment, securities investment	11.35	12,040.00	\$ -	120,000,000	-	120,000,000	11.35
Farow Investment	Taipei City	Investment management	2.94	4,480	\$ -	5,000,000	-	5,000,000	2.94
Farow Investment Co., Ltd.	Taipei City	Investment management, securities investment, securities investment	4.12	6,674	\$ -	905,475	-	905,475	4.12
Farow Depository & Clearing	Taipei City	Provide book entry of securities	0.08	19,088	\$ -	314,988	-	314,988	0.08
Sun Capital Management Co., Ltd.	Taipei City	Investment management, securities investment, securities investment, securities investment, securities investment, securities investment	0.70	509	\$ -	41,768	-	41,768	0.70
Farow Mobile Payment Co., Ltd.	Taipei City	Electronic information provider	3.00	10,152	\$ -	1,800,000	-	1,800,000	3.00
Farow Investment & Financial Services Co., Ltd.	Taipei City	Urban investment industry	5.00	2,057.5	\$ -	2,500,000	-	2,500,000	5.00
Asia Pacific Telecommunications Management Company	Taipei City	Investment management, securities investment, securities investment, securities investment, securities investment, securities investment	4.77	6,311	\$ -	518,352	-	518,352	4.77
Asia Pacific Telecommunications Management Company	Taipei City	Investment management, securities investment, securities investment, securities investment, securities investment, securities investment	1.41	1,411	\$ -	41,016	-	41,016	1.41

Note a: The investees' voting shares, and imputed stock were owned by the Bank and related parties.

Note b: 1) Imputed stock refers to the purchase of securities with equity or derivative commodity contracts (not yet converted into equity holding), which is linked to the equity of the reinvestment business according to the agreed transaction conditions and the bank's commitment to be used as Article 74 of The Banking Act of The Republic of China stipulates that for the purpose of reinvestment, under the assumption of conversion, the shares acquired as a result of the conversion.

2) The above-mentioned "securities with equity" refers to the securities stipulated in the first paragraph of Article 11 of Securities and Exchange Act Enforcement Rules, such as convertible corporate bonds and call warrants.

3) The above-mentioned "derivative commodity contract" refers to those who meet the definition of derivative instruments in International Accounting Standards No. 39, such as stock options.

Note c: The Bank had recognized the loss on investment in Tai Yu Products Corporation and Chi-Yi Construction Management Company.

Note d: The total number of shares issued by Asia Pacific Telecom Co., Ltd. was 4,298,232,169 shares. On November 8, 2019, capital reduction was done by reducing 1,481,035,770 shares (reduction rate 34.456858%). On November 21, 2019, investments in private equity increased by 1,000 million shares. After the capital increase, the total number of shares was 3,817,196,399 shares. The Bank's original number of shares was 15,000,000 shares, and the shareholding ratio was 0.35%. After the capital reduction (not participating in the capital increase), the number of shares was 9,831,471 shares and the shareholding ratio was 0.26%. Asia-Pacific Telecom Co., Ltd. set a base date for capital reduction on November 8, 2019, a base date for capital reduction and stock replacement on January 17, 2020, a last trading day for old stocks on January 8, 2020, and an expected new stock listing date on January 20, 2020.

#### 41. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of services provided.

##### a. Segment revenue and results

	For the Year Ended December 31, 2019					Total
	Loans	Deposits and Remittances	Financial Instruments and Investments	Wealth Management	Subsidiaries and Overseas Branch	
Net interest income	\$ 13,332,450	\$ 6,188,759	\$ 117,743	\$ 3,086,223	\$ 3,500,625	\$ 23,189,644
Net service fee income	1,393,265	243,175	(28,760)	174,051	-	4,867,954
Net income on financial instrument	12,115	-	4,730,037	-	31,296	4,767,732
Net revenue and gains	14,165,150	6,348,243	4,356,692	3,086,223	3,662,092	33,108,102
Bad debts expense, commitment and guarantee liability	(1,805,948)	-	(84)	-	(31,263)	(2,142,595)
Operating expenses	-	-	-	-	-	(16,421,666)
Income before income tax	\$ 12,359,102	\$ 6,348,243	\$ 4,356,608	\$ 3,086,223	\$ 3,444,811	\$ 14,520,209

	For the Year Ended December 31, 2018					Total
	Loans	Deposits and Remittances	Financial Instruments and Investments	Wealth Management	Subsidiaries and Overseas Branch	
Net interest income	\$ 13,332,450	\$ 6,188,759	\$ 117,743	\$ 3,086,223	\$ 3,500,625	\$ 23,189,644
Net service fee income	1,393,265	243,175	(28,760)	174,051	-	4,867,954
Net income on financial instrument	148,232	-	4,730,037	-	31,296	4,767,732
Net revenue and gains	14,873,947	6,431,934	4,831,298	3,086,223	3,662,092	33,108,102
Bad debts expense and guarantee liability	(1,462,791)	-	37	-	(749,498)	(2,292,652)
Operating expenses	-	-	-	-	-	(16,194,833)
Income before income tax	\$ 13,411,156	\$ 6,431,934	\$ 4,831,335	\$ 3,086,223	\$ 2,912,592	\$ 14,710,088

The reported revenue and results on the segment information did not include inter-segment revenue for the years ended December 31, 2019 and 2018.

This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

##### b. Segment total assets and liabilities

	December 31, 2019					Total
	Loans	Deposits and Remittances	Financial Instruments and Investments	Wealth Management	Subsidiaries and Overseas Branch	
Assets	\$ 1,126,658,864	\$ 4,568,155	\$ 445,094,588	\$ -	\$ 130,075,839	\$ 2,115,643,203
Liabilities	\$ 1,438,190	\$ 1,172,431,166	\$ 89,311,827	\$ -	\$ 119,724,028	\$ 1,972,106,609

	December 31, 2018					Total
	Loans	Deposits and Remittances	Financial Instruments and Investments	Wealth Management	Subsidiaries and Overseas Branch	
Assets	\$ 1,117,165,269	\$ 4,791,485	\$ 466,645,113	\$ -	\$ 103,517,453	\$ 2,187,519,320
Liabilities	\$ 1,438,190	\$ 1,172,431,166	\$ 89,311,827	\$ -	\$ 119,724,028	\$ 1,972,106,609

TABLE I

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES  
INFORMATION ON INVESTORS' NAMES AND LOCATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars, Except for Percentage and Shares)

Investor	Investor's Names	Investor's Location	Line of Business	Original Investment Amount		Ending Balance		Recognized Income (Loss) of Current Period	
				End of 2019	End of 2018	Stock	Ownership Interest (%)		Book Value
Chung Hwa Bank	Chung Hwa Commercial Bank, Ltd. Chung Hwa Bank Venture Capital Co., Ltd.	China Taiwan	Banking Venture Capital	\$ 12,117,288 (60,000)	\$ 12,117,288 -	60,000,000	100 100	\$ 12,464,258 (65,234)	\$ 423,440 (5,385)

Note: Limited company organization.

TABLE 2

## CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019	Net Income (Loss) of the Investee (Note 2)	% of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2019	Accumulated Repatriation of Investment Income as of December 31, 2019	Note
					Outflow	Inflow							
Chang Hua Commercial Bank, Ltd.	Banking	\$ 12,117,288 (US\$ 399,558)	Note 1.c.	\$ 12,117,288 (US\$ 399,558)	\$ -	\$ -	\$ 12,117,288 (US\$ 399,558)	\$ 423,440	100	\$ 423,440	\$ 12,484,226	\$ -	

Accumulated Outward Remittance for Investment in Mainland China December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 3)
\$ 12,117,288 (US\$ 399,558)	\$ 12,117,288 (US\$ 399,433)	\$ 24,335,579

Note 1: The three methods of investment are as follows:

- Direct investment in mainland China.
- Investment in mainland China through reinvestment in existing enterprise in a third area.
- Others.

Note 2: Equity in the profit (loss):

- If the entity is still in the preparation stage and there is no equity in profit (loss), the condition should be noted.
- The basis of recognizing equity in profit (loss) is categorized in the following three types and each entity should be noted according to its condition.
  - Financial statements audited (reviewed) by international accounting firms that cooperate with the accounting firms in the ROC.
  - Financial statements audited (reviewed) by the Taiwan-based parent company's CPA.
  - Others.

Note 3: In accordance with the "Bank, Financial Holding Corporation and Related Party Invest China Business Rules" announced by the FSC, the accumulated outflow of operating funds and investment from the following parties may not exceed 15% of net assets while they applied:

- Banks in Taiwan (or subsidiaries in a third area) which establish branches, establish/acquire subsidiaries or acquire stock or capital contributions from local stockholders in mainland China.
- The subsidiaries whose issued stocks with voting rights or more than 50% of capital held by banks in Taiwan that have investments in mainland China.

TABLE 3

## CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars, Except for Percentage and Stock)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transactions Details			% to Total Sales or Assets (Note 3)
				Financial Statement Accounts	Amount	Payment Terms	
0	The Bank	Chang Hua Commercial Bank, Ltd.	a.	Due from the Central Bank and call loans to bank	\$ 28,075	Same as normal customers	-
		Chang Hua Commercial Bank, Ltd.	a.	Cash and cash equivalents	268,480	Same as normal customers	0.01
		Chang Hua Commercial Bank, Ltd.	a.	Other financial assets	4,295,000	Same as normal customers	0.20
		Chang Hua Commercial Bank, Ltd.	a.	Interest income	51,529	Same as normal customers	0.13
		Chang Hua Commercial Bank, Ltd.	a.	Interest expense	330	Same as normal customers	-
		Chang Hua Commercial Bank, Ltd.	a.	Receivables	4,675	Same as normal customers	-
		Chang Hua Bank Venture Capital Co., Ltd.	a.	Deposits and remittances	554,172	Same as normal customers	0.03
		Chang Hua Bank Venture Capital Co., Ltd.	a.	Other liabilities	5	Same as normal customers	-
		Chang Hua Bank Venture Capital Co., Ltd.	a.	Interest expense	1,219	Same as normal customers	-
		Chang Hua Bank Venture Capital Co., Ltd.	a.	Net non-interest income	770	Same as normal customers	-

Note 1: Transaction details: Methods of numbering are as follows:

- 0 for parent company.
- In accordance with subsidiary number starts from 1.

Note 2: Relationships are as follows:

- Parent company to subsidiary.
- Subsidiary to parent company.
- Subsidiary to subsidiary.

Note 3: Transactions amounts are calculated as percentage of accrued amounts of total income or ending balance of total assets.

## **F. The Bank's Individual Financial Statements of Recent Years Which Have Been Certified by CPAs**

### **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Stockholders  
Chang Hwa Commercial Bank, Ltd.

#### **Opinion**

We have audited the accompanying financial statements of Chang Hwa Commercial Bank, Ltd. (the "Bank"), which comprise the balance sheets as of December 31, 2019 and 2018, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and Regulations Governing the Preparation of Financial Reports by Securities Firms.

#### **Basis for Opinion**

We conducted our audits in accordance with the 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 Financial Statements section of our report. We are independent of the Bank 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 financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The following is the descriptions for the key audit matters in the audit of the financial statements of the Bank for the year ended December 31, 2019.

#### Impairment Assessment of Loans

Loans are the most important assets of the Bank. As of December 31, 2019, the balance of the Bank's loans totaled \$1,412,641,860 thousand, accounting for 66% of the Bank's total assets. The Bank assessed the impairment on loans in accordance with IFRS 9 and with relevant regulations in recognizing allowance for loans. As the assessment of the impairment on the aforementioned assets involves the management's critical judgments, estimations and assumptions, we considered the impairment assessment on loans as a key audit matter. Refer to Notes 4, 5 and 12 to the Bank's financial statements for related information.

Our main audit procedures performed in response to the key audit matter described above were as follows:

When assessing the appropriateness of the impairment on loans, we understood and tested the internal controls relevant to the lending process and assessment of loan impairment. We tested whether the expected credit loss was calculated by loans grouped by borrowers and credit risk characteristics. We further verified whether the parameters utilized in the impairment loss model (including probability of default adjusted for forward looking factors, loss given default, and exposure at default) reflects the actual situation, and recalculated the impairment loss on loans, examined the classification of loan credit assets, and assessed the loan provisions in compliance with relevant regulations.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and Regulations Governing the Preparation of Financial Reports by Securities Firms, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank'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 Bank 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 Bank's financial reporting process.

#### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Bank'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 Bank'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 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 Bank to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Bank 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 financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Shih Tsung Wu and Tung Feng Lee.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 25, 2020

#### Notice to Readers

*The accompanying financial statements are intended only to present the 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 financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying 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 financial statements shall prevail.*

## CHANG HWA COMMERCIAL BANK, LTD.

### BALANCE SHEETS DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

ASSETS	2019		2018	
	Amount	%	Amount	%
Cash and cash equivalents (Notes 4, 6 and 36)	\$ 31,849,140	1	\$ 50,278,750	2
Due from the Central Bank and call loans to banks (Notes 4, 6 and 36)	161,472,256	8	196,829,214	10
Financial assets at fair value through profit or loss (Notes 4, 7, 34 and 37)	11,483,389	1	10,917,490	1
Financial assets at fair value through other comprehensive income (Notes 4, 8 and 34)	111,610,083	5	90,390,520	4
Financial assets for hedging (Notes 4 and 13)	247,375	-	244,763	-
Investments in debt instruments at amortized cost (Notes 4, 5, 9, 34 and 37)	276,058,976	13	268,059,805	13
Receivables, net (Notes 4, 11 and 12)	22,979,066	1	28,984,785	1
Current tax assets (Notes 4 and 31)	207,398	-	289,771	-
Discounts and loans, net (Notes 4, 5, 12, 35 and 36)	1,412,641,860	66	1,320,077,226	64
Investments measured by equity method, net (Notes 4 and 15)	13,087,475	1	12,536,866	1
Other financial assets, net (Notes 4, 14 and 37)	44,428,881	2	51,821,709	2
Property and equipment, net (Notes 4 and 16)	19,995,240	1	20,200,024	1
Right-of-use assets, net (Notes 4 and 17)	1,601,174	-	-	-
Investment properties, net (Notes 4 and 18)	13,872,790	1	13,742,376	1
Intangible assets, net (Notes 4 and 19)	645,360	-	714,842	-
Deferred tax assets (Notes 4 and 31)	3,197,348	-	3,001,405	-
Other assets, net (Notes 20 and 37)	<u>1,051,475</u>	<u>-</u>	<u>990,474</u>	<u>-</u>
<b>TOTAL</b>	<b><u>\$ 2,126,429,286</u></b>	<b><u>100</u></b>	<b><u>\$ 2,069,080,020</u></b>	<b><u>100</u></b>
<b>LIABILITIES AND EQUITY</b>				
Deposits from the Central Bank and banks (Notes 4, 21 and 36)	\$ 102,187,587	5	\$ 110,858,179	5
Financial liabilities at fair value through profit or loss (Notes 4 and 7)	4,247,279	-	11,047,488	1
Securities sold under repurchase agreements (Note 4)	1,547,291	-	5,285,890	-
Payables (Notes 4, 22 and 29)	21,676,201	1	35,699,603	2
Current tax liabilities (Notes 4 and 31)	465,752	-	218,866	-
Deposits and remittances (Notes 4, 23 and 36)	1,757,136,850	83	1,680,087,976	81
Bank notes payable (Notes 4, 24 and 34)	55,521,014	3	49,549,055	3
Other financial liabilities (Notes 4 and 25)	4,274,900	-	4,387,078	-
Reserve for liabilities (Notes 4, 5 and 27)	5,322,733	-	5,272,477	-
Lease liabilities (Notes 4 and 17)	1,401,162	-	-	-
Deferred tax liabilities (Notes 4 and 31)	7,892,389	-	7,350,045	-
Other liabilities (Notes 4, 16 and 26)	<u>2,518,933</u>	<u>-</u>	<u>2,761,732</u>	<u>-</u>
Total liabilities	<u>1,964,192,091</u>	<u>92</u>	<u>1,912,518,389</u>	<u>92</u>
<b>EQUITY (Notes 4, 29 and 31)</b>				
Capital stock				
Common stock	99,853,111	5	97,895,207	5
Retained earnings				
Legal reserve	34,832,629	2	31,038,668	1
Special reserve	12,204,648	1	12,141,416	1
Unappropriated earnings	11,458,160	-	12,091,349	1
Other equity	<u>3,888,647</u>	<u>-</u>	<u>3,394,991</u>	<u>-</u>
Total equity	<u>162,237,195</u>	<u>8</u>	<u>156,561,631</u>	<u>8</u>
<b>TOTAL</b>	<b><u>\$ 2,126,429,286</u></b>	<b><u>100</u></b>	<b><u>\$ 2,069,080,020</u></b>	<b><u>100</u></b>

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

## CHANG HWA COMMERCIAL BANK, LTD.

### STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018		Percentage Increase (Decrease) %
	Amount	%	Amount	%	
INTEREST INCOME (Notes 4, 30 and 36)	\$ 38,189,030	121	\$ 38,335,813	116	-
INTEREST EXPENSE (Notes 30 and 36)	<u>(16,118,024)</u>	<u>(51)</u>	<u>(15,210,271)</u>	<u>(46)</u>	6
NET INCOME OF INTEREST	<u>22,071,006</u>	<u>70</u>	<u>23,125,542</u>	<u>70</u>	(5)
NET NON-INTEREST INCOME (LOSS)					
Net service fee income (Notes 4 and 30)	4,615,049	15	4,862,338	15	(5)
Gain (loss) on financial assets or liabilities measured at fair value through profit or loss (Notes 4, 7 and 30)	1,836,773	6	2,711,956	8	(32)
Realized gain (loss) on financial assets at fair value through other comprehensive income (Notes 4 and 30)	1,352,667	4	781,888	2	73
Gain (loss) arising from derecognition of financial assets at amortized cost	-	-	(101,029)	-	100
Foreign exchange gain (loss) (Notes 4 and 34)	968,007	3	745,536	2	30
Share of profit (loss) of associates and joint ventures accounted for using equity method (Notes 4 and 15)	418,059	1	394,394	1	6
Net other non-interest income (loss) (Note 13)	<u>450,463</u>	<u>1</u>	<u>475,471</u>	<u>2</u>	(5)
Net non-interest income	<u>9,641,018</u>	<u>30</u>	<u>9,870,554</u>	<u>30</u>	(2)
NET REVENUE AND GAINS	<u>31,712,024</u>	<u>100</u>	<u>32,996,096</u>	<u>100</u>	(4)
BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION (Notes 4 and 12)	<u>(2,148,065)</u>	<u>(7)</u>	<u>(2,213,028)</u>	<u>(7)</u>	(3)

(Continued)

# CHANG HWA COMMERCIAL BANK, LTD.

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
<b>OPERATING EXPENSES</b>					
Employee benefit expenses (Notes 4 and 30)	\$ (10,641,484)	(33)	\$ (10,731,285)	(33)	(1)
Depreciation and amortization expenses (Notes 4 and 30)	(1,394,368)	(4)	(714,083)	(2)	95
Other general and administrative expenses	<u>(4,015,631)</u>	<u>(13)</u>	<u>(4,631,166)</u>	<u>(14)</u>	(13)
Total operating expenses	<u>(16,051,483)</u>	<u>(50)</u>	<u>(16,076,534)</u>	<u>(49)</u>	-
INCOME BEFORE INCOME TAX	13,512,476	43	14,706,534	44	(8)
INCOME TAX EXPENSE (Notes 4 and 31)	<u>(1,940,694)</u>	<u>(6)</u>	<u>(2,059,999)</u>	<u>(6)</u>	(6)
NET INCOME	<u>11,571,782</u>	<u>37</u>	<u>12,646,535</u>	<u>38</u>	(8)
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>					
Items that will not be reclassified to profit or loss, net of tax:					
Remeasurement of defined benefit plans (Notes 4 and 28)	(157,063)	-	(317,259)	(1)	(50)
Revaluation gains (losses) on investments in equity instruments measured at fair value through other comprehensive income	1,620,760	5	(237,132)	-	783
Changes in fair value of financial liabilities attributable to changes in credit risk of liability	(818)	-	900	-	(191)
Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using the equity method	8,630	-	-	-	-
Income tax related to items that will not be reclassified to profit or loss (Notes 4 and 31)	31,412	-	63,452	-	(50)

(Continued)

## CHANG HWA COMMERCIAL BANK, LTD.

### STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018		Percentage Increase (Decrease) %
	Amount	%	Amount	%	
Items that will be reclassified to profit or loss, net of tax:					
Exchange differences on translation (Note 4)	\$ (1,185,701)	(4)	\$ 657,497	2	(280)
Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using the equity method	24,041	-	7,338	-	228
Revaluation gains (losses) on investments in debt instruments measured at fair value through other comprehensive income	14,443	-	(55,506)	-	126
(Impairment loss) reversal of impairment loss on investments in debt instruments measured at fair value through other comprehensive income	(108,202)	-	(26,948)	-	302
Income tax related to items that will be reclassified to profit or loss (Notes 4 and 31)	<u>121,573</u>	<u>-</u>	<u>17,192</u>	<u>-</u>	607
Other comprehensive income, net of tax	<u>369,075</u>	<u>1</u>	<u>109,534</u>	<u>1</u>	237
<b>TOTAL COMPREHENSIVE INCOME</b>	<u>\$ 11,940,857</u>	<u>38</u>	<u>\$ 12,756,069</u>	<u>39</u>	(6)
<b>EARNINGS PER SHARE (Note 32)</b>					
Basic	<u>\$ 1.16</u>		<u>\$ 1.27</u>		(9)
Diluted	<u>\$ 1.15</u>		<u>\$ 1.26</u>		(9)

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

(Concluded)

**CHANG HWA COMMERCIAL BANK, LTD.**

STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018  
(In Thousands of New Taiwan Dollars, Except Shares of Capital Stock)

	Equity Attributable to Owners of the Bank										
	Capital Stock			Retained Earnings		Unappropriated Earnings	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Other Equity		Total Equity
	Common Stock (In Thousands)	Amount	Legal Reserve	Special Reserve	Unrealized Gains (Losses) on Financial Assets Measured at Fair Value Through Other Comprehensive Income				Change in Fair Value of Financial Liability Attributable to Change in Credit Risk of Liability		
BALANCE, JANUARY 1, 2018	9,413,001	\$ 94,130,007	\$ 27,410,736	\$ 12,080,950	\$ 11,779,842	\$ (1,251,858)	\$ 797,969	\$ -	\$ (82)	\$ 144,947,564	
Effect of retrospective application	-	-	-	-	(347,750)	-	(797,969)	4,239,567	-	3,093,848	
BALANCE, JANUARY 1, 2018 AS RESTATED	9,413,001	94,130,007	27,410,736	12,080,950	11,432,092	(1,251,858)	-	4,239,567	(82)	148,041,412	
Appropriation of 2017 earnings	-	-	3,627,932	-	(3,627,932)	-	-	-	-	-	
Legal reserve appropriated	-	-	-	60,466	(60,466)	-	-	-	-	-	
Special reserve appropriated	-	-	-	-	(4,235,850)	-	-	-	-	(4,235,850)	
Cash dividends	-	-	-	-	(3,765,200)	-	-	-	-	-	
Stock dividends	376,520	3,765,200	-	-	(3,765,200)	-	-	-	-	-	
Net profit for the year ended December 31, 2018	-	-	-	-	12,646,535	-	-	-	-	12,646,535	
Other comprehensive income (loss) for the year ended December 31, 2018, net of tax	-	-	-	-	(253,807)	637,065	-	(274,624)	900	109,534	
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	12,392,728	637,065	-	(274,624)	900	12,756,069	
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(44,023)	-	-	44,023	-	-	
BALANCE, DECEMBER 31, 2018	9,789,521	97,895,207	31,038,668	12,141,416	12,091,349	(614,793)	-	4,008,966	818	156,561,631	
Appropriation of 2018 earnings	-	-	3,793,961	-	(3,793,961)	-	-	-	-	-	
Legal reserve appropriated	-	-	-	63,232	(63,232)	-	-	-	-	-	
Special reserve appropriated	-	-	-	-	(6,265,293)	-	-	-	-	(6,265,293)	
Cash dividends	-	-	-	-	(1,957,904)	-	-	-	-	-	
Stock dividends	195,790	1,957,904	-	-	(1,957,904)	-	-	-	-	-	
Net profit for the year ended December 31, 2019	-	-	-	-	11,571,782	-	-	-	-	11,571,782	
Other comprehensive income (loss) for the year ended December 31, 2019, net of tax	-	-	-	-	(125,651)	(1,027,810)	-	1,523,354	(818)	369,075	
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	11,446,131	(1,027,810)	-	1,523,354	(818)	11,940,857	
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	1,070	-	-	(1,070)	-	-	
BALANCE, DECEMBER 31, 2019	9,985,311	99,853,111	34,832,629	12,204,648	11,458,160	(1,642,603)	-	5,531,250	-	162,237,195	

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

## CHANG HWA COMMERCIAL BANK, LTD.

### STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income before income tax	\$ 13,512,476	\$ 14,706,534
Non-cash (income and gains) or expenses and losses		
Expected credit loss recognized on trade receivables	2,148,065	2,213,028
Depreciation expense	1,185,464	512,577
Amortization expense	208,904	201,506
Share of profit (loss) of subsidiaries for using equity method	(418,059)	(394,394)
Interest income	(38,189,030)	(38,335,813)
Dividend income	(523,627)	(464,340)
Interest expense	16,118,024	15,210,271
Net gain on financial assets or liabilities at fair value through profit or loss	(72,939)	(3,505,054)
Gain on disposal of investments	(831,510)	(324,537)
Unrealized foreign exchange (gains) losses	(1,763,834)	793,098
Other adjustments	224,708	(5,694)
Changes in operating assets and liabilities		
Decrease (increase) in due from the Central Bank	4,882,909	(1,542,799)
Decrease in financial assets at fair value through profit or loss	52,006	1,206,800
Decrease (increase) in receivables	5,535,746	(3,893,701)
(Increase) decrease in discounts and loans	(94,712,733)	38,228,187
Increase in financial assets at fair value through other comprehensive income	(18,861,052)	(14,418,844)
Increase in investments in debt instruments at amortized cost	(8,009,682)	(21,311,579)
Decrease (increase) in other financial assets	7,392,828	(24,805,955)
Increase in other assets	(263,436)	(25,953)
(Decrease) increase in deposits from the Central Bank and banks	(26,378,048)	1,148,580
Increase in deposits and remittances	77,048,874	16,530,545
(Decrease) increase in payables	(14,014,519)	478,135
Increase (decrease) in financial liabilities at fair value through profit or loss	2,337,430	(2,133,537)
Decrease in reserve for liabilities	(250,624)	(233,785)
(Decrease) Increase in other financial liabilities	(111,522)	724,478
(Decrease) increase in other liabilities	(229,336)	143,773
Cash flows used in operations	(73,982,517)	(19,298,473)
Interest received	38,811,954	37,023,453
Dividends received	523,627	464,340
Interest paid	(16,099,320)	(14,617,359)
Income taxes paid	(1,194,421)	(2,428,163)
Net cash flows (used in) generated from operating activities	<u>(51,940,677)</u>	<u>1,143,798</u> (Continued)



# CHANG HWA COMMERCIAL BANK, LTD.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of investment accounted for using the equity method	\$ (600,000)	\$ (11,235,849)
Acquisition of property and equipment	(441,322)	(492,646)
Proceeds from disposal of property and equipment	170	1,061
Acquisition of intangible assets	(137,032)	(347,039)
Acquisition of right-of-use assets	(424,879)	-
Acquisition of investment properties	<u>(1,203)</u>	<u>(1,281)</u>
Net cash flows used in investing activities	<u>(1,604,266)</u>	<u>(12,075,754)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in due to the Central Bank and banks	17,707,456	10,973,906
Proceeds from issuing bank notes	5,960,000	10,000,000
Repayments of bank notes	(7,991,100)	(2,200,000)
(Decrease) increase in securities sold under repurchase agreement	(3,738,599)	2,167,354
Repayments of the principal portion of lease liabilities	(349,851)	-
Cash dividends paid	<u>(6,265,293)</u>	<u>(4,235,850)</u>
Net cash flows generated from financing activities	<u>5,322,613</u>	<u>16,705,410</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(681,329)</u>	<u>1,207,986</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(48,903,659)	6,981,440
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>179,799,698</u>	<u>172,818,258</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 130,896,039</u>	<u>\$ 179,799,698</u>
	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Reconciliation of cash and cash equivalents		
Cash and cash equivalents in the balance sheets	\$ 31,849,140	\$ 50,278,750
Call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	<u>99,046,899</u>	<u>129,520,948</u>
Cash and cash equivalents at end of year	<u>\$ 130,896,039</u>	<u>\$ 179,799,698</u>

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

(Concluded)

## CHANG HWA COMMERCIAL BANK, LTD.

### NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

#### 1. ORGANIZATION AND BUSINESS SCOPE

Chang Hwa Commercial Bank, Ltd. (the "Bank") was incorporated under Banking Law, Securities and Exchange Law and Taiwan Company Law on March 1, 1947 and got license from the Ministry of Economic Affairs in July 1950. Since February 1962 the Bank's stocks have been listed and traded on the Taiwan Stock Exchange (TWSE).

The Bank mainly engages in the following business:

- a. All commercial banking operations allowed by the Banking Law;
- b. Trust operations;
- c. International banking operations;
- d. Overseas branch operations authorized by the respective foreign governments; and
- e. Other operations authorized by the central authority.

The financial statements are presented in the Bank's functional currency, the New Taiwan dollar.

#### 2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Bank's board of directors on February 25, 2020.

#### 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 Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the FSC

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

- IFRS 16 "Leases"

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

#### Definition of a lease

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

#### The Bank as lessee

The Bank recognizes right-of-use assets and lease liabilities for all leases on the balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the statement of comprehensive income, the Bank presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the statement of cash flows, cash payments for the principal portion of lease liabilities are reported under financing activities; cash payments for the interest portion are reported under operating activities. Prior to the application of IFRS 16, payments under operating lease contracts, including property interest qualified as investment properties, were recognized as expenses on a straight-line basis. Cash flows for operating leases were reported under operating activities on the statements of cash flows. Leased assets and finance lease payables were recognized on the balance sheets for contracts classified as finance leases.

The Bank elected to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information was not restated.

The Bank also applies the following practical expedients:

- 1) The Bank applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- 2) The Bank accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- 3) The Bank excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- 4) The Bank uses hindsight, such as in determining lease terms, to measure lease liabilities.

For leases previously classified as finance leases under IAS 17, the carrying amounts of right-of-use assets and lease liabilities on January 1, 2019 are determined as at the carrying amounts of the respective leased assets and finance lease payables on December 31, 2018.

#### The Bank as lessor

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

Anticipated impact on assets, liabilities and equity

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
Prepayments for leases	\$ 201,486	\$ (175,172)	\$ 26,314
Lease assets, net	760	(760)	-
Right-of-use assets, net	-	1,985,748	1,985,748
Total effect on assets	\$ 202,246	\$ 1,809,816	\$ 2,012,062
Lease liabilities - non-current	\$ -	\$ 1,751,013	\$ 1,751,013
Finance lease payables - non-current	656	(656)	-
Reserve for liabilities - non-current	-	59,459	59,459
Total effect on liabilities	\$ 656	\$ 1,809,816	\$ 1,810,472

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

	New IFRSs	Effective Date Announced by IASB (Note)
c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC	Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
	IFRS 17 "Insurance Contracts"	January 1, 2021
	Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

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

As of the date the financial statements were authorized for issue, the Bank is continuously assessing the possible impact that the application of other standards and interpretations will have on the Bank'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 financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and Regulations Governing the Preparation of Financial Reports by Securities Firms.

##### Basis of Preparation

The financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair values, and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

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

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

##### Current/Noncurrent Assets and Liabilities

Because of its business characteristics, assets and liabilities of the Bank are classified according to their liquidity rather than classified as current or noncurrent assets or liabilities.

##### Foreign Currencies

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

	New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 1)	
Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"	January 1, 2020 (Note 2)	
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)	

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

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

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

- Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"

The amendments deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark (such as the London Interbank Offered Rate or LIBOR) with an alternative interest rate, and provide temporary exceptions to all hedging relationships that are directly affected by the interest rate benchmark reform. The Bank would apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform. The amendments also require additional disclosures about the extent to which the entity's hedging relationships are affected by the amendments.

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

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

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

For the purpose of presenting financial statements, the functional currencies of the Bank entities and its foreign operations are translated into the presentation currency, the New Taiwan dollar as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

#### **Investments in Subsidiaries**

The Bank uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Bank.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Bank's share of profit or loss and otherwise comprehensive income of the subsidiary. The Bank also recognizes the changes in the Bank's share of other equity of subsidiaries.

#### **Property and Equipment**

Property and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss. Before January 1, 2019, property and equipment also included assets held under finance leases.

Property and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property and equipment when completed and ready for intended use.

Except for freehold land which is not depreciated, the depreciation of property and equipment is recognized using the straight-line method. Each significant part is depreciated separately. For assets which were held under finance leases before January 1, 2019, if their respective lease terms are shorter than their useful lives, such assets are depreciated over the lease term. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

#### **Investment Properties**

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

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

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

#### **Intangible Assets**

a. Intangible assets acquired separately

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

b. Derecognition of intangible assets

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

#### **Impairment of Tangible and Intangible Assets**

At the end of each reporting period, the Bank reviews the carrying amounts of its tangible and intangible assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Bank estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

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

#### **Financial Instruments**

Financial assets and financial liabilities are recognized when the bank 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 issuance 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.

a. Financial assets

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

#### 1) Measurement categories

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

##### a) Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified or 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, and dividends, interest earned and remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 34.

##### b) Financial assets at amortized cost

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

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

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

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

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

A financial asset is credit impaired when one or more of the following events have occurred:

- i. Significant financial difficulty of the issuer or the borrower;
- ii. Breach of contract, such as a default;

- iii. It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization, or
- iv. The disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include time deposits 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.

##### c) Investments in debt instruments designated 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 such financial assets; and
- ii. The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

##### d) Investments in equity instruments designated at FVTOCI

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

Investments in equity instruments designated 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, it will be transferred to retained earnings.

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

##### 2) Impairment of financial assets

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

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

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

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts 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 the carrying amounts of such financial assets are not reduced.

### 3) Derecognition of financial assets

The Bank 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.

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

### b. Equity instruments

Debt and equity instruments issued by the Bank 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 instruments issued by the Bank are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Bank'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, issuance or cancellation of the Bank's own equity instruments.

### c. Financial liabilities

#### 1) Subsequent measurement

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

##### a) Financial liabilities at FVTPL

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

Financial liabilities held for trading are stated at fair value, and any interest paid on such financial liabilities is recognized in finance costs; any remeasurement gains or losses on such financial liabilities are recognized in other gains or losses.

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 Bank'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 dividends paid on such 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 liability is derecognized. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in the fair value of the liability are presented in profit or loss.

Fair value is determined in the manner described in Note 34.

##### b) Financial guarantee contracts

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

- i. The amount of the loss allowance reflecting expected credit losses; and
- ii. The amount, initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the revenue recognition policies.

#### 2) Derecognition of financial liabilities

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

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

#### Revenue Recognition

- a. Dividend and interest income

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

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Bank and the amount of income can be measured reliably. Interest income is accrued on a time basis with reference to the principal outstanding and at the applicable effective interest rate. When the loans become past due and are considered uncollectible, the principal and interest receivable are transferred to delinquent loan accounts, and the accrual of interest income is stopped. Interest income will be recognized when the delinquent interest is collected.

If the repayment of loan is extended under an agreement, the related interest should be recognized as deferred revenue, classified into other liability and recognized as income when collected.

A single or a group of financial assets are written off due to impairment loss, the subsequent recognition of interest income is calculated by using the interest rate used by discount future cash flows when measuring impairment loss.

- b. Service fee

Service revenue and real estate management service revenue are recognized at once after providing loans or other services. If the service revenue belongs to several significant items, it is recognized when the significant items accomplished, such as the service revenue which the lead arranger bank of syndication loan received. If the service revenue is for further loan service and of significant amount, it is allocated during the period of the service or included in the base of calculation the effective interest rate of loans and receivables.

#### Leases

2019

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

For a contract that contains a lease component and non-lease components, the Bank allocates the consideration in the contract to each component on the basis of the relative stand-alone price and accounts for each component separately.

- a. The Bank as lessor

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

When the Bank subleases a right-of-use asset, the sublease is classified by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. However, if the head lease is a short-term lease that the Bank, as a lessee, has accounted for applying recognition exemption, the sublease is classified as an operating lease.

- d. Derivative financial instruments

The Bank enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, FX swap, cross currency swap, interest rate swaps and currency option.

Derivatives are initially recognized at fair value at the date on which 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 hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instrument is negative, the derivative is recognized as a financial liability.

Derivatives embedded in hybrid contracts that contain financial asset hosts that is 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 that is within the scope of IFRS 9 (i.e. 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.

#### Bonds or Securities Purchased/Sold under Specific Agreements

Bonds or securities sold under repurchase agreement are recorded at sale price. Interest revenues and expenses are recorded on accrual basis.

#### Hedge Accounting

The Bank designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges. Hedges of foreign exchange risk on firm commitments are accounted for 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.

The Bank 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. The fair value adjustment to the carrying amount of the hedged instrument arising from the hedged risk for which the effective interest method is used is amortized to profit or loss from the date on which the hedge accounting is discontinued. The adjustment is based on a recalculated effective interest rate at the date on which amortization begins and will be amortized fully upon maturity of the financial instrument.

#### Reserve for Liabilities

Reserve for liabilities, including those arising from contractual obligations specified in service concession arrangements to maintain or restore infrastructure before it is handed over to the grantor and levies imposed by governments, are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

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

b. The Bank as lessee

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

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

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. However, if leases transfer ownership of the underlying assets to the Bank by the end of the lease terms or if the costs of right-of-use assets reflect that the Bank will exercise a purchase option, the Bank depreciates the right-of-use assets from the commencement dates to the end of the useful lives of the underlying assets.

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

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

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

2018

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

a. The Bank as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

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

b. The Bank as lessee

Assets held under finance leases are initially recognized as assets of the Bank at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheets as a finance lease obligation.

Finance expenses implicit in lease payments for each period are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets; in which case, they are capitalized.

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

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

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

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

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

The Bank provides employees with high-yield savings account. The premium interest rate applies to a fixed amount of principal and the interest is paid to present employees (within employment and retirement) and retired employees. The difference between the premium rate and the market rate is classified as employee benefits.

According to the "Regulations Governing the Preparation of Financial Reports by Public Banks" Rule No. 28, the premium interest resulting from the yield between the premium rate and the general market rate shall immediately be actuarially calculated based on the FSC-recognized IAS 19 when employees retire. However, if there are authorized regulations from the government regarding the actuarial assumption parameters, the regulations shall prevail. Actuarial benefits and service cost from prior periods are recognized as profit or loss when they are incurred.



## Taxation

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

### a. Current tax

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

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

### b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carry forward, research and development expenditures, and personnel training expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

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

### c. Current and deferred tax for the year

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

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Bank's accounting policies, management is required to make judgments, estimations 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 estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

### Key Sources of Estimation Uncertainty

#### Estimated impairment of financial assets

The provision for impairment of trade receivables, investments in debt instruments and financial guarantee contracts is based on assumptions about risk of default and expected loss rates. The Bank uses judgment in making these assumptions and in selecting the inputs for the impairment calculation, which are based on the Bank'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 Notes 8, 9, 11, 12 and 27. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

## 6. CASH AND CASH EQUIVALENTS/DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS

### a. Cash and cash equivalents

	December 31	2018
Cash on hand	\$ 18,315,646	\$ 11,307,867
Checks for clearing	3,559,426	18,042,831
Due from banks	8,443,148	19,261,864
Foreign currencies on hand	1,530,920	1,666,188
	<u>\$ 31,849,140</u>	<u>\$ 50,278,750</u>

### b. Due from the Central Bank and call loans to banks

	December 31	2018
Call loans to banks	\$ 99,046,899	\$ 129,520,948
Reserve for checking accounts	11,299,268	17,165,934
Reserve for demand accounts	44,349,154	42,402,505
Reserve for foreign deposits	469,765	482,288
Others	6,307,170	7,257,539
	<u>\$ 161,472,256</u>	<u>\$ 196,829,214</u>

Cash and cash equivalents and due from the Central Bank and call loans to banks are assessed for impairment using approach similar to those used for investments in debt instruments (refer to Note 10). The Bank considers its cash and cash equivalents to have low credit risk so its credit loss evaluation is on a 12-month expected credit loss basis.

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

### Financial Assets at Fair Value through Profit or Loss (FVTPL)

	December 31	
	2019	2018
Financial assets mandatorily classified at FVTPL		
Derivative financial assets (not under hedge accounting)		
Futures	\$ 114,919	\$ 173,149
Forward exchange contracts	140,099	49,518
Interest rate swaps	468,855	741,343
Cross-currency swaps	21,671	32,867
Currency swaps	2,135,583	1,314,821
Currency call option premiums	59,098	24,244
Non-derivative financial assets		
Investment in bills	7,560,413	6,626,120
Domestic listed stock	75,046	-
Government bonds	5,678	1,103,764
Corporate bonds	902,027	851,664
	<u>\$ 11,483,389</u>	<u>\$ 10,917,490</u>

The par values of bonds and notes provided for transactions with repurchase agreements were \$247,000 thousand and \$923,300 thousand as of December 31, 2019 and 2018, respectively.

### Financial Liabilities at FVTPL

	December 31	
	2019	2018
Financial liabilities designated at FVTPL		
Financial liabilities held for trading	\$ -	\$ 9,130,255
Derivative financial liabilities (not applying hedge accounting)		
Forward contracts	32,285	65,379
Interest rate swaps	465,546	953,280
Cross-currency swaps	128,427	32,761
Currency swaps	3,561,915	841,567
Currency put option premiums	59,106	24,246
	<u>4,247,279</u>	<u>1,917,233</u>
	<u>\$ 4,247,279</u>	<u>\$ 11,047,488</u>

a. The unsecured U.S. dollar-denominated bank notes issued by the Bank were as follows:

Note C, 20-year term, US\$260,000 thousand, issued at par value without interest payment, callable 5 years after issue date with interest payment, maturity: 2034.12.17. This note was redeemed on December 17, 2019.

b. The Bank designated the unsecured U.S. dollar-denominated banks notes as financial liabilities at FVTPL to reduce the inconsistency of measurement or recognition.

The Bank entered into derivative contracts during the years ended December 31, 2019 and 2018 to manage exposures due to exchange rate and interest rate fluctuations. The financial risk management objective of the Bank is to minimize risks due to changes in fair value and cash flows.

The nominal principal amounts of outstanding derivative contracts as of December 31, 2019 and 2018 were as follows:

	December 31	
	2019	2018
Currency swaps	\$ 544,771,238	\$ 349,448,614
Currency options	18,546,651	12,774,097
Forward exchange contracts	13,833,533	17,114,455
Interest rate swaps	338,302,150	358,411,064
Cross-currency swaps	7,497,500	3,688,200

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2019	2018
Investments in equity instruments at FVTOCI		
Domestic listed stock	\$ 6,400,568	\$ 4,785,216
Domestic unquoted stock	8,000,918	7,138,045
	<u>14,401,486</u>	<u>11,923,261</u>
Investments in debt instruments at FVTOCI		
Government bonds	28,085,689	17,893,192
Corporate bonds	20,083,472	16,494,550
Bank notes	45,930,016	29,881,172
Bonds issued by international organizations	2,020,092	11,025,870
Beneficiary and asset-based securities	-	666,787
Investments in bills	1,089,328	2,505,688
	<u>97,208,597</u>	<u>78,467,259</u>
	<u>\$ 111,610,083</u>	<u>\$ 90,390,520</u>

A part of investments in equity instruments is for strategic instruments and are not held for trading, the management designated these investments as at FVTOCI.

- Refer to Note 10 for information relating to their credit risk management and impairment.
- The par values of bonds provided for transactions with repurchase agreement were \$1,178,600 and \$4,380,200 thousand as of December 31, 2019 and 2018, respectively.
- Government bonds placed as deposits in courts amounted to \$335,700 thousand and \$391,900 thousand as of December 31, 2019, and 2018, respectively. Another government bonds placed as operating deposits amounted to \$330,000 thousand; government bonds placed as a reserve fund for trust compensation amounted to \$170,000 thousand; overseas branches' bonds provided as collateral for operations were \$152,304 thousand and \$155,720 thousand as of December 31, 2019, and 2018, respectively. Refer to Note 37 for information relating to investments in debt instruments at FVTOCI pledged as security.

## 9. INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST

	December 31, 2019	December 31, 2018
Investments in bills	\$ 262,797,272	\$ 251,312,321
Bank notes	6,710,913	7,327,497
Corporate bonds	2,943,223	7,038,802
Government bonds	<u>3,607,568</u>	<u>2,381,185</u>
	<u>\$ 276,058,976</u>	<u>\$ 268,059,805</u>

- a. Refer to Note 10 for information relating to their credit risk management and impairment.
- b. The amounts of the overseas branches' bonds provided as collateral for operations were \$89,970 thousand and \$307,061 thousand as of December 31, 2019 and 2018, respectively.
- c. Certificates of deposit placed as reserves for clearing at the Central Bank amounted to \$36,000,000 thousand; certificates of deposit which were issued by the Central Bank and pledged for call loans from banks amounted to \$5,300,000 thousand as of December 31, 2019 and 2018.
- d. Refer to Note 37 for information relating to investments in debt instruments at amortized cost pledged as security.

## 10. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

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

### December 31, 2019

	At FVTOCI	At Amortized Cost	Total
Gross carrying amount	\$ 97,034,186	\$ 276,063,342	\$ 373,097,528
Less: Allowance for impairment loss	(58,563)	(4,366)	(62,929)
Amortized cost	<u>96,975,623</u>	<u>276,058,976</u>	<u>373,034,599</u>
Adjustment to fair value	<u>232,974</u>		<u>232,974</u>
	<u>\$ 97,208,597</u>		<u>\$ 373,267,573</u>

### December 31, 2018

	At FVTOCI	At Amortized Cost	Total
Gross carrying amount	\$ 78,307,291	\$ 268,066,420	\$ 346,373,711
Less: Allowance for impairment loss	(166,765)	(6,615)	(173,380)
Amortized cost	<u>78,140,526</u>	<u>268,059,805</u>	<u>346,200,331</u>
Adjustment to fair value	<u>326,733</u>		<u>326,733</u>
	<u>\$ 78,467,259</u>		<u>\$ 346,527,064</u>

The Bank only invests in debt instruments that are rated as investment grade or higher and are assessed as having low credit impairment. The credit rating information is supplied by independent rating agencies. The Bank's exposure and the external credit ratings are continuously monitored and assessed for whether there has been a significant increase in credit risk since the last period to the reporting date.

The Bank considers the historical default rates of each credit rating supplied by external rating agencies to estimate 12-month or lifetime expected credit losses. The Bank's current credit risk grading framework comprises the following categories:

Category	Description	Basis for Recognizing Expected Credit Losses
Stage 1	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12-month ECLs
Stage 2	There has been a significant increase in credit risk since initial recognition	Lifetime ECLs - not credit impaired
Stage 3	There is evidence indicating that the asset is credit impaired	Lifetime ECLs - credit impaired
Write-off	There is evidence indicating that the debtor is experiencing severe financial difficulty and the Bank has no realistic prospect of recovery	Amount is written off

Gross carrying amount and applicable expected credit loss rate of investments in debt instruments are as follows:

### December 31, 2019

Category	Expected Loss Rate	At FVTOCI	At Amortized Cost
Stage 1	0%-0.3271%	\$ 96,975,026	\$ 276,063,342
Stage 2	45.0485%	<u>59,160</u>	<u>-</u>
		<u>\$ 97,034,186</u>	<u>\$ 276,063,342</u>

### December 31, 2018

Category	Expected Loss Rate	At FVTOCI	At Amortized Cost
Stage 1	0%-0.3422%	\$ 78,165,305	\$ 268,066,420
Stage 3	100%	<u>141,986</u>	<u>-</u>
		<u>\$ 78,307,291</u>	<u>\$ 268,066,420</u>

The allowance for impairment loss of investments in debt instruments at FVTOCI and at amortized cost for the years ended December 31, 2019 and 2018 grouped by credit rating is reconciled as follows:

At FVTOCI

	Credit Rating			Total
	Performing (12-month ECLs)	Doubtful (Lifetime ECLs - Not Credit-impaired)	Defaulted (Lifetime ECLs - Credit-impaired)	
<b>Allowance for Impairment Loss</b>				
Balance at January 1, 2019	\$ 24,779	\$ -	\$ 141,986	\$ 166,765
Purchase of investments in debt instruments	22,597 (14,450)	26,651 -	- (141,986)	49,248 (156,436)
Derecognition	(1,014)	-	-	(1,014)
Change in exchange rates or others	\$ 31,912	\$ 26,651	\$ -	\$ 58,563
Balance at December 31, 2019	\$ 29,316	\$ 27,285	\$ 137,112	\$ 193,713
Balance at January 1, 2018	11,038 (13,174)	- (27,285)	- (141,986)	11,038 (40,459)
Derecognition	(2,401)	-	4,874	2,473
Balance at December 31, 2018	\$ 24,779	\$ -	\$ 141,986	\$ 166,765

At amortized cost

	Credit Rating			Total
	Performing (12-month ECLs)	Doubtful (Lifetime ECLs - Not Credit-impaired)	Defaulted (Lifetime ECLs - Credit-impaired)	
<b>Allowance for Impairment Loss</b>				
Balance at January 1, 2019	\$ 6,615	\$ -	\$ -	\$ 6,615
Purchase of investments in debt instruments	56 (1,830)	- -	- -	56 (1,830)
Derecognition	(475)	-	-	(475)
Change in exchange rates or others	\$ 4,366	\$ -	\$ -	\$ 4,366
Balance at December 31, 2019	\$ 9,623	\$ -	\$ -	\$ 9,623
Balance at January 1, 2018	213 (2,790)	- -	- -	213 (2,790)
Derecognition	(431)	-	-	(431)
Change in exchange rates or others	\$ 6,615	\$ -	\$ -	\$ 6,615

**11. RECEIVABLES, NET**

a. Details of receivables

	2019	2018
Accounts receivable	\$ 10,707,132	\$ 16,321,394
Accrued incomes	6,816	5,993
Interests receivable	4,668,851	5,233,727
Acceptances receivable	4,712,390	5,334,884
Credit cards accounts receivable	2,225,416	1,833,999
Settlement price	340,835	392,434
Accounts receivable for settlement	305,067	217,848
Other receivables	451,334	278,373
	<u>23,417,841</u>	<u>29,618,652</u>
Less: Allowance for bad debts, receivables	<u>(438,775)</u>	<u>(633,867)</u>
	<u>\$ 22,979,066</u>	<u>\$ 28,984,785</u>

b. Allowance for receivables

1) Movements in the allowance for receivables

	For the Year Ended December 31, 2019				
	12-Month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on FRS 9	Recognized Impairment Difference Based on Adjustments on Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming Loans and Bad Debts
Receivables					
Beginning balance	\$ 32,146	\$ 2,675	\$ 18,559	\$ 53,360	\$ 580,507
Changes from financial instruments derecognized at the beginning of the period:					
Transfers to lifetime expected credit losses	(36)	53	(39)	(22)	-
Transfers to expected credit losses	(5)	(4)	486	477	-
Transfers to 12-month expected credit losses	331	(137)	(27)	167	-
Financial assets derecognized for the period, originated financial assets	(30,904)	(1,722)	(14,803)	(47,429)	-
Recognized impairment difference based on the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming Loans and Bad Debts	21,239	2,672	77,418	101,329	-
Changes in exchange rates or others	-	-	-	-	-
Ending balance	<u>\$ 22,251</u>	<u>\$ 3,532</u>	<u>\$ 44,885</u>	<u>\$ 71,128</u>	<u>\$ 367,507</u>
					<u>\$ 438,275</u>

For the Year Ended December 31, 2018

	12-Month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Losses Recognized Based on FRS 9	Recognized Impairment Difference Based on Regulations on Reputations of the Periods for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debt	Total
Receivables	\$ 28,086	\$ 2,295	\$ 25,436	\$ 55,817	\$ 525,516	\$ 581,333
Beginning balance						
Changes from financial instruments recognized during the period	(55)	78	(78)	(55)	-	(55)
Transfers to lifetime expected credit losses	(1)	(3)	408	404	-	404
Transfers to credit-impaired financial assets	239	(168)	192	263	-	263
Financial assets derecognized for the period	(26,896)	(1,458)	1,574	(26,780)	-	(26,780)
Purchased or originated financial assets	30,755	1,929	13,692	46,376	-	46,376
Recognized impairment difference based on the Regulations of the Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts	-	-	(22,684)	-	54,991	54,991
Doubtful debts written off	-	-	(1)	-	(22,684)	(22,684)
Changes in exchange rates or others	17	3	(1)	19	-	19
Ending balance	\$ 32,145	\$ 2,676	\$ 18,530	\$ 53,360	\$ 508,607	\$ 633,667

2) Movements in the total carrying amount of receivables

	12-Month Expected Credit Losses	Significant Increase in Risk Due to Lifetime Expected Credit Losses	Credit Impairment Due to Lifetime Expected Credit Losses	Total
Beginning balance	\$ 29,390,179	\$ 158,705	\$ 69,768	\$ 29,618,652
Changes from financial instruments recognized at the beginning of the period				
Transfers to lifetime expected credit loss	(31,690)	27,564	(207)	(4,333)
Transfers to credit-impaired financial assets	(10,381)	(398)	5,718	(5,061)
Transfers to 12-month expected credit losses	217,454	(13,660)	(215)	203,579
Purchased or originated financial assets	14,003,020	94,294	236,123	14,333,437
Derecognized	(20,573,777)	(103,553)	(6,052)	(20,683,382)
Doubtful debts written off	-	-	(36,678)	(36,678)
Changes in exchange rates or others	(7,230)	(1,118)	(25)	(8,373)
Ending balance	\$ 22,987,575	\$ 161,834	\$ 268,432	\$ 23,417,841

For the Year Ended December 31, 2018

	12-Month Expected Credit Losses	Significant Increase in Risk Due to Lifetime Expected Credit Losses	Credit Impairment Due to Lifetime Expected Credit Losses	Total
Beginning balance	\$ 25,015,385	\$ 156,888	\$ 79,083	\$ 25,251,356
Changes from financial instruments recognized at the beginning of the period				
Transfers to lifetime expected credit loss	(35,730)	31,671	(479)	(4,538)
Transfers to credit-impaired financial assets	(7,970)	(256)	1,442	(6,784)
Transfers to 12-month expected credit losses	75,732	(15,456)	(1,189)	59,087
Purchased or originated financial assets	19,040,228	92,279	41,998	19,174,505
Derecognized	(14,705,313)	(107,364)	(28,403)	(14,841,080)
Doubtful debts written off	-	-	(22,684)	(22,684)
Changes in exchange rates or others	7,847	943	-	8,790
Ending balance	\$ 29,390,179	\$ 158,705	\$ 69,768	\$ 29,618,652

12. DISCOUNTS AND LOANS, NET

a. Details of discounts and loans

	2019	2018
Negotiated and discounted overdrafts	\$ 3,870,803	\$ 4,541,384
Short-term loans	1,289,623	1,388,976
Margin loans receivable	407,385,225	356,460,660
Medium-term loans	288,722	230,047
Long-term loans	422,157,629	410,460,111
Overdue loans	590,198,771	558,766,868
	4,747,136	4,545,418
	1,429,937,909	1,336,393,464
Less: Allowance for bad debts, discounts and loans	(17,296,049)	(16,316,238)
	\$ 1,412,641,860	\$ 1,320,077,226

Loans of which the accrual of interest income had ceased internally as of December 31, 2019 and 2018 were \$4,747,136 thousand and \$4,545,418 thousand, respectively. The amounts of interest income that would have been accrued on these loans for the years ended December 31, 2019 and 2018 were \$126,749 thousand and \$121,363 thousand, respectively.

The Bank did not write off any loans without legal claims process during the years ended December 31, 2019 and 2018.

b. Allowance for discounts and loans

1) Movements in the allowance for discounts and loans

	For the Year Ended December 31, 2019					
	12-Month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on FRS 9	Recognized Impairment Difference Based on Regulations of the Prudential Boarding Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts	Total
Loans						
Beginning balance	\$ 1,864,003	\$ 1,843,770	\$ 5,102,485	\$ 8,810,258	\$ 7,505,980	\$ 16,316,238
Changes from financial instruments recognized beginning of the period						
Transfers to lifetime expected credit losses	(41,657)	45,751	(908)	3,186	-	3,186
Transfers to credit-impaired financial assets	(7,825)	(73,822)	82,744	1,097	-	1,097
Transfers to 12-month expected credit losses	246,591	(235,577)	(5,313)	5,700	-	5,701
Financial assets derecognized for the period	(1,308,391)	(973,187)	(1,758,089)	(4,039,667)	-	(4,039,667)
Purchased or originated financial assets	995,649	1,312,342	3,758,626	6,066,617	-	6,066,617
Recognized impairment difference based on the Regulations of the Prudential Boarding Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts	-	-	(2,144,763)	(2,144,763)	1,097,625	(1,097,625)
Doubtful debts written off	-	-	-	-	-	(2,144,763)
Changes in exchange rates or others	(5,701)	(3,186)	(1,028)	(9,285)	-	(9,285)
Ending balance	\$ 1,742,660	\$ 1,916,091	\$ 5,033,664	\$ 8,692,444	\$ 8,603,605	\$ 17,296,040

	For the Year Ended December 31, 2018					
	12-Month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on FRS 9	Recognized Impairment Difference Based on Regulations of the Prudential Boarding Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts	Total
Loans						
Beginning balance	\$ 1,757,974	\$ 1,239,981	\$ 5,076,651	\$ 8,074,606	\$ 8,292,373	\$ 16,366,979
Changes from financial instruments recognized beginning of the period						
Transfers to lifetime expected credit losses	(28,373)	31,712	(5,521)	(2,182)	-	(2,182)
Transfers to credit-impaired financial assets	(676)	(89,530)	89,906	(300)	-	(300)
Transfers to 12-month expected credit losses	302,535	(306,226)	(4,302)	(7,993)	-	(7,993)
Financial assets derecognized for the period	(644,929)	(199,297)	(2,754,150)	(3,598,376)	-	(3,598,376)
Purchased or originated financial assets	1,135,061	1,323,938	3,912,776	6,371,775	-	6,371,775
Recognized impairment difference based on the Regulations of the Prudential Boarding Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts	(665,581)	(158,990)	(1,213,175)	(2,037,746)	(786,393)	(786,393)
Doubtful debts written off	-	-	-	-	-	(2,037,746)
Changes in exchange rates or others	7,992	2,182	300	10,474	-	10,474
Ending balance	\$ 1,864,003	\$ 1,843,770	\$ 5,102,485	\$ 8,810,258	\$ 7,505,980	\$ 16,316,238

2) Movements in the total carrying amount of discounts and loans

	For the Year Ended December 31, 2019		
	12-Month Expected Credit Losses	Significant Increase in Risk Due to Lifetime Expected Credit Losses	Credit Impairment Due to Lifetime Expected Credit Losses
Beginning balance	\$ 1,269,212,814	\$ 53,608,495	\$ 13,572,155
Changes from financial instruments recognized at the beginning of the period			
Transfers to lifetime expected credit losses	(16,471,034)	16,709,870	(9,966)
Transfers to credit-impaired financial assets	(2,806,168)	(1,161,154)	3,999,121
Transfers to 12-month expected credit losses	6,535,365	(4,498,690)	(44,918)
Purchased or originated financial assets	689,737,732	28,254,807	6,252,756
Doubtful debts written off	(592,303,304)	(28,813,127)	(2,144,763)
Changes in exchange rates or others	(1,991,757)	(228,870)	(31,792)
Ending balance	\$ 1,351,913,648	\$ 63,871,331	\$ 14,152,930

	For the Year Ended December 31, 2018		
	12-Month Expected Credit Losses	Significant Increase in Risk Due to Lifetime Expected Credit Losses	Credit Impairment Due to Lifetime Expected Credit Losses
Beginning balance	\$ 1,269,212,814	\$ 53,608,495	\$ 13,572,155
Changes from financial instruments recognized at the beginning of the period			
Transfers to lifetime expected credit losses	(16,471,034)	16,709,870	(9,966)
Transfers to credit-impaired financial assets	(2,806,168)	(1,161,154)	3,999,121
Transfers to 12-month expected credit losses	6,535,365	(4,498,690)	(44,918)
Purchased or originated financial assets	689,737,732	28,254,807	6,252,756
Doubtful debts written off	(592,303,304)	(28,813,127)	(2,144,763)
Changes in exchange rates or others	(1,991,757)	(228,870)	(31,792)
Ending balance	\$ 1,351,913,648	\$ 63,871,331	\$ 14,152,930

The fixed-to-floating interest swaps were designated and effective fair value hedge instruments. During the years ended December 31, 2019 and 2018, the swaps were effective in hedging the fair value exposure to interest rate movements, and as a result, the carrying amounts of the fixed-rate borrowings were adjusted by \$261,014 thousand and \$249,055 thousand as of December 31, 2019 and 2018, respectively; these amounts were included in profit or loss at the same time that the fair value of the interest rate swap was included in profit or loss.

The information of hedging transactions is as follows:

- Hedging type: Fair value hedging.
- Hedging objective: To minimize the Bank's risks from changes in fair value due to fluctuating interest rates, by converting fixed-rate notes to floating-rate notes.
- Hedging method: By signing interest rate swap contracts, which pay floating rates (interest rate: 0.6681%) and charge fixed rates (interest rate range: 1.2900%-1.6075%).
- Hedging effect: The results of hedging are all in the line with the effective range of hedge accounting as defined by IFRSs. The realized gains or losses from hedging tools were \$70,234 thousand and \$69,523 thousand for the years ended December 31, 2019 and 2018, respectively, and the realized gains or losses from fair-value hedging were \$(1,958) thousand and a loss of \$(0,398) thousand, accounted for as net other non-interest income or loss, for the years ended December 31, 2019 and 2018, respectively.

#### 14. OTHER FINANCIAL ASSETS

	2019	2018
Time deposits with original maturities of more than 3 months	\$ 44,474,375	\$ 51,700,324
Exchange bills negotiated	13,970	10,360
Overdue receivables	179,538	380,211
Call loans to security brokers	-	153,675
Less: Allowance for bad debts	<u>(239,002)</u>	<u>(422,861)</u>
	<u>\$ 44,428,881</u>	<u>\$ 51,821,709</u>

The market rates of time deposits with original maturities of more than 3 months were ranging from 2.24%-3.53% and 2.65%-4.85% for the years ended December 31, 2019 and 2018, respectively.

Refer to Note 37 for information relating to other financial assets pledged as security.

#### 15. INVESTMENTS MEASURED BY EQUITY METHOD

	2019	2018
Investments in subsidiaries		
Chang Hua Commercial Bank, Ltd.	\$ 12,484,226	\$ 12,536,866
Chang Hua Bank Venture Capital Co., Ltd.	<u>603,249</u>	<u>-</u>
	<u>\$ 13,087,475</u>	<u>\$ 12,536,866</u>

	For the Year Ended December 31, 2018		
	12-Month Expected Credit Losses	Significant Increase in Risk Due to Lifetime Expected Credit Losses	Credit Impairment Due to Lifetime Expected Credit Losses
Beginning balance	\$ 1,334,668,075	\$ 45,871,466	\$ 12,868,098
Changes from financial instruments recognized at the beginning of the period:			
Transfers to lifetime expected credit losses	(16,768,851)	16,561,897	(44,477)
Transfers to credit-impaired financial assets	(1,536,123)	(1,681,737)	3,216,165
Transfers to 12-month expected credit losses	4,134,661	(7,005,441)	(41,959)
Purchased or originated financial assets	592,430,183	24,624,899	7,286,333
Doubtful debts written off	(665,581)	(158,990)	(2,037,746)
Derecognized	(645,962,288)	(24,855,031)	(8,500,525)
Changes in exchange rates or others	<u>2,912,738</u>	<u>251,432</u>	<u>1,695</u>
Ending balance	<u>\$ 1,269,212,814</u>	<u>\$ 53,608,495</u>	<u>\$ 13,572,155</u>

- Details of provision for bad debts expense, commitment and guarantee for the years ended December 31, 2019 and 2018

	For the Year Ended December 31	
	2019	2018
Provision for receivable and loan (including overdue loan) losses	\$ 2,063,708	\$ 2,237,851
Reversal for loan commitment	(12,142)	(104,474)
Provision for guarantee liability	75,336	77,746
Provision for others	<u>21,163</u>	<u>1,905</u>
	<u>\$ 2,148,065</u>	<u>\$ 2,213,028</u>

#### 13. FINANCIAL ASSETS FOR HEDGING

Financial assets for hedging  
Fair value hedges - interest rate swaps

\$ 247,375

2019

2018

\$ 244,763

The Bank used interest rate swaps to minimize its exposure to changes in the fair value of its fixed-rate borrowings by entering into fixed-to-floating interest rate swap contracts. The interest swaps and the corresponding borrowings have the same terms, and management believes that the interest rate swaps are highly effective hedging instruments. The respective, nominal principal amount of the Bank's outstanding interest rate swaps as of December 31, 2019 and 2018 was \$8,200,000 thousand. The maturity period is from April 19, 2021 to September 27, 2026.

On December 11, 2018, the Bank changed its operation units in China by establishing its subsidiary Chang Hua Commercial Bank, Ltd. The Bank established Chang Hua Bank Venture Capital Co., Ltd. on April 17, 2019. The percentage of ownership equity and voting rights to subsidiaries as of balance sheet date were as follows:

	December 31	
	2019	2018
Chang Hua Commercial Bank, Ltd.	100%	100%
Chang Hua Bank Venture Capital Co., Ltd.	100%	-

## 16. PROPERTY AND EQUIPMENT

Assets used by the Bank  
Assets leased under operating leases

a. Asset used by the Bank - 2019

Code	Prepaid Land	Buildings	Machinery Equipment	Transportation Equipment	Mechanisms Equipment	Furniture Impairment	Leased Assets	Construction in Progress for Building and Equipment	Total
Balance at January 1, Adjustments on initial application of IFRS 16	\$ 14,677,460	\$ 8,578,781	\$ 4,538,744	\$ 776,699	\$ 1,441,896	\$ 923,770	\$ 908	\$ 34,584	\$ 30,915,102
Balance at January 1, Adjustments on initial application of IFRS 16	14,677,460	8,578,781	4,538,744	776,699	1,441,896	923,770	(908)	34,584	30,914,104
Additions	105,000	32,191	173,307	206,222	40,316	9,492	-	54,394	441,322
Disposals	-	(26,066)	(307,696)	(25,977)	(15,313)	(17,963)	-	-	(292,827)
Transfers to asset based under operating leases	(10,000)	-	-	-	-	-	-	-	(10,000)
Transfers to asset based under operating leases	(13,514)	7,516	7,701	40,26	2,142	5,341	-	(72,911)	(51,999)
Effect of foreign currency exchange differences	-	-	(182)	(453)	(445)	(921)	-	9	(1,823)
Balance at December 31, 2019	\$ 14,662,446	\$ 8,612,805	\$ 4,511,861	\$ 733,567	\$ 1,699,229	\$ 910,847	\$ -	\$ 16,676	\$ 30,629,228
Accumulated depreciation and impairment	-	-	-	-	-	-	-	-	-
Balance at January 1, Adjustments on initial application of IFRS 16	\$ -	\$ 4,261,030	\$ 3,904,144	\$ 613,460	\$ 1,284,340	\$ 810,959	\$ 148	\$ -	\$ 10,906,013
Balance at January 1, Adjustments on initial application of IFRS 16	-	4,261,030	3,904,144	613,460	1,284,340	810,959	(148)	-	10,905,885
Disposals	-	(25,882)	(206,922)	(42,914)	(15,220)	(17,765)	-	-	(299,703)
Transfers to asset based under operating leases	-	170,159	209,688	44,373	45,131	32,325	-	-	499,074
Transfers to asset based under operating leases	-	(17,933)	-	-	-	-	-	-	(17,933)
Effect of foreign currency exchange differences	-	(12,467)	-	-	-	-	-	-	(12,467)
Balance at December 31, 2019	\$ -	\$ 4,205,817	\$ 3,906,908	\$ 613,566	\$ 1,313,331	\$ 865,444	\$ -	\$ -	\$ 10,835,164
Carrying amounts at December 31, 2019	\$ 14,662,446	\$ 12,818,622	\$ 8,417,776	\$ 947,133	\$ 1,678,560	\$ 752,400	\$ -	\$ 16,676	\$ 29,464,392

b. Assets leased under operating leases - 2019

Buildings	Cost
Balance at January 1, 2019	\$ 341,422
Adjustments on initial application of IFRS 16	341,422
Balance at January 1, 2019 (restated)	10,030
Transfers from assets used by the Bank	\$ 351,452
Balance at December 31, 2019	\$ 150,467
Accumulated depreciation and impairment	150,467
Balance at January 1, 2019	6,439
Adjustments on initial application of IFRS 16	17,933
Balance at January 1, 2019 (restated)	17,933
Depreciation expense	174,839
Transfers from assets used by the Bank	176,613
Balance at December 31, 2019	\$ 19,995,240
Carrying amounts at December 31, 2019	\$ 176,613

Operating leases relate to buildings owned by the Bank with lease terms between 1 and 20 years without an option to extend lease terms. All operating lease contracts contain market review clauses in the event that the lessees exercise their options to extend. The lessees do not have bargain purchase options to acquire the assets at the expiry of the lease periods.

The maturity analysis of lease payments receivable under operating lease payments for property used by the Bank was as follows:

December 31, 2019	December 31, 2019
Year 1	\$ 30,100
Year 2	19,048
Year 3	13,408
Year 4	3,241
Year 5	60
	\$ 65,857



2018

17. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	December 31, 2019
Carrying amounts	
Land	\$ 1,636
Buildings	1,523,201
Machinery equipment	289
Transportation equipment	62,677
Miscellaneous equipment	13,371
	<u>\$ 1,601,174</u>
<b>For the Year Ended December 31, 2019</b>	
Additions to right-of-use assets	<u>\$ 424,879</u>
Depreciation charge for right-of-use assets	\$ 1,332
Land	624,304
Buildings	464
Machinery equipment	37,139
Transportation equipment	<u>9,845</u>
Miscellaneous equipment	<u>\$ 673,084</u>

	December 31, 2019
Carrying amounts	
Land	0.91%
Buildings	0.20%-2.99%
Machinery equipment	0.20%-2.89%
Transportation equipment	2.12%-3.00%
Miscellaneous equipment	0.86%-2.89%

Cost	Buildings	Machinery Equipment	Transportation Equipment	Miscellaneous Equipment	Leasehold Improvement	Leased Assets	Construction in Progress and Equipment for Buildings and Equipment	Total
Balance at January 1, 2018	\$ 9,107,415	\$ 4,668,094	\$ 723,601	\$ 1,448,399	\$ 987,995	\$ 1,007	\$ 120,129	\$ 31,693,397
2018	42,416	(331,380)	(31,574)	(30,377)	(5,980)	48	221,352	(1,008,311)
Deposits	(239,085)	67,538	(5,565)	(6,182)	(46,627)	(585)	(101,364)	(647,620)
Reclassification	-	-	-	-	-	-	-	-
currency exchange difference	9,243	2,322	379	1,021	2,526	-	466	16,053
Balance at December 31, 2018	<u>\$ 8,800,003</u>	<u>\$ 4,587,244</u>	<u>\$ 706,699</u>	<u>\$ 1,441,886</u>	<u>\$ 933,220</u>	<u>\$ 908</u>	<u>\$ 34,584</u>	<u>\$ 31,256,624</u>
Balance at January 1, 2019	\$ 4,209,741	\$ 4,069,659	\$ 686,459	\$ 1,291,706	\$ 618,119	\$ 149	\$ -	\$ 11,165,845
2019	798,389	(186,262)	44,597	44,313	41,800	124	-	505,885
Depreciation expense	-	(311,022)	(31,566)	(30,374)	(5,693)	-	-	(388,044)
Deposits	-	-	-	(71,686)	(5,622)	(32)	-	(111,640)
Effect of foreign currency exchange	(21,755)	(21,755)	-	-	-	-	-	-
Balance at December 31, 2019	<u>\$ 4,411,607</u>	<u>\$ 3,901,444</u>	<u>\$ 614,660</u>	<u>\$ 1,294,439</u>	<u>\$ 610,609</u>	<u>\$ 165</u>	<u>\$ -</u>	<u>\$ 11,056,509</u>
Carrying amounts at December 31, 2018	<u>\$ 4,406,216</u>	<u>\$ 684,660</u>	<u>\$ 106,556</u>	<u>\$ 17,547</u>	<u>\$ 9,311</u>	<u>\$ 790</u>	<u>\$ 34,584</u>	<u>\$ 20,200,624</u>

Operating leases relate to the property owned by the Bank with lease terms between 5 and 10 years, with an option to extend an additional 10 years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have a bargain purchase option to acquire the property at the expiry of the lease period.

As of December 31, 2018, refundable deposits received under operation leases amounted to \$55,213 thousand.

The future minimum lease payments of non-cancellable operating lease (including investment property) are as follows:

	December 31, 2018
Not later than 1 year	\$ 239,809
Later than 1 year and not later than 5 years	498,706
Later than 5 years	<u>82,454</u>
	<u>\$ 820,969</u>

The above items of property and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets:

Buildings	20-60 years
Main buildings	5-10 years
Air-conditioning units	4-16 years
Machinery equipment	2-10 years
Transportation equipment	3-10 years
Miscellaneous equipment	5 years
Leasehold improvements	9 years
Leased assets	9 years

c. Material lease-in activities and terms

The Bank leases certain buildings for operations of branches with lease terms from 3 to 15 years. The lease contract for offices located in New York specifies that lease payments are subject to 4 modifications during the lease terms and the Bank can sublease the underlying assets. The lease contracts for offices located in Hong Kong and Taiwan specify that the premium for lease was \$2,152 thousand and lease payments will be adjusted each year. In addition, the Bank was prohibited from subleasing all or any portion of the underlying assets.

d. Other lease information

Lease arrangements under operating leases for the leasing out of investment properties and freehold property, plant and equipment are set out in Notes 16 and 18.

2019

	<b>For the Year Ended December 31, 2019</b>
Expenses relating to short-term leases	\$ 29,070
Expenses relating to low-value asset leases	<u>\$ 32,041</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	\$ 141,495
Total cash outflow for leases	<u>\$ (202,606)</u>

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

For the year ended December 31, 2019, expenses relating to short-term leases also include expenses relating to leases for which the lease terms end on or before December 31, 2019 and for which the recognition exemption is applied. Just before the balance sheet date, the Bank also entered into several lease arrangements for additional office equipment that qualified as short-term leases. The amount of lease commitments for short-term leases, for which the recognition exemption is applied was \$19,693 thousand as of December 31, 2019.

2018

Operating leases relate to leases of land, houses and cars with lease terms between 3 and 10 years. All operating lease contracts over 5 years contain clauses for 5-year market rental reviews. The Bank does not have a bargain purchase option to acquire the leased land, houses and cars at the expiration of the lease periods.

As of December 31, 2018, refundable deposits paid under operation leases amounted to \$43,810 thousand.

The future minimum lease payments of non-cancellable operating lease commitments are as follows:

	<b>December 31, 2018</b>
Not later than 1 year	\$ 595,724
Later than 1 year and not later than 5 years	1,100,820
Later than 5 years	<u>255,874</u>
	<u>\$ 1,952,418</u>

**18. INVESTMENT PROPERTY**

	<b>Completed Investment Property</b>
<u>Cost</u>	
Balance at January 1, 2019	\$ 14,097,759
Addition	1,203
Reclassification	<u>148,508</u>
Balance at December 31, 2019	<u>\$ 14,247,470</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2019	\$ 355,383
Depreciation expense	6,867
Reclassification	<u>12,430</u>
Balance at December 31, 2019	<u>\$ 374,680</u>
Carrying amounts at December 31, 2019	<u>\$ 13,872,790</u>
<u>Cost</u>	
Balance at January 1, 2018	\$ 14,096,478
Addition	<u>1,281</u>
Balance at December 31, 2018	<u>\$ 14,097,759</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2018	\$ 348,691
Depreciation expense	<u>6,692</u>
Balance at December 31, 2018	<u>\$ 355,383</u>
Carrying amounts at December 31, 2018	<u>\$ 13,742,376</u>

Operating leases relate to the investment property owned by the Bank with lease terms between 1 and 20 years, with no option to extend. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have a bargain purchase option to acquire the property at the expiry of the lease period.

The maturity analysis of lease payments receivable under operating leases of investment properties as of December 31, 2019 was as follows:

	<b>December 31, 2019</b>
Year 1	\$ 186,406
Year 2	152,812
Year 3	127,227
Year 4	111,345
Year 5	99,500
Year 6 onwards	<u>94,743</u>
	<u>\$ 772,033</u>

The investment properties are depreciated using the straight-line method over their estimated useful lives as follows:

Main buildings	20-60 years
Air-conditioning	5-10 years

The investment properties are measured and stated at cost in the balance sheets. For management purpose, the Bank periodically measures the fair value of investment properties in accordance with the Bank's internal rules and procedures. The Bank conducts regular evaluations, measured by level 3 inputs. The fair values were \$26,959,699 thousand and \$26,506,226 thousand as of December 31, 2019 and 2018, respectively.

All investment properties are own right and interest.

The rental incomes and direct operating expenses generated by the investment property for the years ended December 31, 2019 and 2018 were as follows:

	<b>For the Year Ended December 31, 2019</b>	<b>2018</b>
Rental incomes	\$ 181,431	\$ 186,129
Direct operating expenses	<u>\$ 103,717</u>	<u>\$ 103,365</u>

## 19. INTANGIBLE ASSETS

	<b>Computer Software</b>
Balance at January 1, 2019	\$ 714,842
Additions	137,032
Amortization expense	(208,538)
Reclassification and others	2,001
Effect of foreign currency exchange differences	<u>23</u>
Balance at December 31, 2019	<u>\$ 645,360</u>
Balance at January 1, 2018	\$ 436,176
Additions	347,039
Amortization expense	(201,397)
Reclassification and others	132,665
Effect of foreign currency exchange differences	<u>359</u>
Balance at December 31, 2018	<u>\$ 714,842</u>

The intangible asset mentioned above is amortized on a straight-line basis over the estimated useful life of 3 to 5 years.

## 20. OTHER ASSETS

	<b>December 31 2019</b>	<b>2018</b>
Refundable deposits	\$ 954,967	\$ 662,164
Assumed collateral and residuals	23,462	23,462
Less: Accumulated impairment	(23,462)	(23,462)
Prepayments	95,024	327,441
Others	<u>1,484</u>	<u>869</u>
	<u>\$ 1,051,475</u>	<u>\$ 990,474</u>

## 21. DEPOSITS FROM THE CENTRAL BANK AND BANKS

	<b>December 31 2019</b>	<b>2018</b>
Deposits from the Central Bank	\$ 26,128	\$ 25,835
Deposits from banks	225,998	27,047,246
Overdrafts on banks	322,914	1,167,669
Call loans from banks	101,169,640	81,920,266
Deposits transferred from Chungghwa Post Co., Ltd.	<u>442,907</u>	<u>697,163</u>
	<u>\$ 102,187,587</u>	<u>\$ 110,858,179</u>

## 22. PAYABLES

	December 31	
	2019	2018
Checks issued to payees for clearing	\$ 6,706,074	\$ 18,402,780
Accounts payable	1,592,510	1,767,861
Accrued expenses	2,314,473	2,555,079
Accrued interests	2,538,712	2,547,595
Acceptances	4,820,263	6,037,874
Others	3,704,169	4,388,414
	<u>\$ 21,676,201</u>	<u>\$ 35,699,603</u>

## 23. DEPOSITS AND REMITTANCES

	December 31	
	2019	2018
Checking account deposits	\$ 40,797,582	\$ 44,742,967
Demand deposits	424,236,193	389,593,445
Time deposits	394,426,165	388,379,056
Negotiable certificates of deposit	6,186,997	5,670,685
Savings account deposits	890,034,856	849,749,137
Remittances	1,455,057	1,952,686
	<u>\$ 1,757,136,850</u>	<u>\$ 1,680,087,976</u>

## 24. BANK NOTES PAYABLE

The Bank has issued bank notes to enhance its capital adequacy ratio and raise medium to long-term operating funds. The information of the bank notes is as follows:

The Bank issued \$5,000 million perpetual subordinated bank notes-99-1 on June 29, 2010, which is callable after 10 years of issue date.

The Bank issued \$3,300 million subordinated bank notes 100-1 on March 11, 2011, divided into Financial Debentures A \$2,200 million with 7-year term and Financial Debenture B \$1,100 million with 10-year terms.

The Bank issued \$6,700 million subordinated bank notes 100-2 with 10-year term on April 18, 2011.

The Bank issued \$2,200 million subordinated bank notes A 103-1 with 7-year term on April 16, 2014.

The Bank issued \$5,300 million subordinated bank notes B 103-1 with 10-year term on April 16, 2014.

The Bank issued \$2,500 million subordinated bank notes C 103-1 with 10-year term on April 16, 2014.

The Bank issued \$3,000 million subordinated bank notes A 105-1 with 7-year term on September 27, 2016.

The Bank issued \$3,300 million subordinated bank notes B 105-1 with 10-year term on September 27, 2016.

The Bank issued \$1,530 million subordinated bank notes A 106-1 with 7-year term on March 29, 2017.

The Bank issued \$8,670 million subordinated bank notes B 106-1 with 10-year term on March 29, 2017.

The Bank issued \$7,000 million perpetual subordinated bank notes 107-1 on April 26, 2018. Callable 5 years and 3 months after issue date.

The Bank issued \$3,000 million perpetual subordinated bank notes 107-2 on November 8, 2018. Callable 5 years and 1 month after issue date.

The Bank issued \$5,960 million perpetual subordinated bank notes 108-1 on June 27, 2019. Callable 5 years and 1 month after issue date.

The outstanding balance and details of subordinated bank notes are as follows:

Bank Note, Interest Rate and Maturity Date	2019	2018
<u>Hedged financial liabilities at fair value</u>		
103-1 Note A, 7-year term, interest payable annually, interest rate 1.70%, maturity date: April 16, 2021	\$ 2,200,000	\$ 2,200,000
103-1 Note B, 10-year term, interest payable annually, interest rate 1.85%, maturity date: April 16, 2024	3,000,000	3,000,000
105-1 Note A, 7-year term, interest payable annually, interest rate 1.09%, maturity date: September 27, 2023	1,000,000	1,000,000
105-1 Note B, 10-year term, interest payable annually, interest rate 1.20%, maturity date: September 27, 2026	2,000,000	2,000,000
Valuation adjustment	<u>261,014</u>	<u>249,055</u>
	<u>8,461,014</u>	<u>8,449,055</u>
<u>Non-hedged bank notes payable</u>		
99-1, No maturity date, interest payable annually, interest rate from first to tenth year is 3.15%, after tenth year is 4.15%	5,000,000	5,000,000
100-1 Note B, 10-year term, interest payable annually, interest rate 1.72%, maturity date: March 11, 2021	1,100,000	1,100,000
100-2, 10-year term, interest payable annually, floating rate, maturity date: April 18, 2021	6,700,000	6,700,000
103-1 Note B, 10-year term, interest payable annually, interest rate 1.85%, maturity date: April 16, 2024	2,300,000	2,300,000
103-1 Note C, 10-year term, interest payable annually, floating rate, maturity date: April 16, 2024	2,500,000	2,500,000
105-1 Note A, 7-year term, interest payable annually, interest rate 1.09%, maturity date: September 27, 2023	2,000,000	2,000,000
105-1 Note B, 10-year term, interest payable annually, interest rate 1.20%, maturity date: September 27, 2026	1,300,000	1,300,000
106-1 Note A, 7-year term, interest payable annually, interest rate 1.50%, maturity date: March 29, 2024	1,530,000	1,530,000
106-1 Note B, 10-year term, interest payable annually, interest rate 1.85%, maturity date: March 29, 2027	8,670,000	8,670,000
107-1, no maturity date, interest payable annually, interest rate 2.66%	7,000,000	7,000,000

(Continued)

## 27. RESERVE FOR LIABILITIES

	2019	December 31, 2018
Reserve for employee benefits (Note 28)	\$ 4,248,254	\$ 4,337,337
Reserve for guarantee liabilities	612,486	537,233
Reserve for loan commitments	353,357	365,995
Reserve for decommissioning restoration and rehabilitation costs	55,603	-
Others	<u>53,033</u>	<u>31,912</u>
	<u>\$ 5,322,733</u>	<u>\$ 5,272,477</u>

Movements in reserve for guarantee liabilities, reserve for loans commitments and reserve for others are as follows:

	For the Year Ended December 31, 2019					
	12-Month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on IFRS 9	Recognized Impairment Difference Based on Regulations	Total
Balance at January 1, 2019	\$ 454,525	\$ 26,188	\$ 41,182	\$ 521,895	\$ 413,245	\$ 935,140
Changes from financial instruments recognized at the beginning of the period:						
Transfers to lifetime expected credit losses	(5,502)	5,711	-	209	-	209
Transfers to credit-impaired financial assets	(19)	(9)	29	1	-	1
Transfers to 12-months expected credit losses	1,511	(930)	-	581	-	581
Financial instruments derecognized for the period	(345,752)	(6,707)	(18,005)	(370,464)	-	(370,464)
Purchased or originated financial instruments	350,051	28,206	4,925	383,181	-	383,181
Recognized impairment difference based on regulations	-	-	-	-	71,025	71,025
Changes in exchange rates and others	(547)	(250)	-	(792)	-	(792)
Balance at December 31, 2019	<u>\$ 454,267</u>	<u>\$ 52,208</u>	<u>\$ 28,131</u>	<u>\$ 534,606</u>	<u>\$ 484,270</u>	<u>\$ 1,018,876</u>

	For the Year Ended December 31, 2018					
	12-Month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on IFRS 9	Recognized Impairment Difference Based on Regulations	Total
Balance at January 1, 2018	\$ 490,854	\$ 126,871	\$ 427,500	\$ 1,045,225	\$ -	\$ 1,045,225
Changes from financial instruments recognized at the beginning of the period:						
Transfers to lifetime expected credit losses	(4,338)	4,283	-	(55)	-	(55)
Transfers to credit-impaired financial assets	(73)	(6)	181	102	-	102
Transfers to 12-months expected credit losses	101,781	(102,402)	-	(621)	-	(621)
Financial instruments derecognized for the period	(456,216)	(23,559)	(390,609)	(870,384)	-	(870,384)
Purchased or originated financial instruments	321,898	20,946	4,212	347,056	-	347,056
Recognized impairment difference based on regulations	-	-	-	-	413,245	413,245
Changes in exchange rates and others	619	55	(102)	572	-	572
Balance at December 31, 2018	<u>\$ 454,525</u>	<u>\$ 26,188</u>	<u>\$ 41,182</u>	<u>\$ 521,895</u>	<u>\$ 413,245</u>	<u>\$ 935,140</u>

	2019	December 31, 2018
\$ 3,000,000	\$ 3,000,000	
<u>5,960,000</u>		
<u>47,060,000</u>	<u>41,100,000</u>	
<u>\$ 55,521,014</u>	<u>\$ 49,549,055</u>	
	(Conecluded)	

The Bank engaged in derivative transactions as hedging tools for the 103-1 Note A, 103-1 Note B, 105-1 Note A and 105-1 Note B fixed interest rate bank notes to avoid fair value risks due to changes in interest rates. The nominal principal of interest rate swaps was accounted as hedging derivative financial assets. (Refer to Note 13).

## 25. OTHER FINANCIAL LIABILITIES

	2019	December 31, 2018
Principal received on structured notes	\$ 3,495,607	\$ 3,715,307
Appropriations for loans	779,293	671,115
Lease payable	-	656
	<u>\$ 4,274,900</u>	<u>\$ 4,387,078</u>

The principal received on structured notes were the time hybrid instruments issued at fixed income. The related income of structured notes were determined by the interest rates linked to targets.

## 26. OTHER LIABILITIES

	2019	December 31, 2018
Advance receipts	\$ 650,131	\$ 634,472
Guarantee deposits	1,855,967	2,112,301
Deferred revenue	<u>12,835</u>	<u>14,959</u>
	<u>\$ 2,518,933</u>	<u>\$ 2,761,732</u>

Advance receipts  
Guarantee deposits  
Deferred revenue

## 28. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

The Bank adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Bank makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

### b. Defined benefit plans

The defined benefit plan adopted by the Bank in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Bank contributes amounts equal to 10% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Bank assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Bank is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"), the Bank has no right to influence the investment policy and strategy.

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

	2019	2018
Present value of defined benefit obligation	\$ 9,979,092	\$ 9,864,472
Fair value of plan assets	<u>(7,152,662)</u>	<u>(6,915,260)</u>
Deficit	2,826,430	2,949,212
Others	<u>13,351</u>	<u>12,132</u>
Net defined benefit liability	<u>\$ 2,839,781</u>	<u>\$ 2,961,344</u>

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

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2019	\$ 9,864,472	\$ 6,915,260	\$ 2,949,212
Service cost	246,671	-	246,671
Current service cost	97,919	69,968	27,951
Net interest cost	<u>344,590</u>	<u>69,968</u>	<u>274,622</u>
Recognized in profit or loss			(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	\$ -	\$ 245,537	\$ (245,537)
Actuarial loss - changes in financial assumptions	301,482	-	301,482
Actuarial loss - experience adjustments	<u>101,043</u>	<u>-</u>	<u>101,043</u>
Recognized in other comprehensive income	402,525	245,537	156,988
Contributions from the employer	-	554,392	(554,392)
Benefits paid	<u>(632,495)</u>	<u>(632,495)</u>	<u>-</u>
Balance at December 31, 2019	<u>\$ 9,979,092</u>	<u>\$ 7,152,662</u>	<u>\$ 2,826,430</u>
Balance at January 1, 2018	<u>\$ 9,553,277</u>	<u>\$ 6,698,414</u>	<u>\$ 2,854,863</u>
Service cost			
Current service cost	248,690	-	248,690
Net interest cost	<u>123,261</u>	<u>88,215</u>	<u>35,046</u>
Recognized in profit or loss	371,951	88,215	283,736
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	184,002	(184,002)
Actuarial loss - changes in financial assumptions	330,529	-	330,529
Actuarial loss - experience adjustments	<u>170,732</u>	<u>-</u>	<u>170,732</u>
Recognized in other comprehensive income	501,261	184,002	317,259
Contributions from the employer	-	506,646	(506,646)
Benefits paid	<u>(562,017)</u>	<u>(562,017)</u>	<u>-</u>
Balance at December 31, 2018	<u>\$ 9,864,472</u>	<u>\$ 6,915,260</u>	<u>\$ 2,949,212</u>
			(Concluded)

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

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government and corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	
	2019	2018
Discount rate(s)	0.70%	1.00%
Expected rate(s) of salary increase	2.05%	2.04%

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

	December 31	
	2019	2018
Discount rate(s)		
0.25% increase	\$ (244,279)	\$ (244,869)
0.25% decrease	\$ 253,503	\$ 254,327
Expected rate(s) of salary increase		
0.25% increase	\$ 249,465	\$ 251,059
0.25% decrease	\$ (241,687)	\$ (243,003)

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

	December 31	
	2019	2018
The expected contributions to the plan for the next year	\$ 301,644	\$ 308,280
The average duration of the defined benefit obligation	10 years	10 years

c. Plan of high-yield savings account for employee

The Bank has the obligation to pay premium interest on the high-yield savings account of its present employees and retired employees. Such obligation is recognized based on its internal guidelines in the Rules of Employee Preferential Deposit for Retired Employees. Refer to Note 30 for information on related expenses.

1) Reconciliation of assets and liabilities at the end of the reporting period with the present value of defined benefit obligation and the fair value of plan assets was as follows:

	December 31	
	2019	2018
Present value of defined benefit obligation	\$ 1,408,473	\$ 1,375,993
Less: Fair value of defined benefit plan assets	-	-
Assets and liabilities at the end of the reporting period	\$ 1,408,473	\$ 1,375,993

2) Analysis of defined benefit obligation

	December 31	
	2019	2018
All or part of defined benefit obligation contributed	\$ -	\$ -
Defined benefit obligation not contributed	1,408,473	1,375,993
	\$ 1,408,473	\$ 1,375,993

3) Movements of the present value of defined benefit obligation

	For the Year Ended December 31	
	2019	2018
Balance at January 1	\$ 1,375,993	\$ 1,385,297
Interest cost	52,169	52,560
Actuarial gains and losses	264,525	215,306
Benefits paid	(284,214)	(277,170)
Balance at December 31	\$ 1,408,473	\$ 1,375,993

4) Movements of the fair value of plan assets

	For the Year Ended December 31	
	2019	2018
Balance at January 1	\$ -	\$ -
Contribution by employers	284,214	277,170
Benefits paid	(284,214)	(277,170)
Balance at December 31	\$ -	\$ -

5) Details of gains and losses recognized in expenses

	For the Year Ended December 31	
	2019	2018
Interest cost	\$ 52,169	\$ 52,560
Actuarial gains and losses	264,525	215,306
	\$ 316,694	\$ 267,866

## 6) Main actuarial assumptions

	For the Year Ended December 31	
	2019	2018
Discount rate of high-yield savings account for employee	4.00%	4.00%
Return rate of funds deposited	2.00%	2.00%
Account balance decrease rate per year	1.00%	1.00%
Probability of future high-yield savings account system change	50.00%	50.00%
Mortality rate	Based on Taiwan	
	Life Insurance	Life Insurance
	Industry	Industry
	Mortality Tables	Mortality Tables
Rate provided to ordinary clients for similar deposit	1.09%-1.14%	1.09%-1.14%

## 29. EQUITY

## a. Capital

## Common stock

	December 31	
	2019	2018
Share granted (in thousands)	11,000,000	11,000,000
Capital stock granted	<u>\$ 110,000,000</u>	<u>\$ 110,000,000</u>
Share issued and fully paid (in thousands)	9,985,311	9,789,521
Capital stock issued	<u>\$ 99,853,111</u>	<u>\$ 97,895,207</u>

Fully paid common stock, which have a par value of \$10, carry one vote per stock and carry a right to dividends.

As of January 1, 2018, the Bank's authorized and registered capital was \$110,000,000 thousand divided into 11,000,000 thousand shares at \$10 par value; the total paid-in capital was \$94,130,007 thousand. In August 2019 and September 2018, the Bank resolved its capitalization of earnings and increased its paid-in capital by \$1,957,904 thousand and \$3,765,200 thousand, respectively. The amount of the Bank's authorized and registered capital as at December 31, 2019 and 2018 was \$110,000,000 thousand divided into 11,000,000 thousand shares and, also at those dates, the total amounts of paid-in capital were \$99,853,111 thousand and \$97,895,207 thousand divided into 9,985,311 thousand and 9,789,521 thousand outstanding shares at \$10 par value, respectively.

## b. Distribution of earnings and dividend policy

Under the dividend policy as set forth in the Bank's amended Articles of Incorporation, where the Bank generates profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 30% of the remaining profit, setting aside or reversing special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Bank's board of directors as the basis for proposing distribution plan, and 30% to 100% of the basis for proposing distribution plan should be resolved in the stockholders' meeting for distribution of dividends and bonus to stockholders. For the policies on distribution of employees' compensation and remuneration of directors after amendment, refer to Note 30 (g) "employees' compensation and remuneration of directors".

To ensure the Bank has sufficient cash for present and future expansion plans and to enhance the profitability, the Bank prefers to distribute more stock dividends, but cash dividends shall not be less than 10% of total dividends distributed. If the cash dividends are less than \$0.1 per share, the Bank will not distribute any cash dividends, unless otherwise adopted in the stockholders' meeting.

Appropriation of earnings to legal reserve shall be made until the balance of legal reserve reaches the Bank's paid-in capital. Legal reserve may be used to offset deficit. If the Bank has no deficit and the legal reserve has exceeded 25% of the Bank's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Bank.

Under Rule No. 10510001510 issued by the FSC on May 25, 2016, the Bank should appropriate 0.5%-1.0% net income as a special reserve when distributing surplus earnings for 2016, 2017 and 2018. Since 2017, the Bank should reverse an amount which is the same as the distributed surplus earnings mentioned above for the expense of employees' bridging-over arrangements and settlements caused by the development of financial technology.

The Bank cannot distribute cash dividends or purchase treasury stock if the Bank has any of the situations cited in Item 1, Section 1, Article 44 of the Banking Law.

The maximum amount of cash dividends cannot exceed 15% of the Bank's total capital if the Bank's capital surplus is less than the capital based on Section 1.

The restriction of the cash dividends stated above does not apply if the Bank's capital surplus exceeds the capital or the Bank's financial position satisfied the criteria from the authority and also the Bank appropriates the legal reserve based on the Banking Law.

The appropriations of earnings for 2018 and 2017 were approved in the stockholders' meetings on June 14, 2019 and June 8, 2018, respectively. The appropriations of earnings and dividends per stock were as follows:

	Appropriation of Earnings	
	For the Year Ended December 31	
	2018	2017
Legal reserve	\$ 3,793,961	\$ 3,627,932
Special reserve	63,232	60,466
Cash dividends	6,265,293	4,235,850
Share dividends	1,957,904	3,765,200
Cash dividends per share (NT\$)	0.64	0.45
Share dividends per share (NT\$)	0.20	0.40

The appropriation of earnings for 2018 is subject to the resolution of shareholders in the shareholders' meeting to be held in June 2020.



c. Special reserve

	December 31	2018
	2019	
Special reserves appropriated following first-time adoption of IFRSs	\$ 11,778,829	\$ 11,778,829
Others	<u>425,819</u>	<u>362,587</u>
	\$ <u>12,204,648</u>	\$ <u>12,141,416</u>

1) The service fee income from electronic payment business was \$4,257 thousand and \$3,409 thousand for the years ended December 31, 2019 and 2018, respectively.

2) In accordance with "Regulation Governing the Organization and Administration of Sinking Fund Established by Electronic Payment Institutions", the yield income from electronic payment business was both \$1 thousand for the years ended December 31, 2019 and 2018.

c. Gain (loss) on financial assets or liabilities measured at FVTPL

	For the Year Ended December 31	2019	2018
Realized gain (loss) on financial assets or liabilities measured at FVTPL			
Stock and beneficiary certificates	\$ 30,748	\$ (88,595)	
Bonds	20,351	(20,679)	
Bills	(32)	34	
Derivative financial instruments	2,301,772	3,042,871	
Net interest loss	(304,628)	(322,638)	
Stock dividends and bonus	<u>2,469</u>	<u>6,989</u>	
	<u>2,050,680</u>	<u>2,617,982</u>	
Valuation gain (loss) on financial assets or liabilities measured at FVTPL			
Stock	(455)	-	
Bonds	(317,847)	311,073	
Bills	215	229	
Derivative financial instruments	<u>104,180</u>	<u>(217,328)</u>	
	<u>(213,907)</u>	<u>93,974</u>	
	<u>\$ 1,836,773</u>	<u>\$ 2,711,956</u>	

d. Realized gain (loss) on financial assets at FVTOCI

	For the Year Ended December 31	2019	2018
Stock dividends and bonus	\$ 521,158	\$ 457,351	
Disposal gains			
Beneficiary securities	58,990	-	
Bonds	<u>786,568</u>	<u>342,348</u>	
Disposal losses			
Beneficiary securities	(671)	(2)	
Bonds	<u>(13,378)</u>	<u>(17,809)</u>	
	<u>\$ 1,352,667</u>	<u>\$ 781,888</u>	

Special reserves appropriated following first-time adoption of

IFRSs

Others

30. NET INCOME

a. Net interest income

	For the Year Ended December 31	2019	2018
Interest income			
Loans	\$ 28,420,133	\$ 29,241,174	
Due from and call loans to banks	5,246,239	5,065,157	
Investments in marketable securities	4,256,993	3,721,257	
Others	<u>265,665</u>	<u>308,225</u>	
	<u>38,189,030</u>	<u>38,335,813</u>	
Interest expense			
Deposits	(12,503,436)	(11,671,019)	
Due to central bank and call loans from banks	(2,468,999)	(2,561,435)	
Others	<u>(1,145,589)</u>	<u>(977,817)</u>	
	<u>(16,118,024)</u>	<u>(15,210,271)</u>	
Net interest income	<u>\$ 22,071,006</u>	<u>\$ 23,125,542</u>	

b. Net service fee income

	For the Year Ended December 31	2019	2018
Service fee income			
Fees from import and export	\$ 297,641	\$ 330,295	
Remittance fees	449,042	483,704	
Loan fees	457,516	602,708	
Fees from trust	774,748	844,518	
Fees from trust business	330,872	304,732	
Fees from insurance agency	2,239,128	2,132,840	
Others (1)(2)	<u>1,266,326</u>	<u>1,172,810</u>	
	<u>5,815,273</u>	<u>5,871,607</u>	
Service charge			
Interbank charges	(159,582)	(152,717)	
Charges from trust	(17,884)	(27,811)	
Custodian charges	(115,441)	(104,111)	
Charges from insurance agency	(262,997)	(168,505)	
Others	<u>(644,320)</u>	<u>(556,125)</u>	
	<u>(1,200,224)</u>	<u>(1,009,269)</u>	
Net service fee income	<u>\$ 4,615,049</u>	<u>\$ 4,862,338</u>	

e. Depreciation and amortization expense

	<b>For the Year Ended December 31</b>	<b>2018</b>
Property and equipment	\$ 505,513	\$ 505,885
Investment property	6,867	6,692
Right-of-use assets	673,084	-
Intangible assets and other deferred assets	<u>208,904</u>	<u>201,506</u>
	<u>\$ 1,394,368</u>	<u>\$ 714,083</u>

f. Employee benefit expenses

	<b>For the Year Ended December 31</b>	<b>2018</b>
Short-term employee benefits	\$ 9,570,076	\$ 9,740,392
Post-employment benefits		
Defined contribution plans	195,093	181,849
Defined benefit plans	274,622	283,736
High-yield savings account for employees	316,694	267,866
Other post-employment benefits	275,559	246,115
Termination benefits	<u>9,640</u>	<u>11,327</u>
	<u>\$ 10,641,484</u>	<u>\$ 10,731,285</u>

Salary adjustments for 2019:

- The operational and staff performance of the Bank were excellent in 2018. To boost employee morale, the Bank made an adjustment to annual salary in 2019 and implemented overall evaluation on April 1, 2019.
- The salary adjustment plan consisted of fixed adjustment and performance adjustment, which was similar to the adjustments in recent years. The Bank had adjusted salary based on different job performances to motivate outstanding compassionate rank-and-file employees.

a) Fixed adjustment

The monthly salary adjustment was increased from \$1 thousand to \$1.2 thousand for employees at job levels 5 to 7 and have less than 5 years seniority who earned 4 to 6 points in performance appraisal of 2018. The monthly salary adjustment was \$1 thousand for other employees.

b) Performance adjustment

Employees who earned 6 points in performance appraisal of 2018 received a 4% raise in monthly salary; employees who earned 5 points received a 3% raise in monthly salary; employees who earned 4 points received a 2% raise in monthly salary; employees who earned 3 points received a 1% raise in monthly salary.

- In order to attract and retain excellent employees, the scope of salary adjustments has been expanded. Employees at job levels 5 to 7 without performance appraisal in 2018 were listed as the target of this salary adjustment, whereby the monthly salary was adjusted to \$1.2 thousand.

- The annual salary adjustment in 2019 was implemented on April 1, 2019. The average salary increase of all employees was 3.27%. The highest salary increase of employees at job levels 5 to 7 were both 7.19%. The salary adjustments show the determination of the Bank to fulfill the duty of care towards its employees and implement corporate social responsibility.

Appraisal	Year	2019	
		New Entry and Job Levels 5 to 7 Without Appraisal in 2018	With Appraisal in 2018
6 points			Job Levels 5 to 7 and Less than 5 Years Seniority
5 points			1,200+4%
4 points			1,200+3%
3 points		1,200	1,200+2%
2 points			1,000+1%
1 points			-
Average salary increase of the Bank			3.27%

g. Employees' compensation and remuneration of directors

The Bank accrued employees' compensation and remuneration of directors at the rates of 1%-6% and no higher than 0.8%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and the remuneration of directors for the years ended December 31, 2019 and 2018, which were approved by the Bank's board of directors on March 20, 2020 and March 15, 2019, respectively, are as follows:

Accrual rate

	<b>For the Year Ended December 31</b>	<b>2018</b>
Employees' compensation	5.00%	5.00%
Remuneration of directors	0.40%	0.40%
Amount		
Employees' compensation	\$ 714,178	\$ 777,327
Remuneration of directors	<u>\$ 57,134</u>	<u>\$ 62,186</u>
	<b>For the Year Ended December 31</b>	<b>2018</b>
	<b>2019 (Expected)</b>	

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

Due to changes in accounting estimates, the actual amount of employees' compensation and directors' remuneration, which was resolved in the meeting of the board of directors dated on March 15, 2019 differs from what was accrued in the financial statements for 2018. The difference was then adjusted to profit and loss for 2019.

	For the Year Ended December 31, 2018	
	Employees' Compensation	Remuneration of Directors
Amounts approved in the board of directors' meeting	\$ 777,327	\$ 62,186
Amounts recognized in the annual financial statements	\$ 777,500	\$ 62,500
Differences	\$ (173)	\$ (314)

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

### 31. INCOME TAX

- a. Major components of tax expense recognized in profit or loss

	For the Year Ended December 31	
	2019	2018
Current income tax		
In respect of the current period	\$ 1,425,691	\$ 1,521,334
Income tax on unappropriated earnings	15,617	5,396
Deferred income tax		
In respect of the current period	499,386	1,016,330
Effect of tax rate changes	-	(483,061)
Income tax expense recognized in profit or loss	<u>\$ 1,940,694</u>	<u>\$ 2,059,999</u>

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

	For the Year Ended December 31	
	2019	2018
Profit before tax	\$ 13,512,476	\$ 14,706,534
Income tax expense calculated at the statutory rate	2,702,495	2,941,307
Non-deductible expenses in determining taxable income	479	102,612
Income tax on unappropriated earnings	15,617	5,396
Overseas' branch's additional income of deferred tax effect	203,757	186,078
Tax-exempt income	(1,077,899)	(940,216)
Non-deductible tax of overseas branches	112,096	241,614
Effect of tax rate changes	-	(483,061)
Adjustments for prior years' tax	4,748	6,613
Others	(20,599)	(344)
Income tax expense recognized in profit or loss	<u>\$ 1,940,694</u>	<u>\$ 2,059,999</u>

The Income Tax Act in the Republic of China ("ROC") was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings was reduced from 10% to 5%.

- b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2019	2018
Deferred tax		
In respect of the current year:		
Exchange differences on translation	\$ (157,891)	\$ 20,432
Unrealized gains (losses on) financial assets at FVTOCI	36,318	(37,624)
Actuarial losses on defined benefit plan	(31,412)	(63,452)
Total income tax benefit recognized in other comprehensive income	<u>\$ (152,985)</u>	<u>\$ (80,644)</u>

- c. Current tax assets and liabilities

	For the Year Ended December 31	
	2019	2018
Current tax assets		
Tax refund receivable	\$ 164,394	\$ 137,886
Others	43,004	151,885
Current tax liabilities		
Income tax payable	<u>\$ 207,398</u>	<u>\$ 289,771</u>
Deferred tax assets and liabilities	<u>\$ 465,752</u>	<u>\$ 218,866</u>

The movements of deferred tax assets and deferred tax liabilities were as follows:

	For the year ended December 31, 2019			
	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Ending Balance
Deferred tax assets				
Temporary differences	\$ 1,510,676	\$ 11,223	\$ -	\$ 1,521,899
Doubtful debts	1,490,729	189,626	(4,906)	1,675,449
Others	<u>3,001,405</u>	<u>200,849</u>	<u>(4,906)</u>	<u>3,197,348</u>
Deferred tax liabilities				
Land value increment tax	\$ 6,156,692	\$ -	\$ -	\$ 6,156,692
Temporary differences	1,193,353	700,235	(157,891)	1,735,697
	<u>7,350,045</u>	<u>700,235</u>	<u>(157,891)</u>	<u>7,892,389</u>

For the year ended December 31, 2018

	Beginning Balance	Adjustments on IFRS 9	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Others	Ending Balance
<b>Deferred tax assets</b>						
Temporary differences	\$ 1,944,366	-	\$ (433,690)	\$ -	-	\$ 1,510,676
Deductible debts	1,230,684	71,226	228,867	82,573	(122,321)	1,490,729
Others	<u>3,175,050</u>	<u>71,226</u>	<u>(205,123)</u>	<u>82,573</u>	<u>(122,321)</u>	<u>3,001,405</u>
<b>Deferred tax liabilities</b>						
Land value increment tax	\$ 6,156,692	-	\$ -	\$ -	-	\$ 6,156,692
Temporary differences	863,278	-	328,146	1,929	-	1,193,353
	<u>7,019,970</u>	<u>-</u>	<u>328,146</u>	<u>1,929</u>	<u>-</u>	<u>7,350,045</u>

e. Income tax assessments

The Bank's income tax returns through 2017 had been examined and cleared by the tax authority.

**32. EARNINGS PER SHARE**

The computation of earnings per share was retrospectively adjusted for the effects of adjustments resulting from bonus stock issues on August 12, 2019. The basic and diluted after-tax earnings per stock of 2018 were adjusted retrospectively as follows:

	Unit: NT\$ Per Share	
	For the Year Ended December 31, 2018	For the Year Ended December 31, 2018
Basic earnings per stock	\$ 1.29	\$ 1.27
Diluted earnings per stock	<u>1.28</u>	<u>1.26</u>

The earnings and weighted average number of common stock outstanding in the computation of earnings per stock were as follows:

	For the Year Ended December 31 2019	For the Year Ended December 31 2018
Net profit for the year	\$ 11,571,782	\$ 12,646,535

Weighted average number of common stock outstanding (in thousands of stocks):

	2019	2018
Weighted average number of common stock in computation of basic earnings per share	9,985,311	9,985,311
Effect of potentially dilutive common stock:		
Employees' compensation issued	<u>38,631</u>	<u>52,535</u>
Weighted average number of common stock used in the computation of diluted earnings per share	<u>10,023,942</u>	<u>10,037,846</u>

If the Bank offered to settle compensation or bonuses paid to employees in cash or stock, the Bank assumed the entire amount of the compensation or bonus would be settled in stock and the resulting potential stock were included in the weighted average number of stock outstanding used in the computation of diluted earnings per stock, as the effect is dilutive. Such dilutive effect of the potential stock is included in the computation of diluted earnings per stock until the number of stock to be distributed to employees is resolved in the following year.

**33. CAPITAL RISK MANAGEMENT**

a. Summary

The Bank's goals in capital management are as follows:

- 1) The Bank's qualified regulatory capital should meet the requirement of capital adequacy regulations, and reached the minimum capital adequacy ratio.
- 2) To ensure the Bank is able to meet the capital needs, it should be evaluated periodically and observed the variation between regulatory capital and risk assets to keep common equity ratio in the interval approved by the board of directors.
- 3) Related to the calculation of qualified regulatory capital and legal capital were according to the regulation of administration.

b. Capital management procedures

The Bank kept capital adequacy ratio completely to meet the requirement of the administration, and declared to the administration quarterly.

In addition, the capital management procedures for the overseas subsidiaries of the Bank were carried out according to the regulation of local administrations.

The Bank's capital adequacy performance, which was calculated based on Regulations Governing the Capital Adequacy and Capital Category of Banks, was reported to the Asset and Liability Management Committee of the Bank periodically. The regulatory capital was classified into Tier 1 Capital, other Tier 1 Capital and Tier 2 Capital.

- 1) Tier 1 Capital: Include Common Equity and other Tier 1 Capital

Common Equity: Include common stock (include capital collected in advance), Capital reserves (exclude additional paid-in capital in excess of par - preferred stock), accumulated profit, reserve and adjusted equity. Deduct: Legal adjustments.

- 2) Other Tier 1 Capital: Include noncumulative perpetual preferred stock, noncumulative perpetual subordinated debts. Deduct: Legal adjustments.
- 3) Tier 2 Capital: Include cumulative perpetual preferred stock, cumulative perpetual subordinated debts, revaluation reserve, long-term subordinated debt, non-perpetual preferred stock include stock issue price 45% of unrecognized available-for-sale financial assets convertible bonds, operating reserves and allowance for doubtful accounts. Deduct: Legal adjustments.

c. Capital adequacy

Item	Period		
	December 31, 2019	December 31, 2018	
Self-owned capital	Common equity Tier I	\$ 137,632,587	\$ 133,169,964
	Other Tier I capital	13,602,903	8,264,615
	Tier II capital	47,495,511	50,502,460
	Self-owned capital	198,731,001	191,937,039
Credit risk	Standardized approach	1,346,134,887	1,283,755,061
	IRB	-	-
	Securitization	-	133,357
Risk-weighted assets	Basic indicator approach	-	-
	Standardized approach/optional standard	57,479,000	57,175,125
	Advanced internal rating based approach	-	-
	Standardized approach	19,495,451	18,998,850
Market price risk	Standardized approach	-	-
Total	Internal model approach	-	-
Capital adequacy ratio	1,423,109,338	1,360,062,393	
Common equity Tier I to risk-weighted assets ratio	13.96%	14.11%	
Tier I capital to risk-weighted assets ratio	9.67%	9.79%	
Leverage ratio	10.63%	10.40%	
	6.67%	6.40%	

Note 1: The ratios are calculated in accordance with the Regulations Governing the Capital Adequacy and Capital category of Banks.

Note 2: Annual financial report should include the capital adequacy ratio in current and previous period. Besides semiannual report should disclose the ratio the end of last year.

Note 3: Formula:

- a. Self-owned capital = Common equity Tier I + Other Tier I capital + Tier II capital
- b. Risk-weighted assets = Credit risk-weighted assets + (Operation risk capital + Market price risk capital) x 12.5
- c. Capital adequacy = Self-owned capital ÷ Risk-weighted assets
- d. Common equity Tier I capital to risk-weighted assets ratio = Common equity Tier I capital ÷ Risk-weighted assets
- e. Tier I capital to risk-weighted assets ratio = (Common equity Tier I + Other Tier I capital) ÷ Risk-weighted assets
- f. Leverage ratio = Tier I capital ÷ Adjusted average assets

34. FINANCIAL INSTRUMENTS

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

Fair value of financial instruments not measured at fair value

December 31, 2019

Financial assets	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at amortized cost	\$ 276,058,976	\$ 5,708,893	\$ 270,388,077	\$ -	\$ 276,096,970
Financial liabilities					
Bank notes payable	55,521,014	-	8,461,014	48,299,657	56,760,671
December 31, 2018					
Financial assets					
Financial assets at amortized cost	\$ 266,059,805	\$ 7,170,574	\$ 260,872,765	\$ -	\$ 268,043,339
Financial liabilities					
Bank notes payable	49,549,055	-	8,449,055	42,173,161	50,622,216

- b. Fair values of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

Fair Value Measurement of Financial Instruments	Total	December 31, 2019		
		Level 1	Level 2	Level 3
Non-derivative financial products				
Assets				
Financial assets at FVTPL	\$ 8,543,164	\$ 75,046	\$ 8,468,118	\$ -
Financial assets mandatorily measured at FVTPL				
Stock investments	75,046	75,046	-	-
Bond investments	907,705	-	907,705	-
Others	7,560,413	-	7,560,413	-
Financial assets at FVTOCI	111,610,083	71,874,616	31,734,549	8,000,918
Stock investments	14,401,486	6,400,568	-	8,000,918
Bond investments	96,119,269	64,384,720	31,734,549	-
Others	1,089,328	1,089,328	-	-
Derivative financial products				
Assets				
Financial assets at FVTPL	2,940,225	114,919	2,825,306	-
Other financial assets				
Financial assets for hedging	247,375	-	247,375	-
Liabilities				
Financial liabilities at FVTPL	4,247,279	-	4,247,279	-

For the year ended December 31, 2018

Fair Value Measurement of Financial Instruments	December 31, 2018			Level 3
	Total	Level 1	Level 2	
Non-derivative financial products				
Assets				
Financial assets at FVTPL	\$ 8,581,548	\$ 300,526	\$ 8,281,022	\$ -
Financial assets mandatorily measured at FVTPL	8,581,548	300,526	8,281,022	-
Bond investments	1,955,428	300,526	1,654,902	-
Others	6,626,120	-	6,626,120	-
Financial assets at FVTOCI	90,390,520	65,468,614	17,783,861	7,138,045
Stock investments	11,923,261	4,785,216	-	7,138,045
Bond investments	75,961,571	58,177,710	17,783,861	-
Others	2,505,688	2,505,688	-	-
Liabilities				
Financial liabilities at FVTPL	9,130,255	-	9,130,255	-
Derivative financial products				
Assets				
Financial assets at FVTPL	2,335,942	173,149	2,162,793	-
Other financial assets				
Financial assets for hedging	244,763	-	244,763	-
Liabilities				
Financial liabilities at FVTPL	1,917,233	-	1,917,233	-

There were no transfers between Levels 1 and 2 in the current and prior periods.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2019

Fair Value Measurement of Financial Instruments	December 31, 2019	
	Total	Level 3
Non-derivative financial products		
Assets		
Financial assets at FVTPL	\$ 8,581,548	\$ -
Financial assets mandatorily measured at FVTPL	8,581,548	-
Bond investments	1,955,428	-
Others	6,626,120	-
Financial assets at FVTOCI	90,390,520	7,138,045
Stock investments	11,923,261	7,138,045
Bond investments	75,961,571	-
Others	2,505,688	-
Liabilities		
Financial liabilities at FVTPL	9,130,255	-
Derivative financial products		
Assets		
Financial assets at FVTPL	2,335,942	2,162,793
Other financial assets		
Financial assets for hedging	244,763	244,763
Liabilities		
Financial liabilities at FVTPL	1,917,233	1,917,233

Level 2 inputs are inputs other than quoted prices with reference to an active market that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). The fair values of the Bank's investments in off-the-run government bonds, corporate bonds, bank debentures, convertible bonds and most derivative bank debentures issued by the Bank are included in Level 2.

c) Level 3

The input parameters used are not based on observable market data (unobservable input parameters are those such as option pricing models using historical volatility which cannot represent the expected value of all market participants). The fair values of the Bank's investments in derivatives and equity investments without an active market are included in Level 3.

4) Valuation techniques and assumptions applied for the purpose of measuring fair value

a) Determination of fair value

A quoted market price is used as the fair value when a financial instrument has an active market. Such market prices are provided by the Stock Exchange Corporation, Bloomberg and Reuters, which are all the foundation of fair values for listed equity securities and debt instruments with a quoted market price in an active market.

Financial Assets at FVTOCI	Equity Instrument
Beginning balance	\$ 7,678,043
Realized losses on other comprehensive income	(539,998)
Realized gains on other comprehensive income	
Unrealized gains (loss) on financial assets at FVTOCI	
Ending balance	\$ 7,138,045

Financial Assets

Beginning balance  
Realized losses on other comprehensive income  
Realized gains on other comprehensive income  
Unrealized gains (loss) on financial assets at FVTOCI

Ending balance

3) Definition for the hierarchy classifications of fair value measurements

a) Level 1

Level 1 inputs are quoted prices unadjusted in active markets for identical financial instruments. An active market indicates the market that is in conformity with all of the following conditions: The products in the market are identical; it is easy to find a knowledgeable and willing transaction counterparty; and price information is available to the public.

The fair values of the Bank and its subsidiaries' investments in listed stock, beneficiary certificates, on-the-run Taiwan central government bonds and derivative instruments with quoted market prices are included in Level 1.

b) Level 2

If the market quotation from the Stock Exchange Corporation, commission merchants, underwriters or pricing service institutions can be frequently and readily obtained and the price represents actual and frequent at arm's length transactions, then a financial instrument is deemed to have an active market. If the above conditions are not met, the market is deemed inactive. In general, a significant price variance between the purchase price and selling price or a significantly increasing price variance are both indicators of an inactive market.

In addition to the above financial instruments with an active market, other financial instruments at fair value are assessed by valuation techniques or by referencing counterparties with other financial instruments at fair value with similar conditions and characteristics in actual practice, including market information obtained by exercising valuation models at the balance sheet date (such as yield curves used by TPEX and TAIBIR (page 02) secondary market fixing rates used by the Taiwan Depository & Clearing Corporation).

When a financial instrument has no standardized valuation and has a greater level of complexity, such as interest rate swaps, currency swaps and options, the Bank and its subsidiaries usually adopt the valuation generally accepted by market users. The inputs used for these financial instruments' valuations are usually observable information in the market.

For financial instruments with greater complexity, the fair value is assessed through the valuation model developed by valuation methods and techniques generally accepted by competitors. These kinds of valuation models are usually applicable for derivative instruments, debt instruments without quoted market price (including debt instruments of embedded derivatives) or other debt instruments with low market liquidity. Certain inputs used in these valuation models are not observable in the market, and the Bank and its subsidiaries need to make appropriate estimates based on assumptions.

b) The types and nature of the valuation methods for financial instruments used by the Bank and its subsidiaries are as follows:

- i. NTD central government bonds: The bond market rate and theoretical interest rate are price-per-hundred conversions announced by TPEX.
- ii. NTD corporate bonds and bank notes: The corporate bond reference rate is announced by TPEX, and the Bank uses the appropriate credit rate and the remaining period to calculate the yield rate and convert it to price-per-hundred.
- iii. NTD convertible corporate bonds: The closing prices of outright purchase/sale trading are listed on TPEX on the valuation day. If the price is not available, the price is referenced from the outright purchase/sale trading information listed on TPEX.
- iv. Securitization instruments: Prices are those quoted from Bloomberg.
- v. NTD short-term bills: The TAIBIR (page 02) secondary market fixing rates used by the Taiwan Depository & Clearing Corporation are discounted from future cash flows.
- vi. Foreign securities: The latest prices quoted from Bloomberg, Reuters or other systems on the valuation day are used, if there is no available price or valuation, then the price used is that which is quoted from counterparties.
- vii. Listed stock, call/put warrants and depository receipts: The closing price listed on TWSE or TPEX is adopted.
- viii. Unlisted stock: The fair value is referenced from related financial information or estimated using the price and parameters of listed companies which have similar service attributes.

ix. Beneficiary certificates: Closed-end funds use the closing price in an active market as the fair value and open-end funds use the net asset value of the fund as the fair value.

x. Derivatives:

- i) Call/put warrants and stock index futures: Prices quoted from an active market are deemed the fair values.
  - ii) Foreign currency forward contracts, currency swaps, interest rate swaps, cross currency swaps and operating deposits of transactions: Discounted future cash flows are adopted.
  - iii) Options: The Black-Scholes model, binomial tree model and Monte Carlo method are mainly adopted for valuation.
  - iv) Certain derivatives use the quoted price from counterparties.
- xi. Mixing Tools: The price from the active market, deal brokers and evaluation models is used.
- c) Adjustments for credit risks and the definitions are as follows:

Credit valuation adjustment (CVA) is a measurement for derivatives which are not transacted through the stock market, or for over-the-counter derivatives. CVA reflects the fair value should a counterparty default and the possibility of not collecting the derivative's full market value.

CVA is calculated by applying the loss given default (LGD) to the exposure at default (EAD), along with the consideration of the counterparty's probability of default (PD) (assuming the condition that the Bank does not default).

c. Financial risk management objectives and policies

1) Market risk

a) The source and definition of market risk

Market risk is the uncertainty of changes in fair value of on- and off-balance sheet financial instruments due to changes in market risk factors. Market risk factors include interest rates, exchange rates, equity security prices and commodity prices.

The major market risks of the Bank are equity securities price risks, interest rate risks, and exchange rate risks. The majority of equity securities risk includes domestic public stock, over-the-counter stock, emerging market stock, domestic stock index options and stock index futures. The main position of interest rate risk includes bonds and interest derivative instruments, such as interest rate swap. The main position of exchange rate risk includes the Bank's investments denominated in foreign currencies, such as foreign currency spots, currency futures and foreign currency options.

b) Market risk management policy

The Bank classifies the financial instruments held by the Bank as trading book and banking book, and determines the market risk as interest rate risk, exchange rate risk, and equity security price risk. The Bank establishes "Market Risk Management Regulation", "Derivative Financial Trading Process" and various financial instrument related regulations to manage the market risk of overall foreign exchange position, normal position, interest rate position of trading book and equity security position. The overall interest rate risk management of banking book belongs to Assets and Liabilities Management Committee.

The market risk management regulations are as follows:

- i. Establish the market risk management process to ensure the risk would be identified, measured, monitored and reported.
- ii. Measure and monitor the market risk and keep it under the risk limit and minimize unexpected loss from market risk.
- iii. Follow the regulations of Basel Accord.
- iv. Establish the market risk management system and economic capital allocation process.
- v. Monitor the credit line management of financial instrument, sensitivity analysis, stress testing and the calculation of VaR. Report the result of market risk monitoring to Risk Management Committee periodically and board of directors quarterly.

c) Market risk management procedures

According to "Whole Risk Management Policy", Risk Management Department is the second line of defense against the market risk. Risk Management Department performs the market risk management, establishes related management process, and reports to the appropriate level of the management. Besides, Risk Management Department establishes independent risk management process and ensures it remains effective.

i. Identifying and measuring

The effective market risk management process begins with identifying the inherent risk of operating activities and financial instruments. The Bank reviews the risk identifying method timely when the market environment changes and makes necessary adjustment to ensure the effective operation of the market risk management process. The Bank's risk management department identifies market risk factors and measures the market risk. The market risk factors refer to the factors which affect the interest rate, exchange rate or the fair value of equity instruments. The market risk factors include the position, profits and loss, loss from stress testing, PVO1, Delta, VaR, etc.

ii. Monitoring and reporting

The Bank controls market risk by managing risk limits. The risk management department sets various trading limits, such as position limits, stop-loss limits, and maximum potential loss. The trading limits are implemented only after they are reported to and approved by the board of directors.

The risk management department calculates exposures and estimated gains and losses on positions daily to make sure that the positions held and losses do not exceed the limits approved by the board of directors and prepares reports to the high-level management and the board of directors periodically for their sufficient understanding of the implementation of the market risk management and, if necessary, issuance of additional guidance.

The risk management department reports important market risk issues, such as discovery of possible loss on positions in each trading book or identification of weakness in the market risk management system, to the Risk Management Committee in order to improve the effectiveness of the market risk management.

iii. Stress testing

The stress testing is one of the important tools for risk management. It is used for verifying effects on the investment portfolio due to some extremely disadvantageous but possible stressful events and for analyzing exposure level and risk tolerance in such situations and furthermore evaluating the portfolio loss or the impact on the capital. Chang Hwa Bank performs stress testing for forecasting risk and for assessment and reinforcement of statistical models or historical data limitations.

d) Trading book market risk management

The trading book refers to the position of financial instruments held for trading or hedging. The position of financial instruments held for trading refers to the position which earns profits from actual or expected short-term price fluctuations.

i. Strategy

The Bank determines the risk limitation of the investment portfolio of trading book by evaluating trading strategy, trading category, and annual performance.

ii. Management policy and procedures

The Bank follows "Market Risk Management Rules", "Derivative Financial Trading Process" and various financial instrument related regulations as the important management rules of trading book.

iii. Valuation policy

The trading positions are valued on a real-time or daily basis. The hedging derivatives are valued at least twice a month. The resources of fair value of financial instruments are categorized as: (1) those derived from quoted prices in active markets; (2) the latest price without active market; (3) valuation without active market.

iv. Risk measuring methods

i) The sensitivity of the interest rate changes of investment portfolio is measured by DV01. The sensitivity of the foreign exchange derivatives is measured by the sensitivity factors (Delta, Gamma, and Vega).

ii) With regard to the Bank's Value at Risk assumptions and calculation methods, refer to item i.

iii) The Bank performs the stress test quarterly and report the result to Risk Management Committee periodically.

e) Trading book interest rate risk management

i. Definition of interest rate risk

Interest rate risk is fair value changes in interest rate risk position held by the Bank due to interest rate changes. The risks are mainly in debt securities and interest rate derivatives.

ii. Management procedures on trading book interest rate risk

The Bank defines the trading limit of trading book and the stop-loss limit of different financial instruments by assessing the credit and the financial position of the issuers.



- h) Equity security price risk management
  - i. Definition of equity security price risk
 

Equity security price risk is the valuation effect on the position held by the Bank when the equity security price changes. The Bank's equity security price risk mainly comes from public and over-the-counter stock, index futures and options.
  - ii. Equity security price risk management purpose
 

The risk management department applies sensitivity analysis or Value at Risk to measure equity security price risk and calculates stress loss of risk position held. In sensitivity analysis, Delta, Gamma and Vega are, applied to measure the independent equity security price risk of the first order change, or market value is applied to indicate the exposure risks on positions of stock. With regard to the Bank's Value at Risk assumptions and calculation methods, refer to item i.
  - iii. Equity security price risk management procedures
 

The Bank sets restrictions on credit extensions with the same person, the same concerned party or the same affiliate to control the risk concentration. Risk Management Department monitors unrealized gain or loss of the holding position daily. If unrealized loss is over the stop-loss threshold, Risk Management Department would notice the department which holds the position to subject to the related regulations. The department which holds the position should report to Risk Management Committee if unrealized loss is over the stop-loss threshold but the department still holds the position.
  - iv. Measuring methods
 

The equity security price risk of Trading Book is monitored and controlled by VaR, refer to item i.

The Bank would perform stress testing for the equity security price risk of non-trading position and report the result to Risk Management Committee.
- i) Market risk measuring method
  - i. Value at Risk, "VaR"
 

The Bank uses VaR model and stress testing to evaluate the risk of trading portfolio the market risk and the maximum expected loss of positions held through assumptions of changing market situation. VaR is the statistical estimation of potential losses of existing positions arising from unfavorable market changes. VaR refers to the maximum potential loss that Chang Hwa Bank might be exposed to within the confidence interval (99%), which means there is a certain probability (1%) that the actual loss would exceed VaR. Significant loss caused by excessive market volatility could not be avoided by using VaR.

The Bank has been using historical simulation method to calculate VaR. The historical simulation method is based on historical data to estimate the future cash flow and assess the market risk of financial instrument. There are more and more financial institutions using the historical simulation method. However, there are some limitations for using the method. One of the limitations is that the assumption used in the method may not reflect the real situation. Besides, the simulation result may not be representative if the historical data used are too small. The Bank would use proxy to respond to the limitations mentioned above.

- iii. Measuring methods
 

The interest rate factor sensitivity of debt securities and interest rate derivatives is measured by DV01. With regard to the Bank's Value at Risk assumptions and calculation methods, refer to item i.
- f) Banking book interest rate risk management
  - i. Definition of banking book interest rate risk
 

The Bank's banking book interest rate risk means the unfavorable change of interest rate of non-trading-book interest rate position which changes the present value of revenues and costs or assets and liabilities and causes decrease of earnings or impairment of economic value.
  - ii. Management strategy on banking book interest rate risk
 

According to the Bank's interest rate risk management policy, the Bank has set various measurement indicators and limits on banking book interest rate risk. To pursue profits and steady growth of stockholder value without exposure to extreme loss risks, the Bank applies appropriate management strategy including on- and off-balance sheet adjustments and maintains appropriate amounts of assets and liabilities.
  - iii. Banking book interest rate risk report/range of measuring system
 

The Bank mainly applies standard method for interest rate risk sensitivity gap analysis to measure banking book interest rate risks. The responsible department periodically measures banking book interest rate risks and reports to related departments and to the Asset and Liability Management Committee in order to adopt appropriate strategies for adjusting banking book interest rate risk combinations. Assessment information of banking book interest rate risk would be presented to the board of directors periodically to let the high-level management control such risks.
- g) Exchange rate risk management
  - i. Definition of exchange rate risk
 

Exchange rate risk is the gain or loss resulting from exchange or translation of two different foreign currencies at different times. The Bank's exchange rate risk mainly comes from spot and forward exchange positions.
  - ii. Exchange rate risk management policy, procedures and measuring methods
 

The risk management department sets the position limit and stop-loss limit of trading book investment combinations in order to control exchange rate risk. If the losses reach the stop-loss limit, the trading department should decrease risk exposure positions so as to control losses.

The risk management department applies sensitivity analysis or Value at Risk to measure exchange rate risk and calculates stress loss of risk position held. In sensitivity analysis, Delta is applied to measure the exchange rate risk of the first order change and Gamma is applied to measure the exchange rate risk of the second order change. In addition, Vega is used to measure the first order risk of implied volatility rate. With regard to the Bank's Value at Risk assumptions and calculation methods, refer to item i.

According to the Bank's "Risk Management Committee Establishment Points", the risk appetite of trading book market risk, operating limits and VaR limits should be approved by the Risk Management Committee. VaR is an important internal risk control in the Bank. The VaR limits of investment portfolio are approved annually by the Risk Management Committee and reported to the board of directors. In addition, the daily actual VaR is monitored by the Bank's risk management department.

- ii. As of December 31, 2019 and 2018, the Bank's VaR factors based on historical simulation method were as follows:

	For the Year Ended December 31, 2019			For the Year Ended December 31, 2018		
	Average	Highest	Lowest	Average	Highest	Lowest
Exchange VaR	\$ 87,557	\$ 164,507	\$ 46,990	\$ 99,012	\$ 134,964	\$ 52,314
Interest rate VaR	4,292	6,997	2,070	6,266	12,614	2,661
Equity securities VaR	3,396	13,489	-	4,353	10,043	-
Value at risk	\$ 95,245	\$ 184,993	\$ 49,060	\$ 109,631	\$ 157,621	\$ 54,975
						\$ 55,741

- 2) Primary foreign currencies

The significant foreign-currency financial assets and liabilities as of December 31, 2019 and 2018 were as follows:

(In Thousands of Foreign Currencies/New Taiwan Dollars)

Financial assets	December 31, 2019		New Taiwan Dollars
	Foreign Currencies	Exchange Rate	
Monetary items			
USD	\$ 7,526,387	29.9900	\$ 225,716,346
GBP	22,106	39.3800	870,534
AUD	1,271,932	21.0150	26,729,651
HKD	2,260,088	3.8510	8,703,599
CAD	65,033	22.9800	1,494,458
ZAR	4,284,442	2.1200	9,083,017
JPY	48,524,531	0.2761	13,397,623
EUR	605,343	33.6400	20,363,739
NZD	71,076	20.2000	1,435,735
RMB	11,512,518	4.2950	49,446,265
			(Continued)

December 31, 2019

Foreign Currencies	Exchange Rate	New Taiwan Dollars
Monetary items		
USD	29.9900	\$ 316,302,131
GBP	39.3800	1,131,860
AUD	21.0150	22,869,280
HKD	3.8510	5,874,743
CAD	22.9800	1,602,097
ZAR	2.1200	8,511,781
JPY	0.2761	13,655,619
EUR	33.6400	20,130,479
NZD	20.2000	1,706,435
RMB	4.2950	51,768,649
Non-monetary items		
USD	29.9900	77,764
		(Concluded)

(In Thousands of Foreign Currencies/New Taiwan Dollars)

Financial assets	December 31, 2018		New Taiwan Dollars
	Foreign Currencies	Exchange Rate	
Monetary items			
USD	\$ 8,695,552	30.7350	\$ 267,257,791
GBP	27,843	38.9000	1,083,093
AUD	1,095,013	21.6550	23,712,507
HKD	1,198,977	3.9230	4,703,587
CAD	67,346	22.5800	1,520,673
ZAR	72,053	2.1200	152,752
JPY	49,564,070	0.2774	13,749,073
EUR	387,508	35.1800	13,632,531
NZD	22,425	20.6300	462,628
RMB	13,892,214	4.4690	62,084,304
Financial liabilities			
Monetary items			
USD	10,201,723	30.7350	313,549,956
GBP	46,133	38.9000	1,794,574
AUD	1,089,360	21.6550	23,590,091
HKD	993,636	3.9230	3,898,034
CAD	80,216	22.5800	1,811,277
ZAR	1,759,369	2.1200	3,729,862
JPY	51,958,854	0.2774	14,413,386
EUR	452,188	35.1800	15,907,974
NZD	62,078	20.6300	1,280,669
RMB	12,686,266	4.4690	56,694,923
Non-monetary items			
USD	306,665	30.7350	9,425,349

For the years ended December 31, 2019 and 2018, net foreign exchange gains were \$968,007 thousand and \$745,536 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the Bank and entities under its control.

### 3) Credit risk

#### a) Credit risk source and definition

Credit risk means the possible loss due to failure of debtors or counterparties to fulfill their contractual obligations or their ability to fulfill contractual obligations is impaired. Credit risk arises from the operation, on- and off-balance sheet items, including credit loans, derivatives transactions and securities investment, etc. Because the business becomes more complex, the credit risk is often generated with other risks that affect one another. For example, exchange rate risk also exists in foreign currency debt investment. Secured loans will be affected by the price volatility of the collateral and market liquidity risk of the collateral.

#### b) Credit risk management policy

- i. The Bank continuously improves its credit risk management technology and its efficiency to meet the requirements of internal operations, business scale and management objectives and build up the risk management system that fits the requirement of accuracy and completeness of the Bank's risk management technology.
- ii. The Bank is building a complete monitoring mechanism, setting up a loan early warning system to track down bad indications and risk changes of high-risk credits, setting up "corporate clients' risk exposure and credit risk quick-search system" to understand the negative reporting and transactions with the Bank in order to enhance the credit risk's identification, measurement and monitoring and improve the quality of risk management.
- iii. The Bank continues to develop methods of credit risk quantification models to elevate credit risk management techniques, which enable the Bank's capital requirement and expected loss to become more risk sensitive.
- iv. The Bank implements strict and forward-looking credit risk stress testing to respond to the events or changes which may be unfavorable to the Bank and in compliance with the requirements of the competent authority supervising risk management and improves the effectiveness of the Bank's risk management.
- v. The Bank is holding sessions and training in risk management to strengthen risk management intelligence and increase the Bank's financial institution of loan.

The Bank's credit risk management procedures and measuring methods for major business are described as follows:

- i. Credit business (including loan commitments and guarantees)
  - i) A significant increase in credit risk since initial recognition.

At the end of every reporting period, the Bank evaluates the risk of default on credit assets occurring over their expected lifetime to determine whether the credit risk has increased significantly since their initial recognition.

For this credit risk evaluation, the Bank considers corroborative information (including forward-looking information) which indicates a significant increase in credit risk since initial recognition of the credit assets. The key indicators include:

- Quantitative indicators

#### A change in internal credit rating

The Bank classifies each type of credit asset into three categories according to credit quality, internal credit rating and external credit rating (refer to the following table). A financial instrument is determined as having a significant increase in credit risk since initial recognition if its internal credit rating is at the level of 16-18 or if the scoring of a housing loan debtor is lower than 340.

- Qualitative indicators

A credit account is rated as ordinary-delinquent in accordance with the Bank's "Detailed Rules for the Processing of Ordinary-delinquent Accounts".

The result of the credit review shows that the credit application and the loan application are inconsistent.

#### ii) Definition of the credit-impaired financial assets

A credit account that meets one of the following conditions is classified under Stage 3 (credit impaired):

- The debtor's payment of the principal or interest is past due for more than 3 months from the end of the credit term; or the Bank has already petitioned or withdrawn the debtor's collateral.
- The case has been agreed to be repaid in installments and is exempt from being listed as an overdue loan.
- The case was negotiated and adopted in accordance with the debt negotiation mechanism set by the Association of Banks in 2006.
- The case has been negotiated and agreed upon in accordance with "The Statute for Consumer Debt Clearance" (excluding secured debt fulfilled under the original contractual conditions).
- The case is ruled to undergo restructuring or liquidation by the court.
- The case is ruled to be restricted by the court.
- The case is declared bankrupt by the court.
- The case involves credit accounts of a debtor, excluding credit card accounts, which is partly transferred to class A and B non-performing loans (excluding the sixth item of class B. The credit account is totally guaranteed and the interest payment is not past due during the inheritance period after the death of the debtor and the collateral provider), as well as overdue loans or bad debt loans.
- The case is an enterprise account which has applied for relief from the Ministry of Economic Affairs.

- The case involves a credit account which has an internal credit rating at the level of 19-21.
- The case is a mortgage loan credit account of the Bank which has no rating score.
- The case is a credit account which is determined as Stage 3 by the internal or external auditors, or the risk management department of the Bank.

iii) Expected credit loss measurement

The Bank classifies credit assets into the following nine categories by the credit risk characteristics of the respective debtor's industry and organization size:

Business	Combination
Corporate banking loans	Government
	Large enterprise
	Small enterprise
	Legal person/group
	Overseas credit account
Individual banking loans	Other groups
	Individual-residential loan group
	Individual-other groups (unsecured)
	Individual-other groups (secured)

The Bank measures the expected credit loss as follows:

- Stage 1, no significant increase in credit risk  
The Bank measures the loss allowance for Stage 1 financial instruments at an amount equal to the 12-month ECLs based on past loss experience. The ECLs is the difference between the respective asset's EAD carrying amount and the present value of its estimated future cash flows, estimated at the forward-looking adjusted PD and discounted at the effective interest rate.
- Stage 2, significant increase in credit risk  
The Bank measures the loss allowance for Stage 2 financial instruments at an amount equal to the lifetime ECLs. The ECLs is the difference between the respective asset's EAD carrying amount and the present value of its computed outcome which is discounted at the effective interest rate. The computed outcome is the product of the unpaid principal for each year end over instruments expected lifetime, the forward-looking adjusted PD, and the LGD.
- Stage 3, credit impairment  
The Bank measures the loss allowance for Stage 3 financial instruments at an amount equal to the lifetime ECLs. The ECLs is the difference between the asset's EAD carrying amount and the present value of its estimated future cash flows, estimated assuming the credit impairment situation is given and discounted at effective interest rate.

The PD and EAD and LGD are used to measure the impairment loss for financial assets in the credit business:

- PD is meaning of using past credit-impaired situations to predict the probability of credit impairment in normal situation in a year. The PD for Stage 3 financial instruments is determined as 100%. The PD for Stages 1 and 2 are based on the categories and the remaining lifetime for each credit account. The credit accounts are divided into groups by remaining lifetimes. The PD of each group is determined as the PD of each credit quality stage. The Bank shall update the probability of default at least once a year.
- The EAD is the total expected exposure amount of default which includes the unsecured line of credit.
- The exposure amount of impairment-tested off-balance sheet assets (i.e. guarantees, letters of credit issued yet unused, irrevocable loan commitments issued, and revocable loan commitments issued) is converted into the equivalent exposure amount of on-balance sheet assets through a credit conversion factor (CCF). The CCF is determined according to the standardized approach of the Capital Adequacy Ratio as either 0%, 20%, 50% or 100% by referring to the respective off-balance sheet item's characteristics.

v) Forward-looking information

The Bank classifies credit assets as either corporate banking - domestic, corporate banking - overseas, corporate banking - Singapore branch or individual banking business. Macroeconomic indicators for each of the above categories are estimated using the domestic economic growth rate, global economic growth rate, Southeast Asia economic growth rate and the domestic unemployment rate, respectively, and are updated at least once a year.

Macroeconomic indicators include the actual statistical value of the past five years and predicted value of the current year and the next five years at the time of calculation. The forward-looking adjusted PD is adjusted based on the reasonableness of each value's predicted trend.

The total amount of undiscounted ECLs at the time of initial recognition of the credit-impaired financial assets - loans which were purchased or originated is as follows:

	December 31	2018
Discounts and loans	\$ 6,252,756	\$ 7,286,333

ii. Call loans to banks

The Bank evaluates the credit status of counterparties before deals are closed. The Bank grants different limits to counterparties based on their respective credit ratings as suggested by domestic and foreign credit rating agencies. The Bank assesses the credit limits of counterparties by level and financial status; the Bank efficiently manages counterparties' credit risks through regular and special reviews, monitoring and reporting. Additionally, in accordance with the application of IFRS 9, the Bank performs credit impairment assessments for call loans to banks, transfers the related credit losses to each of the three stages of credit impairment, and measures the related expected credit loss, so as to ensure adequate allowance for losses, in accordance with regulations.

iii. Debt instruments and derivative financial instruments

The Bank identifies and manages the credit risks from debt instruments through the use of external credit ratings of the debt instruments along with the evaluation of credit qualities of bonds, regional conditions and counterparty risks.

The other banks with which the Bank conducts derivative transactions are mostly considered investment grade. The Bank monitors the credit limits (including lending limits) by counterparties. The credits extended to counterparties who are general customers are monitored in accordance with the related contract terms and conditions and the credit limits for derivatives established in normal credit granting processes.

The Bank classifies the credit qualities of debt instruments as strong, medium, weak and non-rating.

A change in an external credit rating announced by international credit rating institutions (e.g. S&P and Moody's) is one of the quantitative indicators for judging a significant increase in the credit risk of financial assets at amortized cost and investments in debt instruments at FVTOCI. The measurement of ECLs is calculated using the PD and LGD announced periodically by international credit rating institutions. The international credit rating institutions consider forward-looking information when establishing credit ratings. Thus, when the Bank measures ECLs using such credit ratings it holds that an adequate evaluation of the forward-looking information, which was used by the institutions for establishing such credit rating, is inherent therein.

c) Credit risk hedging or mitigation policies

i. Collateral

The Bank has a series of measures for credit granting to reduce credit risks. One of the procedures is asking for collateral from the borrowers. To secure the loans, the Bank manages and assesses the collateral following the procedures that suggest the scope of collateralization and valuation of collateral and the process of disposition. In credit contracts, the Bank stipulates the security mechanism for loans and the conditions and terms for collateral offsetting to state clearly that the Bank reserves the right to reduce granted limit, to reduce repayment period, to demand immediate settlement or to offset the debts of the borrowers with their deposits in the Bank in order to reduce the Bank's credit risks.

ii. Credit line credit risks and control over concentration of credit risks

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

The table below analyzes the collateral held as security and other credit enhancements, and their financial effect in respect of the financial assets recognized in the Bank's balance sheets:

December 31, 2019

	Carrying Amount	Maximum Exposure to Credit Risk Mitigated by		Total
		Collateral	Other Credit Enhancements	
Discounts and loans	\$ 1,429,937,909	\$ 956,057,456	\$ -	\$ 956,057,456
Investments in debt instruments at FVTPL	1,466,259	-	-	-
Investments in debt instruments at FVTOCI	97,208,597	2,102,573	-	2,102,573
Investments in debt instruments at amortized cost	276,058,976	405,115	-	405,115

December 31, 2018

	Carrying Amount	Maximum Exposure to Credit Risk Mitigated by		Total
		Collateral	Other Credit Enhancements	
Discounts and loans	\$ 1,336,393,464	\$ 906,102,156	\$ -	\$ 906,102,156
Financial assets at FVTPL	10,917,400	4,148,425	-	4,148,425
Investments in debt instruments at FVTOCI	78,467,259	4,184,101	-	4,184,101
Investments in debt instruments at amortized cost	268,059,805	1,099,404	-	1,099,404

The carrying amount of financial assets with maximum exposure is as follows:

	Discounts and Loans			
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total
Credit rating				
Levels 1-15	\$ 816,053,734	\$ 3,677,985	\$ -	\$ 819,731,719
Levels 16-18	-	57,681,585	3,013,311	60,694,896
Levels 19-21	-	-	9,186,322	9,186,322
No rating	535,859,914	2,511,761	1,953,297	540,324,972
Total carrying amount	\$ 1,351,913,648	\$ 63,871,331	\$ 14,152,930	\$ 1,429,937,909
Expected credit losses	\$ 1,742,669	\$ 1,916,091	\$ 5,033,684	\$ 8,692,444
Recognized impairment based on the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts				\$ 8,605,605
				\$ 17,296,049

	Loan Commitments			
	December 31, 2018			
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total
Carry amount - non-cancellable	\$ 60,517,138	\$ 4,316,557	\$ 515	\$ 64,834,210
Carry amount - cancellable	610,935,825	8,533,551	1,649,431	621,118,807
	<u>\$ 671,452,963</u>	<u>\$ 12,850,108</u>	<u>\$ 1,649,946</u>	<u>\$ 685,953,017</u>
Expected credit losses - non-cancellable	\$ 76,116	\$ 21,022	\$ 168	\$ 97,306
Expected credit losses - cancellable	253,365	41	1,383	254,789
	<u>\$ 329,481</u>	<u>\$ 21,063</u>	<u>\$ 1,551</u>	<u>\$ 352,095</u>

d) Maximum exposure to credit risk

The maximum credit risk exposures of various financial instruments held by the Bank are the same as per book amounts. Refer to the notes to the financial statements.

As of December 31, 2019 and 2018, the maximum exposure to credit risk (before deducting the guarantees or other credit enhancement instruments and the irrepealably maximum amount of exposure) were as follows:

Financial Instrument Type	December 31	
	2019	2018
Unused loan commitments (excluding credit card)	\$ 70,705,981	\$ 64,834,210
Credit card commitments	322,128	316,154
Unused issued letters of credit	21,515,125	23,320,385
Guarantees in guarantee business	52,823,688	45,848,329

e) Situation of credit risk concentration

Prominent concentration of credit risks occurs when transaction parties for financial instruments prominently concentrate on one party, or on a few that are in similar business lines or exhibit similar economic characteristics. The characteristics of concentration of credit risks include the nature of business activities engaged by debtors. The Bank has not engaged in transactions that involved a prominent concentration to one client or one transaction party, but has engaged in transaction parties of similar industry type or from similar region.

	Discounts and Loans			
	December 31, 2018			
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total
Credit rating				
Levels 1-15	\$ 812,384,781	\$ 794,433	\$ 36,123	\$ 813,215,337
Levels 16-18	-	50,605,075	3,166,966	53,772,041
Levels 19-21	-	-	8,286,739	8,286,739
No rating	456,828,033	2,208,987	2,082,327	461,119,347
	<u>\$ 1,269,212,814</u>	<u>\$ 53,608,495</u>	<u>\$ 13,572,155</u>	<u>\$ 1,336,393,464</u>
Total carrying amount	\$ 1,864,003	\$ 1,843,770	\$ 5,102,485	\$ 8,810,258
Expected credit losses				
Recognized impairment based on the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts				
				<u>7,505,980</u>
				<u>\$ 16,316,238</u>

Guarantee Payments

	December 31, 2019			
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total
Carrying amount	\$ 52,192,952	\$ 519,415	\$ 111,321	\$ 52,823,688
Expected credit losses	131,839	10,306	23,813	165,958

Guarantee Payments

	December 31, 2018			
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total
Carrying amount	\$ 45,072,441	\$ 643,055	\$ 132,833	\$ 45,848,329
Expected credit losses	114,218	4,510	29,977	148,705

Loan Commitments

	December 31, 2019			
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total
Carrying amount	\$ 66,425,340	\$ 4,280,634	\$ 7	\$ 70,705,981
Expected credit losses	578,284,847	9,381,251	591,910	588,458,008
	<u>\$ 644,710,187</u>	<u>\$ 13,861,885</u>	<u>\$ 591,917</u>	<u>\$ 659,163,989</u>
Expected credit losses - non-cancellable	\$ 77,253	\$ 39,077	\$ 1	\$ 116,331
Expected credit losses - cancellable	235,394	211	154	235,759
	<u>\$ 312,647</u>	<u>\$ 39,288</u>	<u>\$ 155</u>	<u>\$ 352,090</u>

The Bank's information on prominent concentration of credit risk was as follows:

	December 31, 2019	
Industry Type	Carrying Amount	Percentage of Item (%)
Financial and insurance	\$ 54,089,980	4
Manufacturing	360,444,149	25
Wholesale and retail	117,433,667	8
Real estate and leasing	113,170,181	8
Service	40,872,315	3
Individuals	480,099,759	34
Others	263,827,858	18
	<u>\$ 1,429,937,909</u>	

	December 31, 2018	
Industry Type	Carrying Amount	Percentage of Item (%)
Financial and insurance	\$ 58,696,339	4
Manufacturing	352,032,207	26
Wholesale and retail	118,323,110	9
Real estate and leasing	100,326,050	8
Service	39,282,290	3
Individuals	450,420,900	34
Others	217,312,568	16
	<u>\$ 1,336,393,464</u>	

	December 31, 2019	
Geographic Location	Carrying Amount	Percentage of Item (%)
Asia	\$ 1,325,030,449	93
America	75,096,223	5
Europe	16,976,716	1
Others	12,834,521	1
	<u>\$ 1,429,937,909</u>	

	December 31, 2018	
Geographic Location	Carrying Amount	Percentage of Item (%)
Asia	\$ 1,230,778,015	93
America	83,934,524	6
Europe	17,022,782	1
Others	4,658,143	-
	<u>\$ 1,336,393,464</u>	

	December 31, 2019	
Securities Type	Carrying Amount	Percentage of Item (%)
Unsecured	\$ 473,880,453	33
Secured	818,453,767	57
Properties	137,603,689	10
Others		
	<u>\$ 1,429,937,909</u>	

	December 31, 2018	
Securities Type	Carrying Amount	Percentage of Item (%)
Unsecured	\$ 430,291,308	32
Secured	768,742,096	58
Properties	137,360,060	10
Others		
	<u>\$ 1,336,393,464</u>	

f) Financial assets credit quality and non-performing impairment analysis

Part of financial assets held by the Bank, such as cash and cash equivalents, due from the Central Bank and call loans to banks, financial assets at FVTPL, securities investments purchased under resell agreements, deposit refunds, operating deposits, and settlement deposits are exposed to low credit risks because the counterparties have rather high credit ratings.

4) Liquidity risk management

a) The definition of liquidity risk

Liquidity risk is the potential loss that the Bank may suffer due to inability to liquidate assets or raise enough funds in reasonable time to perform obligations when due and to meet the demands of assets growth.

b) Liquidity risk management procedures

According to the Bank's liquidity risk management policy, the Bank clearly sets various indicators and limits for liquidity risk. The responsible department should implement operation procedures for funding liquidity, monitor and prepare maturity analysis periodically to assess liquidity risk. In addition, the responsible department should also report to related departments and Asset and Liability Committee to enable them to make appropriate adjustments to meet the needs of liquidity. Related information about the liquidity risk assessment should be reported to the board of directors to let the high-level management understand the Bank's funding liquidity.

As of December 31, 2019 and 2018, the ratio of the liquidity reserve was 19.03% and 19.00% respectively. Since the capital and working funds are deemed sufficient to meet the cash flow needs for performance of all contracted obligations, liquidity risk is not considered to be significant.

c) Maturity analysis of non-derivative financial assets and liabilities

The Bank adopted appropriate grouping methods, which are based on the nature of non-derivative financial assets and liabilities, to do maturity analysis in order to assess liquidity. The maturity analysis is presented as follows:

(In Thousands of New Taiwan Dollars)

Item	December 31, 2019				Total
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	
Major maturity fund inflows					
Cash and cash equivalents	\$ 21,988,924	\$ -	\$ -	\$ -	\$ 21,988,924
Due from the Central Bank and call loans to banks	21,174,806	4,128,412	4,296,455	6,421,140	61,992,408
Financial assets at FVTPL	7,740,356	-	-	-	7,740,356
Receivables	24,121,708	813,294	783,137	299,610	26,657,274
Discounts and loans	103,829,848	133,212,354	131,849,292	205,462,546	1,231,839,046
Investments in debt instruments designated at FVTOCI	-	-	-	-	-
Investments in debt instruments at FVTOCI	-	100,162	401,335	620,821	1,440,486
Investments in debt instruments at amortized cost	141,850,000	8,099,449	9,455,000	51,499,929	39,035,717
Other maturity funds	320,705,702	146,353,471	146,765,219	264,304,066	27,209,411
Major maturity fund outflows					
Deposits from the Central Bank and banks	141,895	146,204	16,332	263,105	567,536
Due to the Central Bank and banks	9,610,000	10,000	-	-	9,620,000
Securities sold under repurchase agreements	510,935	1,036,356	-	-	1,547,291
Payables	22,430,538	645,811	1,459,879	1,493,074	26,996,598
Deposits and remittances	107,916,729	124,678,010	130,074,253	194,398,694	1,442,661,422
Other maturity fund outflow items	-	-	-	-	5,260,000
Gap	\$ 180,015,420	\$ 192,453,230	\$ 15,101,094	\$ 62,889,232	\$ 212,282,526

Note: The amounts listed above were the position in N.T. dollars of the Bank.

(In Thousands of New Taiwan Dollars)

Item	December 31, 2018				Total
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	
Major maturity fund inflows					
Cash and cash equivalents	\$ 29,443,416	\$ -	\$ -	\$ -	\$ 29,443,416
Due from the Central Bank and call loans to banks	39,646,647	4,129,049	4,423,093	6,255,338	83,422,338
Financial assets at FVTPL	16,275,288	872,180	445,913	248,936	17,442,317
Receivables	94,031,535	107,115,559	116,662,681	162,850,400	1,125,341,160
Discounts and loans	-	-	-	-	-
Investments in debt instruments designated at FVTOCI	-	-	-	-	-
Investments in debt instruments at FVTOCI	800,273	1,401,115	502,125	2,213,254	11,923,261
Investments in debt instruments at amortized cost	141,525,000	11,239,961	6,474,259	41,699,432	23,433,556
Other maturity funds	329,451,823	124,757,664	128,308,071	212,267,260	215,184,157
Major maturity fund outflows					
Deposits from the Central Bank and banks	189,672	191,747	19,089	424,959	825,467
Due to the Central Bank and banks	5,705,000	10,000	-	-	5,715,000
Securities sold under repurchase agreements	714,014	1,659,546	-	-	2,373,560
Payables	29,341,163	2,156,663	442,880	1,424,538	807,250
Deposits and remittances	110,834,474	124,202,476	133,370,347	188,618,779	1,278,570,742
Bank notes payable	-	-	-	-	49,300,000
Other maturity fund outflow items	40,584	75,316	48,354	269,826	622,650
Gap	\$ 182,606,016	\$ 132,528,524	\$ 6,372,599	\$ 22,529,658	\$ 164,048,655

Note: The amounts listed above were the position in N.T. dollars of the Bank.

(In Thousands of United States Dollars)

Item	December 31, 2019				Total
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	
Major maturity fund inflows					
Cash and cash equivalents	\$ 543,061	\$ 100,000	\$ -	\$ -	\$ 643,061
Due from the Central Bank and call loans to banks	1,990,096	1,106,566	31,809	1,884	3,133,871
Financial assets at FVTPL	483,463	-	-	-	483,463
Receivables	583,902	217,117	22,894	22,894	933,500
Discounts and loans	567,315	352,883	498,466	351,400	5,149,838
Investments in debt instruments at FVTOCI	-	12,983	22,531	48,113	829,219
Investments in debt instruments at amortized cost	-	7,997	9,493	27,974	263,889
Other maturity fund inflow items	3,711,143	1,916,092	100,000	550,000	673,056
Major maturity fund outflows					
Deposits from the Central Bank and banks	171,189	523	784	1,568	20,149
Due to the Central Bank and banks	1,817,252	729,000	-	-	2,546,252
Payables	811,728	48,486	10,050	6,716	876,981
Deposits and remittances	2,348,999	2,222,599	1,545,719	1,691,625	10,997,614
Other maturity fund outflow items	49,673	1,129	1,571	6,167	121,831
Gap	\$ 1,333,698	\$ 1,085,695	\$ 678,708	\$ 703,811	\$ 2,909,612

Note: The amounts listed above were the position in U.S. dollars of the Bank.

(In Thousands of United States Dollars)

Item	December 31, 2018				Total
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	
Major maturity fund inflows					
Cash and cash equivalents	\$ 763,759	\$ 200,022	\$ -	\$ -	\$ 963,781
Due from the Central Bank and call loans to banks	2,175,165	821,005	66,451	146,453	3,212,330
Financial assets at FVTPL	27,710	-	-	-	27,710
Receivables	539,014	186,624	234,249	13,399	989,461
Discounts and loans	531,065	700,209	576,629	272,927	5,525,180
Investments in debt instruments at FVTOCI	7,231	11,006	5,000	71,133	1,158,394
Investments in debt instruments at amortized cost	7,996	-	4,083	2,991	294,945
Other maturity fund inflow items	5,000	1,918,806	886,412	525,000	536,901
Major maturity fund outflows					
Deposits from the Central Bank and banks	4,056,300	1,918,806	1,052,203	1,605	12,208,202
Due to the Central Bank and banks	809,709	74,535	10,802	1,605	896,736
Financial liabilities at FVTPL	1,394,916	469,000	-	-	1,863,916
Securities sold under repurchase agreements	95,018	34,665	4,767	297,064	297,064
Payables	619,205	2,302,284	1,197,066	4,913	95,018
Deposits and remittances	2,567,083	2,330,284	1,246,590	2,754,919	10,096,582
Other maturity fund outflow items	60,389	1,001	552	10,946	166,521
Gap	\$ 1,489,380	\$ 990,619	\$ 327,415	\$ 628,215	\$ 1,970,947

Note: The amounts listed above were the position in U.S. dollars of the Bank.



35. OTHER DISCLOSURES OF FINANCIAL INSTITUTION

a. Asset quality

Item	December 31, 2019				December 31, 2018			
	Non-performing Loans (Note a)	Loans	Non-performing Ratio (Note b)	Allowance for Loan Losses	Non-performing Loans (Note a)	Loans	Non-performing Ratio (Note b)	Allowance for Loan Losses
<b>Business Type</b>								
Finance	\$ 157,130	\$ 482,411,090	0.03%	\$ 5,602,521	\$ 2,305,539	\$ 462,654,187	0.50%	\$ 8,499,888
Consumer finance	767,455	235,401,530	0.27%	4,331,663	352,488	257,247,763	0.14%	4,071,906
Mortgage loans (Note d)	4,835	17,563,355	0.27%	19,257	4,045	1,307,222	0.25%	19,711
Other loans (Note e)	767,907	191,611,766	0.40%	1,987,755	6,997,115	189,193,384	0.39%	1,841,133
Other (Note f)	491,102	1,429,937,096	0.34%	17,266,649	4,315,669	1,336,393,446	0.32%	16,316,238
<b>Total</b>								
	\$ 3,212,827	\$ 482,411,090	0.67%	\$ 20,114	\$ 3,311	\$ 1,336,393,446	0.17%	\$ 20,233
<b>Business Type</b>								
Finance	\$ 3,311	\$ 2,161,802	0.15%	\$ 147,002	\$ 3,311	\$ 1,336,393,446	0.17%	\$ 147,002
Consumer finance	-	97,001,199	0.24%	-	-	14,537,755	-	-
Mortgage loans (Note d)	-	-	-	-	-	-	-	-
Other loans (Note e)	-	-	-	-	-	-	-	-
Other (Note f)	-	-	-	-	-	-	-	-

Note a: Non-performing loans are classified in accordance with the Regulations of the Procedures for Ranking Institutions to Evaluate Assets and Deal with Past Due/Non-performing Loans and Bad Debts issued by the MOF. Non-performing loans of credit cards are defined in the Letter issued by the Banking Bureau on July 6, 2005 (Ref. No. Jiu-Guan-Yin (4) 094000378).

Note b: Non-performing loans ratio = Non-performing loans / Loans

Note c: Non-performing loans of credit cards = Accounts receivable

Note d: Coverage ratio of allowance for loan losses = Allowance for loan losses / Non-performing loans

Note e: Coverage ratio of allowance for loan losses of credit card = Allowance for loan losses of credit card / Non-performing loans of credit cards

Note f: The other consumer financial businesses are defined as secured or unsecured consumer financial businesses, excluding mortgage loans, cash cards, credit loans and credit cards.

Note g: In accordance with the Letter issued by the Banking Bureau on July 19, 2005 (Ref. No. Jiu-Guan-Yin (4) 0944001950), excluding credit loans of credit cards and cash cards.

Note h: The Bank does not engage in cash cards business.

d) Maturity analysis of derivative financial assets and liabilities

The derivative instruments held by the Bank, except for interest rate swaps with leveraging effects, have very little probabilities of failing to be sold with reasonable prices in the market, and thus have very low liquidity risks.

Item	December 31, 2019				Total
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	
<b>Foreign currency derivative instruments</b>					
Outflows	\$ 154,875,016	\$ 324,648,718	\$ 65,469,620	\$ 49,988,208	\$ 594,981,562
Inflows	154,178,175	324,467,148	65,300,756	50,001,141	593,947,220
<b>Interest rate derivative instruments</b>					
Outflows	610,300	-	-	7,044,840	7,655,140
Inflows	676,016	-	-	6,918,860	7,594,876
<b>Others</b>					
Outflows	28,749	-	-	-	28,749
Inflows	155,485,316	324,648,718	65,469,620	57,033,048	602,649,526
<b>Total outflows</b>	\$ 154,882,940	\$ 324,647,148	\$ 65,300,756	\$ 56,920,001	\$ 601,570,845
<b>Total inflows</b>					
	\$ 154,882,940	\$ 324,647,148	\$ 65,300,756	\$ 56,920,001	\$ 601,570,845

Item	December 31, 2018				Total
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	
<b>Foreign currency derivative instruments</b>					
Outflows	\$ 130,622,908	\$ 177,417,727	\$ 45,730,365	\$ 12,335,558	\$ 366,106,558
Inflows	130,934,978	177,661,565	45,998,167	12,261,809	367,856,459
<b>Interest rate derivative instruments</b>					
Outflows	210,160	-	1,202,820	2,465,600	3,882,495
Inflows	130,833,668	177,417,727	46,002,185	14,801,588	369,055,068
<b>Total outflows</b>	\$ 131,091,409	\$ 177,661,565	\$ 47,200,987	\$ 14,723,574	\$ 371,315,203
<b>Total inflows</b>					
	\$ 131,091,409	\$ 177,661,565	\$ 47,200,987	\$ 14,723,574	\$ 371,315,203

e) Maturity analysis of off-balance sheet items

Bank's off-balance sheet items - irrevocable loans, guarantees, and letters of credit - presented based on the residual time from the balance sheet date to the maturity date were as follows:

Item	December 31, 2019				Total
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	
<b>Irrevocable loan commitments issued</b>	\$ 56,262,776	\$ 149,954	\$ 1,033,310	\$ 857,016	\$ 70,705,981
<b>Credit card commitments issued</b>	-	-	11,045	21,906	32,951
<b>Letters of credit issued yet unused</b>	21,430,912	84,213	46,002	96,001	21,515,125
<b>Guarantees</b>	\$ 130,307,711	\$ 237,173	\$ 1,160,357	\$ 974,923	\$ 145,366,922
<b>Total</b>	\$ 108,021,409	\$ 149,954	\$ 2,230,625	\$ 1,949,846	\$ 112,351,834

Item	December 31, 2018				Total
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	
<b>Irrevocable loan commitments issued</b>	\$ 49,422,517	\$ 877,553	\$ 1,954,919	\$ 1,720,678	\$ 64,883,210
<b>Credit card commitments issued</b>	40	-	2,455	40,898	43,393
<b>Letters of credit issued yet unused</b>	23,249,832	52,159	18,394	30,530	23,320,385
<b>Guarantees</b>	\$ 118,377,684	\$ 930,894	\$ 2,006,698	\$ 1,828,715	\$ 134,134,078
<b>Total</b>	\$ 191,070,273	\$ 1,860,606	\$ 5,980,726	\$ 3,580,821	\$ 199,492,426

Item	December 31, 2019		December 31, 2018	
	Non-performing Loans Exempted from Reporting	Non-performing Receivables Exempted from Reporting	Non-performing Loans Exempted from Reporting	Non-performing Receivables Exempted from Reporting
<b>Business Type</b>				
Negotiated loans transacted in accordance with the agreement and exempted from reporting as non-performing loans (Note a)	\$ -	\$ 943	\$ -	\$ 1,284
Negotiated accounts receivable transacted in accordance with the agreement and exempted from reporting as non-performing receivables (Note b)	486	19,520	554	17,484
Total	486	20,463	554	18,768

Note a: Negotiated loans and accounts receivable transacted in accordance with the agreement and exempted from reporting as non-performing loans are disclosed in accordance with the Letter issued by Banking Bureau on April 25, 2006 (Ref. No. Jin-Guan-Yin (1) 09510001270).

Note b: Loans and receivables transacted in accordance with debt clearance and renewal regulation and exempted from reporting as non-performing loans or receivables are disclosed in accordance with the Letter issued by Banking Bureau on September 15, 2008 (Ref. No. Jin-Guan-Yin (1) 09700318940).

b. Concentration of credit risk

Rank (Note a)	December 31, 2019		As Proportion of Net Equity (%) (Note d)
	Transaction Party (Note b)	Loans (Note c)	
1	A Corporation (railway transportation industry)	\$ 25,827,350	15.92
2	B Group (airline industry)	24,490,414	15.10
3	C Group (construction industry)	18,791,012	11.58
4	D Group (steel smelting industry)	16,970,744	10.46
5	E Group (concrete manufacturing industry)	16,318,376	10.06
6	F Group (steel manufacturing industry)	7,248,601	4.47
7	G Group (enterprise general management agency)	6,547,128	4.04
8	H Group (real estate development industry)	6,145,549	3.79
9	I Group (electric wire and cable manufacturing industry)	5,989,758	3.69
10	J Group (real estate leasing industry)	5,811,259	3.58

Rank (Note a)	December 31, 2018		As Proportion of Net Equity (%) (Note d)
	Transaction Party (Note b)	Loans (Note c)	
1	A Corporation (railway transportation industry)	\$ 26,066,037	16.65
2	B Group (airline industry)	24,417,805	15.60
3	D Group (steel smelting industry)	21,098,325	13.48
4	E Group (concrete manufacturing industry)	18,768,879	11.99
5	C Group (construction industry)	16,927,144	10.81
6	K Group (other computer peripheral equipment manufacturing industry)	8,906,450	5.69
7	F Group (steel manufacturing industry)	7,530,964	4.81
8	I Group (electric wire and cable manufacturing industry)	6,115,546	3.91
9	L Group (real estate development industry)	6,114,530	3.91
10	M Group (other financial services industry)	5,469,398	3.49

Note a: Sorted by the balance of loans on December 31, 2019 and 2018, excluding government or state-run business. The number of transaction party which belongs to a group business was included in the balance of group business.

Note b: Transaction party is in accordance with article 6 of the Supplementary Provisions to the Taiwan Stock Exchange Corporation Criteria for Review of Securities Listings.

Note c: Loans include import and export bill negotiations, bills discounted, overdraft, short-term loan, short-term secured loan, accounts receivable financing, medium-term loan, medium-term secured loan, long-term loan, long-term secured loan, delinquent loans, inward remittances, factoring without recourse, acceptance, and guarantee.

Note d: The percentage of loans to equity for the period: Domestic banks should use bank equity to calculate; the Taiwan branch of foreign banks should use branch's equity to calculate.

c. Interest rate sensitivity

Item	December 31, 2019				Total
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	
Interest-sensitive assets	\$ 1,351,733,509	\$ 59,055,353	\$ 65,091,720	\$ 12,365,049	\$ 1,588,245,631
Interest-sensitive liabilities	320,397,347	894,994,787	98,106,938	53,953,478	1,367,452,550
Interest sensitivity gap	1,031,336,162	(835,939,434)	(33,015,218)	58,411,571	220,793,081
Net equity					141,078,002
Ratio of interest-sensitive assets to liabilities					116.15%
Ratio of interest sensitivity gap to net equity					156.50%

Item	December 31, 2018				Total
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	
Interest-sensitive assets	\$ 1,271,933,192	\$ 39,554,518	\$ 62,221,289	\$ 97,643,090	\$ 1,471,352,089
Interest-sensitive liabilities	321,021,210	833,758,818	89,052,792	47,052,818	1,290,886,638
Interest sensitivity gap	950,911,982	(794,204,300)	(26,831,503)	50,590,272	180,465,411
Net equity					134,111,383
Ratio of interest-sensitive assets to liabilities					113.98%
Ratio of interest sensitivity gap to net equity					134.56%

Note a: The amounts listed above include accounts in N.T. dollars only (i.e. excluding foreign currency) for both head office and domestic branches.

Note b: Interest-sensitive assets and liabilities are interest-earning assets and interest-bearing liabilities with income or cost affected by interest rate fluctuations.

Note c: Interest sensitivity gap = Interest-sensitive assets - Interest-sensitive liabilities

Note d: Ratio of interest-sensitive assets to interest-sensitive liabilities =  $\frac{\text{Interest-sensitive assets (N.T. dollars only)}}{\text{Interest-sensitive liabilities}}$

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

Item	December 31, 2019			Total
	1-90 Days	91-180 Days	181 Days-1 Year	
Interest-sensitive assets	\$ 12,559,869	\$ 830,942	\$ 480,275	\$ 13,945,143
Interest-sensitive liabilities	13,950,748	1,413,764	109	16,770,015
Interest sensitivity gap	(1,390,879)	(582,822)	73,948	(2,824,872)
Net equity				508,858
Ratio of interest-sensitive assets to liabilities				83.16%
Ratio of interest sensitivity gap to net equity				(555.14%)

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

Item	December 31, 2018			Total
	1-90 Days	91-180 Days	181 Days-1 Year	
Interest-sensitive assets	\$ 13,345,324	\$ 620,067	\$ 606,445	\$ 15,320,603
Interest-sensitive liabilities	14,383,210	1,042,284	1,022,113	16,447,718
Interest sensitivity gap	(1,037,886)	(422,217)	(415,668)	(1,127,115)
Net equity				530,622
Ratio of interest-sensitive assets to liabilities				93.15%
Ratio of interest sensitivity gap to net equity				(212.41%)

Note a: The amounts listed above include accounts in U.S. dollars only for domestic branches, offshore banking unit (OBU), and overseas branches, excluding contingent assets and contingent liabilities.

Note b: Interest-sensitive assets and liabilities are interest-earning assets and interest-bearing liabilities with income or cost affected by interest rate fluctuations.

Note c: Interest sensitivity gap = Interest-sensitive assets - Interest-sensitive liabilities

Note d: Ratio of interest-sensitive assets to interest-sensitive liabilities =  $\frac{\text{Interest-sensitive assets (U.S. dollars only)}}{\text{Interest-sensitive liabilities}}$

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

Item	December 31, 2019		December 31, 2018	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Return on total assets	Pretax 0.64%	0.72%	0.64%	0.72%
	After tax 0.55%	0.62%	0.55%	0.62%
Return on net equity	Pretax 8.48%	9.76%	8.48%	9.76%
	After tax 7.26%	8.39%	7.26%	8.39%
Profit margin	36.49%	38.33%	36.49%	38.33%

d. Profitability

Note a: Return on total assets =  $\frac{\text{Income before (after) tax}}{\text{Average assets}}$

Note b: Return on net equity =  $\frac{\text{Income before (after) tax}}{\text{Average net equity}}$

Note c: Profit margin =  $\frac{\text{Income after tax}}{\text{Net revenue and gains}}$

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2019 and 2018, respectively.

e. Maturity analysis of assets and liabilities

(In Thousands of New Tainan Dollars)

Total	December 31, 2019					
	Period Remaining until Due Date and Amount Due		Period Remaining until Due Date and Amount Due		Period Remaining until Due Date and Amount Due	
	0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year
Major maturity cash inflows	\$ 169,115,385	\$ 187,074,922	\$ 383,348,938	\$ 158,694,940	\$ 273,473,729	\$ 798,945,630
Major maturity cash outflows	2,474,979,488	134,112,738	139,853,921	454,558,706	456,973,312	1,009,055,386
Gap	(533,626,804)	47,221,001	(100,210,668)	(21,106,445)	(183,499,483)	(210,109,756)

(In Thousands of New Tainan Dollars)

Total	December 31, 2018					
	Period Remaining until Due Date and Amount Due		Period Remaining until Due Date and Amount Due		Period Remaining until Due Date and Amount Due	
	0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year
Major maturity cash inflows	\$ 179,833,143	\$ 184,340,884	\$ 217,198,302	\$ 143,340,830	\$ 221,038,740	\$ 760,070,260
Major maturity cash outflows	2,254,638,399	118,541,883	139,349,839	330,434,420	286,098,174	950,547,936
Gap	(546,405,166)	44,991,676	(11,151,537)	(186,667,344)	(214,17,348)	(184,477,676)

Note: The amounts listed above include accounts in N.T. dollars only (i.e. excluding foreign currency) for both head office and domestic branches.

(In Thousands of U.S. Dollars)

December 31, 2019

Total	Period Remaining until Due Date and Amount Due		
	Period Remaining until Due Date and Amount Due		Period Remaining until Due Date and Amount Due
	1-30 Days	31-90 Days	181 Days-1 Year
Major maturity cash inflows	\$ 23,894,487	\$ 9,998,071	\$ 5,145,260
Major maturity cash outflows	28,555,457	9,783,120	5,570,195
Gap	(4,660,970)	214,951	(424,935)

(In Thousands of U.S. Dollars)

December 31, 2018

Total	Period Remaining until Due Date and Amount Due		
	Period Remaining until Due Date and Amount Due		Period Remaining until Due Date and Amount Due
	1-30 Days	31-90 Days	181 Days-1 Year
Major maturity cash inflows	\$ 22,371,236	\$ 9,764,134	\$ 4,338,156
Major maturity cash outflows	27,471,708	10,457,265	5,130,078
Gap	(5,100,472)	(693,131)	(791,922)

Note: The amounts listed above include accounts in U.S. dollars for head office, domestic branches, and OBU.

## f. Trust accounts

Under Article 3 of the Trust Law, the Bank can offer trust services. The items and amounts of trust accounts as of December 31, 2019 and 2018 were as follows:

	December 31	
	2019	2018
Special purpose trust accounts - domestic	\$ 32,055,153	\$ 30,954,936
Special purpose trust accounts - foreign	74,642,122	75,877,822
Insurance trust	10,760	10,697
Retirement and breeds trust	643,512	422,516
Umbilical cord blood trust	12,199,191	11,231,280
Money claim and guarantee trust	58,800	65,800
Marketable securities trust	866,543	739,231
Real estate trust	25,092,597	17,663,388
Securities under custody	215,616,230	134,752,976
Other money trust	<u>2,248,066</u>	<u>2,006,512</u>
	<u>\$ 363,432,974</u>	<u>\$ 273,725,158</u>

g. Disclosures on trust assets and liabilities and assets register as required by Enforcement Rules of ROC Trust Law Article 17 were as follows:

Trust Assets	Balance Sheet of Trust	
	December 31	
	2019	2018
Bank deposits	\$ 5,350,631	\$ 4,118,911
Insurance claims	58,800	65,800
Financial assets		
Common stock	2,244,637	1,867,776
Mutual funds	120,082,141	114,602,922
Bonds	3,560,451	2,784,909
Interest receivable	921	1,459
Land	4,384,643	10,862,297
Buildings	580,681	597,410
Construction in progress	11,553,839	4,070,698
Securities under custody	215,616,230	134,752,976
	<u>\$ 363,432,974</u>	<u>\$ 273,725,158</u>
Total trust assets		
Trust Liabilities		
Trust capital		
Money trust	\$ 126,248,077	\$ 119,998,578
Insurance claims	58,800	65,800
Marketable securities trust	749,182	736,286
Real estate trust	20,273,438	17,664,125
Securities under custody	215,616,230	134,752,976
payable	57	131
Withholdings	218,211	337,679
Profit and loss		
Unappropriated retained earnings - realized capital gain/loss	52,859	42,042
Unappropriated retained earnings - gain on revenue/expense investment	1,030,796	748,120
Unappropriated retained earnings	<u>(814,676)</u>	<u>(620,579)</u>
Total trust liabilities	<u>\$ 363,432,974</u>	<u>\$ 273,725,158</u>

## Trust Assets Register

	December 31	
	2019	2018
Investments		
Bank deposits	\$ 5,350,631	\$ 4,118,911
Insurance claims	58,800	65,800
Financial assets		
Common stock	2,244,637	1,867,776
Mutual funds	120,082,141	114,602,922
Bonds	3,560,451	2,784,909
Land	4,384,643	10,862,297
Buildings	580,681	597,410
Construction in progress	11,553,839	4,070,698
Others	921	1,459
Securities under custody	<u>215,616,230</u>	<u>134,752,976</u>
Total trust assets	<u>\$ 363,432,974</u>	<u>\$ 273,725,158</u>

## Income Statement of Trust

	For the Year Ended December 31	
	2019	2018
Investments		
Revenue		
Interest income	\$ 91,926	\$ 90,198
Dividends	92,496	102,913
Rental revenues	-	94,538
Gain on mutual funds	9,133	12,058
Foreign exchange gains	806,432	818,946
Realized capital gain - mutual funds	5,659	5,666
Realized capital gain - bonds	4,519	1,952
Realized capital gain - quoted stock	<u>11,114</u>	<u>67,821</u>
Expense	<u>1,021,279</u>	<u>1,194,092</u>
Maintenance	(1,948)	(1,614)
Tax expense	(3,508)	(2,169)
Others	(320)	(120)
Foreign exchange losses	(758,539)	(789,270)
Realized capital loss - bonds	(1,785)	(14,968)
Realized capital loss - mutual funds	(23,966)	(16,979)
Realized capital loss - quoted stock	<u>(803,068)</u>	<u>(856,413)</u>
	<u>\$ 218,211</u>	<u>\$ 337,679</u>

### 36. RELATED-PARTY TRANSACTIONS

#### a. Related parties and their relationships with the Bank

Name	Relationship
Director and managers	The Bank's director and managers
Taishin Financial Holding	The Bank's corporate director
Chang Hua Commercial Bank, Ltd.	The Bank's subsidiary
Chang Hwa Bank Venture Capital Co., Ltd.	The Bank's subsidiary
Taishin International Bank	Owned by the same parent company
The Export-Import Bank	Its director is the Bank's corporate director
Land Bank	Its director is the Bank's corporate director
Taiwan Business Bank	Its director is the Bank's corporate director
Taiwan High Speed Rail Corporation	Its director is the Bank's corporate director
Yang Ming Marine Transport Corporation	Its director is the Bank's corporate director
Unity OPTO Technology Co., Ltd.	Its director is the Bank's corporate director
Powertec Electrometal Corporation (former name is Powertec Energy Corporation)	Its director is the Bank's corporate director
CSBC Corporation	Its director is the Bank's corporate director
United Renewable Energy Co., Ltd.	Its director is the Bank's corporate director
Kaohsiung Rapid Transit Corporation	Its director is the Bank's corporate director
Adimune Corporation	Its director is the Bank's corporate director
Others	FSC-approved IAS 24, "Related Party Disclosures" other related parties

#### b. Significant transactions with related parties

##### 1) Loans

	Balance	Percentage of Loans (%)
Balance as of December 31, 2019	\$ 31,430,068	2.22
Balance as of December 31, 2018	29,126,610	2.21

For the years ended December 31, 2019 and 2018, interest rates ranged from 0.63% to 4.20% and from 0.63% to 4.70%, respectively, and interest income amounted to \$610,837 thousand and \$587,044 thousand, respectively.

	December 31, 2019				Difference in Terms Between Related Parties and Non-related Parties
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	
Unity OPTO Technology Co., Ltd.	\$ 744,849	\$ 1,142,872	\$ 744,849	\$ -	Credit, land and workshop
Powertec Electrometal Corporation	666,383	666,383	666,383	-	Credit and workshop
CSBC Corporation	500,000	672,483	500,000	-	Credit
United Renewable Energy	100,000	490,000	100,000	-	Credit
Other - corporation 10	452,092	929,683	452,092	-	Credit and fund guarantee and real estate
Other - individual 6 accounts (Note 2)	823	1,633	823	-	Deposit

(Concluded)

	December 31, 2018				Difference in Terms Between Related Parties and Non-related Parties
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	
Consumer loans	\$ 13,404	\$ 14,195	\$ 13,404	\$ -	Credit
Self-use residential mortgage loans	1,170,648	1,203,602	1,170,648	-	Real estate
Others	25,739,237	26,764,830	25,739,237	-	Credit and station equipment
Taiwan High Speed Rail Corporation	1,140,000	2,180,000	1,140,000	-	Ship
Yang Ming Marine Transport Corporation	628,791	628,791	628,791	-	Credit
Powertec Energy Corporation	431,595	779,460	431,595	-	Credit and fund guarantee and real estate
Other - corporation 9 accounts (Note 1)	2,936	2,966	2,936	-	Deposit

Note 1: The balance of each corporate entity does not exceed \$1 billion.

Note 2: The balance of each single entity does not exceed 1% of the total ending balance.

Loans to managers for mortgage within \$8,000 thousand and credit loans within \$800 thousand per person all bore interests at 1.26% in December 31, 2019 and 2018. The interest rates and other terms provided to the other related parties are the same as those offered to the public.

#### 2) Guaranteed loans

	December 31, 2019				Collateral
	Ending Balance	Highest Amount	Reserve for Guarantee Liabilities	Interest Rate (Per Annum %)	
Yang Ming Marine Transport Corporation	\$ 1,511,100	\$ 1,511,100	\$ 15,111	0.80%-1.00%	None
Kaohsiung Rapid Transit Corporation	21,327	21,327	213	0.50%	None
Adimune Corporation	18,457	18,771	185	1.80%	Pledged demand deposit

(Continued)

Call loans from banks

	December 31, 2018			Collateral
	Ending Balance	Highest Amount	Reserve for Guarantee Liabilities	
Yang Ming Marine Transport Corporation	\$ 500,000	\$ 500,000	\$ 5,000	None
Kaohsiung Rapid Transit Corporation	24,588	30,388	246	None
Adimmune Corporation	19,236	19,236	192	Plugged demand deposit

	Balance	Percentage of Loans (%)
Balance as of December 31, 2019	\$ 9,496,232	0.54
Balance as of December 31, 2018	4,185,660	0.25

3) Deposits

For the years ended December 31, 2019 and 2018, the interest rates intervals were both between 0.00% and 13.00%, the interest expense amounted to \$71,267 thousand and \$48,868 thousand, respectively.

The interest rate for managers' deposits amounting to \$480 thousand per person was 13% per annum. The part of deposit exceeding \$480 thousand will earn interest calculated at the demand savings rate. The interest rates and others terms provided to the other related parties are the same as those offered to general public.

4) Call loans to banks and call loans from banks

Call loans to banks

Name	December 31, 2019			Interest Rate (Per Annum %)	Interest Income
	Department	Currency	Ending Balance		
Land Bank	DBU	USD	\$ 260,000	1.55-3.28	\$ 5,418
	London Branch	USD	10,000	2.38-2.74	258
	Hong Kong Branch	USD	10,000	4.84-3.32	2,570
	DBU	USD	10,000	1.53-3.25	1,237
Taiwan Business Bank	Hong Kong Branch	USD	10,000	1.60-3.25	542
	Singapore Branch	USD	10,000	2.25-2.79	81

Name	December 31, 2018			Interest Rate (Per Annum %)	Interest Income
	Department	Currency	Ending Balance		
Land Bank	DBU	NTD	\$ 1,500,000	0.18-0.19	\$ 274
	DBU	USD	155,000	1.46-3.28	3,089
	DBU	RMB	60,000	1.46-3.53	78
Taiwan Business Bank	Singapore Branch	USD	10,000	4.79	68
	Hong Kong Branch	USD	90,000	1.62-3.32	2,239
	DBU	USD	10,000	1.46-3.25	316
Chang Hua Commercial Bank, Ltd.	Hong Kong Branch	RMB	20,000	3.80-3.25	74
	DBU	JPY	730,000	3.30-4.84	1,655
			75,000	0.16	10

Other financial assets

Name	December 31, 2019			Interest Rate (Per Annum %)	Interest Expense
	Department	Currency	Ending Balance		
Land Bank	DBU	NTD	\$ 2,005,000	0.18-0.67	\$ 378
	Singapore Branch	SGD	5,500	1.20-2.55	65
	London Branch	GBP	5,000	1.05	12

Name	December 31, 2018			Interest Rate (Per Annum %)	Interest Expense
	Department	Currency	Ending Balance		
Land Bank	New York Branch	USD	\$ 30,000	1.44-3.30	\$ 344
	Los Angeles Branch	USD	90,000	1.44-3.30	392
	Hong Kong Branch	USD	30,000	1.44-3.20	176
	Singapore Branch	SGD	4,500	0.80-2.55	20
Taiwan Business Bank	New York Branch	USD	135,000	1.75-3.32	116
	Los Angeles Branch	USD	47,000	2.30-3.30	32

5) Due from banks, other financial assets, deposits from banks and deposits and remittances

Due from banks

Name	Department	Currency	December 31	
			2019 Ending Balance	2018 Ending Balance
Land Bank	DBU	NTD	\$ 2	\$ 225
Taiwan Business Bank	DBU	NTD	819	28
Chang Hua Commercial Bank, Ltd.	DBU	USD	8,528	7,923
	DBU	RMB	2,961	280,179

Name	Department	Currency	December 31	
			2019 Ending Balance	2018 Ending Balance
Chang Hua Commercial Bank, Ltd.	DBU	RMB	\$ 1,000,000	\$ -

Other financial assets

Deposits from banks

	Name	Department	Currency	December 31	
				2019 Ending Balance	2018 Ending Balance
	Land Bank	DBU	NTD	\$ 277	\$ 277
	The Export-Import Bank	DBU	NTD	3,536	1,173
	Taishin International Bank	New York Branch	USD	67	62
	Chang Hua Commercial Bank, Ltd.	Tokyo Branch	JPY	69,195	13,033
		Hong Kong Branch	USD	369	1,403
		Hong Kong Branch	HKD	175	168

Deposits and remittances

	Name	Department	Currency	(In Thousands of New Taiwan Dollars)	
				December 31 2019 Ending Balance	2018 Ending Balance
	Chang Hua Bank Venture Capital Co., Ltd.	DBU	NTD	\$ 554,172	\$ -

c. Compensation of directors and management personnel

Short-term employee benefits  
Post-employment benefits

	For the Year Ended December 31	
	2019	2018
	\$ 106,856	\$ 111,826
	<u>10,755</u>	<u>13,973</u>
	<u>\$ 117,611</u>	<u>\$ 125,799</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

**37. PLEDGED ASSETS**

The summary of the Bank's pledged assets as of December 31, 2019 and 2018 is as follows:

Pledged Assets	Description	December 31	
		2019	2018
Investments in debt instruments at FV/OCI	Bonds	\$ 988,004	\$ 1,047,620
Investments in debt instruments at amortized cost	Bonds and certificates of deposit	41,389,970	41,607,061
Time deposits with original maturities of more than 3 months	Time deposits	2,577,000	2,681,400
Refundable deposits	Cash	954,967	662,164

**38. CONTINGENT LIABILITIES AND COMMITMENTS**

a. In addition to those mentioned in Note 7, the Bank had the following contingent liabilities and commitments as of December 31, 2019 and 2018:

	December 31	
	2019	2018
Trust liabilities	\$ 363,432,974	\$ 273,725,158
Unused loan commitments (excluding credit cards)	70,705,981	64,834,210
Credit card commitments	322,128	316,154
Unused issued letters of credit	21,515,125	23,320,585
Guarantees issued in guarantee business	52,823,688	45,848,329
Repayment notes and times deposit held for custody	13,910,771	14,756,665
Liabilities on joint loans	836,947	719,181

The unrecognized commitments for the acquisition of equipment and intangible assets, as well as the commitments for construction, lease engagement, appointment and security as of December 31, 2019 were \$421,601 thousand, \$69,389 thousand, \$29,084 thousand, \$513,292 thousand and \$133,703 thousand, respectively.

b. TDK Corporation filed a legal proceeding against the Bank for damages compensation in the amount of \$45,794 thousand. On April 19, 2017, the Taiwan Superior Court passed a verdict partially in favor of and partially against the Bank, and the Bank shall compensate the damages in the amount of \$11,448 thousand. The Bank had appealed to the Supreme Court. The Supreme Court remanded the case and held a hearing on September 3, 2019. Then, the Supreme Court held another hearing on November 4, 2019. On January 14, 2020, the oral argument session had concluded and the judgement procedure was held on March 23, 2020.

**39. DISCLOSURES UNDER STATUTORY REQUIREMENTS**

a. Material transactions

No.	Item	Explanation
1	Accumulated purchases and sales balance of specific investees' marketable security over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2019	None
2	Acquisition of fixed assets over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2019	None
3	Disposal of fixed assets over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2019	None
4	Discount on fees income from related parties over NT\$5 million	None
5	Receivables from related parties over NT\$300 million or 10% of outstanding capital as of December 31, 2019	None
6	Sale of NPL	None
7	Securitized instruments and related assets which are in accordance with the Statute for Financial Assets Securitization and the Statute for Real Estate Securitization	None
8	Other significant transactions which may affect decisions of the users of the financial statements	None

b. Information on the Bank's investees

No.	Item	Explanation
1	Investees' names, locations, etc.	Table 1
2	Capital lending to another party	None
3	Endorsement for another party	None
4	Marketable securities held as of December 31, 2019	None
5	Accumulated purchases and sales balance of specific marketable security over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2019	None
6	Acquisition of property, plant and equipment over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2019	None
7	Disposal of property, plant and equipment over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2019	None
8	Receivables from related parties over NT\$300 million or 10% of outstanding capital as of December 31, 2019	None
9	Derivative instrument	None
10	Discount on fees income from related parties over NT\$5 million	None
11	Sale of NPL by subsidiary	None
12	Other significant transactions which may affect decisions of the users of the financial statements	None

c. Investment in mainland China: Table 2

40. INFORMATION ON INVESTEES

Investee's Name (Not a)	Investee's Location	Principal Business Activities	Ownership Interest in Funding Balance	Investment Book Value	Investment Income (Loss) of Current Period	Current Stock (None/0)	Sum of Dividend/Interest (None/0)	Stock (None/0)	Ownership Interest (%) (None/0)
China Hua Commercial Bank, Ltd.	China	Banking	100.00	\$ 12,842,226	\$ 282,440	60,000,000	-	60,000,000	100.00
Sheng Yuan Financial Holding Co., Ltd.	Taipei City	Finance capital business	100.00	662,249	(5,183)	60,000,000	-	60,000,000	100.00
Asia Pacific Broadband Telecom Co.	Taipei City	Telecommunications business	0.35	112,259	-	15,000,000	-	15,000,000	0.35
Taiwan High Speed Rail	Taipei City	High speed rail road	0.79	1,706,800	-	44,200,000	-	44,200,000	0.79
Taiwan Stock Exchange Co.	Taipei City	Securities brokerage, margin lending and securities trading	3.00	1,900,019	-	21,859,386	-	21,859,386	3.00
Taiwan Sugar Co.	Taipei City	Sugar and sugar products	0.41	1,303,374	-	23,246,159	-	23,246,159	0.41
Taiwan Power Co.	Taipei City	Electric power generation, transmission and distribution	0.71	1,971,031	-	23,576,532	-	23,576,532	0.71
Taipei Foreign Exchange Inc.	Taipei City	Exchange trading, BOP/BOP, foreign exchange and remittance	3.33	31,262	-	30,000,000	-	30,000,000	3.33
Taiwan Air Service Co., Ltd.	Taipei City	Air and shipping	5.00	10,674	-	125,000,000	-	125,000,000	5.00
China Trustee Investment Holding Co., Ltd.	Taipei City	Investment	4.95	664,300	-	54,000,000	-	54,000,000	4.95
Northern Asset Management	Taipei City	Securities investment trust	4.09	50,880	-	1,413,325	-	1,413,325	4.09
Financial Information Service Co., Ltd.	Taipei City	TYPE II information business	1.19	153,496	-	6,229,800	-	6,229,800	1.19
Taiwan Asset Management Co., Ltd.	Taipei City	Asset management business	1.00	266,408	-	3,547,544	-	3,547,544	1.00
Taiwan Asset Management Co., Ltd.	Taipei City	Acquisition of debt participations	11.35	1,576,800	-	120,000,000	-	120,000,000	11.35
Taiwan Financial Asset Service Co.	Taipei City	Asset management of the debt participations	2.94	48,400	-	5,000,000	-	5,000,000	2.94
Financial Problems Co., Ltd.	Taipei City	Financial promotion	4.12	8,674	-	905,475	-	905,475	4.12
Taiwan Depository & Clearing Corporation	Taipei City	Provision of securities depository and clearing services	0.08	19,083	-	314,688	-	314,688	0.08
Sheng Yuan Financial Holding Co., Ltd.	Taipei City	Finance capital business	0.70	509	-	41,768	-	41,768	0.70
Taiwan Market Payment Corporation	Taipei City	Electronic payment	3.00	10,152	-	1,800,000	-	1,800,000	3.00
Taiwan Financial Asset Service Co.	Taipei City	Asset management of the debt participations	5.00	203,875	-	2,500,000	-	2,500,000	5.00
China Trustee Investment Holding Co., Ltd.	Taipei City	Investment	1.47	(None/0)	-	5,348,382	-	5,348,382	1.47
China Trustee Investment Holding Co., Ltd.	Taipei City	Investment	1.47	(None/0)	-	410,395	-	410,395	1.47

Note a: The investees' voting shares, and imputed stock were owned by the Bank and related parties.

- Note b: 1) Imputed stock refers to the purchase of securities with equity or derivative commodity contracts (not yet converted into equity holding), which is linked to the equity of the reinvestment business according to the agreed transaction conditions and the bank's commitment to be used as Article 74 of The Banking Act of The Republic of China stipulates that for the purpose of reinvestment, under the assumption of conversion, the shares acquired as a result of the conversion.
- 2) The above-mentioned "securities with equity" refers to the securities stipulated in the first paragraph of Article 11 of Securities and Exchange Act Enforcement Rules, such as convertible corporate bonds and call warrants.
- 3) The above-mentioned "derivative commodity contract" refers to those who meet the definition of derivative instruments in International Accounting Standards No. 39, such as stock options.

Note c: The Bank had recognized the loss on investment in Tai Yu Products Corporation and Chi-Yi Construction Management Company.

Note d: Limited company organization.

Note e: The total number of shares issued by Asia Pacific Telecom Co., Ltd. was 4,298,232,169 shares. On November 8, 2019, capital reduction was done by reducing 1,481,035,770 shares (reduction rate 34.456858%). On November 21, 2019, investments in private equity increased by 1,000 million shares. After the capital increase, the total number of shares was 3,817,196,399 shares. The Bank's original number of shares was 15,000,000 shares, and the shareholding ratio was 0.35%. After the capital reduction (not participating in the capital increase), the number of shares was 9,831,471 shares and the shareholding ratio was 0.26%. Asia-Pacific Telecom Co., Ltd. set a base date for capital reduction on November 8, 2019, a base date for capital reduction and stock replacement on January 17, 2020, a last trading day for old stocks on January 8, 2020, and an expected new stock listing date on January 20, 2020.

41. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of services provided.

a. Segment revenue and results

	For the Year Ended December 31, 2019						
	Loans	Deposits and Remittances	Financial Instruments and Investments	Wealth Management	Subsidiaries and Overseas Branch	Others	Total
Net interest income	\$ 12,942,181	\$ 6,130,528	\$ 216,721	\$ 3,057,844	\$ 2,809,904	\$ (28,328)	\$ 22,071,006
Net service fee income	1,210,551	267,695	(33,429)	-	112,388	-	4,615,049
Net income on financial instrument	12,418	-	4,580,655	-	16,768	-	4,597,373
Others	(4,165,126)	(6,398,223)	(4,774,750)	3,057,844	(2,940,240)	403,445	(428,526)
Net revenue and gains	(1,805,048)	-	(84)	-	(342,933)	-	(2,148,065)
Bad debts expense, commitment provisions	-	-	-	-	-	-	(16,051,483)
Operating expenses	\$ 12,340,102	\$ 4,308,223	\$ 4,724,666	\$ 3,057,844	\$ 2,594,007	\$ 335,112	\$ 13,512,426



TABLE 1

**CHANG HWA COMMERCIAL BANK, LTD.**  
**INFORMATION ON INVESTORS' NAMES, LOCATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
**(in Thousands of New Taiwan Dollars, Except for Percentage and Shares)**

Investor	Investor's Names	Investor's Location	Line of Business	Original Investment Amount		Ending Balance		No. Shares (Last year Current Period)	Received Income (Last year Current Period)	Note
				End of Year 2019	End of Year 2018	Stock	Ownership Interest (%)			
Chung Hwa Bank	Chung Hwa Commercial Bank, Ltd.	China	Banking	\$ 12,172,286	\$ 12,172,286	60,000,000	100	\$ 12,884,226	100	
	Chung Hwa Bank Venture Capital Co., Ltd.	Taiwan	Venture capital	600,000	-	603,239	100	\$ 623,610	100	(5,382)

Note: Limited company organization.

TABLE 2

**CHANG HWA COMMERCIAL BANK, LTD.**  
**INFORMATION ON INVESTMENT IN MAINLAND CHINA**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
**(in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investor Company	Main Business and Products	Paid-in Capital	Method of Investment	Unrepaid Outflow of Investment from January 1, 2019	Investment Flows		Accumulated Outflow of Investment from January 1, 2019	Net Income from Investment (Note 2)	% of Total Investment	Carrying Amount of Investment as of December 31, 2019	Accumulated Repatriation of Income as of December 31, 2019	Note
					Outflow	Inflow						
Chung Hwa Commercial Bank, Ltd.	Banking	\$ 12,172,286 (US\$ 399,538)	Note 1c	\$ 12,172,286 (US\$ 399,538)	\$ -	\$ -	\$ -	\$ 423,440	100	\$ 423,440	\$ -	

Note 1: The three methods of investment are as follows:  
a. Direct investment (mainland China).  
b. Investment in mainland China through reinvestment in existing enterprise in a capital area.  
c. Others.

Note 2: Equity in the profit (loss):

- If the entity is still in the preparation stage and there is no equity in profit (loss), the condition should be noted.
- The basis of recognizing equity in profit (loss) is categorized in the following three types and each entity should be noted according to its condition.
  - Financial statements audited (reviewed) by international accounting firms that cooperate with the accounting firms in the ROC.
  - Financial statements audited (reviewed) by the Taiwan-based parent company (CPA).
  - Others.

Note 3: Investments with the "Bank, Financial Holding Corporation and Related Party Invest China Business Rules" announced by the PRC, the accumulated outflow of operating funds and investment from the following parties may not exceed 10% of net assets while they applied:  
a. Banks in Taiwan (or subsidiaries in other areas) which establish branches, establish business subsidiaries or acquire stock or capital contribution from local stockholders in mainland China.  
b. The subsidiaries whose issued stock with voting rights or more than 50% of capital held by bank in Taiwan had have investment in mainland China.

	For the Year Ended December 31, 2018					
	Loans	Deposits and Remittances	Financial Instruments and Investments	Wealth Management	Subsidiaries and Overseas Branch	Others
Net interest income	\$ 13,332,459	\$ 6,201,283	\$ 117,742	\$ 3,473,999	\$ 68	\$ 23,125,542
Net service fee income	1,393,285	243,175	(28,760)	3,086,223	188,435	4,862,338
Net non-interest income	-	-	5,124,822	-	(404,136)	4,720,686
Others	148,232	-	(111)	-	692,210	287,520
Bad debts expense, commitment and guarantee liability provisions	(1,622,322)	(6,481,426)	(5,311,023)	(3,086,223)	(3,118,028)	(39,293,028)
Income before income tax	(1,462,791)	-	37	-	(750,274)	(2,213,028)
Operating expenses						(103,362,211)
	\$ 13,811,156	\$ 6,484,458	\$ 5,213,270	\$ 3,086,222	\$ 2,397,808	\$ 14,706,534

The reported revenue and results on the segment information did not include inter-segment revenue for the years ended December 31, 2019 and 2018.

This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Segment total assets and liabilities

	December 31, 2019					
	Loans	Deposits and Remittances	Financial Instruments and Investments	Wealth Management	Subsidiaries and Overseas Branch	Others
Assets	\$ 1,236,653,664	\$ 5,592,082,042	\$ 89,311,824	\$ 1,153,206,293	\$ 87,481,082	\$ 2,126,429,236
Liabilities	\$ 1,838,190	\$ 1,722,026,411	\$ 89,311,824	\$ 1,092,528,919	\$ 38,416,324	\$ 1,954,029,021
	\$ 1,237,815,474	\$ 3,870,055,631	\$ 89,311,824	\$ 1,152,103,374	\$ 49,064,758	\$ 2,072,400,215

	December 31, 2018					
	Loans	Deposits and Remittances	Financial Instruments and Investments	Overseas Branches	Others	Adjustments
Assets	\$ 1,237,462,290	\$ 11,659,408	\$ 2,081,726	\$ 67,700,251	\$ 91,714,266	\$ 1,022,316,591
Liabilities	\$ 2,024,329	\$ 1,642,026,411	\$ 2,081,726	\$ 592,414,244	\$ 50,289,274	\$ 1,122,136,521
	\$ 1,235,437,961	\$ 11,661,434	\$ 2,081,726	\$ 67,107,807	\$ 41,425,000	\$ 1,020,179,070

# VII | Review and Analysis of Financial Status, Financial Performance, and Evaluation of the Risk Management

## A. Financial Status of the Past Two Years (Consolidated)

Unit: NT\$ thousand

Items	FY	2019.12.31	2018.12.31	Fluctuation	
				Amount	Rate of Change (%)
Total Assets		2,135,643,203	2,081,811,670	53,831,533	2.59
Total Liabilities		1,973,406,008	1,925,250,039	48,155,969	2.50
Total Equity		162,237,195	156,561,631	5,675,564	3.63

Note: There is no major change in the total amounts of assets and liabilities.

## B. Financial Performance of the Past Two Years (Consolidated)

Unit: NT\$ thousand

Items	FY	2019	2018	Increase (Decrease) Amount	
				Amount	Rate of Change (%)
Net interest income		22,849,707	23,189,644	(339,937)	-1.47
Net non-interest income		9,228,646	9,918,545	(689,899)	-6.96
Net income		32,078,353	33,108,189	(1,029,836)	-3.11
Provisions for bad debts expenses, commitment and guarantee liability		2,136,395	2,203,252	(66,857)	-3.03
Operating expense		16,421,666	16,194,853	226,813	1.40
Earning before tax from continued operations		13,520,292	14,710,084	(1,189,792)	-8.09
Gain (loss) from continued operations		11,571,782	12,646,535	(1,074,753)	-8.50
Current profit (loss)		11,571,782	12,646,535	(1,074,753)	-8.50

### a. Change Analysis

In 2019, NT\$3.269 billion provisions for bad debts expenses was recognized while NT\$1.133 billion was recovered, resulting in a net provisions for bad debts expenses of NT\$2.136 billion; In 2018, provisions for bad debts expenses and bad debts recoveries were NT\$3.135 billion and NT\$0.932 billion, respectively. Therefore, the amount of net provisions for bad debts expenses of 2019 was NT\$2.203 billion which decreased NT\$0.067 billion compared with that of 2018 this year.

### b. Business Operation Targets and Its Accordance

The Bank's 2020 business objectives are established based on the growth of each of the Bank's business lines in the preceding year, forecasts of economic growth provided by various institutions and the Bank's business expansion policy. Please refer to "I. Letter to Shareholders B. 2020 highlights of Business Plans b. Business Operational Targets."

### c. The Impact on the Bank's Financial Structure and Responding Plans

No effect.

## C. Cash Flow

### a. Liquidity Analysis for the Past Two Years

Items	FY	2019	2018	Rate of Change (%)
Cash Flow Ratio		-36.42%	-2.53%	-33.89%
Cash Flows to Dividends and Expenditures (%)		371.01%	631.61%	-260.60%
Ratio of Cash Flow for Operating to Cash Flow from Investing		4,566%	242%	4,324%

Change Analysis:

Related rates change over 20% mainly due to the increase of net cash outflow from operating and investing activities in 2019.

- b. Improvement Plan for Insufficient Liquidity  
None.
- c. Next Year Cash Flow Analysis

Unit: NT\$ thousand

Cash Balance at the Start of the Period (1)	Expected Net Operating Cash Flow for the Whole Year (2)	Expected Cash Outflow for the Whole Year (3)	Expected Cash Surplus (Deficit) (1) + (2) + (3)	Remediation Measures against Expected Cash Flow Deficit	
				Investment	Wealth Management
135,910,391	(6,220,079)	6,498,143	136,188,455	-	-

## D. The Material Effect on Financial Structure from Substantial Capital Expenditure for Last Fiscal Year

- a. Implementation Status and Funding Source of Substantial Capital Expenditure

Unit: NT\$ thousand

Project	Actual or expected funding source	Actual or expected completion date	Total funding requirement	Actual or expected implementation status of funds	
				2018	2019
Purchase of neighboring buildings and lands of Chiencheng building	Funds of the Bank	2020.12.31	325,339		125,339
Urban renewal work of Peimen Branch	Funds of the Bank	2023.12.31	393,398		
Urban renewal work of Chengtung Branch	Funds of the Bank	2025.12.31	578,700		
Construction work of Chiencheng building	Funds of the Bank	2025.12.31	2,100,000		

- b. Potential Benefits

Enhance the Bank's corporate image, increase the Bank's business assets, save rental expenditure, and lease redundant offices for increasing the rental revenues.

## E. The Reinvestment Policy for Last Fiscal Year, the Major Reasons for Its Profits or Losses, Improvements and Investment Plan for Next Year

- a. The Reinvestment Policy for Last Fiscal Year and the Major Reasons for Its Profits or Losses

The main profit from reinvestment is dividend income.

- b. Improvement Plan

Regularly review and evaluate the earnings and operating conditions of each reinvestment company.

- c. The Investment Plan for Next Year

Searching new investment targets under the consideration of profitability, security, growth, liquidity, and diversification.

## F. Analysis & Evaluation of Risk Management during the Latest Year as of the Date of Annual Report Publication

- a. A Series of Qualitative and Quantitative Requirements for Risk Management

1. Credit Risk Management System and Capital Requirement:

Credit Risk System  
2019

Items	Contents
1. Strategies, Goals, Policies, and Procedures for Credit Risk	<p>1. Strategies, Goals, and Policies for Credit Risk:</p> <p>(1) Credit Risk:</p> <p>Develop risk management rules and processes that meet the requirements of the Basel Accord. Through establishing risk management mechanisms and analyzing risk information, the Bank hopes to gain thorough understanding of the new trends in risk management and implement such best practices in related business to identify, measure, monitor and report all credit risks effectively and reach the following goals:</p> <p>① Build bank-wide consensus on risk management.</p> <p>② Provide effective risk management mechanisms to facilitate the development of new loan products to ensure the sound development of the Bank.</p> <p>③ Provide appropriate risk management information to the management level to balance risk and return in the decision-making process, which would increase shareholders' value.</p> <p>④ Provide expected loss information according to experiences in credit risk losses.</p>

Items	Contents
	<p>(2) Country Risk: The Bank has the “Country Risk Management Guidelines” to use information pertaining to the external credit ratings of each region or country as the basis for the identification of country risks. A structure has been set up for measuring country risks and determining country limits against the Bank’s risk appetite in order to effectively control the exposure to country risks. In order to response the external regulations, AI822, and effectively control the risk exposure to Mainland China, the Bank has made the integration of AI822 into the risk management mode for simultaneous control since Sep. 19, 2014. The country risk exposure management is divided into two parts, the country risk exposure (excluding China) and the risk in China.</p> <p>(3) Financial Counterparty Risk: The Bank has adopted the concepts advocated by the Basel Accord as well as concepts of managing total limit/exposure by groups and has set up a Top-Down structure for managing limits and risk exposure. The Bank has established the “Counterparty Risk Management Guidelines.” The Guidelines will help identify, assess and monitor the counterparty risk portfolio of the entire bank and report to the management levels to meet the requirements of local and overseas regulators and to facilitate effective utilization of capital and maximization of profits.</p> <p>2. Procedures of Credit Risk:</p> <p>(1) Credit Risk:</p> <ol style="list-style-type: none"> <li>① Compile the “Credit Risk Management Guideline,” the S.O.P. and other related operational rules; utilize the credit risk database and the loan application automatic management system for the generation of various risk information. To enhance the quality of risk management, the Bank strengthens identification, measurement and monitoring of credit risk.</li> <li>② Establish corporate credit rating and consumer credit scorecards systems to effectively provide corporate/consumer credit risk measurement indicators in the credit application process and a clear distinction of credit risk, as a reference for loan application review and credit risk management. The credit risk measurement mechanism are regularly validated for effectiveness.</li> <li>③ To effectively identify and manage loans with potential risks, “Corporate and Consumer Problem Loan Inquiry System” enables the Bank to effectively use the collected information and implement KYC; “Corporate Customer Credit Depreciation Notice System” enables the Bank to effectively control and manage credit limits of abnormal customers.</li> <li>④ The Bank has established complete monitoring mechanisms. “Corporate Customers Early Warning Evaluation Procedure” and “Personal Customers Early Warning Evaluation Procedure” enable the Bank to trace bad signs of high-risk loans and risk changes; “Credit Exposure and Claims of Corporate Customers Inquiry System” enables the Bank to grasp the news media coverage of negative information and credit records in the Bank.</li> <li>⑤ Enhance the quality of assets of loans through the organization of lectures and trainings on risk management to strengthen risk management intelligence.</li> </ol> <p>(2) Country Risk:</p> <ol style="list-style-type: none"> <li>① On the basis of the rating selection principle and country rating information from Moody’s, S&amp;P, and Fitch, develop the Bank’s country risk rating standards.</li> <li>② Calculate the total country risk limit based on the Bank’s net worth multiple disclosed in the latest annual financial statement, which serves as the ceiling of the Bank’s exposure to country risk.</li> <li>③ Within the total country risk limit and in accordance with various allocation ratio of each country’s risk rating, the individual limits for various countries for the next year are determined by the political and economic situations of each country, as well as the actual business demands from the Bank’s units. The country risk limit in China is restricted by 80% of the net worth of the Bank in accordance with the external regulation (AI822), and approved by the Board of Executive Directors.</li> <li>④ Risk exposure is constantly measured and monitored. For countries that are experiencing political and economic instability, or whose ratings have been downgraded due to defaults, their country risk limits usage will be frozen, eliminated or cancelled.</li> <li>⑤ Each country exposure data is gathered monthly to be analyzed and compiled into a Country Risk Management Monthly Report.</li> </ol> <p>(3) Country and Financial Counterparty Risk:</p> <ol style="list-style-type: none"> <li>① Use the credit ratings of counterparties provided by external ratings agencies as the basis for internal classification and rating of credit risk.</li> <li>② Counterparty limits are determined by counterparty types and risk grades. Counterparty limits are calculated based on counterparties’ standalone or consolidated net worth to serve as the maximum exposure that the Bank may tolerate while engaging in financial transactions; and those are further allocated among various products or business.</li> <li>③ The maximum limit of each counterparty is further distinguished between an utilization limit and a reserve limit based on the business requirements of various departments.</li> <li>④ Effectively manage the Bank’s exposure to counterparty risk by monitoring and reporting each counterparty risk.</li> </ol>

Items	Contents
2. Organization and Structure of Credit Risk Management	<p>1. To establish professional and comprehensive risk management capabilities, the Bank has created the following three risk management units: Credit Management Division, Risk Management Division and Loan Asset Management Division. Credit Management Division is responsible for case review of credit approvals, reviewing of credit approvals handled by branches, and management and maintenance of the loan application automatic management system to ensure rigorous and careful credit investigation and approval procedures. Risk Management Division oversees formulation of management policies, strategies, rules, procedures and guidelines with respect to integrated risks, credit risks, market risks and operational risks, in addition to controlling risks. Loan Asset Management Division is responsible for effective management and control of overdue loans, collections and bad debts as well as that of non-performing loans, including the loan asset management system. All departments can implement effectively according to regulations.</p> <p>2. The Bank has also set up Risk Management Committee and Asset &amp; Liability Management Committee, chaired by the Bank's President who convenes the monthly meetings. The committee is responsible for evaluating and monitoring the Bank's risk-taking capacity and the actual risk exposure, determining risk response strategies and compliance with risk management procedures, and submitting risk management reports to the Board of Directors on a quarterly basis to enhance risk management quality by consolidating relevant review, monitoring and coordination actions.</p>
3. Scope and Features of the Credit Risk Report and Evaluation System	<p>1. Credit Risk:</p> <p>(1) Risk Report: Periodically inspect and monitor the concentration of exposure at default (EAD) for the Bank's borrowers via the various exposure information provided by the Bank's system to deliver accurate and timely information that enables management levels and relevant business units to have a clear understanding of the credit risk and to adjust policies or business strategies accordingly.</p> <p>(2) Scope and Features of the Credit Risk Evaluation System:</p> <ol style="list-style-type: none"> <li>① Effectively evaluate the Bank's capital adequacy and carry out rigorous and proactive stress tests to cope with possible adverse events or changes.</li> <li>② Establish an internal rating system to effectively differentiate loan risks, and to be used as a measuring tool for loan decision, pricing reference and post-loan management.</li> <li>③ Set up a credit limit management with the conservative principle, credit line review approval system, and establish a relevant risk measurement mechanism to be used as a tool for monitoring credit risks.</li> <li>④ Establish an operating procedure for evaluating loan assets to ensure steady operations. Use quantitative and qualitative evaluation methods to identify the quality of loan assets and determine the adequacy of allowance for loan losses.</li> <li>⑤ With a system for periodically evaluating property collateral, the value of collateral and the increase/decrease in risk exposure may be timely reflected to effectively identify the Bank's risk exposure.</li> </ol> <p>2. Country Risk and Financial Counterparty Risk: The Bank regularly reviews the exposure of country risk and financial counterparty risk. The Bank also discloses the category of asset quality, concentration, exposure of portfolio management, and the exposure distribution of the top twenty financial counterparties to provide risk managerial personnel with accurate information to adjust risk distribution accordingly. The Bank uses risk management systems and risk weight of derivatives to calculate the exposure of pre-settlement risk of derivatives to evaluate and control risk.</p>
4. Hedging or Mitigation Policies for Credit Risk; Strategies and Procedures for Assessing the Effectiveness of Hedging or Mitigation	<p>1. Policy: Actively use qualified and effective risk mitigation tools to reduce or transfer the loan credit risk of the Bank to strengthen protection of the Bank's creditor's right and reduce amount of regulatory reserve.</p> <p>2. Monitoring Strategies and Procedures: Establish relevant operating rules, procedures, or systems for the usage of risk mitigation tools. Through appropriate evaluation mechanisms and reviewing systems, the Bank constantly monitors the value change of such tools and the validity of their relevant legal documents. This prevents the negative impact of risk concentration and the mutual influence of the credit risks.</p> <ol style="list-style-type: none"> <li>(1) Application is rejected if the incidence of loss is too high in certain underwriting cases. In addition, if certain loan products incur severe loss, or if underwriting to risky sectors or customers with bad credit records, cases are also rejected. An alternative is to set higher prices.</li> <li>(2) Periodically review the operation performance, financial condition, and repayment ability of the client to understand and review the credit limit and actual exposure of the client, which helps the Bank evaluate the appropriateness of the line of credit.</li> <li>(3) The Bank establishes collateral policies to regulate the kinds of collaterals that are deemed acceptable. The policies also regulate the method of value appraisal to ensure that when default occurs, the Bank is able to effectively and quickly dispose of the collateral and/or receive compensation. An alternative is to adopt the credit guarantee fund for underwriting or to set the deposit offset agreement. These serve as means to entirely or partially transfer the risks.</li> <li>(4) The management and control mechanisms for credit risk portfolio management are strengthened to continue establishing a credit limit management, review, approval, and evaluation system on a conservative basis for concentration of loans to effectively manage the overall credit risks of loan portfolio and strengthen the quality of loan assets.</li> </ol>
5. Approach for Legal Capital Requirement	The Standardized Approach.

Risk Exposure after Mitigating Risks from the Standardized Approach of the Credit Risk and Capital Requirement

December 31, 2019 Unit: NT\$ thousand

Exposure Type	Risk Exposure after Mitigation	Capital Requirement
Sovereigns	383,627,918	49,413
Non-central Government Public Sector Entities	79,079,000	3,205,298
Banks (Included Multilateral Development Banks, MDBS)	192,876,927	5,573,079
Corporate (Included Securities and Insurance Firms)	844,695,124	64,429,282
Claims on Retail	308,335,651	20,296,756
Residential Property	264,319,347	10,789,014
Equity Security Investments	9,509,704	760,776
Other Assets	67,191,073	3,629,840
Total	2,149,634,744	108,733,458

2. Securitization Risk Management System, Risk Exposure and Capital Requirement:

Securitization Risk Management System  
2019

Items	Contents
1. Strategies and Procedures for Securitization Management	Business operations regarding the investment of asset securitized products shall comply with the Bank's "Operating Guidelines for Investing in Asset Securitized Products." This guideline includes management strategies and procedures. The framework includes its purpose, basis, business strategies, principles and guideline, processes, internal control system, periodic evaluation, accounting measures, internal audit system, authorization, credit limit management, and risk management measures.
2. Organization and Structure of Securitization Management	<ol style="list-style-type: none"> <li>Treasury Division, Overseas branches, and Offshore Banking Branch are trading units for asset securitized products.</li> <li>Credit Management Division is responsible for the reviews of these applications.</li> <li>Risk Management Division monitors the credit risk, market risk, and operational risks, including authorized limit, rating, duration, and stop loss limit rules.</li> <li>Treasury Division is responsible for the backend operations with Offshore Banking Branch, including confirmation of transaction, settlement, and booking.</li> <li>IT Division installs and maintains the IT system for this business.</li> <li>Financial Management Division is responsible for regular evaluation, accounting processes, announcement and reporting, and information disclosure.</li> <li>Internal Auditing Division oversees the internal control of this business.</li> </ol>
3. Scope and Features of the Securitization Risk Report and Evaluation System	<ol style="list-style-type: none"> <li>Credit Risk:                             <ol style="list-style-type: none"> <li>The front end transactor should always scrutinize the credit situation of the asset securitized products purchased and also the underlying tools within the asset pool. Annual reviews should be periodically conducted, with the results written into reports and saved as hard copies. Risk Management Division should also receive a copy.</li> <li>When credit abnormalities occur and risk of loss increases, Risk Management Division should immediately notify the front end transactor and take any necessary actions.</li> <li>If default events such as inability to collect interests regularly or collect principle and interest upon maturity occur, the front end transactor should immediately notify Risk Management Division, Financial Management Division and Loan Asset Management Division (Overseas branches should also notify International Banking Division) and send the duplicate copy to Credit Management Division and Internal Auditing Division should be informed.</li> </ol> </li> <li>Market Risk:                             Risk Management Division shall design an appropriate appraisal method to assess the market risk factors of asset securitized products. The method of pricing and evaluation should be reviewed. The positions held should be reported to the Board of Executive Directors every six months to assess whether the risk levels are within an acceptable range.                         </li> <li>Operational Risk:                             S.O.P should be designed to serve as rules for employees to follow. Operational Risk and Control Self Assessment (RCSA) should also be conducted.                         </li> </ol>
4. Hedging or Mitigation Policies for Securitization; Strategies and Procedures for Assessing the Effectiveness of Hedging or Mitigation	N/A
5. Approach for Legal Capital Requirement	The Standardized Approach.

Securitization Risk Management System  
2019

Items	Contents
6. General periodic disclosures including: (1) The purpose of securitization and the types of risks borne and retained by the Bank for re-securitization (2) Other risks associated with securitized assets (e.g. liquidity risk) (3) The different roles played by the Bank during asset securitization and the level of participation in every stage (4) Describe the monitoring procedures adopted for credit risk and market risk exposures associated with asset securitization (5) Risk management policies adopted by the Bank to mitigate credit risks associated with securitization and re-securitization	None.
7. Provide an overall description of the Bank's accounting policies on securitization	None.
8. The name of the External Credit Assessment Institution (ECAI) engaged for asset securitization within the Banking Book and the ECAI's involvement in every type of securitized asset	None.
9. Describe any material changes of quantitative information since the last reporting period (e.g. shift of asset balances between the Banking Book and the Trading Book)	None.

(1) Engagement of Asset Securitization (As of December 31, 2019): None.

(2) Risk Exposure and Capital Requirement for Securitization-By Transaction Type (As of December 31, 2019): None.

(3) Securitization Products Information:

① Investment in Securitized Products (As of December 31, 2019): None.

② I. The information about original cost of single transaction for investing in securitized products amounting to more than NT\$300 million (the Bank serves as an originator that holds positions due to credit enhancement which is excluded): None.

II. The Bank serves as an originator for securitization and holds positions due to credit enhancement: None.

III. The Bank serves as buying institution or clearing buying institution of credit impaired assets for securitized products: None.

③ The Bank serves as guarantee institution of securitized products or provides liquidity facility: None.

3. Operational Risk Management System and Capital Requirement:

Operational Risk Management System  
2019

Items	Contents
1. Strategies and Procedures for Operational Risk Management	The Bank establishes "Guidelines for Operational Risk Management" to create a sound framework for managing operational risks and develop appropriate process and strategies for managing operational risks. In daily operations, all units should comply with the relevant regulation, leverage risk management tools to identify, assess, monitor, and control the operational risks of the Bank's major products, operational activities, operational processes, and IT system. Reports regarding abovementioned operational risk procedure should also be produced.

Operational Risk Management System  
2019

Items	Contents
2. Organization and Structure of Operational Risk Management	The Bank has an organizational structure for managing operational risk that is composed of Three Lines of Defense. On the first line, all business units are responsible for daily management of operational risk. On the second line, the Risk Management Division formulates and supports operational risk management and the Compliance Division formulates compliance system. Finally, the Internal Auditing Division will serve as the third line of defense through the internal auditing function to verify the effectiveness of the Bank's operational risk management efforts.
3. Scope and Features of the Operational Risk Report and Evaluation System	<ol style="list-style-type: none"> <li>To facilitate the evaluation and management of the assessment results of operational risks, the Bank has set up a loss data management system, a risk control and self-assessment system and a key risk indicators monitoring system.</li> <li>The Bank collects operational risk loss events through systems, and then categorizes the risks according to authorities' regulations and types of losses. This helps the Bank to understand the loss situation of internal operational risks.</li> <li>The Bank's Operational Risk and Control Self Assessment (RCSA) system begins with the head office's business management units, where self-assessments are conducted according to the risks and controls of their respective businesses, compile and edit their operational risk self-assessment tables, and review the rules and regulations of their respective businesses. Business execution and business management units then conduct operational risk self-assessments and input the results in the system for the Bank to analyze potential operational risk exposures situation.</li> <li>The Bank establishes Key Risk Indicators (KRIs) and their respective limits and thresholds for the major risk exposures. Continuous monitoring and management is required as information for red flags.</li> <li>The Bank integrates operational risk related items and compiles periodic operational risk management reports for the Board of Directors, senior management, and business management units, so that they fully understand the situation and can make decisions accordingly.</li> </ol>
4. Hedging or Mitigation Policies for Operational Risk; Strategies and Procedures for Assessing the Effectiveness of Hedging or Mitigation	<ol style="list-style-type: none"> <li>All business management units select appropriate risk countermeasures according to the monitoring results of operational risk assessment and Key Risk Indicators and the risk exposures of the Bank. Operational risks shall be controlled within acceptable levels through risk mitigation measures such as outsourcing or insurance, or other appropriate measures such as enhancing employee education and training, improving internal operation processes, or enhancing systems. Before launching new products, activities, processes, and systems, the Bank also conducts operational risk identification and assessment to gauge possible risks and take precautionary measures.</li> <li>In case of catastrophes, epidemics, strikes, information system breakdowns or any other events that would result in operational discontinuity, the Bank establishes the "Chang Hwa Bank Business Continuity Plan" for all units to serve as guidelines for prevention, preparation, reporting, responding, and post-event reporting to maintain the Bank's business operations in order to protect the rights of customers and mitigate financial and personnel losses to the minimum.</li> <li>Through Operational Risk and Control Self Assessment, the Bank regularly assesses the residual risks of the control plans of each risk item, which ensures the validity and effectiveness of the control plans.</li> </ol>
5. Approach for Legal Capital Requirement	The Standardized Approach.

Capital Requirement for Operational Risk

December 31, 2019 Unit: NT\$ thousand

FY	Gross Profit	Accrued Capital
2017	30,364,544	/
2018 (Note)	32,721,975	
2019	31,090,337	
Total	94,176,856	

Note: According to the "Calculation Method and table for Regulatory Capital and Risk-Weighted Assets of Banks," No.10802747311 issued by the FSC on Jan. 14, 2020, the amount was retrospectively adjusted in 2018 due to the amendment has been applied since 2018.



#### 4. Market Risk Management System and Capital Requirement:

2019

Items	Contents
1. Strategies and Procedures for Market Risk Management	<p>1. Strategies:</p> <ol style="list-style-type: none"> <li>(1) Plan market risk management in order to ensure effective identification, measurement, monitoring and reporting of relevant risks.</li> <li>(2) Through evaluating and monitoring market risk, the Bank ensures that risk control assumed fall within the risk appetite to lower the Bank's unexpected loss arising from market risks.</li> <li>(3) Draft and implement measures that conform to the relevant regulations of managing market risks announced by Taiwan's regulatory authority and the Basel Accord.</li> <li>(4) Establish and develop market risk management system and economic capital allocation procedures.</li> </ol> <p>2. Procedures:</p> <p>The market risk management process consists of five perspectives: identification, measuring, monitoring, reporting and management of executing procedures, and is carried out as per the Bank's "Market Risk Management Guideline."</p>
2. Organization and Structure of Market Risk Management	<p>According to the risk management framework and responsibilities stated in the Bank's "Integrated Risk Management Policies," the Market Risk Section under Risk Management Division acts as the second line of defense, and performs risk control and management mechanisms as outlined below:</p> <ol style="list-style-type: none"> <li>1. Manage market risks, develop relevant procedures or operating standards, and report to the appropriate superiors according to "The Rule of Authority and Duty."</li> <li>2. Set up an independent risk management mechanism, providing the basis for a market risk management process to avoid conflict of interest, while making good use of the management information system and providing training to employees in order to improve risk management performance and ensure effectiveness of the risk management mechanism.</li> </ol>
3. Scope and Features of the Market Risk Report and Evaluation System	<p>1. Internal reporting:</p> <ol style="list-style-type: none"> <li>(1) Periodically brief to the Risk Management Committee on the status of market risk monitoring to provide senior management with sufficient information.</li> <li>(2) In the event of exceeding limits or discovering irregularities, necessary information shall be provided pursuant to the established reporting framework and internal reporting procedures.</li> <li>(3) The Bank periodically brief to the Board of Directors and the Risk Management Committee on the status and concentration of the Bank's investment portfolio to help them determine whether the Bank's strategies should be adjusted.</li> </ol> <p>2. External disclosure:</p> <ol style="list-style-type: none"> <li>(1) The Bank should fully disclose the market risks it faces, and identify, measure and monitor the techniques used to manage these risks so that market participants can evaluate the Bank's market risk management.</li> <li>(2) The degree to which information is disclosed shall be commensurate with the scale of the Bank's business activity, risk exposure status, and level of complexity.</li> </ol>
4. Hedging or Mitigation Policies for Market Risk; Strategies and Procedures for Assessing the Effectiveness of Hedging or Mitigation	<ol style="list-style-type: none"> <li>1. Set up relevant market risk limits and management mechanism.</li> <li>2. In the event of exceeding the approved limits, Risk Management Division should notify the head managers of trading units immediately. Trading units shall reduce and formulate measures to offset their risk position or apply to raise their limits.</li> <li>3. Those written reports expressing the events of exceeding the limits should be filed to the Executive Vice President who oversees the Risk Management Division and should also be reported to the Risk Management Committee.</li> <li>4. Risk Management Division should monitor the follow-up actions continuously. If the trading units do not take properly action, Risk Management Division should report to the Risk Management Committee and send a copy to the Internal Auditing Division.</li> </ol>
5. Approach for Legal Capital Requirement	The Standardized Approach.

#### Capital Requirement for Market Risk

December 31, 2019 Unit: NT\$ thousand

Risk Category	Capital Requirement
Interest Rate Risk	1,399,851
Equity Security Risk	12,007
FX Risk	388,851
Commodity Risk	0
Options (simplified approach)	504
Total	1,801,213

## 5. Liquidity Risk Management:

2019

Items	Contents
1. Strategies and Procedures for Liquidity Risk Management	In accordance with the Bank's liquidity risk management policy, liquidity risk measurement indicators and the assessment of the ability to cope with liquidity risk shall be clearly established. At the same time, a monitoring mechanism that provides periodic assessments as well as real-time reports shall also be implemented. In addition, the Bank shall also formulate contingency plans, response strategies, and designate clear responsibilities to each relevant unit for handling liquidity crisis incidents to ensure that appropriate and adequate measures are taken when necessary.
2. Organization and Structure of Liquidity Risk Management	With respect to the Bank's organizational structure for handling liquidity risks, the relevant units shall be responsible for capital liquidity operations, monitoring and periodic assessment of liquidity risks, and provide reports and recommendations to the Asset and Liability Management Committee.
3. Scope and Features of the Liquidity Risk Report and Evaluation System	Assessment and analysis of the status of liquidity risk management shall be conducted and reported to the Asset and Liability Management Committee and the Board of Directors on a regular basis, which enable senior management to supervise the Bank's latest liquidity position.
4. The policies in liquidity risk hedging or risk reducing, and the policies and progresses in persistent effectiveness tool for risk monitoring, risk avoiding and risk mitigating	When a warning signal occurs with respect to a market crisis or emergency liquidity condition that affects the Bank, relevant emergency measures shall be adopted in accordance with the Bank's liquidity risk management policy. The Asset and Liability Management Committee shall then formulate measures to address the emergency situation and report to the Board of Managing Directors regarding the follow-up actions and results, which enables senior management to closely monitor the status of liquidity risk management.

### (1) Term Structure Analysis of NTD-denominated Assets & Liabilities:

December 31, 2019 Unit: NT\$ thousand

	Total	Volumes during the Period Prior to the Due Date					
		0 ~ 10 days to due date	11 ~ 30 days to due date	31 ~ 90 days to due date	91 ~ 180 days to due date	181 days to 1 year to due date	More than 1 year to due date
Cash Inflow	1,940,852,644	169,115,385	187,074,922	353,348,038	158,894,940	273,473,729	798,945,630
Cash Outflow	2,474,479,448	134,112,738	139,853,921	454,558,706	279,925,485	456,973,212	1,009,055,386
Cash flow Gap	(533,626,804)	35,002,647	47,221,001	(101,210,668)	(121,030,545)	(183,499,483)	(210,109,756)

Note: The amounts listed above include accounts in N.T. dollars of the Bank.

### (2) Term Structure Analysis of USD-denominated Assets & Liabilities:

December 31, 2019 Unit: US\$ thousand

	Total	Volumes during the Period Prior to the Due Date				
		0 ~ 30 days to due date	31 ~ 90 days to due date	91 ~ 180 days to due date	181 days to 1 year to due date	More than 1 year to due date
Cash Inflow	23,894,487	9,998,071	5,145,260	2,581,022	1,997,240	4,172,894
Cash Outflow	28,555,457	9,783,120	5,570,195	3,660,626	4,260,119	5,281,397
Cash flow Gap	(4,660,970)	214,951	(424,935)	(1,079,604)	(2,262,879)	(1,108,503)

Note: The amounts listed above include accounts in U.S. dollars of the Bank.

### b. The Impact of Domestic and Foreign Major Policies and Law Amendment Exerting on the Bank's Financial Structure and Responding Measures

1. FSC issued the "Self-Regulatory of Online Insurance Business and Online Insurance Services of Insurance Agent Companies and Banks Applying to Engage in Insurance Agent's Business" and "Self-Regulatory of Managing E-Sign Operation of Insurance Agent and Banks Applying to Engage in Insurance Agent's Business" to reveal that insurance agents cooperate with the development of e-commerce in the insurance industry and operate with electronic systems.

Effect:

As the FSC promotes the operation of online insurance and e-Sign, all peers are actively developing and may attract relevant customers changing their insurance methods and change the insurance solicitation of business personnel.

Countermeasures:

The Bank plans to establish a mobile insurance operation platform. Consumers can insure through mobile devices instead of paper insurance and documents. In addition to achieve paperless environmental protection and paper-saving documents, it can reduce the noting ratio and increase the efficiency of insurance operations, and can also increase the Bank's efficiency to promote financial commodities.

2. The Executive Yuan promotes the long-term care for the ten-year plan 2.0 policy to respond the aging society with lower birth rate.

Effect:

The increase of elderly population has led to an increase of long-term medical care necessity, and the importance of basic protection for specific risks has also increased which expands the relevant insurance market.

Countermeasures:

The Bank will strengthen the promotion of special types of medical insurance and assess the feasibility of promoting pay-as-you-go policies that combine medical care and long-term care services, and assist customers to cover the protection gap in commercial insurance. In addition, the Bank acts as an agent to sell long-term care insurance products to help customers to diversify longevity risk, make up for the three major gaps in the economic, medical and disability of an aging society and fulfill corporate social responsibilities to make insurance an important part of the social safety net.

- c. The Impact of Technological Advancement and Industrial Evolution on the Bank's Financial Businesses, and Countermeasures

1. In response to information security risks arisen from changes in financial technology industry, the Bank has introduced the ISO27001 information security management, ISO22301 operational continuity management system and BS10012 (Personal Information Management System, PIMS) to avoid the risk which customers' personal information is stolen. The Bank also has introduced and conducted information security control from the perspective of risk management and regularly assessed information security management capabilities. Through keeping optimizing, the Bank has formed a management cycle of continuous improvement and enhancement.

2. In view of the spread of COVID-19 pandemic has impacted the global economy and it seems to be difficult to come to the end in the short term. In addition, there are still many disadvantages like the U.S.-China trade war has not ended and Brexit has triggered many shocks in Eurozone, credit risk has risen gradually. For industries with high uncertainty will be more conservative, pragmatic, conscientious and prudent. The Bank also appropriately adjusted the credit structure like adding collateral for customers with poor credit ratings, low credit utilization, guarantee rate, and contribution rate to reduce credit risk.

- d. The Impact of the Bank's Changing Corporate Image and Countermeasures

None.

- e. Expected Benefits, Potential Risks, and Countermeasures from Mergers & Acquisitions

None.

- f. Expected Benefits, Potential Risks, and Countermeasures of Expanding Operation Locations

Domestic Operation Locations: No plans to expand business locations temporarily.

Overseas Operation Locations:

1. Expected Benefits:

- (1) Increase the Bank's market share and international reputation.
- (2) Establish overseas operation bases for Taiwanese businessmen in major overseas investment areas to provide more convenient financial services for customers and increase their willingness to deal with the Bank and increase operational volume which will result in more revenue.
- (3) Expanding the variety of customer groups could diversify operation risk. And cultivate international financial talents to enhance operational strength.
- (4) To establish branches or subsidiaries in the offshore financial market with the development potential, benefiting from regional economic growth in order to promote the Bank's overall operating performance.

## 2. Possible Risks:

- (1) The international situation is changing rapidly and the economic pace of development varies between countries.
- (2) Facing competitions from local, foreign and Taiwanese-funded banks' overseas operations.
- (3) Global banking supervision has become more stringent and the cost of compliance has increased.
- (4) Lacking in political and economic contacts and local language talents results in difficulties to develop overseas customers in local areas.

## 3. Responding measures:

- (1) Fully assess the operation environment, financial potential market, distribution of local Taiwanese business industry and operation layout for Taiwanese-funded financial peers. And the Bank should also appoint consultants or accountants who are familiar with local financial regulations to provide consulting services in laws to reduce the risk of compliance.
- (2) First set up an office to be acquainted with local financial market and business opportunities and set up a good relationship between local government, authorities, peers and customers. And the Bank should recruit talents who are familiar with local markets, language and culture to facilitate localized operations and expand local customers.

### g. The Risks Generated by Business Concentration and the Countermeasure

The Bank has been continuously developing new financial products such as deposit, lending, foreign exchange, trust, derivatives, wealth management and mobile payment, so that the Bank can meet the diverse needs of its customers. There is no business concentration occurred.

### h. The Risk and Effect of the Change of Ownership Exerting on the Bank and the Countermeasure

None.

### i. The Risk and Effect of the Massive Share Transfer or Replacement From the Directors or the Shareholders Who Holds More Than 1% of Ownership Interest, and the Countermeasure

None.

### j. Lawsuit and Non-Lawsuit

#### 1. Lawsuit of the Bank

With respect to the Bank's lawsuit with TDK Corporation involving claims for indirect damage, the case was remanded and assigned a case appeals to the Taiwan High Court for further trial after the Supreme Court (The Taiwan High Court re-examined case No. 88 in 2019), subject-matter amounts of money was NT\$45,793,530.

#### 2. The litigations of the shareholder who holds more than 1% of ownership interest ("the Shareholder") in the Bank:

##### (1) Taishin Financial Holdings Co., Ltd. ("TSFHC")

TSFHC claimed that the Ministry of Finance was in breach of the said Ministry's announcement and official letter issued in 2005. This led to TSFHC having only two directors and one independent nominated director elected to the Bank's Board of Directors during the Bank's Shareholder Assembly held on December 8, 2014. TSFHC has engaged lawyers to institute civil proceedings, at Taiwan Taipei District Court against the Ministry of Finance. The case has been remanded by the Supreme Court on May 23, 2019 and currently adjudicated by Taiwan High Court.

##### (2) Mega International Commercial Bank Co., Ltd.

Former chairperson Mr. Tsai and former president Mr. Wu did not actively manage and respond to the matters that should be improved in the inspection report of The New York State Department of Financial Services (NYDFS) during their tenure. This results in the fine of US\$180 million (NT\$5,751,953,509 equivalent) consent between NYDFS and Mega, and Mega was also fined NT\$10,000,000 by FSC. The resolution decided by the board of directors was to claim NT\$5,761,953,509 to both of them as well as the motion for provisional attachment was claimed, and the case is still adjudicated by the court.

k. Other Major Risks and Countermeasures

The Bank will construct an evaluation plan for the whole computer system based on continuous operation and protection of customers' rights, classified the information according to the importance and impact on assets and conduct information security assessments regularly in accordance with "Regulation for Financial Institutions to Manage Computer System and Information Security Assessment."

## G. Emergency Response Mechanisms

1. In case of catastrophes, endemics, strikes, information system breakdowns or any other events that would result in operation discontinuity, the Bank establishes the "Business Continuity Plan," "Directions of Emergency Response Measures for Compulsory Collective Isolation Responding to Epidemics," "Information Operations Disaster Recovery Plan" and "Material Contingencies Procedures" and major accident handling with contingency plans for all units to serve as guidelines for prevention, preparation, reporting, responding, and post-event reporting to maintain the Bank's business operations in order to protect the rights of customers and mitigate financial and personnel losses to a minimum.
2. In order to handle information security incidents for the Bank in real time, provide all levels of personnel identify, assess, and control the scope of the security incident instantly and take appropriate contingency measures immediately to reduce damage in accidents and ensure business to operate continuously. If all units meet information security incidents, The Bank follows "Enforcement Rules of Information Securities Incidents Notification" to handle notifications and contingencies.

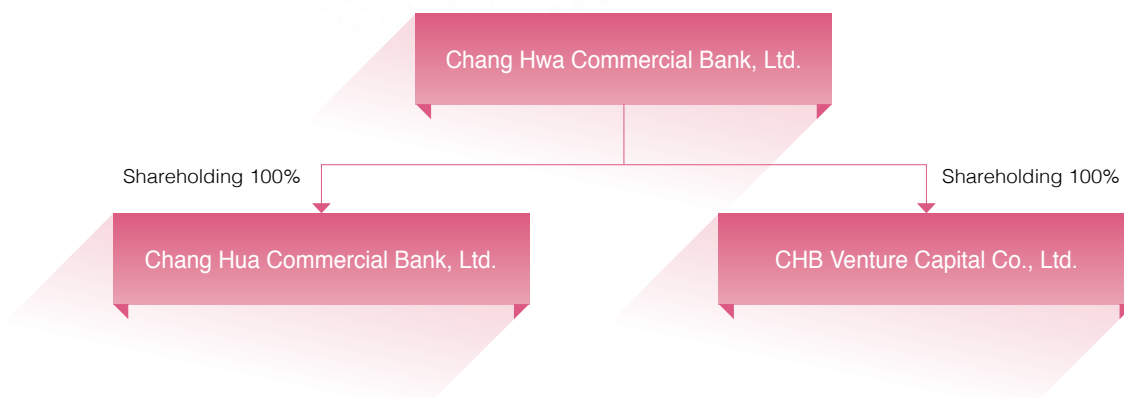
## H. Other Important Events

None.

## VIII | Special Notes

### A. Information Regarding the Bank's Subsidiaries

#### a. The Bank's Subsidiaries



#### b. Basic Data of the Bank's Subsidiaries

Unit: thousand

Enterprise Name	Establishment Date	Address	Paid-in Capital	Major Operations
Chang Hua Commercial Bank, Ltd.	December 11, 2018	No. 371, Jiangdong Middle Road, Jianye District, Nanjing City, Jiangsu Province, P.R.C.	CNY 2,500,000	Banking Industry
CHB Venture Capital Co., Ltd.	April 17, 2019	8F, No. 57, Sec. 2, Zhongshan N. Road, Zhongshan District, Taipei City 10412, Taiwan, R.O.C.	NTD 600,000	Venture Capital Industry

#### c. Information of Chairman, Directors, Supervisors and President of the Bank's Subsidiaries

April 1, 2020

Enterprise Name	Position	Name	Shareholding	
			Shares	%
Chang Hua Commercial Bank, Ltd.	Chairman	Ming-Jeng Shyn	Unissued	100
	Director	Jui-Mu Huang, Bin Chen, Jui-Chun Wu, Hsueh-Ni Hsieh		
	Independent Director	Lian-Shui Li, Mei-Jhu Huang		
	Supervisor	Bin Lu		
	President	Jui-Chun Wu		
CHB Venture Capital Co., Ltd.	Chairman	Chiao-Hsiang Chang (Note 1)	60,000,000	100
	Director	Chih-Chen Hsu, Hsien-Lung Chen		
	Supervisor	Hsiu-Chuan Teng (Note 2)		
	President	Jung-Chien Hu		

Note 1: Chairman Mr. Hom-Gang Wang was retired, Mr. Chiao-Hsiang Chang was reallocated on Apr. 1, 2020.

Note 2: Supervisor Mrs. Tsai-Feng Lin was retired, Mrs. Hsiu-Chuan Teng was reallocated on Mar. 2, 2020.

#### d. Operation Overview of the Bank's Subsidiaries

December 31, 2019 Unit: NT\$ thousand

Enterprise Name	Capital	Total Assets	Total Liability	Equity	Operating Revenue	Operating Profits	Income (After Tax)	EPS (After Tax)
Chang Hua Commercial Bank, Ltd. (Note 1)	12,117,288	26,847,408	14,363,182	12,484,226	783,937	431,256	423,440	N.A. (Note 2)
CHB Venture Capital Co., Ltd. (Note 3)	600,000	608,814	5,705	603,109	0	(6,740)	(5,521)	(0.09)

Note 1: Capital of Chang Hua Commercial Bank, Ltd. was exchanged at the outflow moment, items included in the balance sheet were exchanged at the evaluation exchange rate of Dec. 31, 2019, items included in income statement were exchanged at the average rate of 2019.

Note 2: Chang Hua Commercial Bank, Ltd. has no issued shares, EPS is not applicable.

Note 3: Data are from financial statements and independent auditor's report of CHB Venture Capital Co., Ltd. dated from Apr. 17, 2019 (establishment date of the company) to Dec. 31, 2019.

#### e. Consolidated Financial Statements of the Bank and its subsidiaries: Please refer to annual report p.105 ~ 164.

## f. Declaration of Consolidation of Financial Statements of Affiliates

**DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES**

The entities that are required to be included in the combined financial statements of Chang Hwa Commercial Bank, Ltd. as of and for the year ended December 31, 2019, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Chang Hwa Commercial Bank, Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,  
CHANG HWA COMMERCIAL BANK, LTD.



JOANNE LING  
Chairperson

February 25, 2020

**B. Progress of Private Placement of Securities and Financial Bonds during the Latest Year and as of the Date of Annual Report Publication**

None.

**C. The Bank's Subsidiaries' Shareholding or Disposal of the Bank's Shares during the Latest Year and as of the Date of Annual Report Publication**

None.

**D. Additional Disclosure**

None.

**E. Pursuant to Item 2, Paragraph 3, Article 36 of Security and Exchange Act, the Incidence Exerting Material Influence on Shareholders' Rights or Security Prices**

None.

# IX | Directory of Head Office & Branches & Subsidiaries

DOMESTIC OFFICES	ADDRESS	TEL
Head Office (Taichung)	No. 38, Sec. 2, Ziyou Rd., Central Dist., Taichung City 40045, Taiwan (R.O.C.)	(04) 22222001
Head Office (Taipei)	No. 57, Sec. 2, Zhongshan N. Rd., Zhongshan Dist., Taipei City 10412, Taiwan (R.O.C.)	(02) 25362951
Business Department	No. 38, Sec. 2, Ziyou Rd., Central Dist., Taichung City 40045, Taiwan (R.O.C.)	(04) 22230001
Taichung Branch	1F., No. 78, Sec. 2, Fuxing Rd., South Dist., Taichung City 40245, Taiwan (R.O.C.)	(04) 22650011
Pei-Taichung Branch	No. 6, Sec. 2, Taiwan Blvd., West Dist., Taichung City 40354, Taiwan (R.O.C.)	(04) 22011122
Nan-Taichung Branch	1F., No. 102, Taichung Rd., South Dist., Taichung City 40250, Taiwan (R.O.C.)	(04) 22243181
Peitun Branch	1F., No. 10, Beitun Rd., North Dist., Taichung City 40459, Taiwan (R.O.C.)	(04) 22322922
Chung-Kang Branch	No. 651, Sec. 2, Taiwan Blvd., Xitun Dist., Taichung City 40759, Taiwan (R.O.C.)	(04) 23271717
Shuinan Branch	No. 447, Sec. 3, Wenxin Rd., Beitun Dist., Taichung City 40667, Taiwan (R.O.C.)	(04) 22969966
Nantun Branch	No. 306, Sec. 1, Wenxin Rd., Nantun Dist., Taichung City 40866, Taiwan (R.O.C.)	(04) 23220011
Hsitun Branch	No. 923, Sec. 4, Taiwan Blvd., Xitun Dist., Taichung City 40767, Taiwan (R.O.C.)	(04) 23593435
Keelung Branch	1F., No. 60, Ai 4 <sup>th</sup> Rd., Ren'ai Dist., Keelung City 20048, Taiwan (R.O.C.)	(02) 24233933
Jenai Branch	No. 100, Xiao 2 <sup>nd</sup> Rd., Ren'ai Dist., Keelung City 20042, Taiwan (R.O.C.)	(02) 24233941
Tung-Keelung Branch	1F., No. 57, Xin 1 <sup>st</sup> Rd., Xinyi Dist., Keelung City 20145, Taiwan (R.O.C.)	(02) 24233861
Ilan Branch	1F., No. 16, Guangfu Rd., Yilan City, Yilan County 26043, Taiwan (R.O.C.)	(03) 9352511
Lotung Branch	No. 194, Zhongzheng Rd., Luodong Township, Yilan County 26547, Taiwan (R.O.C.)	(03) 9551171
Suao Branch	1F., No. 121, Sec. 1, Zhongshan Rd., Sunao Township, Yilan County 27041, Taiwan (R.O.C.)	(03) 9961116
International Banking Division	2F., No. 57, Sec. 2, Zhongshan N. Rd., Zhongshan Dist., Taipei City 10412, Taiwan (R.O.C.)	(02) 25621919
Central Branch	1F., No. 57, Sec. 2, Zhongshan N. Rd., Zhongshan Dist., Taipei City 10412, Taiwan (R.O.C.)	(02) 25514256
Trust Division	12F., No. 57, Sec. 2, Zhongshan N. Rd., Zhongshan Dist., Taipei City 10412, Taiwan (R.O.C.)	(02) 25362951
Offshore Banking Branch	10F., No. 57, Sec. 2, Zhongshan N. Rd., Zhongshan Dist., Taipei City 10412, Taiwan (R.O.C.)	(02) 25362951
Taipei Branch	No. 27, Sec. 1, Chongqing S. Rd., Zhongzheng Dist., Taipei City 10046, Taiwan (R.O.C.)	(02) 23617211
Chengnei Branch	1F., No. 68, Hengyang Rd., Zhongzheng Dist., Taipei City 10045, Taiwan (R.O.C.)	(02) 23113791
Tunhwa Branch	No. 71, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 10682, Taiwan (R.O.C.)	(02) 27849821
Wanhua Branch	No. 304, Kangding Rd., Wanhua Dist., Taipei City 10852, Taiwan (R.O.C.)	(02) 23060201
Shuangyuan Branch	No. 312, Juguang Rd., Wanhua Dist., Taipei City 10860, Taiwan (R.O.C.)	(02) 23042141
Hsimen Branch	No. 169-2, Xining S. Rd., Wanhua Dist., Taipei City 10844, Taiwan (R.O.C.)	(02) 23719271
Peimen Branch	1F., No. 19, Sec. 1, Yanping N. Rd., Datong Dist., Taipei City 10341, Taiwan (R.O.C.)	(02) 25586271
Yunglo Branch	1F., No. 120, Sec. 1, Dihua St., Datong Dist., Taipei City 10344, Taiwan (R.O.C.)	(02) 25585151



DOMESTIC OFFICES	ADDRESS	TEL
Chiencheng Branch	1F., No. 123, Nanjing W. Rd., Datong Dist., Taipei City 10355, Taiwan (R.O.C.)	(02) 25555121
Tatung Branch	No. 199, Sec. 3, Chongqing N. Rd., Datong Dist., Taipei City 10369, Taiwan (R.O.C.)	(02) 25919113
Min-Sheng Branch	No. 54-1, Sec. 4, Minsheng E. Rd., Songshan Dist., Taipei City 10574, Taiwan (R.O.C.)	(02) 27121311
Chungshan North Rd. Branch	No. 111, Sec. 2, Zhongshan N. Rd., Zhongshan Dist., Taipei City 10448, Taiwan (R.O.C.)	(02) 25711241
Ching-Kuang Branch	No. 609, Linsen N. Rd., Zhongshan Dist., Taipei City 10460, Taiwan (R.O.C.)	(02) 25950551
Chien-Kuo Branch	No. 136, Sec. 3, Ren'ai Rd., Da'an Dist., Taipei City 10657, Taiwan (R.O.C.)	(02) 27033737
Chilin Branch	1F., No. 98, Sec. 2, Nanjing E. Rd., Zhongshan Dist., Taipei City 10457, Taiwan (R.O.C.)	(02) 25626151
Chang-An E. Rd. Branch	No. 23-1, Sec. 1, Chang'an E. Rd., Zhongshan Dist., Taipei City 10441, Taiwan (R.O.C.)	(02) 25230739
Tungmen Branch	1F., No. 139, Sec. 2, Xinyi Rd., Zhongzheng Dist., Taipei City 10064, Taiwan (R.O.C.)	(02) 23921241
Chung-Cheng Branch	1F., No. 47, Sec. 1, Jinshan S. Rd., Zhongzheng Dist., Taipei City 10056, Taiwan (R.O.C.)	(02) 23560000
Kuting Branch	No. 25, Sec. 2, Roosevelt Rd., Da'an Dist., Taipei City 10643, Taiwan (R.O.C.)	(02) 23517211
Chung-Hsiao Tung Lu Branch	No. 164, Sec. 4, Zhongxiao E. Rd., Da'an Dist., Taipei City 10688, Taiwan (R.O.C.)	(02) 27713151
Yung-Chun Branch	No. 1-2, Sec. 5, Zhongxiao E. Rd., Xinyi Dist., Taipei City 11071, Taiwan (R.O.C.)	(02) 27682322
Taan Branch	No. 177, Sec. 1, Heping E. Rd., Da'an Dist., Taipei City 10644, Taiwan (R.O.C.)	(02) 23213214
Heping Branch	No. 106, Sec. 3, Heping E. Rd., Da'an Dist., Taipei City 10644, Taiwan (R.O.C.)	(02) 33169009
Hsin-Yi Branch	No. 155, Sec. 4, Xinyi Rd., Da'an Dist., Taipei City 10681, Taiwan (R.O.C.)	(02) 27039081
Jen-Ho Branch	No. 31, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City 10685, Taiwan (R.O.C.)	(02) 27514066
Taipei World Trade Center Branch	3F., No. 333, Sec. 1, Keelung Rd., Xinyi Dist., Taipei City 11012, Taiwan (R.O.C.)	(02) 27203101
Guanglong Branch	1F., No. 78, Sec. 2, Keelung Rd., Xinyi Dist., Taipei City 11052, Taiwan (R.O.C.)	(02) 27207678
Chengtung Branch	No. 225, Sec. 3, Nanjing E. Rd., Zhongshan Dist., Taipei City 10488, Taiwan (R.O.C.)	(02) 27153535
Chunglun Branch	1F., No. 201, Sec. 2, Bade Rd., Zhongshan Dist., Taipei City 10491, Taiwan (R.O.C.)	(02) 27312211
Fu-Hsing Branch	No. 367, Fuxing N. Rd., Songshan Dist., Taipei City 10543, Taiwan (R.O.C.)	(02) 27173222
Sung-Chiang Branch	No. 261, Songjiang Rd., Zhongshan Dist., Taipei City 10483, Taiwan (R.O.C.)	(02) 25024923
Chengde Branch	1F., No. 81, Sec. 4, Chengde Rd., Shilin Dist., Taipei City 11166, Taiwan (R.O.C.)	(02) 28868989
Shihlin Branch	No. 21, Fude Rd., Shilin Dist., Taipei City 11163, Taiwan (R.O.C.)	(02) 28822354
Tienmu Branch	1F., No. 33, Dexing W. Rd., Shilin Dist., Taipei City 11158, Taiwan (R.O.C.)	(02) 28333232
Sungshan Branch	No. 165, Yongji Rd., Xinyi Dist., Taipei City 11063, Taiwan (R.O.C.)	(02) 27625242
Hsi-Sung Branch	1F., No. 213, Sec. 5, Nanjing E. Rd., Songshan Dist., Taipei City 10569, Taiwan (R.O.C.)	(02) 27639611
Tung-Taipei Branch	No. 126, Sec. 4, Nanjing E. Rd., Songshan Dist., Taipei City 10595, Taiwan (R.O.C.)	(02) 25704567

DOMESTIC OFFICES	ADDRESS	TEL
Dongxing Branch	1F., No. 88, Sec. 4, Bade Rd., Songshan Dist., Taipei City 10565, Taiwan (R.O.C.)	(02) 21711115
Hsi-Neihu Branch	1F., No. 26, Ln. 513, Ruiguang Rd., Neihu Dist., Taipei City 11492, Taiwan (R.O.C.)	(02) 27978966
Tachih Branch	No. 589, Bei'an Rd., Zhongshan Dist., Taipei City 10463, Taiwan (R.O.C.)	(02) 25337861
Nei-Hu Branch	No. 19, Ruihu St., Neihu Dist., Taipei City 11494, Taiwan (R.O.C.)	(02) 26590766
Tung-Hu Branch	1F., No. 109, Sec. 6, Minquan E. Rd., Neihu Dist., Taipei City 11490, Taiwan (R.O.C.)	(02) 27904567
Sinhu Branch	No. 180, Xinhua 2 <sup>nd</sup> Rd., Neihu Dist., Taipei City 11494, Taiwan (R.O.C.)	(02) 27931616
Nankang Branch	No. 48, Sec. 3, Nangang Rd., Nangang Dist., Taipei City 11510, Taiwan (R.O.C.)	(02) 27833456
Nankang Science Industrial Park Branch	2F-3, No. 3, Park St., Nangang Dist., Taipei City 11503, Taiwan (R.O.C.)	(02) 26558169
Wufenpu Branch	1F., No. 92, Zhongpo N. Rd., Nangang Dist., Taipei City 11562, Taiwan (R.O.C.)	(02) 27852787
Mucha Branch	No. 48, Sec. 3, Muxin Rd., Wenshan Dist., Taipei City 11664, Taiwan (R.O.C.)	(02) 86617377
Bei Tou Branch	1F., No. 6, Ln. 452, Daye Rd., Beitou Dist., Taipei City 11268, Taiwan (R.O.C.)	(02) 28968585
Hsi-Chih Branch	No. 93, Zhongxing Rd., Xizhi Dist., New Taipei City 22158, Taiwan (R.O.C.)	(02) 26947878
Xike Branch	1F., No. 217, Sec. 1, Datong Rd., Xizhi Dist., New Taipei City 22161, Taiwan (R.O.C.)	(02) 21653111
Tanshui Branch	1F., No. 211, Sec. 2, Zhongshan N. Rd., Tamsui Dist., New Taipei City 25152, Taiwan (R.O.C.)	(02) 26219998
Juifang Branch	No. 38, Sec. 3, Mingdeng Rd., Ruifang Dist., New Taipei City 22441, Taiwan (R.O.C.)	(02) 24972860
Sanchungpu Branch	No. 89, Sec. 1, Chongxin Rd., Sanchong Dist., New Taipei City 24148, Taiwan (R.O.C.)	(02) 29733450
Pei-Sanchungpu Branch	1F., No. 68, Zhengyi N. Rd., Sanchong Dist., New Taipei City 24147, Taiwan (R.O.C.)	(02) 29823111
Tung-Sanchung Branch	No. 303, Zhengyi N. Rd., Sanchong Dist., New Taipei City 24146, Taiwan (R.O.C.)	(02) 29821100
Hsi-Sanchung Branch	No. 22, Sec. 2, Chongyang Rd., Sanchong Dist., New Taipei City 24161, Taiwan (R.O.C.)	(02) 29820221
Nan-Sanchung Branch	No. 82, Zhongzheng S. Rd., Sanchong Dist., New Taipei City 24143, Taiwan (R.O.C.)	(02) 29771234
San Ho Rd. Branch	No. 368, Sec. 4, Sanhe Rd., Sanchong Dist., New Taipei City 24154, Taiwan (R.O.C.)	(02) 22871441
Luchou Branch	1F., No. 77, Zhongzheng Rd., Luzhou Dist., New Taipei City 24757, Taiwan (R.O.C.)	(02) 22851000
Hsintien Branch	No. 135, Sec. 1, Beixin Rd., Xindian Dist., New Taipei City 23147, Taiwan (R.O.C.)	(02) 29141650
Pei Hsin Branch	1F., No. 11, Baoqiang Rd., Xindian Dist., New Taipei City 23144, Taiwan (R.O.C.)	(02) 29131071
Chicheng Branch	No. 98, Minquan Rd., Xindian Dist., New Taipei City 23141, Taiwan (R.O.C.)	(02) 22189001
Yunghe Branch	1F., No. 69, Sec. 2, Yonghe Rd., Yonghe Dist., New Taipei City 23444, Taiwan (R.O.C.)	(02) 29243334
Fuho Branch	No. 139, Fuhe Rd., Yonghe Dist., New Taipei City 23449, Taiwan (R.O.C.)	(02) 29221171
Chunghe Branch	1F., No. 182, Zhonghe Rd., Zhonghe Dist., New Taipei City 23575, Taiwan (R.O.C.)	(02) 22492711
Shuanghe Branch	No. 801, Zhongzheng Rd., Zhonghe Dist., New Taipei City 23552, Taiwan (R.O.C.)	(02) 22259988
Lide Branch	1F., No. 142, Lide St., Zhonghe Dist., New Taipei City 23512, Taiwan (R.O.C.)	(02) 22239888
Hsinchuang Branch	No. 119, Xintai Rd., Xinzhuang Dist., New Taipei City 24242, Taiwan (R.O.C.)	(02) 29937101
Wugu Industrial Park Branch	No. 3-1, Wugong 5 <sup>th</sup> Rd., Xinzhuang Dist., New Taipei City 24890, Taiwan (R.O.C.)	(02) 22993311
Nan-Hsinchuang Branch	No. 657-1, Zhongzheng Rd., Xinzhuang Dist., New Taipei City 24257, Taiwan (R.O.C.)	(02) 29066599

DOMESTIC OFFICES	ADDRESS	TEL
Sy Yuan Branch	No. 228, Siyuan Rd., Xinzhuang Dist., New Taipei City 24250, Taiwan (R.O.C.)	(02) 29967137
Sinshu Branch	1F., No. 266-1, Xinshu Rd., Xinzhuang Dist., New Taipei City 24262, Taiwan (R.O.C.)	(02) 22086767
Taishan Branch	1F., No. 111, Quanxing Rd., Taishan Dist., New Taipei City 24341, Taiwan (R.O.C.)	(02) 22970809
Linkou Branch	1F., No. 46, Linkou Rd., Linkou Dist., New Taipei City 24444, Taiwan (R.O.C.)	(02) 26010711
New Linkou Branch	1F., No. 399, Sec. 1, Wenhua 3 <sup>rd</sup> Rd., Linkou Dist., New Taipei City 24448, Taiwan (R.O.C.)	(02) 26085185
Shulin Branch	No. 135, Sec. 1, Zhongshan Rd., Shulin Dist., New Taipei City 23844, Taiwan (R.O.C.)	(02) 26813621
Panchiao Branch	No. 22, Sec. 1, Zhongshan Rd., Banqiao Dist., New Taipei City 22063, Taiwan (R.O.C.)	(02) 29628161
Kuang-Fu Branch	No. 62, Sec. 2, Zhongshan Rd., Banqiao Dist., New Taipei City 22067, Taiwan (R.O.C.)	(02) 29619181
Chiang Tsui Branch	No. 9, Sec. 2, Wenhua Rd., Banqiao Dist., New Taipei City 22047, Taiwan (R.O.C.)	(02) 22591001
Tucheng Branch	No. 45, Sec. 3, Zhongyang Rd., Tucheng Dist., New Taipei City 23671, Taiwan (R.O.C.)	(02) 22691155
Sanhsia Branch	No. 89, Wenhua Rd., Sanxia Dist., New Taipei City 23741, Taiwan (R.O.C.)	(02) 26711261
Taoyuan Branch	No. 73, Zhongzheng Rd., Taoyuan Dist., Taoyuan City 33041, Taiwan (R.O.C.)	(03) 3346130
Ba De Branch	No. 135, Sec. 2, Jiesshou Rd., Bade Dist., Taoyuan City 33445, Taiwan (R.O.C.)	(03) 3711222
Pei-Taoyuan Branch	No. 189, Yong'an Rd., Taoyuan Dist., Taoyuan City 33054, Taiwan (R.O.C.)	(03) 3320743
Nankan Branch	No. 7, Sec. 2, Nankan Rd., Luzhu Dist., Taoyuan City 33855, Taiwan (R.O.C.)	(03) 3213666
Tung-Linkou Branch	No. 235, Fuxing 1 <sup>st</sup> Rd., Guishan Dist., Taoyuan City 33375, Taiwan (R.O.C.)	(03) 3975555
Chungli Branch	1F., No. 95, Zhongzheng Rd., Zhongli Dist., Taoyuan City 32041, Taiwan (R.O.C.)	(03) 4252101
Pei-Chungli Branch	No. 155, Zhongxiao Rd., Zhongli Dist., Taoyuan City 32065, Taiwan (R.O.C.)	(03) 4636688
Hsin-Ming Branch	No. 2, Zhongxiao Rd., Pingzhen Dist., Taoyuan City 32447, Taiwan (R.O.C.)	(03) 4941571
Longtan Branch	1F., No. 240-3, Zhongzheng Rd., Longtan Dist., Taoyuan City 32552, Taiwan (R.O.C.)	(03) 4891238
Yangmei Branch	No. 158, Dacheng Rd., Yangmei Dist., Taoyuan City 32643, Taiwan (R.O.C.)	(03) 4783391
Puhsin Branch	No. 82, Zhongxing Rd., Yangmei Dist., Taoyuan City 32654, Taiwan (R.O.C.)	(03) 4824935
Hsinchu Branch	No. 63, Zhongzheng Rd., East Dist., Hsinchu City 30051, Taiwan (R.O.C.)	(03) 5253151
Pei-Hsinchu Branch	No. 110, Sec. 2, Dongda Rd., North Dist., Hsinchu City 30054, Taiwan (R.O.C.)	(03) 5339651
Hsinchu Science-based Industrial Park Branch	2F., No. 5, Gongye E. 6 <sup>th</sup> Rd., Science-based Industrial Park, East Dist., Hsinchu City 30077, Taiwan (R.O.C.)	(03) 5770780
Jhubei Branch	1F., No. 26-3, Taiyuan St., Zhubei City, Hsinchu County 30288, Taiwan (R.O.C.)	(03) 5526898
Chutung Branch	No. 43, Sec. 2, Changchun Rd., Zhudong Township, Hsinchu County 31047, Taiwan (R.O.C.)	(03) 5962280
Miaoli Branch	No. 636, Zhongzheng Rd., Miaoli City, Miaoli County 36049, Taiwan (R.O.C.)	(037) 326455
Yuanli Branch	No. 35, Weigong Rd., Yuanli Township, Miaoli County 35843, Taiwan (R.O.C.)	(037) 861501
Zhunan Branch	1F., No. 110, Sec. 2, Huanshi Rd., Zhunan Township, Miaoli County 35047, Taiwan (R.O.C.)	(037) 551751
Tachia Branch	No. 405, Shuntian Rd., Dajia Dist., Taichung City 43741, Taiwan (R.O.C.)	(04) 26878711
Chingshui Branch	1F., No. 196, Zhongshan Rd., Qingshui Dist., Taichung City 43654, Taiwan (R.O.C.)	(04) 26225151
Shalu Branch	No. 52, Shatian Rd., Shalu Dist., Taichung City 43353, Taiwan (R.O.C.)	(04) 26358599

DOMESTIC OFFICES	ADDRESS	TEL
Tatu Branch	1F., No. 780, Sec. 2, Shatian Rd., Dadu Dist., Taichung City 43242, Taiwan (R.O.C.)	(04) 26983711
Fengyuan Branch	1F., No. 220, Zhongzheng Rd., Fengyuan Dist., Taichung City 42056, Taiwan (R.O.C.)	(04) 25269191
Daya Branch	1F., No. 1090, Sec. 3, Zhongqing Rd., Daya Dist., Taichung City 42878, Taiwan (R.O.C.)	(04) 25665500
Tantzu Branch	No. 199, Sec. 2, Zhongshan Rd., Tanzi Dist., Taichung City 42755, Taiwan (R.O.C.)	(04) 25322234
Tungshih Branch	No. 456, Fengshi Rd., Dongshi Dist., Taichung City 42343, Taiwan (R.O.C.)	(04) 25877160
Wufeng Branch	No. 900, Zhongzheng Rd., Wufeng Dist., Taichung City 41341, Taiwan (R.O.C.)	(04) 23393567
Taipin Branch	No. 89, Yongfeng Rd., Taiping Dist., Taichung City 41143, Taiwan (R.O.C.)	(04) 22736789
Tsaotun Branch	No. 23, Heping St., Caotun Township, Nantou County 54242, Taiwan (R.O.C.)	(049) 2338101
Nantou Branch	No. 72, Sec. 2, Zhangnan Rd., Nantou City, Nantou County 54063, Taiwan (R.O.C.)	(049) 2226171
Puli Branch	No. 73, Xikang Rd., Puli Township, Nantou County 54555, Taiwan (R.O.C.)	(049) 2983983
Shuilikeng Branch	No. 226, Minquan Rd., Shuli Township, Nantou County 55343, Taiwan (R.O.C.)	(049) 2772121
Changhua Branch	1F., No. 57, Heping Rd., Changhua City, Changhua County 50046, Taiwan (R.O.C.)	(04) 7242101
Dali Branch	1F., No. 20, Sec. 2, Defang Rd., Dali Dist., Taichung City 41262, Taiwan (R.O.C.)	(04) 24181558
Lukang Branch	No. 137, Zhongshan Rd., Lukang Township, Changhua County 50570, Taiwan (R.O.C.)	(04) 7773311
Hemei Branch	1F., No. 428, Daozhou Rd., Hemei Township, Changhua County 50845, Taiwan (R.O.C.)	(04) 7579696
Yuanlin Branch	No. 495, Zhongzheng Rd., Yuanlin Township, Changhua County 51041, Taiwan (R.O.C.)	(04) 8322101
Hsihu Branch	No. 158, Sec. 3, Zhangshui Rd., Xihu Township, Changhua County 51441, Taiwan (R.O.C.)	(04) 8853471
Peitou Branch	No. 172, Sec. 1, Douyuan Rd., Beidou Township, Changhua County 52146, Taiwan (R.O.C.)	(04) 8882811
Erlin Branch	1F., No. 67, Sec. 5, Douyuan Rd., Erlin Township, Changhua County 52641, Taiwan (R.O.C.)	(04) 8950011
Hsiluo Branch	1F., No. 225, Zhongshan Rd., Xiluo Township, Yunlin County 64848, Taiwan (R.O.C.)	(05) 5863611
Touliu Branch	No. 70, Zhongshan Rd., Douliu City, Yunlin County 64051, Taiwan (R.O.C.)	(05) 5324116
Tounan Branch	No. 100, Zhongshan Rd., Dounan Township, Yunlin County 63042, Taiwan (R.O.C.)	(05) 5974191
Huwei Branch	No. 35, Zhongzheng Rd., Huwei Township, Yunlin County 63242, Taiwan (R.O.C.)	(05) 6322561
Tukoo Branch	1F., No. 308, Guangming Rd., Tuku Township, Yunlin County 63346, Taiwan (R.O.C.)	(05) 6621116
Peikang Branch	No. 51, Wenhua Rd., Beigang Township, Yunlin County 65142, Taiwan (R.O.C.)	(05) 7836121
Talin Branch	No. 246, Xianghe Rd., Dalin Township, Chiayi County 62241, Taiwan (R.O.C.)	(05) 2653221
Chiayi Branch	1F., No. 386, Zhongshan Rd., West Dist., Chiayi City 60041, Taiwan (R.O.C.)	(05) 2278141
Tung-Chiayi Branch	1F., No. 832, Xinsheng Rd., East Dist., Chiayi City 60074, Taiwan (R.O.C.)	(05) 2712811
Pei-Chiayi Branch	No. 290, You'ai Rd., West Dist., Chiayi City 60088, Taiwan (R.O.C.)	(05) 2342166
Hsinying Branch	1F., No. 150, Fuxing Rd., Xinying Dist., Tainan City 73043, Taiwan (R.O.C.)	(06) 6323871
Yungkang Branch	No. 839, Zhongzheng S. Rd., Yongkang Dist., Tainan City 71045, Taiwan (R.O.C.)	(06) 2545386
Chung-Hua Road Branch	No. 473-3, Xiaodong Rd., Yongkang Dist., Tainan City 71069, Taiwan (R.O.C.)	(06) 3125318
Guiren Branch	No. 218, Sec. 2, Zhongshan Rd., Guiren Dist., Tainan City 71146, Taiwan (R.O.C.)	(06) 2391711
Tainan Branch	1F., No. 88, Zhongzheng Rd., West Central Dist., Tainan City 70048, Taiwan (R.O.C.)	(06) 2221281

DOMESTIC OFFICES	ADDRESS	TEL
Yenping Branch	No. 151, Sec. 2, Minquan Rd., West Central Dist., Tainan City 70042, Taiwan (R.O.C.)	(06) 2254161
Hsi-Tainan Branch	No. 94, Sec. 3, Minzu Rd., West Central Dist., Tainan City 70053, Taiwan (R.O.C.)	(06) 2235141
Tung-Tainan Branch	No. 95-1, Sec. 1, Beimen Rd., West Central Dist., Tainan City 70044, Taiwan (R.O.C.)	(06) 2267141
Nan-Tainan Branch	1F., No. 655, Sec. 1, Ximen Rd., South Dist., Tainan City 70245, Taiwan (R.O.C.)	(06) 2263181
Pei-Tainan Branch	No. 367, Sec. 4, Ximen Rd., North Dist., Tainan City 70465, Taiwan (R.O.C.)	(06) 2523450
An-Nan Branch	1F., No. 330, Sec. 4, Anhe Rd., Annan Dist., Tainan City 70969, Taiwan (R.O.C.)	(06) 3556111
Chishan Branch	1F., No. 102, Zhongshan Rd., Qishan Dist., Kaohsiung City 84257, Taiwan (R.O.C.)	(07) 6615481
Kangshan Branch	No. 293, Gangshan Rd., Gangshan Dist., Kaohsiung City 82041, Taiwan (R.O.C.)	(07) 6216111
Fengshan Branch	No. 264, Sanmin Rd., Fengshan Dist., Kaohsiung City 83058, Taiwan (R.O.C.)	(07) 7470101
Luchu Branch	No. 835, Zhongshan Rd., Luzhu Dist., Kaohsiung City 82152, Taiwan (R.O.C.)	(07) 6972151
Ta-Fa Branch	No. 539, Fenglin 3 <sup>rd</sup> Rd., Daliou Dist., Kaohsiung City 83152, Taiwan (R.O.C.)	(07) 7824356
Kaohsiung Branch	No. 59, Minquan 1 <sup>st</sup> Rd., Lingya Dist., Kaohsiung City 80251, Taiwan (R.O.C.)	(07) 3361620
Chi-Hsien Branch	1F., No. 456, Zhongxiao 1 <sup>st</sup> Rd., Xinxing Dist., Kaohsiung City 80055, Taiwan (R.O.C.)	(07) 2361191
Yencheng Branch	1F., No. 85, Dayong Rd., Yancheng Dist., Kaohsiung City 80343, Taiwan (R.O.C.)	(07) 5313181
Tung-Kaohsiung Branch	1F., No. 109, Zhongzheng 4 <sup>th</sup> Rd., Qianjin Dist., Kaohsiung City 80147, Taiwan (R.O.C.)	(07) 2217741
Nan-Kaohsiung Branch	No. 13, Yongfeng Rd., Qianzhen Dist., Kaohsiung City 80643, Taiwan (R.O.C.)	(07) 7158000
Pei-Kaohsiung Branch	No. 720, Houchang Rd., Nanzi Dist., Kaohsiung City 81142, Taiwan (R.O.C.)	(07) 3662566
Zuoying Branch	1F., No. 280, Bo'ai 4 <sup>th</sup> Rd., Zuoying Dist., Kaohsiung City 81369, Taiwan (R.O.C.)	(07) 3436269
Sanmin Branch	No. 157, Hebei 2 <sup>nd</sup> Rd., Sanmin Dist., Kaohsiung City 80749, Taiwan (R.O.C.)	(07) 2918131
Hsinsing Branch	No. 139, Zhongzheng 2 <sup>nd</sup> Rd., Lingya Dist., Kaohsiung City 80274, Taiwan (R.O.C.)	(07) 2222200
Chanchen Branch	No. 155, Sanduo 3 <sup>rd</sup> Rd., Qianzhen Dist., Kaohsiung City 80655, Taiwan (R.O.C.)	(07) 3344121
Chiu-Ju Lu Branch	No. 7, Jiuru 2 <sup>nd</sup> Rd., Sanmin Dist., Kaohsiung City 80759, Taiwan (R.O.C.)	(07) 3123101
Chienhsing Branch	1F., No. 1, Yihua Rd., Sanmin Dist., Kaohsiung City 80770, Taiwan (R.O.C.)	(07) 3896789
Po-Ai Branch	No. 517, Bo'ai 1 <sup>st</sup> Rd., Gushan Dist., Kaohsiung City 80466, Taiwan (R.O.C.)	(07) 5545151
Lingya Branch	No. 2, Siwei 4 <sup>th</sup> Rd., Lingya Dist., Kaohsiung City 80247, Taiwan (R.O.C.)	(07) 3353171
Ta-Shun Branch	No. 109, Jianguo 1 <sup>st</sup> Rd., Lingya Dist., Kaohsiung City 80284, Taiwan (R.O.C.)	(07) 7715101
Pingtung Branch	1F., No. 117-2, Zhongzheng Rd., Pingtung City, Pingtung County 90074, Taiwan (R.O.C.)	(08) 7342705
Chaozhou Branch	No. 38, Zhongzheng Rd., Chaozhou Township, Pingtung County 92052, Taiwan (R.O.C.)	(08) 7883911
Tungkang Branch	No. 74, Zhongzheng Rd., Donggang Township, Pingtung County 92849, Taiwan (R.O.C.)	(08) 8351521
Hengchun Branch	No. 22, Hengnan Rd., Hengchun Township, Pingtung County 94641, Taiwan (R.O.C.)	(08) 8899665
Hualien Branch	No. 191, Zhongshan Rd., Hualien City, Hualien County 97047, Taiwan (R.O.C.)	(03) 8323961
Taitung Branch	1F., No. 226, Zhengqi Rd., Taitung City, Taitung County 95044, Taiwan (R.O.C.)	(089) 324311
RC Northern Area 1	2F., No. 47, Sec. 1, Jinshan S. Rd., Zhongzheng Dist., Taipei City 10056, Taiwan (R.O.C.)	(02) 23973801
RC Northern Area 2	3F., No. 182, Zhonghe Rd., Zhonghe Dist., New Taipei City 23575, Taiwan (R.O.C.)	(02) 22401223

DOMESTIC OFFICES	ADDRESS	TEL
RC Central Area	12F., No. 78, Sec. 2, Fuxing Rd., South Dist., Taichung City 40245, Taiwan (R.O.C.)	(04) 22601588
RC Southern Area	4F., No. 85, Dayong Rd., Yancheng Dist., Kaohsiung City 80343, Taiwan (R.O.C.)	(07) 5219123
Taipei Securities Broker	3F., No. 68, Hengyang Rd., Zhongzheng Dist., Taipei City 10045, Taiwan (R.O.C.)	(02) 23619654
Taichung Securities Broker	3F., No. 78, Sec. 2, Fuxing Rd., South Dist., Taichung City 40245, Taiwan (R.O.C.)	(04) 22660011
Chi-Hsien Securities Broker	3F., No. 456, Zhongxiao 1 <sup>st</sup> Rd., Xinxing Dist., Kaohsiung City 80055, Taiwan (R.O.C.)	(07) 2355658

OVERSEAS UNITS	ADDRESS	TEL
NEW YORK BRANCH	685 Third Avenue, 29 <sup>th</sup> Floor, New York, N.Y. 10017, U. S. A.	1-212-6519770
LOS ANGELES BRANCH	333 South Grand Avenue, Suite 2250, Los Angeles, CA 90071, U. S. A.	1-213-6207200
TOKYO BRANCH	Marunouchi Trust Tower Main 7 <sup>th</sup> Floor, 1-8-3 Marunouchi, Chiyoda-ku, Tokyo 100-0005, Japan	81-3-32128888
LONDON BRANCH	4 <sup>th</sup> Floor, 6-8 Tokenhouse Yard, London EC2R 7AS United Kingdom	44-20-76006600
HONG KONG BRANCH	1401, Tower II, The Gateway, 25 Canton Rd., Tsimshatsui, Kowloon, Hong Kong	852-29561212
SINGAPORE BRANCH	1 Finlayson Green #08-00 Singapore 049246	65-65320820
MANILA BRANCH	43/F, Philamlife Tower, 8767 Paseo de Roxas Makati City, Metro Manila, 1226, Philippines	63-2-7621-0088
YANGON REPRESENTATIVE OFFICE	422/426 Corner of Strand Road and Botahtaung Pagoda Road, #10-02, Botahtaung Township, Yangon, Republic of the Union of Myanmar	95-1-202095

SUBSIDIARIES AND THEIR BRANCHES	ADDRESS	TEL
CHB Venture Capital Co., LTD.	8F., No. 57, Sec. 2, Zhongshan N. Road, Zhongshan District, Taipei City 10412, Taiwan, (R.O.C.)	(02)25362951
CHANG HUA COMMERCIAL BANK, LTD.	No. 371, Jiang Dong Middle Road, Jianye District, Nanjing City, Jiangsu Province, P.R.C.	86-025-88811000
CHANG HUA COMMERCIAL BANK, LTD., KUNSHAN BRANCH	1F & 2F, Tower A, 88 Hei Long Jiang North Rd., Kunshan City, Jiangsu Province, P.R.C.	86-512-57367576
CHANG HUA COMMERCIAL BANK, LTD., KUNSHAN HUAQIAO SUB-BRANCH	No. 538, Shangyin Rd., Huaqiao Town Kunshan City, Jiangsu Province, P.R.C.	86-512-36690188
CHANG HUA COMMERCIAL BANK, LTD., DONGGUAN BRANCH	Room 801, TBA Tower1, No. 11, Dongguan Boulevard, Dong Cheng District, Dongguan City, Guangdong Province, P.R.C.	86-769-23660101
CHANG HUA COMMERCIAL BANK, LTD., FUZHOU BRANCH	No. 4, 5 14F, 128-1, Wusi Road, Fuzhou, Fujian Province, P.R.C.	86-591-86211320
CHANG HUA COMMERCIAL BANK, LTD., NANJING BRANCH	No. 371, Jiang Dong Middle Road, Jianye District, Nanjing City, Jiangsu Province, P.R.C.	86-025-88811000

Chang Hwa Commercial Bank, Ltd.

Chairperson *Joanne Ling*