Chang Hwa Commercial Bank, Ltd. and Subsidiaries

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

Deloitte.

勤業眾信

勤業眾信聯合會計師事務所
11073 台北市信義區松仁路100號20樓

Deloitte & Touche
20F, Taipei Nan Shan Plaza
No. 100, Songren Rd.,
Xinyi Dist., Taipei 11073, Taiwan

Tel :+886 (2) 2725-9988
Fax:+886 (2) 4051-6888
www.deloitte.com.tw

INDEPENDENT AUDITORS' REVIEW REPORT

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Chang Hwa Commercial Bank, Ltd. (the "Bank") and its subsidiaries (collectively referred to as the "Group") as of March 31, 2019 and 2018, the related consolidated statements of comprehensive income, the consolidated statements of changes in equity and cash flows for the three months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms and International Accounting Standards 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not give a true and fair view of the consolidated financial position of the Group as of March 31, 2019 and 2018 and of its consolidated financial performance and its consolidated cash flows for the three months then ended March 31, 2019 and 2018 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 Accounting Standards 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

May 10, 2019

<u>Notice to Readers</u>

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

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

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	March 31, 2019 (Reviewed)		December 31, 2018 (Audited)		March 31, 2018 (Reviewed)	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Cash and cash equivalents (Notes 4, 6 and 36)	$ 50,807,365	2	$ 51,073,179	2	$ 45,345,134	2
Due from the Central Bank and call loans to banks (Notes 4, 6 and 36)	210,256,545	10	197,942,600	10	172,291,903	8
Financial assets at fair value through profit or loss (Notes 4, 7, 34 and 37)	8,892,021	-	10,917,490	1	9,208,528	1
Financial assets at fair value through other comprehensive income (Notes 4, 8 and 34)	95,753,735	5	91,938,199	4	85,083,777	4
Financial assets for hedging (Notes 4 and 13)	261,845	-	244,763	-	227,362	-
Investments in debt instruments at amortized cost (Notes 4, 5, 9, 34 and 37)	260,258,988	13	268,059,805	13	260,028,625	13
Receivables, net (Notes 4, 11 and 12)	25,871,665	1	29,933,985	1	26,178,418	1
Current tax assets (Notes 4 and 31)	1,290,979	-	289,771	-	119,086	-
Loans, net (Notes 4, 5, 12, 35 and36)	1,338,709,421	64	1,336,701,095	64	1,368,570,176	66
OTHER FINANCIAL ASSETS, NET						
Other miscellaneous financial assets (Notes 4, 14 and 37)	50,986,526	3	55,045,230	3	58,716,477	3
Property and equipment, net (Notes 4 and 16)	21,051,054	1	21,071,298	1	20,570,760	1
Right-of-use assets, net (Notes 4 and 17)	1,883,055	-	-	-	-	-
Investment property, net (Notes 4 and 18)	13,741,151	1	13,742,376	1	13,746,194	1
Intangible assets, net (Notes 4 and 19)	718,729	-	731,364	-	396,020	-
Deferred tax assets (Notes 4 and 31)	3,878,385	-	3,120,664	-	3,818,966	-
Other assets, net (Notes 20 and 37)	1,872,858	-	999,851	-	2,148,690	-
TOTAL	$ 2,086,234,322	100	$ 2,081,811,670	100	$ 2,066,450,116	100
LIABILITIES AND EQUITY						
Deposits from the Central Bank and banks (Notes 4, 21 and 36)	$ 114,730,982	6	$ 113,038,541	6	$ 136,291,380	7
Financial liabilities at fair value through profit or loss (Notes 4 and 7)	11,171,677	1	11,047,488	1	11,827,999	1
Securities sold under repurchase agreements (Note 4)	3,634,684	-	5,285,890	-	3,145,460	-
Payables (Notes 4, 22 and 29)	36,325,948	2	36,677,779	2	23,171,680	1
Current tax liabilities (Notes 4 and 31)	789,974	-	241,285	-	1,449,842	-
Deposits and remittances (Notes 4, 23 and 36)	1,685,252,580	81	1,689,581,112	81	1,680,942,525	81
Bank notes payable (Notes 4, 24 and 34)	49,568,558	2	49,549,055	2	39,526,097	2
Other financial liabilities (Notes 4 and 25)	4,913,856	-	4,387,078	-	4,004,164	-
Reserve for liabilities (Notes 4, 5 and 27)	5,190,220	-	5,296,332	-	5,035,800	-
Lease liabilities (Notes 4 and 17)	1,657,241	-	-	-	-	-
Deferred tax liabilities (Notes 4 and 31)	9,010,869	-	7,352,277	-	7,208,709	1
Other liabilities (Notes 4, 16 and 26)	3,185,340	-	2,793,202	-	2,439,488	-
Total liabilities	1,925,431,929	92	1,925,250,039	92	1,915,043,144	93
EQUITY (Notes 4, 29 and 31)						
Capital stock						
Common stock	97,895,207	5	97,895,207	5	94,130,007	4
Retained earnings						
Legal reserve	31,038,668	1	31,038,668	1	27,410,736	1
Special reserve	12,141,416	1	12,141,416	1	12,080,950	1
Unappropriated earnings	15,250,278	1	12,091,349	1	14,860,790	1
Other equity	4,476,824	-	3,394,991	-	2,924,489	-
Total equity	160,802,393	8	156,561,631	8	151,406,972	7
TOTAL	$ 2,086,234,322	100	$ 2,081,811,670	100	$ 2,066,450,116	100

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

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

	For the Three Months Ended March 31			
	2019		2018	
	Amount	%	Amount	%
INTEREST INCOME (Notes 4, 30 and 36)	$ 9,870,237	122	$ 9,177,916	117
INTEREST EXPENSE (Notes 30 and 36)	(4,139,248)	(51)	(3,408,244)	(43)
NET INCOME OF INTEREST	5,730,989	71	5,769,672	74
NET NON-INTEREST INCOME (LOSS)				
Net service fee income (Notes 4 and 30)	1,164,612	15	1,226,474	16
Gain on financial assets or liabilities measured at fair value through profit or loss (Notes 4, 7 and 30)	566,761	7	745,965	9
Realized gain on financial assets at fair value through other comprehensive income (Notes 4 and 30)	194,099	2	8,352	-
Foreign exchange gain (loss) (Notes 4 and 34)	330,439	4	(3,877)	-
Net other non-interest income (Note 13)	65,847	1	76,279	1
Net non-interest income	2,321,758	29	2,053,193	26
NET REVENUE AND GAINS	8,052,747	100	7,822,865	100
BAD DEBT EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION (Notes 4 and 12)	(374,012)	(5)	(340,541)	(4)
OPERATING EXPENSES				
Employee benefits expense (Notes 4 and 30)	(2,614,855)	(32)	(2,575,574)	(33)
Depreciation and amortization expenses (Notes 4 and 30)	(361,375)	(4)	(179,130)	(2)
Other general and administrative expenses	(925,712)	(12)	(1,065,590)	(14)
Total operating expenses	(3,901,942)	(48)	(3,820,294)	(49)
INCOME BEFORE INCOME TAX	3,776,793	47	3,662,030	47
INCOME TAX EXPENSE (Notes 4 and 33)	(640,512)	(8)	(233,332)	(3)
NET INCOME	3,136,281	39	3,428,698	44

(Continued)

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

	For the Three Months Ended March 31			
	2019		2018	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified to profit or loss, net of tax:				
Revaluation gains on investments in equity instruments measured at fair value through other comprehensive income	$ 736,327	9	$ 259,782	3
Changes in fair value of financial liabilities attributable to changes in credit risk of liabilities	(764)	-	784	-
Items that will be reclassified to profit or loss, net of tax:				
Exchange differences on translation (Note 4)	251,679	3	(250,209)	(3)
Revaluation gains (losses) on investments in debt instruments measured at fair value through other comprehensive income	158,823	2	(86,250)	(1)
(Impairment loss) reversal of impairment loss on investments in debt instruments measured at fair value through other comprehensive income	6,383	-	-	-
Income tax related to items that will be reclassified to profit or loss (Notes 4 and 31)	(47,967)	-	12,755	-
Other comprehensive income (loss), net of tax	1,104,481	14	(63,138)	(1)
TOTAL COMPREHENSIVE INCOME	$ 4,240,762	53	$ 3,365,560	43
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Parent	$ 3,136,281	39	$ 3,428,698	44
Non-controlling interests	$ -	-	$ -	-
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Parent	$ 4,240,762	53	$ 3,365,560	43
Non-controlling interests	$ -	-	$ -	-
EARNINGS PER SHARE (Note 32)				
Basic	$ 0.32		$ 0.35	
Diluted	$ 0.32		$ 0.35	

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
(In Thousands of New Taiwan Dollars, Except Shares of Capital Stock)
(Reviewed, Not Audited)

	Equity Attributable to Owners of the Bank									
						Other Equity				
	Capital Stock		Retained Earnings							
	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	Total Equity
BALANCE AT 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 AT 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
Net income for the three months ended March 31, 2018	-	-	-	-	3,428,698	-	-	-	-	3,428,698
Other comprehensive income (loss) for the three months ended March 31, 2018, net of tax	-	-	-	-	-	(240,506)	-	176,584	784	(63,138)
Total comprehensive income (loss) for the three months ended March 31, 2018	-	-	-	-	3,428,698	(240,506)	-	176,584	784	3,365,560
BALANCE AT MARCH 31, 2018	9,413,001	$ 94,130,007	$ 27,410,736	$ 12,080,950	$ 14,860,790	$ (1,492,364)	$ -	$ 4,416,151	$ 702	$ 151,406,972
BALANCE AT JANUARY 1, 2019	9,789,521	$ 97,895,207	$ 31,038,668	$ 12,141,416	$ 12,091,349	$ (614,793)	$ -	$ 4,008,966	$ 818	$ 156,561,631
Net income for the three months ended March 31, 2019	-	-	-	-	3,136,281	-	-	-	-	3,136,281
Other comprehensive income (loss) for the three months ended March 31, 2019, net of tax	-	-	-	-	-	211,579	-	893,666	(764)	1,104,481
Total comprehensive income (loss) for the three months ended March 31, 2019	-	-	-	-	3,136,281	211,579	-	893,666	(764)	4,240,762
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	22,648	-	-	(22,648)	-	-
BALANCE AT MARCH 31, 2019	9,789,521	$ 97,895,207	$ 31,038,668	$ 12,141,416	$ 15,250,278	$ (403,214)	$ -	$ 4,879,984	$ 54	$ 160,802,393

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

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

	For the Three Months Ended March 31	
	2019	**2018**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before income tax	$ 3,776,793	$ 3,662,030
Adjustments for:		
Expected credit loss recognized on trade receivables	374,012	340,541
Depreciation expense	302,538	130,090
Amortization expense	58,837	49,040
Interest income	(9,870,237)	(9,177,916)
Dividend income	(1,610)	-
Interest expense	4,139,248	3,408,244
Net gain on financial assets or liabilities at fair value through profit or loss	(738,706)	(422,521)
Gain on disposal of investments	(192,489)	(8,352)
Unrealized foreign exchange losses (gains)	171,945	(323,444)
Other adjustments	(5,394)	25,028
Changes in operating assets and liabilities		
Decrease in due from the Central Bank	5,747,988	3,182,358
Decrease in financial assets at fair value through profit or loss	2,113,164	3,349,138
Decrease (increase) in receivables	3,686,480	(755,575)
(Increase) decrease in loans	(2,478,820)	8,123,583
Increase in financial assets at fair value through other comprehensive income	(2,721,514)	(8,890,332)
Decrease (increase) in investments in debt instruments at amortized cost	7,798,741	(13,303,873)
Decrease (increase) in other financial assets	4,058,704	(31,700,723)
Increase in other assets	(1,055,691)	(1,210,525)
Decrease in deposits from the Central Bank and banks	(6,535,951)	(150,087)
(Decrease) increase in deposits and remittances	(4,328,532)	8,862,741
Decrease in payables	(723,728)	(12,049,245)
Increase (decrease) in financial liabilities at fair value through profit or loss	582,739	(3,716,445)
Decrease in reserve for liabilities	(116,909)	(141,530)
Increase in other financial liabilities	527,434	341,564
Increase (decrease) in other liabilities	312,236	(220,447)
Cash flows generated from (used in) operations	4,881,278	(50,596,658)
Interest received	10,394,970	8,926,663
Dividends received	1,610	-
Interest paid	(3,760,938)	(3,043,480)
Income taxes paid	(240,127)	(109,295)
Net cash flows generated from (used in) operating activities	11,276,793	(44,822,770)

(Continued)

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

	For the Three Months Ended March 31	
	2019	**2018**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	$ (97,908)	$ (65,119)
Acquisition of right-of-use assets	(44,101)	-
Acquisition of investment property	(463)	(65)
Proceeds from disposal of property and equipment	10	-
Acquisition of intangible assets	(40,241)	(9,155)
Net cash flows used in investing activities	(182,703)	(74,339)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in due to the Central Bank and banks	8,228,392	28,289,600
Repayments of bank notes	-	(2,200,000)
(Decrease) increase in securities sold under repurchase agreement	(1,651,206)	26,924
Repayments of the principal portion of lease liabilities	(126,836)	-
Net cash flows generated from financing activities	6,450,350	26,116,524
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	251,679	(250,209)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	17,796,119	(19,030,794)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	179,641,968	172,818,258
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 197,438,087	$ 153,787,464

	March 31	
	2019	**2018**
Reconciliation of cash and cash equivalents		
Cash and cash equivalents in the balance sheets	$ 50,807,365	$ 45,345,134
Call loans to banks qualifying as cash and cash equivalents under the definition of IAS 7 permitted by the Financial Supervisory Commission	146,630,722	108,442,330
Cash and cash equivalents at end of period	$ 197,438,087	$ 153,787,464

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

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 FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Bank's board of directors on May 10, 2019.

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

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by 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, whenever applied, 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 would 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 elects 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 is 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

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of 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	$ -	$ 1,784,076	$ 1,784,076
Finance lease payables - non-current	656	(656)	-
Provisions - non-current	-	60,116	60,116
Total effect on liabilities	$ 656	$ 1,843,536	$ 1,844,192

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

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

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

Note 2: The 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 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

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.

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:

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

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

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

Basis of Consolidation

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

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).

Other Significant Accounting Policies

Except for the following, for the summary of other significant accounting policies, refer to the Group's consolidated financial statements for the year ended December 31, 2018.

Property, Plant and Equipment

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

Property, plant 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, plant and equipment when completed and ready for their intended use.

Except for freehold land which is not depreciated, the depreciation of property, plant 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 their lease terms. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

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

Leases

<u>2019</u>

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.

   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, except for those that meet the definition of investment properties.

   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 consolidated 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

Retirement benefits

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

Taxation

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Refer to the summary of critical accounting judgement and key sources of estimation uncertainty in the Group's consolidated financial statements for the year ended December 31, 2018.

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

a. Cash and cash equivalents

	March 31, 2019	December 31, 2018	March 31, 2018
Cash on hand	$ 11,771,016	$ 11,307,867	$ 12,329,800
Checks for clearing	16,617,136	18,042,831	4,286,487
Due from banks	20,839,581	20,056,292	27,191,845
Foreign currencies on hand	1,579,632	1,666,189	1,537,002
	$ 50,807,365	$ 51,073,179	$ 45,345,134

Refer to the consolidated statement of cash flows for the cash and cash equivalents reconciliation information as of March 31, 2019 and 2018. Cash and cash equivalents as of December 31, 2018 as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated balance sheets as follows:

	December 31, 2018
Cash and cash equivalents	$ 51,073,179
Call loans to banks	128,568,789
	$ 179,641,968

b. Due from Central Bank and call loans to banks

	March 31, 2019	December 31, 2018	March 31, 2018
Call loans to banks	$ 146,630,722	$ 128,568,789	$ 108,442,330
Reserve for checking accounts	11,496,835	17,165,934	15,986,843
Reserve for demand accounts	42,714,648	42,402,505	41,633,834
Reserve for foreign deposits	482,610	482,288	462,860
Others	8,931,730	9,323,084	5,766,036
	$ 210,256,545	$ 197,942,600	$ 172,291,903

Cash and cash equivalents are assessed for impairment using the 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; thus, its credit loss evaluation is on a 12-month expected credit loss basis.

7. FINANCIAL INSTRUMENTS AT FVTPL

Financial Assets at FVTPL

	March 31, 2019	December 31, 2018	March 31, 2018
Financial assets designated at FVTPL			
Interest rate-linked combination instruments	$ -	$ -	$ 175,259
Financial assets mandatorily classified at FVTPL			
Derivative financial assets (not under hedge accounting)			
Futures	202,628	173,149	184,292
Forward exchange contracts	41,545	49,518	150,888
Interest rate swaps	799,843	741,343	817,551
Cross-currency swaps	75,461	32,867	202,151
Swaps	1,310,445	1,314,821	1,280,867
Currency call option premiums	29,364	24,244	197,599
Non-derivative financial assets			
Investment in bills	5,443,548	6,626,120	4,496,107
Domestic listed stock	14,025	-	122,138
Government bonds	5,707	1,103,764	1,405,127
Corporate bonds	969,455	851,664	176,549
	8,892,021	10,917,490	9,033,269
	$ 8,892,021	$ 10,917,490	$ 9,208,528

The par values of bonds and notes provided for transactions with repurchase agreements were $584,900 thousand, $923,300 thousand and $840,434 thousand, respectively, as of March 31, 2019, December 31, 2018 and March 31, 2018, respectively.

Financial Liabilities at FVTPL

	March 31, 2019	December 31, 2018	March 31, 2018
Financial liabilities designated at FVTPL	$ 9,529,943	$ 9,130,255	$ 8,426,766
Financial liabilities held for trading			
Derivative financial liabilities (not applying hedge accounting)			
Forward contracts	61,891	65,379	55,617
Interest rate swaps	683,829	953,280	884,371
Cross-currency swaps	47,737	32,761	386,355
Currency swaps	818,905	841,567	1,876,026
Currency put option premiums	29,372	24,246	198,864
	1,641,734	1,917,233	3,401,233
	$ 11,171,677	$ 11,047,488	$ 11,827,999

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 with no interest payment, callable 5 years after issue date with interest payment, maturity: 2034.12.17.

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

The Group entered into derivative contracts during the three months ended March 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 March 31, 2019, December 31, 2018 and March 31, 2018 were as follows:

	March 31, 2019	December 31, 2018	March 31, 2018
Currency swaps	$ 374,389,508	$ 349,448,614	$ 313,471,343
Currency options	19,067,282	12,774,097	26,686,175
Forward exchange contracts	14,251,309	17,114,455	21,700,006
Interest rate swaps	383,080,920	358,411,064	405,030,237
Cross-currency swaps	4,934,400	3,688,200	8,789,948

8. FINANCIAL ASSETS AT FVTOCI

	March 31, 2019	December 31, 2018	March 31, 2018
Investments in equity instruments at FVTOCI			
Domestic listed stock	$ 5,366,300	$ 4,785,216	$ 4,069,446
Domestic unquoted stock	7,432,414	7,138,045	7,939,739
	12,798,714	11,923,261	12,009,185
Investments in debt instruments at FVTOCI			
Government bonds	15,485,367	17,893,192	27,666,978
Corporate bonds	19,587,426	16,494,550	15,514,741
Bank notes	40,509,305	31,428,851	27,395,678
Bonds issued by international organizations	3,797,010	11,025,870	875,893
Beneficiary and asset-based securities	977,887	666,787	59,780
Investments in bills	2,598,026	2,505,688	1,561,522
	82,955,021	80,014,938	73,074,592
	$ 95,753,735	$ 91,938,199	$ 85,083,777

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

a. Refer to Note 10 for information relating to their credit risk management and impairment.

b. The par value of bonds provided for transactions with repurchase agreement were $2,901,200 thousand, $4,380,200 thousand and $2,084,500 thousand, respectively, as of March 31, 2019, December 31, 2018 and March 31, 2018, respectively.

c. Government bonds placed as deposits in courts amounted to $331,200 thousand, $391,900 thousand and $377,100 thousand, respectively; government bonds placed as operating deposits amounted to $330,000 thousand; government bonds placed as reserve fund for trust compensation amounted to $170,000 thousand; overseas branches' bonds provided as collateral for operations were $157,486 thousand, $155,720 thousand and $149,770 thousand, respectively, as of March 31, 2019, December 31, 2018 and March 31, 2018, respectively. Government bonds pledged for call loans from bank amounted to $5,000,000 thousand as of March 31, 2018. 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

	March 31, 2019	December 31, 2018	March 31, 2018
Investments in bills	$ 243,919,101	$ 251,312,321	$ 240,675,581
Bank notes	7,109,558	7,327,497	7,786,759
Corporate bonds	6,858,091	7,038,802	9,157,838
Government bonds	2,372,238	2,381,185	2,408,447
	$ 260,258,988	$ 268,059,805	$ 260,028,625

a. Refer to Note 10 for information relating to their credit risk management and impairment.

b. The overseas branches' bonds provided as collateral for operations were in the amount of $308,197 thousand, $307,061 thousand and $290,476 thousand, respectively, as of March 31, 2019, December 31, 2018 and March 31, 2018, respectively.

c. Certificates of deposits placed as reserves for clearing at the Central Bank amounted to $36,000,000 thousand; certificates of deposit which were issued by Central Bank and pledged for call loans from banks amounted to $5,300,000 thousand, $5,300,000 thousand and $300,000 thousand, respectively, as of March 31, 2019, December 31, 2018 and March 31, 2018, respectively.

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.

March 31, 2019

	At FVTOCI	At Amortized Cost	Total
Gross carrying amount	$ 82,627,303	$ 260,265,429	$ 342,892,732
Less: Allowance for impairment loss	(173,790)	(6,441)	(180,231)
Amortized cost	82,453,513	$ 260,258,988	342,712,501
Adjustment to fair value	501,508		501,508
	$ 82,955,021		$ 343,214,009

December 31, 2018

	At FVTOCI	At Amortized Cost	Total
Gross carrying amount	$ 79,846,043	$ 268,066,420	$ 347,912,463
Less: Allowance for impairment loss	(167,408)	(6,615)	(174,023)
Amortized cost	79,678,635	$ 268,059,805	347,738,440
Adjustment to fair value	336,303		336,303
	$ 80,014,938		$ 348,074,743

March 31, 2018

	At FVTOCI	At Amortized Cost	Total
Gross carrying amount	$ 72,941,732	$ 260,037,234	$ 332,978,966
Less: Allowance for impairment loss	(190,077)	(8,609)	(198,686)
Amortized cost	72,751,655	$ 260,028,625	332,780,280
Adjustment to fair value	322,937		322,937
	$ 73,074,592		$ 333,103,217

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 ECL
Stage 2	There has been a significant increase in credit risk since initial recognition.	Lifetime ECL - not credit impaired
Stage 3	There is evidence indicating that the asset is credit impaired.	Lifetime ECL - 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:

March 31, 2019

Category	Expected Loss Rate	At FVTOCI	At Amortized Cost
Stage 1	0%-49.40%	$ 82,484,828	$ 260,265,429
Stage 2	0.28%-88.49%	-	-
Stage 3	40.51%-92.69%	142,475	-
Write-off	100%	-	-
		$ 82,627,303	$ 260,265,429

December 31, 2018

Category	Expected Loss Rate	At FVTOCI	At Amortized Cost
Stage 1	0%-49.40%	$ 79,704,057	$ 268,066,420
Stage 2	0.28%-88.49%	-	-
Stage 3	40.51%-92.69%	141,986	-
Write-off	100%	-	-
		$ 79,846,043	$ 268,066,420

March 31, 2018

Category	Expected Loss Rate	At FVTOCI	At Amortized Cost
Stage 1	0%-49.40%	$ 72,669,046	$ 260,037,234
Stage 2	0.28%-88.49%	138,252	-
Stage 3	40.51%-92.69%	134,434	-
Write-off	100%	-	-
		$ 72,941,732	$ 260,037,234

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

FVTOCI

	Credit Rating			
Allowance for Impairment Loss	Performing (12-month ECL)	Doubtful (Lifetime ECL - Not Credit-impaired)	Defaulted (Lifetime ECL - Credit-impaired)	Total
Balance at January 1, 2019	$ 25,422	$ -	$ 141,986	$ 167,408
Purchase investments in debt instruments	7,435	-	-	7,435
Derecognition	(486)	-	-	(486)
Change in exchange rates or others	(1,056)	-	489	(567)
Balance at March 31, 2019	$ 31,315	$ -	$ 142,475	$ 173,790
Balance at January 1, 2018	$ 29,316	$ 27,285	$ 137,112	$ 193,713
Purchase investments in debt instruments	2,050	-	-	2,050
Derecognition	(3,427)	-	-	(3,427)
Change in exchange rates or others	815	(397)	(2,677)	(2,259)
Balance at March 31, 2018	$ 28,754	$ 26,888	$ 134,435	$ 190,077

Amortized at cost

Allowance for Impairment Loss	Credit Rating Performing (12-month ECL)	Doubtful (Lifetime ECL - Not Credit-impaired)	Defaulted (Lifetime ECL - Credit-impaired)	Total
Balance at January 1, 2019	$ 6,615	$ -	$ -	$ 6,615
Purchase investments in debt instruments	-	-	-	-
Derecognition	(149)	-	-	(149)
Change in exchange rates or others	(25)	-	-	(25)
Balance at March 31, 2019	$ 6,441	$ -	$ -	$ 6,441
Balance at January 1, 2018	$ 9,623	$ -	$ -	$ 9,623
Derecognition	(516)	-	-	(516)
Change in exchange rates or others	(498)	-	-	(498)
Balance at March 31, 2018	$ 8,609	$ -	$ -	$ 8,609

11. RECEIVABLES, NET

a. Details of receivables

	March 31, 2019	December 31, 2018	March 31, 2018
Accounts receivable	$ 12,901,218	$ 16,329,369	$ 13,837,406
Accrued revenue	1,424	5,993	1,362
Interest receivables	4,976,602	5,401,681	4,319,901
Acceptance receivables	5,085,669	5,402,488	4,833,045
Credit card receivables	1,864,891	1,833,999	1,820,338
Settlement prices	375,974	392,434	371,877
Settlement price receivables	329,027	217,848	316,352
Other receivables	940,797	985,194	1,265,297
Less: allowance for receivables	(603,937)	(635,021)	(587,160)
	$ 25,871,665	$ 29,933,985	$ 26,178,418

b. Allowance for receivables

1) Movements in the allowance for receivables

	For the Three Months Ended March 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**
Receivables						
Beginning balance	$ 32,258	$ 2,678	$ 19,906	$ 54,842	$ 580,179	$ 635,021
Changes from financial instruments recognized at the beginning of the period:						
Transfers to lifetime expected credit losses	(9)	36	(35)	(8)	-	(8)
Transfers to credit-impaired financial assets	-	(41)	2,012	1,971	-	1,971
Transfers to 12-months expected credit losses	171	(6)	(85)	80	-	80
Financial assets derecognized for the period	(28,435)	(1,386)	11,712	(18,109)	-	(18,109)
Purchase or originated financial assets	17,057	1,718	7,920	26,695	-	26,695
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	-	-	-	-	(22,556)	(22,556)
Doubtful debts written off	-	-	(19,204)	(19,204)	-	(19,204)
Changes in exchange rates or others	11	-	36	47	-	47
Ending balance	$ 21,053	$ 2,999	$ 22,262	$ 46,314	$ 557,623	$ 603,937

	For the Three Months Ended March 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						
Beginning balance	$ 28,087	$ 2,515	$ 340,490	$ 371,092	$ 210,241	$ 581,333
Changes from financial instruments recognized at the beginning of the period:						
Transfers to lifetime expected credit losses	(15)	507	(13)	479	-	479
Transfers to credit-impaired financial assets	(3)	(18)	1,574	1,553	-	1,553
Transfers to 12-months expected credit losses	(1,028)	(19)	(4)	(1,051)	-	(1,051)
Financial assets derecognized for the period	(21,862)	(542)	(2,340)	(24,744)	-	(24,744)
Purchase or originated financial assets	20,373	740	2,973	24,086	-	24,086
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	-	-	-	-	9,065	9,065
Doubtful debts written off	-	-	(4,877)	(4,877)	-	(4,877)
Balance collected after doubtful debts	-	-	1,316	1,316	-	1,316
Ending balance	$ 25,552	$ 3,183	$ 339,119	$ 367,854	$ 219,306	$ 587,160

2) Movements in the total carrying amount of receivables

	For the Three Months Ended March 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	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	(15,114)	10,635	(314)	(4,793)
Transfers to credit-impaired financial assets	(3,696)	(4,254)	2,349	(5,601)
Transfers to 12-month expected credit losses	(8,787)	(1,602)	(543)	(10,932)
Purchase or originated financial assets	14,030,130	53,768	26,090	14,109,988
Derecognized	(18,107,805)	(62,742)	(125)	(18,170,672)
Doubtful debts written off	-	-	(19,204)	(19,204)
Change in exchange rates or others	7,493	259	58	7,810
Ending balance	$ 26,239,707	$ 155,747	$ 80,148	$ 26,475,602

	For the Three Months Ended March 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	$ 24,699,197	$ 158,023	$ 394,136	$ 25,251,356
Changes from financial instruments recognized at the beginning of the period:				
Transfers to lifetime expected credit loss	(11,643)	(9,675)	(134)	(21,452)
Transfers to credit-impaired financial assets	(1,349)	(1,791)	4,982	1,842
Transfers to 12-month expected credit losses	(153,680)	(1,923)	(32)	(155,635)
Purchase or originated financial assets	1,433,588,358	33,773	13,236	1,433,635,367
Doubtful debts written off	-	-	(4,877)	(4,877)
Derecognized	(1,431,856,695)	(75,932)	(8,396)	(1,431,941,023)
Ending balance	$ 26,264,188	$ 102,475	$ 398,915	$ 26,765,578

12. DISCOUNTS AND LOANS, NET

a. Details of discounts and loans

	March 31, 2019	December 31, 2018	March 31, 2018
Negotiated	$ 4,169,519	$ 4,541,384	$ 3,927,348
Overdrafts	1,367,980	1,388,976	1,427,684
Short-term loans	373,918,263	361,909,922	368,572,679
Margin loans receivable	230,828	230,047	348,486
Medium-term loans	415,203,763	421,455,388	448,399,747
Long-term loans	556,600,860	559,202,595	558,495,417
Overdue loans	4,024,830	4,545,418	3,960,068
	1,355,516,043	1,353,273,730	1,385,131,429
Less: allowance for loan losses	(16,806,622)	(16,572,635)	(16,561,253)
	$ 1,338,709,421	$ 1,336,701,095	$ 1,368,570,176

The overdue loans of which the accrual of interest income was stopped internally as of March 31, 2019, December 31, 2018 and March 31, 2018 amounted to $4,024,830 thousand, $4,545,418 thousand and $3,960,068 thousand, respectively. The interest income on overdue loans not accrued for the three months ended March 31, 2019 and 2018 was $26,866 thousand and $26,433 thousand, respectively.

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

b. Allowance for loans

1) Movements in the allowance for loans

	For the Three Months Ended March 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
Loans						
Beginning balance	$ 1,884,305	$ 1,844,323	$ 5,102,485	$ 8,831,113	$ 7,741,522	$ 16,572,635
Changes from financial instruments recognized at the beginning of the period:						
Transfers to lifetime expected credit losses	(3,659)	4,685	(1,821)	(795)	-	(795)
Transfers to credit-impaired financial assets	(24)	(11,356)	9,403	(1,977)	-	(1,977)
Transfers to 12-month expected credit losses	24,452	(21,603)	(4,187)	(1,338)	-	(1,338)
Financial assets derecognized for the period	(756,680)	(773,147)	(723,592)	(2,253,419)	-	(2,253,419)
Purchased or originated financial assets	455,929	247,808	843,624	1,547,361	-	1,547,361

(Continued)

	For the Three Months Ended March 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	$ -	$ -	$ -	$ -	$ 1,504,729	$ 1,504,729
Doubtful debts written off	-	-	(564,682)	(564,682)	-	(564,682)
Change in exchange rates or others	1,338	794	1,976	4,108	-	4,108
Ending balance	$ 1,605,661	$ 1,291,504	$ 4,663,206	$ 7,560,371	$ 9,246,251	$ 16,806,622

(Concluded)

	For the Three Months Ended March 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
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 at the beginning of the period:						
Transfers to lifetime expected credit losses	(8,301)	139,769	(1,791)	129,677	-	129,677
Transfers to credit-impaired financial assets	(1,323)	(18,309)	(209,665)	(229,297)	-	(229,297)
Transfers to 12-month expected credit losses	170,062	(45,314)	(1,576)	123,172	-	123,172
Financial assets derecognized for the period	(499,463)	(103,185)	(1,001,893)	(1,604,541)	-	(1,604,541)
Purchased or originated financial assets	519,888	258,802	1,424,258	2,202,948	-	2,202,948
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	-	-	-	-	(309,857)	(309,857)
Doubtful debts written off	-	-	(358,782)	(358,782)	-	(358,782)
Balance collected after doubtful debts	-	-	240,954	240,954	-	240,954
Ending balance	$ 1,938,837	$ 1,471,744	$ 5,168,156	$ 8,578,737	$ 7,982,516	$ 16,561,253

2) Movements in the total carrying amount of loans

	For the Three Months Ended March 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	Total
Beginning balance	$ 1,285,960,041	$ 53,741,535	$ 13,572,154	$ 1,353,273,730
Changes from financial instruments recognized at the beginning of the period:				
Transfers to lifetime expected credit losses	(3,529,745)	3,486,132	(17,774)	(61,387)
Transfers to credit-impaired financial assets	(71,838)	(497,583)	565,901	(3,520)
Transfers to 12-month expected credit losses	162,093	(994,830)	(34,908)	(867,645)
Purchase or originated financial assets	(292,977,748)	(11,608,557)	(2,225,864)	(306,812,169)
Doubtful debts written off	297,378,951	10,644,252	1,595,962	309,619,165
Change in exchange rates or others	-	-	(564,682)	(564,682)
	867,645	61,387	3,519	932,551
Ending balance	$ 1,287,789,399	$ 54,832,336	$ 12,894,308	$ 1,355,516,043

	For the Three Months Ended March 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	$ 1,334,668,075	$ 45,871,466	$ 12,868,098	$ 1,393,407,639
Changes from financial instruments recognized at the beginning of the period:				
Transfers to lifetime expected credit losses	(4,628,300)	(629,537)	(17,409)	(5,275,246)
Transfers to credit-impaired financial assets	(671,556)	(563,437)	(640,675)	(1,875,668)
Transfers to 12-month expected credit losses	(26,145,500)	(1,504,961)	(14,818)	(27,665,279)
Purchase or originated financial assets	278,437,021	11,961,648	3,272,228	293,670,897
Doubtful debts written off	-	-	(358,782)	(358,782)
Derecognized	(255,158,304)	(9,704,794)	(1,909,034)	(266,772,132)
Ending balance	$ 1,326,501,436	$ 45,430,385	$ 13,199,608	$ 1,385,131,429

c. Details of provision for bad debts expense, commitment and guarantee for the three months ended March 31, 2019 and 2018

	For the Three Months Ended March 31	
	2019	2018
Provision for receivable and loan (including overdue loan) losses	$ 423,332	$ 394,786
Reversal for loan commitments	(50,763)	(122,534)
Provision for guarantee liability	1,705	68,289
Reversal for others	(262)	-
	$ 374,012	$ 340,541

13. FIANCIAL ASSETS FOR HEDGING

	March 31, 2019	December 31, 2018	March 31, 2018
Financial assets under hedge accounting			
Fair value hedges - interest rate swaps	$ 261,845	$ 244,763	$ 227,362

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 Bank's outstanding interest rate swaps as of March 31, 2019, December 31, 2018 and March 31, 2018 was $8,200,000 thousand. The maturity period is from April 19, 2021 to September 27, 2026.

The fixed-to-floating interest swaps were designated and effective fair value hedge instruments. During the three months ended March 31, 2019 and 2018, the swaps were effective in hedging the fair value exposure to interest rate movements, and as a result, the carrying amount of the fixed-rate borrowings was adjusted by $268,558 thousand, $249,055 thousand and $226,097 thousand, respectively, as of March 31, 2019, December 31, 2018 and March 31, 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:

a. Hedging type: Fair value hedging.

b. 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.

c. Hedging method: By signing interest rate swap contracts, which pay floating rates (interest rate rage: 0.6634%-0.6652%) and charge fixed rates (interest rate rage: 1.2900%-1.6075%).

d. Hedging effect: The results of hedging are all in the line with the effective range of hedge accounting as defined by IFRSs. The realized gain or loss from hedging tools was $34,048 thousand and $1,060 thousand, respectively, for the three months ended March 31, 2019 and 2018, respectively, and the realized gain or loss from fair-value hedging was a loss of $(19,503) thousand and a gain of $13,560 thousand, accounted for as other non-interest net income and losses, for the three months ended March 31, 2019 and 2018, respectively.

14. OTHER MISCELLANEOUS FINANCIAL ASSETS

	March 31, 2019	December 31, 2018	March 31, 2018
Time deposits with original maturities of more than 3 months	$ 50,875,562	$ 54,923,845	$ 58,554,504
Exchange bills negotiated	27,057	10,360	1,678
Overdue receivable	353,815	380,211	452,336
Call loan to security brokers	154,200	153,675	145,500
Less: Allowance for bad debts	(424,108)	(422,861)	(437,541)
	$ 50,986,526	$ 55,045,230	$ 58,716,477

The market rates of time deposits with original maturities of more than 3 months were 2.85%-4.55% and 2.00%-5.00%, respectively, for the three months ended March 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 March 31, 2019	% of Ownership December 31, 2018	% of Ownership March 31, 2018
The Bank	Chang Hua Commercial Bank, Ltd.	Banking	100	100	-

On December 11, 2018, the Bank changed its operation units in China by establishing its subsidiary Chang Hua Commercial Bank, Ltd.

16. PROPERTY AND EQUIPMENT

	March 31, 2019
Assets used by the Group	$ 20,861,748
Assets leased under operating leases	189,306
	$ 21,051,054

a. Asset used by the Group - 2019

	Freehold Land	Buildings	Machinery Equipment	Transportation Equipment	Miscellaneous Equipment	Leasehold Improvements	Leased Assets	Construction in Progress and Prepayment for Buildings and Equipment	Total
Cost									
Balance at January 1, 2019	$ 14,677,460	$ 8,841,768	$ 4,593,715	$ 726,071	$ 1,458,869	$ 972,308	$ 908	$ 629,499	$ 31,900,598
Adjustments on initial application of IFRS 16	-	-	-	-	-	-	(908)	-	(908)
Balance at January 1, 2019, (restated)	14,677,460	8,841,768	4,593,715	726,071	1,458,869	972,308	-	629,499	31,899,690
Additions	-	8,597	47,676	7,041	10,296	4,933	-	19,365	97,908
Disposals	-	-	(22,053)	(3,282)	(1,864)	-	-	-	(27,199)
Reclassification	-	-	19,228	4,026	1,534	5,971	-	(36,263)	(5,504)
Effect of foreign currency exchange differences	-	6,238	1,399	216	533	1,357	-	14,144	23,887
Balance at March 31, 2019	$ 14,677,460	$ 8,856,603	$ 4,639,965	$ 734,072	$ 1,469,368	$ 984,569	$ -	$ 626,745	$ 31,988,782
Accumulated depreciation and impairment									
Balance at January 1, 2019	$ -	$ 4,300,908	$ 3,937,165	$ 617,158	$ 1,307,289	$ 857,587	$ 148	$ -	$ 11,020,255
Adjustments on initial application of IFRS 16	-	-	-	-	-	-	(148)	-	(148)
Balance at January 1, 2019, (restated)	-	4,300,908	3,937,165	617,158	1,307,289	857,587	-	-	11,020,107
Disposals	-	-	(21,960)	(3,274)	(1,789)	-	-	-	(27,023)
Depreciation expense	-	43,921	55,155	11,261	11,281	9,240	-	-	130,858
Effect of foreign currency exchange differences	-	895	864	120	424	789	-	-	3,092
Balance at March 31, 2019	$ -	$ 4,345,724	$ 3,971,224	$ 625,265	$ 1,317,205	$ 867,616	$ -	$ -	$ 11,127,034
Carrying amounts at March 31, 2019	$ 14,677,460	$ 4,510,879	$ 668,741	$ 108,807	$ 152,163	$ 116,953	$ -	$ 626,745	$ 20,861,748
Carrying amount at December 31, 2018 and January 1, 2019	$ 14,677,460	$ 4,540,860	$ 656,550	$ 108,913	$ 151,580	$ 114,721	$ 760	$ 629,499	$ 20,880,343

The above items of property, plant and equipment leased under operating leases are depreciated on a straight-line basis over their estimated useful lives as follows:

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

b. Assets leased under operating leases - 2019

	Buildings
Cost	
Balance at January 1, 2019	$ 341,422
Adjustments on initial application of IFRS 16	-
Balance at January 1, 2019 (restated)	341,422
Balance at March 31, 2019	$ 341,422
Accumulated depreciation and impairment	
Balance at January 1, 2019	$ 150,467
Adjustments on initial application of IFRS 16	-
Balance at January 1, 2019 (restated)	150,467
Depreciation expense	1,649
Balance at March 31, 2019	$ 152,116
Carrying amounts at March 31, 2019	$ 189,306
Carrying amounts at December 31, 2018 and January 1, 2019	$ 190,955

Operating leases relate to leases of buildings 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:

	March 31, 2019
Year 1	$ 24,537
Year 2	15,075
Year 3	9,161
Year 4	2,993
	$ 51,766

The above items of property, plant and equipment leased under operating leases are depreciated on a straight-line basis over their estimated useful lives as follows:

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

2018

	Freehold Land	Buildings	Machinery Equipment	Transportation Equipment	Miscellaneous Equipment	Leasehold Improvements	Leased Assets	Construction in Progress and Prepayment for Buildings and Equipment	Total
Cost									
Balance at January 1, 2018	$ 14,657,121	$ 9,107,453	$ 4,668,094	$ 723,601	$ 1,448,399	$ 967,993	$ 1,007	$ 120,129	$ 31,693,797
Additions	-	6,963	7,871	1,785	4,598	892	486	42,524	65,119
Disposals	-	-	(34,523)	(809)	(923)	-	-	-	(36,255)
Reclassification	-	-	-	445	-	878	(445)	(878)	-
Effect of foreign currency exchange differences	-	(4,829)	(985)	(146)	(534)	(1,428)	-	(327)	(8,249)
Balance at March 31, 2018	$ 14,657,121	$ 9,109,587	$ 4,640,457	$ 724,876	$ 1,451,540	$ 968,335	$ 1,048	$ 161,448	$ 31,714,412
Accumulated depreciation and impairment									
Balance at January 1, 2018	$ -	$ 4,269,791	$ 4,069,589	$ 604,449	$ 1,291,768	$ 818,119	$ 349	$ -	$ 11,054,065
Depreciation expense	-	44,962	49,781	10,905	11,225	11,518	41	-	128,432
Disposals	-	-	(34,424)	(809)	(923)	-	-	-	(36,156)
Reclassification	-	-	-	247	-	-	(247)	-	-
Effect of foreign currency exchange differences	-	(609)	(500)	(90)	(421)	(1,069)	-	-	(2,689)
Balance at March 31, 2018	$ -	$ 4,314,144	$ 4,084,446	$ 614,702	$ 1,301,649	$ 828,568	$ 143	$ -	$ 11,143,652
Carrying amounts at March 31, 2018	$ 14,657,121	$ 4,795,443	$ 556,011	$ 110,174	$ 149,891	$ 139,767	$ 905	$ 161,448	$ 20,570,760

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 and March 31, 2018, refundable deposits received under operation leases amounted to $55,213 thousand and $55,350 thousand, respectively.

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

	December 31, 2018	March 31, 2018
Not later than 1 year	$ 239,809	$ 238,901
Later than 1 year and not later than 5 years	498,706	523,821
Later than 5 years	82,454	82,454
	$ 820,969	$ 845,176

The above items of property, plant and equipment leased under operating leases are depreciated on a straight-line basis over their estimated useful lives as follows:

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

17. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	March 31, 2019
Carrying amounts	
Land	$ 2,580
Buildings	1,787,833
Machinery equipment	639
Transportation equipment	75,345
Miscellaneous equipment	16,658
	$ 1,883,055

	For the Three Months Ended March 31, 2019
Additions to right-of-use assets	$ 44,101
Depreciation charge for right-of-use assets	
Land	$ 329
Buildings	156,173
Machinery equipment	116
Transportation equipment	9,235
Miscellaneous equipment	2,490
	$ 168,343

b. Lease liabilities - 2019

	March 31, 2019
Carrying amounts	$ 1,657,241

Range of discount rate for lease liabilities was as follows:

	March 31, 2019
Land	0.91%
Buildings	0.03%-2.99%
Machinery equipment	0.01%-0.74%
Transportation equipment	0.02%-3.00%
Miscellaneous equipment	0.02%-2.82%

c. Material lease-in activities and terms

The Group leases certain buildings for establishing branches with lease terms of 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, respectively. 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.

2019

	For the Three Months Ended March 31, 2019
Expenses relating to short-term leases	$ 5,997
Expenses relating to low-value asset leases	$ 7,805
Expenses relating to variable lease payments not included in the measurement of lease liabilities	$ 40,549
Total cash outflow for leases	$ (54,350)

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 three months ended March 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 $10,365 thousand as of March 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 and March 31, 2018, refundable deposits paid under operation leases amounted to $47,992 thousand and $43,731 thousand, respectively.

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

	December 31, 2018	March 31, 2018
Not later than 1 year	$ 621,178	$ 572,964
Later than 1 year and not later than 5 years	1,118,117	1,137,555
Later than 5 years	255,874	335,784
	$ 1,995,169	$ 2,046,303

18. INVESTMENT PROPERTY

	Completed Investment Property
Cost	
Balance at January 1, 2019	$ 14,097,759
Additions	463
Balance at March 31, 2019	$ 14,098,222
Accumulated depreciation and impairment	
Balance at January 1, 2019	$ 355,383
Depreciation expense	1,688
Balance at March 31, 2019	$ 355,071
Carrying amounts at March 31, 2019	$ 13,741,151
Carrying amounts at December 31, 2018 and January 1, 2019	$ 13,742,376

Operating leases relate to the investment property owned by the Group with lease terms between 1 and 20 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.

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

	March 31, 2019
Year 1	$ 225,125
Year 2	167,286
Year 3	137,239
Year 4	105,257
Year 5	95,219
Year 6 onwards	93,633
	$ 823,789

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

The investment properties are measured and stated at cost in the balance sheet. For management purpose, the Group's interval approved periodically measure the fair value of investment properties in accordance with the Group's internal rules and procedures. The Group conducts regular evaluations and measures by level 3 inputs. The fair values were $26,696,859 thousand, $26,506,226 thousand and $26,269,911 thousand, respectively, as of March 31, 2019, December 31, 2018 and March 31, 2018, respectively.

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

	For the Three Months Ended March 31	
	2019	**2018**
Rental incomes	$ 43,349	$ 46,971
Direct operating expenses	$ 25,950	$ 27,568

19. INTANGIBLE ASSETS

	Computer Software
Cost	
Balance at January 1, 2019	$ 731,364
Additions	40,241
Amortization expense	(58,776)
Reclassification	5,504
Effect of foreign currency exchange differences and others	396
Balance at March 31, 2019	$ 718,729
Balance at January 1, 2018	$ 436,176
Additions	9,155
Amortization expense	(49,020)
Effect of foreign currency exchange differences	(291)
Balance at March 31, 2018	$ 396,020

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

20. OTHER ASSETS

	March 31, 2019	December 31, 2018	March 31, 2018
Refundable deposits	$ 236,348	$ 666,426	$ 1,555,029
Assumed collateral and residuals	23,462	23,462	23,462
Less: Accumulated impairment	(23,462)	(23,462)	(23,462)
Prepayments	1,635,633	332,556	593,476
Others	877	869	185
	$ 1,872,858	$ 999,851	$ 2,148,690

21. DEPOSITS FROM THE CENTRAL BANK AND BANKS

	March 31, 2019	December 31, 2018	March 31, 2018
Deposits from the Central Bank	$ 24,538	$ 25,835	$ 23,382
Deposits from banks	22,138,091	28,639,448	28,151,234
Overdrafts on banks	874,941	1,167,669	1,002,922
Call loans from banks	91,029,546	82,508,426	105,645,212
Deposits transferred from Chunghwa Post Co., Ltd.	663,866	697,163	1,468,630
	$ 114,730,982	$ 113,038,541	$ 136,291,380

22. PAYABLES

	March 31, 2019	December 31, 2018	March 31, 2018
Checks issued to payees for clearing	$ 16,853,207	$ 18,402,780	$ 7,944,954
Accounts payable	3,890,830	1,776,020	1,346,303
Accrued expenses	2,873,275	2,568,648	1,680,212
Accrued interests	3,082,968	2,711,071	2,465,339
Acceptances	5,160,000	6,105,324	5,087,576
Others	4,465,668	5,113,936	4,647,296
	$ 36,325,948	$ 36,677,779	$ 23,171,680

23. DEPOSITS AND REMITTANCES

	March 31, 2019	December 31, 2018	March 31, 2018
Checking account deposits	$ 37,020,431	$ 44,742,967	$ 31,577,416
Demand deposits	395,010,868	391,831,065	406,943,185
Time deposits	389,354,897	395,634,572	402,355,588
Negotiable certificates of deposit	5,342,440	5,670,685	6,483,320
Savings account deposits	857,048,784	849,749,138	832,719,989
Remittances	1,475,160	1,952,685	863,027
	$ 1,685,252,580	$ 1,689,581,112	$ 1,680,942,525

24. BANK NOTES PAYABLE

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

The Bank issued $5,000 million perpetual subordinated bank notes-99-1 on June 29, 2010.

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 terms 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 terms on April 18, 2011.

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

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

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

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

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

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

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

The Bank issued $7,000 million perpetual subordinated bank notes 107-1 on April 26, 2018.

The Bank issued $3,000 million perpetual subordinated bank notes 107-2 on November 8, 2018.

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

Bank Note, Interest Rate and Maturity Date	March 31, 2019	December 31, 2018	March 31, 2018
Hedged financial liabilities at fair value			
103-1 Note A, 7-year terms, interest payable annually, interest rate 1.70%, maturity date: April 16, 2021	$ 2,200,000	$ 2,200,000	$ 2,200,000
103-1 Note B, 10-year terms, interest payable annually, interest rate 1.85%, maturity date: April 16, 2024	3,000,000	3,000,000	3,000,000
105-1 Note A, 7-year terms, interest payable annually, interest rate 1.09%, maturity date: September 27, 2023	1,000,000	1,000,000	1,000,000
105-1 Note B, 10-year terms, interest payable annually, interest rate 1.20%, maturity date: September 27, 2026	2,000,000	2,000,000	2,000,000
Valuation adjustment	268,558	249,055	226,097
	8,468,558	8,449,055	8,426,097
Non-hedged bank notes payable			
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	5,000,000
100-1 Note B, 10-year terms, interest payable annually, interest rate 1.72%, maturity date: March 11, 2021	1,100,000	1,100,000	1,100,000
100-2, 10-year terms, interest payable annually, floating rate, maturity date: April 18, 2021	6,700,000	6,700,000	6,700,000
103-1 Note B, 10-year terms, interest payable annually, interest rate 1.85%, maturity date: April 16, 2024	2,300,000	2,300,000	2,300,000
103-1 Note C, 10-year terms, interest payable annually, floating rate, maturity date: April 16, 2024	2,500,000	2,500,000	2,500,000
105-1 Note A, 7-year terms, interest payable annually, interest rate 1.09%, maturity date: September 27, 2023	2,000,000	2,000,000	2,000,000
105-1 Note B, 10-year terms, interest payable annually, interest rate 1.20%, maturity date: September 27, 2026	1,300,000	1,300,000	1,300,000
106-1 Note A, 7-year terms, interest payable annually, interest rate 1.50%, maturity date: March 29, 2024	1,530,000	1,530,000	1,530,000
106-1 Note B, 10-year terms, interest payable annually, interest rate 1.85%, maturity date: March 29, 2027	8,670,000	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	-
	41,100,000	41,100,000	31,100,000
	$ 49,568,558	$ 49,549,055	$ 39,526,097

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 interest rate swaps nominal principal was accounted as hedging derivative financial assets. (Refer to Note 13).

25. OTHER FINANCIAL LIABILITIES

	March 31, 2019	December 31, 2018	March 31, 2018
Principal received on structured notes	$ 4,288,918	$ 3,715,307	$ 3,319,436
Appropriations for loans	624,938	671,115	683,932
Lease payable	-	656	796
	$ 4,913,856	$ 4,387,078	$ 4,004,164

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

26. OTHER LIABILITIES

	March 31, 2019	December 31, 2018	March 31, 2018
Advance receipts	$ 714,488	$ 662,897	$ 711,721
Guarantee deposits	2,453,775	2,115,346	1,707,051
Deferred revenue	17,077	14,959	20,716
	$ 3,185,340	$ 2,793,202	$ 2,439,488

27. RESERVE FOR LIABILITIES

	March 31, 2019	December 31, 2018	March 31, 2018
Reserve for employee benefits (Note 31)	$ 4,220,358	$ 4,337,337	$ 4,117,506
Reserve for guarantee liabilities	560,094	557,933	568,046
Reserve for loan commitments	318,561	369,150	349,851
Reserve for decommissioning restoration and rehabilitation costs	59,286	-	-
Reserve for contingencies	271	-	397
Others	31,650	31,912	-
	$ 5,190,220	$ 5,296,332	$ 5,035,800

Movements in reserve for guarantee liabilities, reserve for loans commitments and reserve for others.

	For the Three Months Ended March 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 the Laws**	**Total**
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	(980)	948	-	(32)	-	(32)
Transfers to credit-impaired financial assets	(3)	-	153	150	-	150
Transfers to 12-month expected credit losses	(277)	(33)	-	(310)	-	(310)
Financial assets derecognize for the period	(150,427)	(2,361)	(6,879)	(159,667)	-	(159,667)
Purchase or originated financial assets	85,061	5,955	-	91,016	-	91,016
Recognized impairment difference based on the Laws	-	-	-	-	21,384	21,384
Changes in exchange rates or others	312	(9)	(1,534)	(1,231)	-	(1,231)
Ending balance	$ 391,863	$ 30,688	$ 32,922	$ 455,473	$ 454,832	$ 910,305

	For the Three Months Ended March 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 the Laws**	**Total**
Beginning balance	$ 478,273	$ 125,946	$ 404,541	$1,008,760	$ (31,418)	$ 977,342
Changes from financial instruments recognized at the beginning of the period:						
Transfers to lifetime expected credit losses	(1,114)	268,573	(267,458)	1	-	1
Transfers to credit-impaired financial assets	(383)	(174)	558	1	-	1
Transfers to 12-month expected credit losses	101,669	(100,221)	-	1,448	-	1,448
Financial assets derecognize for the period	(234,424)	(272,643)	(91,344)	(598,411)	-	(598,411)
Purchase or originated financial assets	78,890	8,858	52,971	140,719	-	140,719
Recognized impairment difference based on the Laws	$ -	$ -	$ -	$ -	$ 395,525	$ 395,525
Changes in exchange rates or others	1,275	(2)	(1)	1,272	-	1,272
Ending balance	$ 424,186	$ 30,337	$ 99,267	$ 553,790	$ 364,107	$ 917,897

28. RETIREMENT BENEFIT PLANS

Employee benefits expense in respect of the Bank's defined benefit retirement plans was calculated using the prior year's actuarially determined pension cost discount rate as of December 31, 2018 and 2017 and the amount was $79,656 thousand and $80,227 thousand for the three months ended March 31, 2019 and 2018, respectively.

29. EQUITY

a. Capital

Common stock

	March 31, 2019	December 31, 2018	March 31, 2018
Number of stock authorized (in thousands)	11,000,000	11,000,000	11,000,000
Stock authorized	$ 110,000,000	$ 110,000,000	$ 110,000,000
Number of stock issued and fully paid (in thousands)	9,789,521	9,789,521	9,413,001
Stock issued	$ 97,895,207	$ 97,895,207	$ 94,130,007

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 September 2018, the Bank resolved capitalization of earnings and increased its paid-in capital by $3,765,200 thousand. The amount of the Bank's authorized and registered capital at December 31, 2018 were $110,000,000 thousand divided into 11,000,000 thousand shares and, also at those dates, the amounts of total paid-in capital were $97,895,207 thousand divided into 9,789,521 thousand outstanding shares, at $10 par value.

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 made 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 30f, "employee benefits expenses".

To ensure the Bank has cash for present and future expansion plans and to raise 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 legal reserve equals 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 by the authority and also the Bank appropriates the legal reserve based on the Banking Law.

The appropriations of earnings for 2018 and 2017 were proposed by the board of directors on April 26, 2019 and approved in the stockholders' meetings on June 8, 2018, respectively. The appropriations of earnings and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	2018	**2017**	**2018**	**2017**
Legal reserve	$ 3,793,960	$ 3,627,932	$ -	$ -
Special reserve	63,233	60,466	-	-
Dividends of common stock - cash	6,265,293	4,235,850	0.64	0.45
Dividends of common stock - stock	1,957,904	3,765,200	0.20	0.40

The appropriations of earnings, the bonus of employees, and the remuneration of directors and supervisors for 2018 are subject to the resolution of the stockholders' meeting to be held on June 14, 2019.

c. Special reserve

	March 31, 2019	**December 31, 2018**	**March 31, 2018**
Special reserves appropriated following first-time adoption of IFRSs	$ 11,778,829	$ 11,778,829	$ 11,778,829
Others	362,587	362,587	302,121
	$ 12,141,416	$ 12,141,416	$ 12,080,950

30. NET INCOME

a. Net income of interest

	For the Three Months Ended March 31	
	2019	2018
Interest income		
Loans	$ 7,299,099	$ 7,107,415
Due from and call loans to banks	1,555,746	1,163,865
Investment in marketable securities	938,605	838,941
Others	76,787	67,695
	9,870,237	9,177,916
Interest expense		
Deposits	(3,149,796)	(2,663,479)
Due to central bank and call loans from banks	(708,220)	(550,294)
Others	(281,232)	(194,471)
	(4,139,248)	(3,408,244)
Net income of interest	$ 5,730,989	$ 5,769,672

b. Net service fee income

	For the Three Months Ended March 31	
	2019	2018
Service fee income		
Fees from import and export	$ 78,392	$ 88,373
Remittance fees	114,162	121,936
Loan fees	114,848	156,545
Fees from trust	156,603	285,074
Fees from trust business	71,631	71,049
Fees from insurance agency	597,848	475,542
Others	293,364	276,307
	1,426,848	1,474,826
Service charge		
Interbank fees	(40,589)	(38,206)
Fees from trust	(4,410)	(10,970)
Custodian fees	(21,003)	(27,231)
Fees from insurance agency	(61,798)	(37,619)
Others	(134,436)	(134,326)
	(262,236)	(248,352)
Net service fee income	$ 1,164,612	$ 1,226,474

c. Gain (loss) on financial assets or liabilities measured at FVTPL

	For the Three Months Ended March 31	
	2019	**2018**
Disposal gain (loss) on financial assets or liabilities measured at FVTPL		
Stock	$ 6,474	$ (1,352)
Bonds	2,106	3,480
Bills	-	11
Derivative financial instruments	793,335	745,725
Net interest loss	(77,944)	(79,291)
	723,971	668,573
Valuation gain (loss) on financial assets or liabilities measured at FVTPL		
Stock	(330)	(2,628)
Bonds	(254,324)	248,448
Bills	(775)	(68)
Derivative financial instruments	98,219	(168,360)
	(157,210)	77,392
	$ 566,761	$ 745,965

d. Realized gain (loss) on financial assets at FVTOCI

	For the Three Months Ended March 31	
	2019	**2018**
Stock dividends and bonus	$ 1,610	$ -
Disposal gains		
Bonds	193,329	8,366
Disposal losses		
Beneficiary certificates	(43)	-
Bonds	(797)	(14)
	$ 194,099	$ 8,352

e. Depreciation and amortization expense

	For the Three Months Ended March 31	
	2019	**2018**
Property and equipment	$ 132,507	$ 128,432
Investment property	1,688	1,658
Right-of use assets	168,343	-
Intangible assets and other deferred assets	58,837	49,040
	$ 361,375	$ 179,130

f. Employee benefits expenses

	For the Three Months Ended March 31	
	2019	2018
Short-term employee benefits	$ 2,350,015	$ 2,322,254
Post-employment benefits		
Defined contribution plans	46,799	43,714
Defined benefit plans	79,656	80,227
High-yield savings account for employees	129,608	126,395
Other post-employment benefits	2,504	2,122
Termination benefits	6,273	862
	$ 2,614,855	$ 2,575,574

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 remuneration of directors for the three months ended March 31, 2019 and 2018 were as follows:

Accrual rate

	For the Three Months Ended March 31	
	2019	2018
Employees' compensation	5.00%	5.00%
Remuneration of directors	0.40%	0.40%

Amount

	For the Three Months Ended March 31	
	2019	2018
	Cash	Cash
Employees' compensation	$ 193,050	$ 192,000
Remuneration of directors	15,450	15,300

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.

The appropriations of employees' compensation and remuneration of directors for 2018 and 2017 having been resolved by the board of directors on March 15, 2019 and March 20, 2018, respectively, were as below:

	For the Year Ended December 31	
	2018	2017
	Cash	Cash
Employees' compensation	$ 777,327	$ 749,711
Remuneration of directors	62,186	59,977

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 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 consolidated financial statements	$ 777,500	$ 62,500
Differences	$ (173)	$ (314)

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

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 Three Months Ended March 31	
	2019	2018
Current income tax		
In respect of the current period	$ 508,651	$ 579,844
Deferred income tax		
In respect of the current period	$ 131,861	$ 136,549
Adjustments to deferred tax attributable to changes in tax rates and laws	-	(483,061)
Income tax expense recognized in profit or loss	$ 640,512	$ 233,332

The Income Tax Act in the ROC was amended in 2018 and the corporate income tax rate was adjusted from 17% to 20% effective in 2018. The effect of the change in tax rate on deferred tax income to be recognized in profit or loss is recognized in full in the period in which the change in tax rate occurs. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings will be reduced from 10% to 5%.

b. Income tax recognized in other comprehensive income

	For the Three Months Ended March 31	
	2019	2018
Deferred tax		
In respect of the current year:		
Translation of foreign financial statements	$ 40,101	$ 16,648
Unrealized gains of financial assets at FVTOCI	7,866	(4,981)
Effect of tax rate changes	-	(24,422)
Total income tax benefit recognized in other comprehensive income	$ 47,967	$ (12,755)

c. 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 September 10, 2018. The basic and diluted after-tax earnings per share of three months ended March 31, 2018 were adjusted retrospectively as follows:

Unit: NT$ Per Share

	For the Three Months Ended March 31, 2018	
	Before Adjusted Retrospectively	After Adjusted Retrospectively
Basic earnings per share	$ 0.36	$ 0.35
Diluted earnings per share	$ 0.36	$ 0.35

The earnings and weighted average number of common stock outstanding in the computation of earnings per share were as follows:

	For the Three Months Ended March 31	
	2019	2018
Net profit for the period	$ 3,136,281	$ 3,428,698

Weighted average number of common stock outstanding (in thousand stocks):

	For the Three Months Ended March 31	
	2019	2018
Weighted average number of common stock in computation of basic earnings per share	9,789,521	9,789,521
Effect of potentially dilutive common stock:		
Employees' compensation issued	39,180	40,653
Weighted average number of common stock used in the computation of diluted earnings per share	9,828,701	9,830,174

If the Group offered to settle compensation or bonuses paid to employees in cash or stock, the Group 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 share, as the effect is dilutive. Such dilutive effect of the potential stock is included in the computation of diluted earnings per share until the number of stock to be distributed to employees is resolved in the following year.

33. CAPITAL RISK MANAGEMENT

The description of the goals and procedures of the capital risk management of the Group is the same as the description in the Group's consolidated financial statements for the year ended December 31, 2018.

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

March 31, 2019

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets					
Financial assets at amortized cost	$ 260,258,998	$ 6,779,048	$ 253,515,879	$ -	$ 260,294,927
Financial liabilities					
Bank notes payable	49,568,558	-	8,468,558	42,169,547	50,638,105

December 31, 2018

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets					
Financial assets at amortized cost	$ 268,059,805	$ 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

March 31, 2018

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets					
Financial assets at amortized cost	$ 260,028,625	$ 8,603,188	$ 251,461,802	$ -	$ 260,064,990
Financial liabilities					
Bank notes payable	39,526,097	-	8,426,097	31,937,546	40,363,643

b. Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

Fair Value Measurement of Financial Instruments	March 31, 2019			
	Total	Level 1	Level 2	Level 3
Non-derivative financial products				
Assets				
Financial assets at FVTPL	$ 6,432,735	$ 14,025	$ 6,418,710	$ -
Financial assets mandatorily measured at FVTPL				
Stocks investments	14,025	14,025	-	-
Bond investments	975,162	-	975,162	-
Others	5,443,548	-	5,443,548	-
Financial assets at FVTOCI	95,753,735	66,615,343	21,708,978	7,429,414
Stock investments	12,798,714	5,369,300	-	7,429,414
Bond investments	79,379,108	57,670,130	21,708,978	-
Others	3,575,913	3,575,913	-	-
Liabilities				
Financial liabilities at FVTPL	9,529,943	-	9,529,943	-
Derivative financial products				
Assets				
Financial assets at FVTPL	2,459,286	202,629	2,256,657	-
Other financial assets				
Financial assets for hedging	261,845	-	261,845	-
Liabilities				
Financial liabilities at FVTPL	1,641,734	-	1,641,734	-

Fair Value Measurement of Financial Instruments	December 31, 2018			
	Total	Level 1	Level 2	Level 3
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	91,938,199	67,016,293	17,783,861	7,138,045
Stock investments	11,923,261	4,785,216	-	7,138,045
Bond investments	76,842,463	59,058,602	17,783,861	-
Others	3,172,475	3,172,475	-	-
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	-

Fair Value Measurement of Financial Instruments	March 31, 2018			
	Total	Level 1	Level 2	Level 3
Non-derivative financial products				
Assets				
Financial assets at FVTPL	$ 6,375,180	$ 122,138	$ 6,253,042	$ -
Financial assets mandatorily measured at FVTPL	6,199,921	122,138	6,077,783	-
Stocks and mutual funds	122,138	122,138	-	-
Bond investments	1,581,676	-	1,581,676	-
Others	4,496,107	-	4,496,107	-
Financial assets designated at fair value through profit or loss	175,259	-	175,259	-
Financial assets at fair value through other comprehensive income	85,083,777	40,877,754	44,206,023	-
Stock investments	12,009,185	4,069,446	-	7,939,739
Bond investments	71,453,290	35,187,006	36,266,284	-
Others	1,621,302	1,621,302	-	-
Liabilities				
Financial liabilities at FVTPL	8,426,766	-	8,426,766	-
Derivative financial products				
Assets				
Financial assets at FVTPL	2,833,348	184,292	2,649,056	-
Other financial assets				
Financial assets for hedging	227,362	-	277,362	-
Liabilities				
Financial liabilities at FVTPL	3,401,233	-	3,401,233	-

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 three months ended March 31, 2019

Financial Assets	Financial Assets at FVTOCI Equity Instrument
Beginning balance	$ 7,138,045
Realized gains on other comprehensive income/unrealized gain (loss) on financial assets at FVTOCI	294,369
Ending balance	$ 7,432,414

For the three months ended March 31, 2018

Financial Assets	Financial Assets at FVTOCI Equity Instrument
Beginning balance	$ 7,678,043
Realized gains on other comprehensive income/unrealized gain (loss) on financial assets at FVTOCI	261,696
Ending balance	$ 7,939,739

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 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

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 Taiwan Bills Index Rate (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 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 with no 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 need 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 market 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 of 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, PVO1, 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 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. 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 with no active market; (3) valuation with no active market.

iv. Risk measuring methods

i) The sensitivity of the interest rate changes of investment portfolio is measured by DVO1. 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, please 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 DVO1. With regard to the Bank's Value at Risk assumptions and calculation methods, please refer to item i.

f) Banking book interest rate risk management

i. Definition of banking book interest rate risk

The 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 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 Bank's Value at Risk assumptions and calculation methods, please 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 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, please 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 who hold the position to subject to the related regulations. The department who 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, please 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 uses 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 March 31, 2019 and 2018, the Group's VaR factors based on historical simulation method were as follows:

	For the Three Months Ended March 31, 2019			
	Average	**Highest**	**Lowest**	**Ending Balance**
Exchange VaR	$ 75,646	$ 107,883	$ 46,990	$ 77,374
Interest rate VaR	3,760	5,258	2,307	4,870
Equity securities VaR	3,461	13,489	-	505
Value at risk	$ 82,867	$ 126,630	$ 49,297	$ 82,749

	For the Three Months Ended March 31, 2018			
	Average	**Highest**	**Lowest**	**Ending Balance**
Exchange VaR	$ 106,325	$ 128,486	$ 93,161	$ 104,621
Interest rate VaR	7,446	12,614	4,620	5,586
Equity securities VaR	2,668	3,527	-	3,110
Value at risk	$ 116,439	$ 144,627	$ 97,781	$ 113,317

2) Primary foreign currencies

The significant foreign-currency financial assets and liabilities as of March 31, 2019, December 31, 2018 and March 31, 2018 were as follows:

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	March 31, 2019		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
Monetary items			
USD	$ 9,930,139	30.8400	$ 306,245,487
AUD	1,345,454	21.8450	29,391,443
HKD	1,016,562	3.9280	3,993,056
CAD	84,479	22.9600	1,939,638
ZAR	1,559,120	2.1100	3,289,743
JPY	49,401,399	0.2785	13,758,290
EUR	270,243	34.6300	9,358,515
RMB	10,009,987	4.5750	45,795,691
Non-monetary items			
USD	6,042	30.8400	186,335

(Continued)

	March 31, 2019		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial liabilities			
Monetary items			
USD	$ 9,799,340	30.8400	$ 302,211,646
GBP	32,338	40.3200	1,303,868
AUD	1,242,603	21.8450	27,144,663
HKD	873,014	3.9280	3,429,199
CAD	84,632	22.9600	1,943,151
ZAR	2,534,907	2.1100	5,348,654
JPY	50,819,316	0.2785	14,153,180
EUR	417,929	34.6300	14,472,881
NZD	52,693	20.9200	1,102,338
RMB	11,537,585	4.5750	52,784,451
Non-monetary items			
USD	311,364	30.8400	9,602,466

(Concluded)

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	December 31, 2018		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 8,898,028	30.7350	$ 273,480,891
GBP	27,843	38.9000	1,083,093
AUD	1,095,013	21.6550	23,712,507
HKD	1,199,145	3.9230	4,704,246
SGD	21,017	22.4400	471,621
CAD	67,346	22.5800	1,520,673
ZAR	72,053	2.1200	152,752
JPY	49,710,296	0.2774	13,789,636
EUR	390,042	35.1800	13,721,678
RMB	13,892,214	4.4690	62,084,304
Non-monetary items			
USD	2,806	30.7350	86,242
Financial liabilities			
Monetary items			
USD	10,260,713	30.7350	315,363,014
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	52,062,479	0.2774	14,442,132
EUR	452,284	35.1800	15,911,351

(Continued)

	December 31, 2018		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
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

(Concluded)

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	March 31, 2018		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 7,722,935	29.1000	$ 224,737,409
GBP	77,177	40.7800	3,147,278
AUD	1,078,448	22.3450	24,097,921
HKD	1,676,715	3.7070	6,215,583
SGD	62,182	22.2000	1,380,440
CAD	98,652	22.5700	2,226,576
ZAR	2,541,371	2.4500	6,226,359
JPY	54,065,112	0.2739	14,808,434
EUR	397,523	35.8600	14,255,175
RMB	19,089,541	4.6460	88,690,007
Non-monetary items			
USD	182,180	29.1000	5,301,438
Financial liabilities			
Monetary items			
USD	10,074,286	29.1000	293,161,723
GBP	69,356	40.7800	2,828,338
AUD	977,697	22.3450	21,846,639
HKD	1,384,142	3.7070	5,131,014
CAD	97,024	22.5700	2,189,832
ZAR	2,671,901	2.4500	6,546,157
JPY	59,662,672	0.2739	16,341,606
EUR	419,560	35.8600	15,045,422
RMB	15,662,646	4.6460	72,768,653
Non-monetary items			
USD	303,153	29.1000	8,821,752

For the three months ended March 31, 2019 and 2018, net foreign exchange gains (losses) were $330,439 thousand and $(3,877) 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 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. To meet the needs of risk management, the Group continues to enhance corporate and personal finance credit application management system and various risk management techniques and efficiency.

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 Bank 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 building a knowledge base to facilitate learning and assessment. To meet the business demand, it holds risk management seminars and trainings to shape the Group’s risk management culture

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 determined 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.

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

  <u>A change in internal credit rating</u>

  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.

Credit Quality	**Internal Credit Rating**	**External Credit Rating (Moody's)**
Normal	1	Aaa
	2	Aa1
	3	Aa2
	4	Aa3
	5	A1
	6	A2
	7	A3
	8	Baa1
	9	Baa2
	10	Baa3
	11	Ba1
	12	Ba2
	13	Ba3
	14	B1
	15	B2
	16	B3
	17	Caa1
Non-performing	18	Caa2
	19	Caa3
	20	D
	21	D

- Qualitative indicators

  A credit account is rated as ordinary-overdue in accordance with the Group's "Detailed Rules for the Processing of Ordinary-overdue 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 Group 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 Bank.

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
	Other groups
Individual banking loans	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 ECL based on past loss experience. The ECL 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 ECL. The ECL 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 ECL. The ECL 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.

- The LGD is one minus the present value of the annual recovery rate. The annual recovery rate refers to the annual recovery amount of principal (including litigation expenses) and interest over non-performing loans plus accrued interest and litigation expenses.

v) 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 the above categories is estimated using the domestic economic growth rate, global economic growth rate, Southeast Asia economic growth rate and the domestic unemployment rate, respectively, and is 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 ECL at the time of initial recognition of the credit impaired financial assets - loans which were purchased or originated is as follows:

	March 31	
	2019	**2018**
Loans	$ 1,547,360	$ 1,686,340

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 FVTOCI. The measurement of ECL 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 ECL 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 balance sheet:

<u>March 31, 2019</u>

		Maximum Exposure to Credit Risk Mitigated by			
	Carrying Amount	**Collateral**	**Master Netting Arrangement**	**Other Credit Enhancements**	**Total**
Discounts and loans	$ 1,355,516,043	$ 904,106,052	$ -	$ -	$ 904,106,052
Financial assets at FVTPL	8,892,021	3,648,125	-	-	3,648,125
Investments in debt instruments at FVTOCI	82,955,021	4,050,000	-	-	4,050,000
Investments in debt instruments at amortized cost	260,258,988	754,072	-	-	754,072

<u>December 31, 2018</u>

		Maximum Exposure to Credit Risk Mitigated by			
	Carrying Amount	**Collateral**	**Master Netting Arrangement**	**Other Credit Enhancements**	**Total**
Discounts and loans	$ 1,353,273,730	$ 912,119,282	$ -	$ -	$ 912,119,982
Financial assets at FVTPL	10,917,490	4,148,425	-	-	4,148,425
Investments in debt instruments at FVTOCI	80,014,938	4,184,101	-	-	4,184,101
Investments in debt instruments at amortized cost	268,059,805	1,099,404	-	-	1,099,404

<u>March 31, 2018</u>

		Maximum Exposure to Credit Risk Mitigated by			
	Carrying Amount	**Collateral**	**Master Netting Arrangement**	**Other Credit Enhancements**	**Total**
Loan	$ 1,385,131,429	$ 906,775,845	$ -	$ -	$ 906,775,845
Financial assets at FVTPL	9,208,528	3,448,272	-	-	3,448,272
Investments in debt instruments designated at FVTOCI	73,074,592	2,818,325	-	-	2,818,325
Investments in debt instruments at amortized cost	260,028,625	1,328,057	-	-	1,328,057

The carrying amount of financial assets with maximum exposure is as follows:

	Discounts and Loans March 31, 2019 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	$ 816,673,038	$ 1,729,146	$ 36,123	$ 818,438,307
Levels 16-18	-	50,830,855	3,633,191	54,464,046
Levels 19-21	-	-	7,369,681	7,369,681
No rating	471,116,361	2,272,335	1,855,313	475,244,009
Total carrying amount	$ 1,287,789,399	$ 54,832,336	$ 12,894,308	$ 1,355,516,043
Expected credit losses	$ 1,605,661	$ 1,291,504	$ 4,663,206	$ 7,560,371
Recognized impairment based on the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts				9,246,251
				$ 16,806,622

	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	$ 829,132,008	$ 794,433	$ 36,123	$ 829,962,564
Levels 16-18	-	50,738,114	3,166,966	53,905,080
Levels 19-21	-	-	8,286,739	8,286,739
No rating	456,828,033	2,208,988	2,082,326	461,119,347
Total carrying amount	$ 1,285,960,041	$ 53,741,535	$ 13,572,154	$ 1,353,273,730
Expected credit losses	$ 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				7,741,522
				$ 16,572,635

	Discounts and Loans March 31, 2018 Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total
Credit rating				
Level 1-15	$ 830,041,743	$ 272,002	$ -	$ 830,313,745
Level 16-18	-	43,844,067	3,278,155	47,122,222
Level 19-21	-	-	7,794,429	7,794,429
No rating	496,459,693	1,314,316	2,127,024	499,901,033
Total carrying amount	$ 1,326,501,436	$ 45,430,385	$ 13,199,608	$ 1,385,131,429
Expected credit losses	$ 1,938,837	$ 1,471,744	$ 5,168,157	$ 8,578,737
Recognized impairment based on the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts				7,982,516
				$ 16,561,253

	Guarantee Payments March 31, 2019			
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total
Carrying amount	$ 46,913,212	$ 578,431	$ 94,625	$ 47,586,268
Expected credit losses	87,667	5,390	23,696	116,753

	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	$ 46,464,389	$ 643,055	$ 132,833	$ 47,240,277
Expected credit losses	114,722	4,510	29,977	149,209

	Guarantee Payments March 31, 2018			
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total
Carrying amount	$ 43,517,674	$ 590,304	$ 261,259	$ 44,369,237
Expected credit losses	108,474	15,029	82,231	205,734

	Loan Commitments March 31, 2019			
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total
Carry amount - non-cancellable	$ 68,193,278	$ 4,801,315	$ 515	$ 72,995,108
Carry amount - cancellable	616,872,446	9,150,185	138,716	626,161,347
	$ 685,065,724	$ 13,951,500	$ 139,231	$ 699,156,455
Expected credit losses - non-cancellable	$ 67,700	$ 24,072	$ 168	$ 91,940
Expected credit losses - cancellable	224,245	115	1,449	225,809
	$ 291,945	$ 24,187	$ 1,617	$ 317,749

	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	$ 64,459,258	$ 4,316,557	$ 515	$ 68,776,330
Carry amount - cancellable	616,419,050	8,671,211	1,649,431	626,739,692
	$ 680,878,308	$ 12,987,768	$ 1,649,946	$ 695,516,022
Expected credit losses - non-cancellable	$ 78,405	$ 21,022	$ 168	$ 99,595
Expected credit losses - cancellable	254,219	41	1,383	255,643
	$ 332,624	$ 21,063	$ 1,551	$ 355,238

	Loan Commitments			
	March 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	$ 70,674,430	$ 1,542,840	$ 91,547	$ 72,308,817
Carry amount - cancellable	550,455,455	9,066,747	788,556	560,310,758
	$ 621,129,885	$ 10,609,587	$ 880,103	$ 632,619,575
Expected credit losses - non-cancellable	$ 73,479	$ 15,309	$ 17,036	$ 105,824
Expected credit losses - cancellable	242,233	147	1,647	244,027
	$ 315,712	$ 15,456	$ 18,683	$ 349,851

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 financial statements.

As of March 31, 2019, December 31, 2018 and March 31, 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	March 31, 2019	December 31, 2018	March 31, 2018
Unused loan commitments (excluding credit card)	$ 72,995,108	$ 68,776,330	$ 72,308,817
Credit card commitments	239,066	316,154	340,693
Unused issued letters of credit	25,329,219	23,341,732	25,093,589
Guarantees in guarantee business	47,586,268	47,240,277	44,369,237

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	March 31, 2019 Carrying Amount	March 31, 2019 Percentage of Item (%)
Financial and insurance	$ 57,926,102	4
Manufacturing	354,178,807	26
Wholesale and retail	114,417,380	8
Real estate and leasing	102,895,404	8
Service	44,164,232	3
Individuals	445,992,727	33
Others	235,941,391	18
	$ 1,355,516,043	

Industry Type	December 31, 2018 Carrying Amount	December 31, 2018 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
	$ 1,353,273,730	

Industry Type	March 31, 2018 Carrying Amount	March 31, 2018 Percentage of Item (%)
Financial and insurance	$ 61,449,156	4
Manufacturing	348,886,016	25
Wholesale and retail	120,492,774	9
Real estate and leasing	103,611,612	8
Service	42,187,957	3
Individuals	455,019,124	33
Others	253,484,790	18
	$ 1,385,131,429	

Geographic Location	March 31, 2019 Carrying Amount	March 31, 2019 Percentage of Item (%)
Asia	$ 1,248,483,812	92
America	85,229,246	6
Europe	16,595,223	1
Others	5,207,762	1
	$ 1,355,516,043	

Geographic Location	December 31, 2018 Carrying Amount	December 31, 2018 Percentage of Item (%)
Asia	$ 1,247,574,057	93
America	84,018,748	6
Europe	17,022,782	1
Others	4,658,143	-
	$ 1,353,273,730	

Geographic Location	March 31, 2018 Carrying Amount	March 31, 2018 Percentage of Item (%)
Asia	$ 1,324,421,907	96
America	43,857,593	3
Europe	15,500,717	1
Others	1,351,212	-
	$ 1,385,131,429	

Securities Type	March 31, 2019 Carrying Amount	March 31, 2019 Percentage of Item (%)
Unsecured	$ 451,409,991	33
Secured		
Properties	767,830,700	57
Others	136,275,352	10
	$ 1,355,516,043	

Securities Type	December 31, 2018 Carrying Amount	Percentage of Item (%)
Unsecured	$ 441,154,448	33
Secured		
Properties	773,714,213	57
Others	138,405,069	10
	$ 1,353,273,730	

Securities Type	March 31, 2018 Carrying Amount	Percentage of Item (%)
Unsecured	$ 478,355,584	35
Secured		
Properties	751,663,095	54
Others	155,112,750	11
	$ 1,385,131,429	

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 March 31, 2019 and 2018, the ratio of the liquidity reserve was 16.88% and 18.36%, 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	March 31, 2019					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Major maturity fund inflows						
Cash and cash equivalents	$ 28,523,267	$ -	$ -	$ -	$ -	$ 28,523,267
Due from the Central Bank and call loans to banks	24,319,257	3,708,289	4,555,537	6,471,564	28,705,086	67,759,733
Financial assets at FVTPL	5,563,375	-	-	-	-	5,563,375
Receivables	16,290,810	709,181	804,027	192,611	274,600	18,271,229
Loans	105,138,706	121,324,804	113,017,024	162,938,505	620,272,630	1,122,691,669
Investments in equity instruments designated at FVTOCI	-	-	-	-	12,798,714	12,798,714
Investments in debt instruments at FVTOCI	-	500,945	200,781	2,105,577	18,017,634	20,824,937
Investments in debt instruments at amortized cost	137,600,000	9,174,363	23,249,697	24,599,080	12,937,145	207,560,285
Other maturity funds inflow items	-	-	-	-	26,934,480	26,934,480
	317,435,415	135,417,582	141,827,066	196,307,337	719,940,289	1,510,927,689
Major maturity fund outflows						
Deposits from the Central Bank and banks	339,565	9,837	297,878	163,781	-	811,061
Due to the Central Bank and banks	8,905,000	15,000	-	-	-	8,920,000
Securities sold under repurchase agreements	1,122,360	1,304,770	-	-	-	2,427,130
Payables	30,917,116	1,112,563	1,417,182	632,322	1,232,333	35,311,516
Deposits and remittances	99,552,342	111,166,852	137,120,221	194,792,041	743,066,010	1,285,697,466
Bank notes payable	-	-	-	-	49,300,000	49,300,000
Other maturity fund outflow items	31,901	46,470	68,956	288,472	5,877,098	6,312,897
	140,868,284	113,655,492	138,904,237	195,876,616	799,475,441	1,388,780,070
Gap	$ 176,567,131	$ 21,762,090	$ 2,922,829	$ 430,721	($ 79,535,152)	$ 122,147,619

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					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
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	28,968,211	83,422,338
Financial assets at FVTPL	7,729,884	-	-	-	-	7,729,884
Receivables	16,275,268	872,180	445,913	248,936	191,491	18,033,788
Discounts and loans	94,031,335	107,115,359	116,662,681	162,850,400	644,681,385	1,125,341,160
Investments in equity instruments designated at FVTOCI	-	-	-	-	11,923,261	11,923,261
Investments in debt instruments at FVTOCI	800,273	1,401,115	502,125	2,213,254	18,516,789	23,433,556
Investments in debt instruments at amortized cost	141,525,000	11,239,961	6,474,259	41,699,432	14,245,505	215,184,157
Other maturity funds inflow items	-	-	-	-	26,733,348	26,733,348
	329,451,823	124,757,664	128,508,071	213,267,360	745,259,990	1,541,244,908
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	714,914	1,650,586	-	-	-	2,365,500
Payables	29,361,163	2,156,063	442,880	1,424,538	807,250	34,191,894
Deposits and remittances	110,834,474	124,202,476	133,370,347	188,618,379	721,545,066	1,278,570,742
Bank notes payable	-	-	-	-	49,300,000	49,300,000
Other maturity fund outflow items	40,584	75,316	48,354	269,826	5,793,570	6,227,650
	146,845,807	128,286,188	133,880,670	190,737,702	777,445,886	1,377,196,253
Gap	$ 182,606,016	$ (3,528,524)	$ (5,372,599)	$ 22,529,658	$ (32,185,896)	$ 164,048,655

Note: The amounts listed above were the position in N.T. dollars of the Bank.

(In Thousands of New Taiwan Dollars)

Item	March 31, 2018					
	0-30 Days	**31-90 Days**	**91-180 Days**	**181 Days-1 Year**	**Over 1 Year**	**Total**
Major maturity fund inflows						
Cash and cash equivalents	$ 16,817,216	$ -	$ -	$ -	$ -	$ 16,817,216
Due from the Central Bank and call loans to banks	25,550,844	3,763,264	4,837,455	6,604,673	24,874,505	65,630,741
Financial assets at FVTPL	6,023,372	-	-	-	-	6,023,372
Receivables	19,192,217	793,236	483,516	185,285	116,375	20,770,629
Loans	84,110,801	109,562,482	108,889,461	207,385,622	637,538,369	1,147,486,735
Investments in equity instruments designated at FVTOCI	-	-	-	-	12,009,185	12,009,185
Investments in debt instruments at FVTOCI	-	200,152	-	2,211,734	29,212,060	31,623,946
Investments in debt instruments at amortized cost	136,200,000	6,600,000	13,184,959	24,435,727	30,825,289	211,245,975
Other maturity funds inflow items	-	-	-	-	14,272,086	14,272,086
	287,894,450	120,919,134	127,395,391	240,823,041	748,847,869	1,525,879,885
Major maturity fund outflows						
Deposits from the Central Bank and banks	270,948	155,196	786,178	488,725	-	1,710,047
Due to the Central Bank and banks	9,055,000	310,000	-	-	-	9,365,000
Securities sold under repurchase agreements	1,712,208	1,433,252	-	-	-	3,145,460
Payables	19,667,291	1,128,452	1,166,640	752,330	1,812,176	24,526,889
Deposits and remittances	109,577,670	113,957,825	146,876,420	200,533,257	693,155,007	1,264,100,179
Bank notes payable	-	-	-	-	39,300,000	39,300,000
Other maturity fund outflow items	34,590	56,341	57,583	316,447	5,809,944	6,274,905
	140,317,707	117,041,066	148,886,821	202,090,759	740,077,127	1,348,413,480
Gap	$ 147,576,743	$ 3,878,068	$ (21,491,430)	$ 38,732,282	$ 8,770,742	$ 177,466,405

Note: The amounts listed above were the position in N.T. dollars of the Bank.

(In Thousands of United States Dollars)

Item	March 31, 2019					
	0-30 Days	**31-90 Days**	**91-180 Days**	**181 Days-1 Year**	**Over 1 Year**	**Total**
Major maturity fund inflows						
Cash and cash equivalents	$ 377,360	$ 300,070	$ -	$ -	$ -	$ 677,430
Due from the Central Bank and call loans to banks	2,463,309	1,252,970	217,931	52,194	3,434	3,989,838
Financial assets at FVTPL	28,189	-	-	-	-	28,189
Receivables	624,087	169,821	149,706	8,729	15,442	967,785
Loans	652,736	778,818	444,013	371,486	3,489,205	5,736,258
Investments in debt instruments designated at FVTOCI	5,221	-	24,095	81,006	1,102,600	1,212,922
Investments in debt instruments at amortized cost	4,087	-	-	10,990	271,878	286,955
Other maturity fund inflow items	5,000	-	425,000	800,000	3,085	1,233,085
	4,159,989	2,501,679	1,260,745	1,324,405	4,885,644	14,132,462
Major maturity fund outflows						
Deposits from the Central Bank and banks	708,370	5,697	1,046	2,090	85	717,288
Due to the Central Bank and banks	1,589,558	340,000	13,000	-	-	1,942,558
Financial liabilities at FVTPL	-	-	-	309,012	-	309,012
Securities sold under repurchase agreements	-	39,155	-	-	-	39,155
Payables	714,728	32,758	7,050	6,320	2,143	762,999
Deposits and remittances	1,831,866	1,895,031	1,506,116	1,755,251	2,777,277	9,765,541
Other maturity fund outflow items	48,334	1,216	74	10,953	98,854	159,431
	4,892,856	2,313,857	1,527,286	2,083,626	2,878,359	13,695,984
Gap	$ (732,867)	$ 187,822	$ (266,541)	$ (759,221)	$ 2,007,285	$ 436,478

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					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Major maturity fund inflows						
Cash and cash equivalents	$ 806,846	$ 230,024	$ -	$ -	$ -	$ 1,036,870
Due from the Central Bank and call loans to banks	2,212,411	821,005	66,451	146,453	3,256	3,249,576
Financial assets at FVTPL	27,710	-	-	-	-	27,710
Receivables	540,228	189,153	234,864	13,399	16,178	993,822
Discounts and loans	532,202	713,629	589,275	290,123	3,459,503	5,584,732
Investments in debt instruments at FVTOCI	7,231	11,006	5,000	72,133	1,063,024	1,158,394
Investments in debt instruments at amortized cost	7,996	-	4,083	2,991	279,875	294,945
Other maturity fund inflow items	5,000	-	28,000	525,000	6,904	564,904
	4,139,624	1,964,817	927,673	1,050,099	4,828,740	12,910,953
Major maturity fund outflows						
Deposits from the Central Bank and banks	809,709	74,535	10,802	1,605	85	896,736
Due to 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	-	667,139
Deposits and remittances	2,576,125	2,334,002	1,212,298	1,256,576	2,766,131	10,145,132
Other maturity fund outflow items	60,389	1,001	552	10,946	87,633	160,521
	5,558,857	2,913,212	1,228,493	1,571,115	2,853,849	14,125,526
Gap	$ (1,419,233)	$ (948,395)	$ (300,820)	$ (521,016)	$ 1,974,891	$ (1,214,573)

Note: The amounts listed above were the position in U.S. dollars of the Bank.

(In Thousands of United States Dollars)

Item	March 31, 2018					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Major maturity fund inflows						
Cash and cash equivalents	$ 615,908	$ 100,064	$ -	$ -	$ -	$ 715,972
Due from the Central Bank and call loans to banks	1,793,997	890,906	411,405	51,785	3,697	3,151,790
Financial assets at FVTPL	12,090	-	-	-	-	12,090
Receivables	582,978	159,924	244,770	4,156	15,208	1,007,036
Loans	721,122	746,979	451,633	478,113	3,668,212	6,066,059
Investments in debt instruments designated at FVTOCI	271	-	-	23,112	511,032	534,415
Investments in debt instruments at amortized cost	969	-	-	7,995	286,920	295,884
Other maturity fund inflow items	5,000	-	500,000	750,000	38,006	1,293,006
	3,732,335	1,897,873	1,607,808	1,315,161	4,523,075	13,076,252
Major maturity fund outflows						
Deposits from the Central Bank and banks	779,629	70,897	1,340	2,677	85	854,628
Due to the Central Bank and banks	1,609,758	1,025,000	40,000	-	-	2,674,758
Financial liabilities at FVTPL	-	-	-	-	289,580	289,580
Payables	812,721	45,755	3,604	3,062	5,742	870,884
Deposits and remittances	2,265,622	2,523,713	1,308,296	1,621,797	3,250,493	10,969,921
Other maturity fund outflow items	39,071	1,653	159	552	73,103	114,538
	5,506,801	3,667,018	1,353,399	1,628,088	3,619,003	15,774,309
Gap	$ (1,774,466)	$ (1,769,145)	$ 254,409	$ (312,927)	$ 904,072	$ (2,698,057)

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.

(New Taiwan Dollars and Foreign Currencies Combined In Thousands of New Taiwan Dollars)

Item	March 31, 2019					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Foreign currency derivative instruments						
Outflows	$ 103,085,806	$ 195,521,890	$ 45,483,835	$ 44,237,277	$ -	$ 388,328,808
Inflows	103,248,695	195,717,656	45,462,533	44,669,869	-	389,098,753
Interest rate derivative instruments						
Outflows	1,204,920	-	1,233,800	2,466,650	6,285	4,911,655
Inflows	1,371,417	-	1,233,800	2,568,507	-	5,173,724
Others						
Outflows	-	-	-	-	-	-
Inflows	30,141	-	-	-	-	30,141
Total outflows	$ 104,290,726	$ 195,521,890	$ 46,717,635	$ 46,703,927	$ 6,285	$ 393,240,463
Total inflows	$ 104,650,253	$ 195,717,656	$ 46,696,333	$ 47,238,376	$ -	$ 394,302,618

(New Taiwan Dollars and Foreign Currencies Combined In Thousands of New Taiwan Dollars)

Item	December 31, 2018					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Foreign currency derivative instruments						
Outflows	$ 130,622,908	$ 177,417,727	$ 45,739,365	$ 12,335,558	$ 619,367	$ 366,734,925
Inflows	130,934,978	177,661,565	45,998,167	12,261,809	637,758	367,494,277
Interest rate derivative instruments						
Outflows	210,160	-	1,202,820	2,465,600	3,915	3,882,495
Inflows	156,431	-	1,202,820	2,461,765	-	3,821,016
Total outflows	$ 130,833,068	$ 177,417,727	$ 46,942,185	$ 14,801,158	$ 623,282	$ 370,617,420
Total inflows	$ 131,091,409	$ 177,661,565	$ 47,200,987	$ 14,723,574	$ 637,758	$ 371,315,293

(New Taiwan Dollars and Foreign Currencies Combined In Thousands of New Taiwan Dollars)

Item	March 31, 2018					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Foreign currency derivative instruments						
Outflows	$ 102,028,017	$ 172,610,623	$ 47,971,645	$ 18,399,986	$ 17,447	$ 341,027,718
Inflows	101,703,452	172,720,123	48,020,692	18,443,332	17,072	340,904,671
Interest rate derivative instruments						
Outflows	1,779,833	4,883,699	-	2,402,640	-	9,066,172
Inflows	1,619,896	4,911,099	-	2,328,000	96,557	8,955,552
Total outflows	$ 103,807,850	$ 177,494,322	$ 47,971,645	$ 20,802,626	$ 17,447	$ 350,093,890
Total inflows	$ 103,323,348	$ 177,631,222	$ 48,020,692	$ 20,771,332	$ 113,629	$ 349,860,223

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:

(In Thousands of New Taiwan Dollars)

Item	March 31, 2019					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	$ 55,799,817	$ 1,686,060	$ 1,725,968	$ 1,320,331	$ 12,462,932	$ 72,995,108
Credit card commitments	42	1,088	13,047	22,668	202,221	239,066
Letters of credit issued yet unused	25,274,443	43,798	10,978	-	-	25,329,219
Guarantees	46,079,617	136,065	168,546	1,130,647	71,393	47,586,268
	$ 127,153,919	$ 1,867,011	$ 1,918,539	$ 2,473,646	$ 12,736,546	$ 146,149,661

(In Thousands of New Taiwan Dollars)

Item	December 31, 2018					
	0-30 Days	**31-90 Days**	**91-180 Days**	**181 Days-1 Year**	**Over 1 Year**	**Total**
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	61,214	18,394	-	-	23,341,732
Guarantees	45,816,420	397,062	142,655	762,602	121,538	47,240,277
	$ 118,501,101	$ 2,023,524	$ 2,619,722	$ 4,414,764	$ 12,115,382	$ 139,674,493

(In Thousands of New Taiwan Dollars)

Item	March 31, 2018					
	0-30 Days	**31-90 Days**	**91-180 Days**	**181 Days-1 Year**	**Over 1 Year**	**Total**
Irrevocable loan commitments issued	$ 53,528,858	$ 2,400,918	$ 2,148,001	$ 3,871,549	$ 10,359,491	$ 72,308,817
Credit card commitments	-	2,544	5,111	3,878	329,160	340,693
Letters of credit issued yet unused	25,015,394	68,211	9,984	-	-	25,093,589
Guarantees	42,324,709	195,245	91,914	1,409,221	348,148	44,369,237
	$ 120,868,961	$ 2,666,918	$ 2,255,010	$ 5,284,648	$ 11,036,799	$ 142,112,336

35. OTHER DISCLOSURES OF FINANCIAL INSTITUTION

a. Asset quality

Business Type			March 31, 2019 Non-performing Loans (Note a)	March 31, 2019 Loans	March 31, 2019 Non-performing Loans Ratio (Note b)	March 31, 2019 Allowance for Loan Losses	March 31, 2019 Coverage Ratio (Note c)	March 31, 2018 Non-performing Loans (Note a)	March 31, 2018 Loans	March 31, 2018 Non-performing Loans Ratio (Note b)	March 31, 2018 Allowance for Loan Losses	March 31, 2018 Coverage Ratio (Note c)
Corporate finance	Secured		$ 2,886,049	$ 457,814,231	0.63%	$ 5,544,125	192.10%	$ 1,883,718	$ 458,513,589	0.41%	$ 5,202,501	276.18%
	Unsecured		321,970	434,901,489	0.07%	5,117,564	1,589.45%	666,575	471,598,681	0.14%	5,320,876	798.24%
Consumer finance	Mortgage loans (Note d)		799,253	264,264,085	0.30%	4,021,248	503.13%	1,137,784	276,984,944	0.41%	4,223,937	371.24%
	Cash cards (Note h)		-	-	-	-	-	-	-	-	-	-
	Credit loans (Note e)		3,876	1,527,930	0.25%	18,560	478.84%	10,418	1,624,530	0.64%	19,793	189.99%
	Others (Note f)	Secured	685,116	179,051,824	0.38%	1,836,712	268.09%	560,073	174,967,234	0.32%	1,778,521	317.55%
		Unsecured	3,655	1,148,887	0.32%	13,624	372.75%	3,790	1,442,451	0.26%	15,625	412.27%
Total			4,699,919	1,338,708,446	0.35%	16,551,833	352.17%	4,262,358	1,385,131,429	0.31%	16,561,253	388.55%

Business Type	March 31, 2019 Non-performing Loans (Note a)	March 31, 2019 Loans	March 31, 2019 Non-performing Loans Ratio (Note b)	March 31, 2019 Allowance for Loan Losses	March 31, 2019 Coverage Ratio (Note c)	March 31, 2018 Non-performing Loans (Note a)	March 31, 2018 Loans	March 31, 2018 Non-performing Loans Ratio (Note b)	March 31, 2018 Allowance for Loan Losses	March 31, 2018 Coverage Ratio (Note c)
Credit card	$ 5,809	$ 1,798,508	0.32%	$ 23,155	398.61%	$ 5,305	$ 1,763,655	0.30%	$ 21,608	407.31%
No recourse receivable factoring (Note g)	-	11,513,990	-	115,140	-	-	12,526,036	-	125,260	-

Note a: Non-performing loans are classified in accordance with the Regulations of the Procedures for Banking 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. Jin-Guan-Yin (4) 0944000378).

Note b: Non-performing loans ratio = Non-performing loan ÷ Loans
Non-performing loans of credit card ratio = Non-performing loans of credit cards ÷ Accounts receivable

Note c: Coverage ratio of allowances for loan losses = Allowances for loan losses ÷ Non-performing loans
Coverage ratio of allowance for loan losses of credit card = Allowance for loan losses of credit card ÷ Non-performing loans of credit cards

Note d: 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 e: Credit loans are defined in the Letter issued by the Banking Bureau on December 19, 2005 (Ref. No. Jin-Guan-Yin (4) 09440010950), excluding credit loans of credit cards and cash 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. Jin-Guan-Yin (5) 094000494) non-recourse receivable factorings are not defined as non-performing loans until compensation from factors or insurance companies are ascertained to be non-recoverable.

Note h: The Group does not engage in cash cards business.

Business Type \ Item	March 31, 2019		March 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**
Negotiated loans transacted in accordance with the agreement and exempted from reporting as non-performing loans (Note a)	$ -	$ 1,278	$ 15	$ 1,570
Negotiated accounts receivable transacted in accordance with the agreement and exempted from reporting as non-performing receivables (Note b)	537	17,609	604	17,240
Total	537	18,887	619	18,810

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

March 31, 2019			
Rank (Note a)	**Transaction Party (Note b)**	**Loans (Note c)**	**As Proportion of Net Equity (%) (Note d)**
1	A Corporation (railway transportation industry)	$ 25,974,568	16.15
2	B Group (airline industry)	24,988,558	15.54
3	C Group (steel smelting industry)	18,310,519	11.39
4	D Group (basic chemical material manufacturing industry)	18,112,398	11.26
5	E Group (synthesis construction industry)	16,818,469	10.46
6	F Group (steel manufacturing industry)	7,281,539	4.53
7	G Group (real estate development industry)	6,419,388	3.99
8	H Group (wire and cable manufacturing industry)	6,066,012	3.77
9	I Group (basic chemical material manufacturing industry)	4,894,073	3.04
10	J Group (real estate development industry)	4,834,591	3.01

March 31, 2018			
Rank (Note a)	**Transaction Party (Note b)**	**Loans (Note c)**	**As Proportion of Net Equity (%) (Note d)**
1	A Corporation (railway transportation industry)	$ 26,789,963	17.69
2	C Group (steel smelting industry)	22,014,611	14.54
3	B Group (airline industry)	21,609,306	14.27
4	E Group (synthesis construction industry)	14,964,773	9.88
5	D Group (basic chemical material manufacturing industry)	13,287,957	8.78
6	K Group (real estate development industry)	7,619,400	5.03
7	F Group (steel manufacturing industry)	7,283,566	4.81
8	L Group (financial intermediation industry)	6,386,881	4.22
9	M Group (other computer peripheral equipment manufacturing industry)	6,265,659	4.14
10	N Group (liquid crystal panel and components manufacturing industry)	5,571,815	3.68

Note a: Sorted by the balance of loans on March 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, receivable financing, medium-term loan, medium-term secured loan, long-term loan, long-term secured loan, overdue 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	March 31, 2019				
	1-90 Days	**91-180 Days**	**181 Days-1 Year**	**More Than 1 Year**	**Total**
Interest-sensitive assets	$ 1,249,555,078	$ 65,461,954	$ 42,818,732	$ 90,194,009	$ 1,448,029,773
Interest-sensitive liabilities	312,904,130	852,965,933	93,471,916	47,839,250	1,307,181,229
Interest sensitivity gap	936,650,948	(787,503,979)	(50,653,184)	42,354,759	140,848,544
Net equity					136,193,294
Ratio of interest-sensitive assets to liabilities					110.77%
Ratio of interest sensitivity gap to net equity					103.42%

(In Thousands of New Taiwan Dollars; %)

Item	March 31, 2018				
	1-90 Days	**91-180 Days**	**181 Days-1 Year**	**More Than 1 Year**	**Total**
Interest-sensitive assets	$ 1,266,673,518	$ 66,045,606	$ 34,737,548	$ 115,766,877	$ 1,483,223,549
Interest-sensitive liabilities	322,261,606	825,029,848	98,851,488	37,516,544	1,283,659,486
Interest sensitivity gap	944,411,912	(758,984,242)	(64,113,940)	78,250,333	199,564,063
Net equity					121,681,277
Ratio of interest-sensitive assets to liabilities					115,55%
Ratio of interest sensitivity gap to net equity					164.01%

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	March 31, 2019				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	$ 14,934,137	$ 1,210,846	$ 861,711	$ 619,050	$ 17,625,744
Interest-sensitive liabilities	14,041,749	1,397,903	1,512,551	177	16,952,380
Interest sensitivity gap	892,388	(187,057)	(650,840)	618,873	673,364
Net equity					577,557
Ratio of interest-sensitive assets to liabilities					103.97%
Ratio of interest sensitivity gap to net equity					116.59%

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

Item	March 31, 2018				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	$ 11,767,516	$ 1,608,932	$ 853,788	$ 294,699	$ 14,524,935
Interest-sensitive liabilities	14,718,045	1,112,514	1,270,449	20,393	17,121,401
Interest sensitivity gap	(2,950,529)	496,418	(416,661)	274,306	(2,596,466)
Net equity					584,687
Ratio of interest-sensitive assets to liabilities					84.83%
Ratio of interest sensitivity gap to net equity					(444.08%)

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		March 31, 2019	March 31, 2018
Return on total assets	Pretax	0.18%	0.18%
	After tax	0.15%	0.17%
Return on net equity	Pretax	2.38%	2.47%
	After tax	1.98%	2.31%
Profit margin		38.95%	43.83%

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 March 31 of 2019 and 2018, respectively.

e. Maturity analysis of assets and liabilities

(In Thousands of New Taiwan Dollars)

	Total	March 31, 2019					
		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	$ 1,712,776,994	$ 177,737,978	$ 173,861,205	$ 259,508,377	$ 155,735,320	$ 203,983,674	$ 741,950,440
Major maturity cash outflows	2,261,092,280	103,102,328	129,509,949	318,087,575	282,988,796	465,898,839	961,504,793
Gap	(548,315,286)	74,635,650	44,351,256	(58,579,198)	(127,253,476)	(261,915,165)	(219,554,353)

(In Thousands of New Taiwan Dollars)

	Total	March 31, 2018					
		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	$ 1,669,849,456	$ 129,623,190	$ 179,317,208	$ 202,093,793	$ 142,376,213	$ 246,765,464	$ 769,673,588
Major maturity cash outflows	2,173,232,629	97,160,743	148,326,112	312,056,475	284,051,566	434,787,324	896,850,409
Gap	(503,383,173)	32,462,447	30,991,096	(109,962,682)	(141,675,353)	(188,021,860)	(127,176,821)

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	March 31, 2019				
		Period Remaining until Due Date and Amount Due				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year
Major maturity cash inflows	$ 23,973,387	$ 10,176,872	$ 4,478,708	$ 1,974,823	$ 2,096,144	$ 5,246,840
Major maturity cash outflows	29,111,413	10,451,321	5,250,760	3,252,538	4,692,885	5,463,909
Gap	(5,138,026)	(274,449)	(772,052)	(1,277,715)	(2,596,741)	(217,069)

(In Thousands of U.S. Dollars)

	Total	March 31, 2018				
		Period Remaining until Due Date and Amount Due				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year
Major maturity cash inflows	$ 22,748,449	$ 8,337,117	$ 4,947,075	$ 2,640,782	$ 1,878,559	$ 4,944,916
Major maturity cash outflows	27,541,241	8,814,033	6,096,168	2,883,331	3,662,513	6,085,196
Gap	(4,792,792)	(476,916)	(1,149,093)	(242,549)	(1,783,954)	(1,140,280)

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 Group can offer trust services. The items and amounts of trust accounts as of March 31, 2019 and 2018 were as follows:

	March 31	
	2019	2018
Special purpose trust accounts - domestic	$ 29,511,760	$ 28,248,330
Special purpose trust accounts - foreign	75,570,423	74,908,176
Insurance trust	10,713	10,649
Retirement and breeds trust	322,492	299,648
Umbilical-cord-blood trust	11,383,770	10,169,154
Money claim and guarantee trust	61,800	73,800
Marketable securities trust	738,348	769,897
Real estate trust	18,919,815	17,833,440
Securities under custody	142,784,534	137,376,164
Other money trust	2,230,959	1,577,514
	$ 281,534,614	$ 271,266,772

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
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 representative of the Bank's corporate director
Powertec Energy Corporation	Its director is the Bank's corporate director
Ritdisplay Corporation	Its director is the Bank's corporate director
Kaohsiung Rapid Transit Corporation	Its director is the Bank's corporate director
Adimmune Corporation	Its supervisor 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 March 31, 2019	$ 29,458,750	2.20
Balance as of December 31, 2018	29,195,481	2.18
Balance as of March 31, 2018	28,676,935	2.10

For the three months ended March 31, 2019 and 2018, interest ranged from 0.63% to 4.35% and from 0.00% to 3.67%, and interest income was $147,574 thousand and $130,563 thousand, respectively.

	March 31, 2019					
	Ending Balance	**Highest Amount**	**Normal Loans**	**Non-performing Loans**	**Collateral**	**Difference in Terms Between Related Parties and Non-related Parties**
Consumer loans						
28 accounts	$ 13,517	$ 14,281	$ 13,517	$ -	Credit	None
Self-use residential mortgage loans						
208 accounts	1,243,330	1,292,135	1,243,330	-	Real estate	None
Others						
Taiwan High Speed Rail Corporation	25,757,852	25,853,748	25,757,852	-	Credit and station equipment	None
Yang Ming Marine Transport Corporation	1,100,000	1,140,000	1,100,000	-	Ship	None
Powertec Energy Corporation	687,675	1,203,000	687,675	-	Credit and factory building	None
Kaoshiung Rapid Transit Corporation	200,000	200,000	200,000	-	Credit	None
Ritdisplay Corporation	100,000	297,270	100,000	-	Credit	None
Other - corporation 7 accounts (Note 1)	356,330	408,818	356,330	-	Credit and fund guarantee and real estate	None
Other - individual 1 accounts (Note 2)	46	47	46	-	Foreign currency	None

	December 31, 2018					
	Ending Balance	**Highest Amount**	**Normal Loans**	**Non-performing Loans**	**Collateral**	**Difference in Terms Between Related Parties and Non-related Parties**
Consumer loans						
28 accounts	$ 14,309	$ 15,788	$ 14,309	$ -	Credit	None
Self-use residential mortgage loans						
207 accounts	1,237,988	1,271,456	1,237,988	-	Real estate	None
Others						
Taiwan High Speed Rail Corporation	25,739,237	26,764,830	25,739,237	-	Credit and station equipment	None
Yang Ming Marine Transport Corporation	1,140,000	2,180,000	1,140,000	-	Ship	None
Powertec Energy Corporation	628,791	628,791	628,791	-	Credit	None
Other - corporation 9 accounts (Note 1)	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

	March 31, 2018					
	Ending Balance	**Highest Amount**	**Normal Loans**	**Non-performing Loans**	**Collateral**	**Difference in Terms Between Related Parties and Non-related Parties**
Consumer loans						
29 accounts	$ 13,477	$ 14,264	$ 13,477	$ -	Credit	None
Self-use residential mortgage loans						
207 accounts	1,163,520	1,201,651	1,163,520	-	Real estate	None

(Continued)

	March 31, 2018					
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral	Difference in Terms Between Related Parties and Non-related Parties
Others						
Taiwan High Speed Rail Corporation	$ 26,656,996	$ 26,681,553	$ 26,656,996	$ -	Credit and station equipment	None
Powertec Energy Corporation	527,972	542,972	527,972	-	Credit	None
Other - corporation 6 accounts (Note 1)	308,705	446,654	308,705	-	Credit and fund guarantee and real estate	None
Other - individual 8 accounts (Note 2)	6,265	7,938	6,265	-	Deposit	None

(Concluded)

Note 1: The balance of every corporate entity is not over $1 billion.

Note 2: The balance of every single entity is not over 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 March 31, 2019, December 31, 2018 and March 31, 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

	March 31, 2019				
	Ending Balance	Highest Amount	Reserve for Guarantee Liabilities	Interest Rate (Per Annum %)	Collateral
Yang Ming Marine Transport Corporation	$ 500,000	$ 500,000	$ 5,000	0.80	None
Kaohsiung Rapid Transit Corporation	21,327	27,716	213	0.50	None
Adimmune Corporation	18,771	19,236	188	1.80	Pledged demand deposit

	December 31, 2018				
	Ending Balance	Highest Amount	Reserve for Guarantee Liabilities	Interest Rate (Per Annum %)	Collateral
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
Adimmune Corporation	19,236	19,236	192	1.80	Pledged demand deposit

	March 31, 2018				
	Ending Balance	Highest Amount	Reserve for Guarantee Liabilities	Interest Rate (Per Annum %)	Collateral
Kaohsiung Rapid Transit Corporation	$ 21,800	$ 23,400	$ 218	0.50	None
Adimmune Corporation	19,236	19,236	192	1.80	Pledged demand deposit

3) Deposits

	Balance	Percentage of Loans (%)
Balance as of March 31, 2019	$ 4,859,668	0.29
Balance as of December 31, 2018	4,283,912	0.25
Balance as of March 31, 2018	4,187,554	0.25

For the three months ended March 31, 2019 and 2018, the interest rates intervals were between 0.00% and 13.00%; the interest expense was $13,502 thousand and $13,598 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)

	March 31, 2019				
Name	Department	Currency	Ending Balance	Interest Rate (Per Annum %)	Interest Income
Land Bank	OBU	USD	$ 180,000	2.77-3.28	$ 1,184
	London Branch	USD	20,000	2.85-2.94	79
	Hong Kong Branch	USD	88,000	2.80-3.32	728
Taiwan Business Bank	OBU	USD	70,000	2.36-3.25	287
	Hong Kong Branch	USD	25,000	2.46-3.25	150

	December 31, 2018				
Name	Department	Currency	Ending Balance	Interest Rate (Per Annum %)	Interest Income
Land Bank	DBU	NTD	$ 1,500,000	0.18-0.19	$ 274
	OBU	USD	155,000	1.48-3.28	3,089
	OBU	RMB	60,000	1.45-3.53	78
	Singapore Branch	USD	10,000	2.79	68
	Hong Kong Branch	USD	90,000	1.62-3.32	2,239
Taiwan Business Bank	OBU	USD	10,000	1.45-3.25	816
	Hong Kong Branch	USD	20,000	1.50-3.25	714

	March 31, 2018				
Name	Department	Currency	Ending Balance	Interest Rate (Per Annum %)	Interest Income
Land Bank	OBU	USD	$ 90,000	1.48-2.10	$ 467
	London Branch	USD	10,000	1.80	14
	Hong Kong Branch	USD	53,000	1.62-2.45	403
Taiwan Business Bank	Kunshan Branch	RMB	40,000	2.79-4.30	65
	Hong Kong Branch	USD	20,000	1.50-2.28	192

Call loans from banks

(In Thousands of Original Currencies)

	March 31, 2019				
Name	**Department**	**Currency**	**Ending Balance**	**Interest Rate (Per Annum %)**	**Interest Expense**
Land Bank	DBU	NTD	$ 5,000	0.18-0.67	$ 9
	Singapore Branch	USD	10,000	2.40-2.71	22
	Los Angeles Branch	USD	120,000	2.36-3.30	161

	December 31, 2018				
Name	**Department**	**Currency**	**Ending Balance**	**Interest Rate (Per Annum %)**	**Interest Expense**
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
Taiwan Business Bank	Singapore Branch	SGD	4,500	0.80-2.55	20
	New York Branch	USD	135,000	1.75-3.32	116
	Los Angeles Branch	USD	47,000	2.30-3.30	32

	March 31, 2018				
Name	**Department**	**Currency**	**Ending Balance**	**Interest Rate (Per Annum %)**	**Interest Expense**
Land Bank	OBU	USD	$ 20,000	1.48-1.90	$ 52
	OBU	ZAR	7,000	7.30	4
	Los Angeles Branch	USD	20,000	1.44-2.53	89
	London Branch	USD	75,000	1.79-2.42	495
Taiwan Business Bank	OBU	USD	50,000	2.60	11

5) Due from banks and deposits from banks

Due from banks

(In Thousands of New Taiwan Dollars)

			March 31, 2019	**December 31, 2018**	**March 31, 2018**
Name	**Department**	**Currency**	**Ending Balance**	**Ending Balance**	**Ending Balance**
Land Bank	DBU	NTD	$ 5	$ 225	$ 44
Taiwan Business Bank	DBU	NTD	764	28	3

Deposits from banks

(In Thousands of Original Currencies)

			March 31, 2019	**December 31, 2018**	**March 31, 2018**
Name	**Department**	**Currency**	**Ending Balance**	**Ending Balance**	**Ending Balance**
Land Bank	DBU	NTD	$ 277	$ 277	$ 277
The Export-Import Bank	DBU	NTD	964	1,173	1,259
Taishin International Bank	New York Branch	USD	64	62	59

c. Compensation of directors and management personnel

	For the Three Months Ended March 31	
	2019	2018
Short-term employee benefits	$ 12,272	$ 10,433
Post-employment benefits	403	12,763
	$ 12,675	$ 23,196

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 March 31, 2019, December 31, 2018 and March 31, 2018 is as follows:

Pledged Assets	Description	March 31, 2019	December 31, 2018	March 31, 2018
Investments in debt instruments at FVTOCI	Bonds	$ 988,686	$ 1,047,620	$ 6,029,870
Investments in debt instruments at amortized cost	Bonds and certificates of deposit	41,608,197	41,607,061	36,590,476
Time deposits with original maturities of more than 3 months	Time deposits	2,745,000	2,681,400	2,787,600
Refundable deposits	Cash	236,348	666,426	1,555,029

38. CONTINGENT LIABILITIES AND COMMITMENTS

a. In addition to those mentioned in Note 7, the Group had the following contingent liabilities and commitments as of March 31, 2019, December 31, 2018 and March 31, 2018:

	March 31, 2019	December 31, 2018	March 31, 2018
Trust liabilities	$ 281,534,614	$ 273,725,158	$ 271,266,772
Unused loan commitments (excluding credit cards)	72,995,108	68,776,330	72,308,817
Credit card commitments	239,066	316,154	340,693
Unused issued letters of credit	25,329,219	23,341,732	25,093,589
Guarantees issued in guarantee business	47,586,268	47,240,277	44,369,237
Repayment notes and times deposit held for custody	13,842,024	14,756,665	12,099,754
Liabilities on joint loans	825,649	764,376	770,173

The unrecognized commitments for the acquisition of equipment and intangible assets, as well as the commitments for construction, appointment and security as of March 31, 2019 were $298,594 thousand, $72,514 thousand, $17,210 thousand and $102,365 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 is currently appealing with the Taiwan Superior Court.

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 three months ended March 31, 2019	None
2	Acquisition of fixed assets over NT$300 million or 10% of outstanding capital for the three months ended March 31, 2019	None
3	Disposal of fixed assets over NT$300 million or 10% of outstanding capital for the three months ended March 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 March 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.	None
2	Capital lending to another party	None
3	Endorsement for another party	None
4	Marketable securities held as of March 31, 2019	None
5	Accumulated purchases and sales balance of specific marketable security over NT$300 million or 10% of outstanding capital for the three months ended March 31, 2019	None
6	Acquisition of property, plant and equipment over NT$300 million or 10% of outstanding capital for the three months ended March 31, 2019	None
7	Disposal of property, plant and equipment over NT$300 million or 10% of outstanding capital for the three months ended March 31, 2019	None
8	Receivables from related parties over NT$300 million or 10% of outstanding capital as of March 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 1

d. Intercompany relationships and significant intercompany transactions: Table 2.

40. OTHER DISCLOSURE

The Bank’s wholly-owned venture capital subsidiary obtained the company registration on April 17, 2019. Its registration name is “Chang Hwa Bank Venture Capital Co., Ltd.”, and the working capital was NTD$600 million.

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 Three Months Ended March 31, 2019							
	Loans	Deposits and Remittances	Financial Instruments and Investments	Wealth Management	Oversea Branch and Subsidiary	Others	Adjustments	Total
Net income of interest	$ 3,199,752	$ 1,595,032	$ 46,571	$ -	$ 893,194	$ (3,560)	$ -	$ 5,730,989
Net service fee income	287,399	64,753	(6,814)	775,130	44,144	-	-	1,164,612
Net income on financial instrument	-	-	1,093,981	-	(46,663)	-	57,673	1,104,991
Others	2,961	-	260	-	753	48,181	-	52,155
Net revenue and gains	3,490,112	1,659,785	1,133,998	775,130	891,428	44,621	57,673	8,052,747
Bad debts expense and commitment and guarantee liability provision	(353,271)	-	(64)	-	(20,677)	-	-	(374,012)
Operating expense	-	-	-	-	-	-	-	(3,901,942)
Income before income tax	$ 3,136,841	$ 1,659,785	$ 1,133,934	$ 775,130	$ 870,751	$ 44,621	$ 57,673	$ 3,776,793

	For the Three Months Ended March 31, 2018						
	Loans	Deposits and Remittances	Financial Instruments and Investments	Wealth Management	Oversea Branch	Others	Total
Net income of interest	$ 3,358,842	$ 1,400,103	$ 190,320	$ -	$ 820,369	$ 38	$ 5,769,672
Net service fee income	297,843	58,434	(7,311)	770,960	106,548	-	1,226,474
Net income on financial instrument	-	-	737,865	-	33,647	-	771,512
Others	878	-	(30)	-	3,636	50,723	55,207
Net revenue and gains	3,657,563	1,458,537	920,844	770,960	964,200	50,761	7,822,865
Bad debts expense and commitment and guarantee liability provision	(90,295)	-	18	-	(250,264)	-	(340,541)
Operating expense	-	-	-	-	-	-	(3,820,294)
Income before income tax	$ 3,567,268	$ 1,458,537	$ 920,862	$ 770,960	$ 713,936	$ 50,761	$ 3,662,030

The revenue and results on the segment information reported does not include inter-segment revenue for the three months ended March 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

	March 31, 2019							
	Loans	Deposits and Remittances	Financial Instruments and Investments	Wealth Management	Overseas Branches and Subsidiary	Others	Adjustments	Total
Assets	$ 1,232,611,607	$ -	$ 745,255,209	$ -	$ 197,726,272	$ 96,824,418	$ (186,183,184)	$ 2,086,234,322
Liabilities	$ 2,232,277	$ 1,641,794,646	$ 225,628,872	$ -	$ 176,133,840	$ 53,055,679	$ (173,413,385)	$ 1,925,431,929

	December 31, 2018							
	Loans	Deposits and Remittances	Financial Instruments and Investments	Wealth Management	Overseas Branches and Subsidiary	Others	Adjustments	Total
Assets	$ 1,237,462,200	$ -	$ 711,859,108	$ -	$ 197,998,354	$ 94,714,265	$ (160,222,257)	$ 2,081,811,670
Liabilities	$ 2,612,375	$ 1,642,094,011	$ 200,817,962	$ -	$ 177,011,862	$ 50,289,122	$ (147,575,293)	$ 1,925,250,039

	March 31, 2018						
	Loans	Deposits and Remittances	Financial Instruments and Investments	Oversea Branch	Others	Adjustment	Total
Assets	$ 1,264,204,121	$ -	$ 666,467,183	$ 189,239,958	$ 68,835,912	$ (122,297,058)	$ 2,066,450,116
Liabilities	$ 2,947,957	$ 1,636,001,310	$ 191,909,737	$ 169,973,926	$ 36,507,272	$ (122,297,058)	$ 1,915,043,144

TABLE 1

CHANG HWA COMMERCIAL BANK, LTD.

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

1.

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 March 31, 2019	Net Income (Loss) of the Investee (Note 2)	% of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of March 31, 2019	Accumulated Repatriation of Investment Income as of March 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)	$ (57,673)	100	$ (57,673)	$ 12,769,800	$ -	

2.

Accumulated Outward Remittance for Investment in Mainland China March 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)	$12,372,787 (US$410,928)	$24,120,359

Note 1: The three methods of investment are as follows:

a. Direct investment in mainland China.

b. Investment in mainland China through reinvestment in existing enterprise in a third area.

c. Others.

Note 2: Equity in the profit (loss):

a. If the entity is still in the preparation stage and there is no equity in profit (loss), the condition should be noted.

b. 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.

1) Financial statements audited (reviewed) by international accounting firms that cooperate with the accounting firms in the ROC.

2) Financial statements audited (reviewed) by the Taiwan-based parent company's CPA.

3) 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:

a. 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.

b. The subsidiaries whose issued stock with voting rights or more than 50% of capital held by banks in Taiwan that have investments in mainland China.

TABLE 2

CHANG HWA COMMERCIAL BANK, LTD.

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2019
(In Thousands of New Taiwan Dollars, Except for Percentage and Stock)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transactions Details			
				Financial Statement Accounts	Amount	Payment Terms	% to Total Sales or Assets
0	The Bank	Chang Hua Commercial Bank, Ltd.	a.	Cash and cash equivalents	$ 302,229	Same as normal customers	0.01
				Due from the Central Bank and call loans to bank	3,113,174	Same as normal customers	0.15
				Interest income	40,576	Same as normal customers	0.50
				Receivables	19,019	Same as normal customers	-

Note 1: Transaction details: Methods of numbering are as follows:

a. 0 for parent Company.
b. In accordance with subsidiary number starts from 1.

Note 2: Relationships are as follows:

a. Parent company to subsidiary.

Note 3: Transactions amounts are calculated as percentage of accrued amounts of total income or ending balance of total assets.