Chang Hwa Commercial Bank, Ltd. and Subsidiaries

Consolidated Financial Statements for the Six Months Ended June 30, 2019 and 2018 and Independent Auditors' Report

Deloitte.

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Chang Hwa Commercial Bank, Ltd. (the "Bank") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of June 30, 2019, December 31, 2018 and June 30, 2018, the consolidated statements of comprehensive income for the three months ended June 30, 2019 and 2018 and for the six months ended June 30, 2019 and 2018, the consolidated statements of changes in equity and cash flows for the six months ended June 30, 2019 and 2018, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of June 30, 2019, December 31, 2018 and June 30, 2018, and its consolidated financial performance for the three months ended June 30, 2019 and 2018 and for the six months ended June 30, 2019 and 2018, and its consolidated cash flows for the six months ended June 30, 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.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the six months ended June 30, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The following are the descriptions of the key audit matters in the audit of the consolidated financial statements of the Group for the six months ended June 30, 2019.

Impairment Assessment of Loans

Loans are the most important assets of the Group. As of June 30, 2019, the balance of the Bank's loans totaled $1,383,680,944 thousand, accounting for 65% of the Group's total consolidated assets. Refer to Notes 4, 5 and 12 to the Group's consolidated financial statements for related information. In addition, evaluation of the impairment of loans involves management's estimation of future cash flows. Therefore, we considered the impairment assessment of loans to be a key audit matter.

When assessing the appropriateness of the impairment of loans, we understood and tested the internal controls for lending operations and determined the provisions for impairment losses. We collected publicly available market information to identify whether there are any instances in which a counterparty may have objective evidence of impairment relating to the loans and receivables of the Bank but has not been included in the Bank's individual impairment assessment. We tested the calculation of expected credit loss (ECLs) to determine whether the ECLs of loans would be assessed in groups based on debtor, credit risk level and collateral and evaluated the rationality of the input value used by the Bank. Finally, we checked the Group's compliance with regulations on assessment of impairment.

Other Matter

We have also audited the financial statements of Chang Hwa Commercial Bank, Ltd. as of and for the six months ended June 30, 2019 and 2018 on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the six months ended June 30, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

August 27, 2019

Notice to Readers

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

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

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2019 Amount	%	December 31, 2018 Amount	%	June 30, 2018 Amount	%
Cash and cash equivalents (Notes 4, 6 and 36)	$ 36,726,593	2	$ 51,073,179	2	$ 44,439,392	2
Due from the Central Bank and call loans to banks (Notes 4, 6 and 36)	192,584,090	9	197,942,600	10	181,790,946	9
Financial assets at fair value through profit or loss (Notes 4, 7, 34 and 37)	9,090,275	-	10,917,490	1	12,252,876	1
Financial assets at fair value through other comprehensive income (Notes 4, 8 and 34)	119,838,867	6	91,938,199	4	93,945,472	4
Financial assets for hedging (Notes 4 and 13)	274,930	-	244,763	-	238,471	-
Investments in debt instruments at amortized cost (Notes 4, 5, 9, 34 and 37)	270,058,863	13	268,059,805	13	268,726,746	13
Receivables, net (Notes 4, 11 and 12)	26,581,243	1	29,933,985	1	27,749,968	1
Current tax assets (Notes 4 and 31)	428,800	-	289,771	-	218,320	-
Discounts and loans, net (Notes 4, 5, 12, 35 and 36)	1,383,680,944	65	1,336,701,095	64	1,370,074,982	65
Other financial assets, net (Notes 4, 14 and 37)	44,118,016	2	55,045,230	3	55,811,721	3
Property and equipment, net (Notes 4 and 16)	20,826,641	1	21,071,298	1	20,617,152	1
Right-of-use assets, net (Notes 4 and 17)	1,683,998	-	-	-	-	-
Investment property, net (Notes 4 and 18)	13,876,266	1	13,742,376	1	13,744,678	1
Intangible assets, net (Notes 4 and 19)	686,740	-	731,364	-	375,917	-
Deferred tax assets (Notes 4 and 31)	2,991,120	-	3,120,664	-	3,858,366	-
Other assets, net (Notes 20 and 37)	723,066	-	999,851	-	1,168,788	-
TOTAL	$ 2,124,170,452	100	$ 2,081,811,670	100	$ 2,095,013,795	100
LIABILITIES AND EQUITY						
Deposits from the Central Bank and banks (Notes 4, 21 and 36)	$ 132,528,924	6	$ 113,038,541	6	$ 143,330,238	7
Financial liabilities at fair value through profit or loss (Notes 4 and 7)	12,143,306	1	11,047,488	1	14,035,790	1
Securities sold under repurchase agreements (Note 4)	2,181,233	-	5,285,890	-	2,562,197	-
Payables (Notes 4, 22 and 29)	39,781,092	2	36,677,779	2	39,785,563	2
Current tax liabilities (Notes 4 and 31)	839,995	-	241,285	-	629,095	-
Deposits and remittances (Notes 4, 23 and 36)	1,700,423,094	80	1,689,581,112	81	1,674,630,563	80
Bank notes payable (Notes 4, 24 and 34)	55,543,886	3	49,549,055	2	46,538,904	2
Other financial liabilities (Notes 4 and 25)	4,988,942	-	4,387,078	-	4,326,747	-
Reserve for liabilities (Notes 4, 5 and 27)	5,135,825	-	5,296,332	-	4,995,341	-
Lease liabilities (Notes 4 and 17)	1,475,283	-	-	-	-	-
Deferred tax liabilities (Notes 4 and 31)	7,482,402	1	7,352,277	-	7,924,911	1
Other liabilities (Notes 4, 16 and 26)	3,375,327	-	2,793,202	-	5,395,803	-
Total liabilities	1,965,899,309	93	1,925,250,039	92	1,944,155,152	93
EQUITY (Notes 4, 29 and 31)						
Capital stock						
Common stock	97,895,207	5	97,895,207	5	94,130,007	5
Reserve for capitalization	1,957,904	-	-	-	3,765,200	-
Retained earnings						
Legal reserve	34,832,629	2	31,038,668	1	31,038,668	1
Special reserve	12,204,648	-	12,141,416	1	12,141,416	1
Unappropriated earnings	6,029,219	-	12,091,349	1	6,263,533	-
Other equity	5,351,536	-	3,394,991	-	3,519,819	-
Total equity	158,271,143	7	156,561,631	8	150,858,643	7
TOTAL	$ 2,124,170,452	100	$ 2,081,811,670	100	$ 2,095,013,795	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)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
INTEREST INCOME (Notes 4, 30 and 36)	$ 10,121,734	127	$ 9,602,256	112	$ 19,991,971	125	$ 18,780,172	114
INTEREST EXPENSE (Notes 30 and 36)	(4,168,845)	(52)	(3,803,702)	(44)	(8,308,093)	(52)	(7,211,946)	(44)
NET INCOME OF INTEREST	5,952,889	75	5,798,554	68	11,683,878	73	11,568,226	70
NET NON-INTEREST INCOME (LOSS)								
Net service fee income (Notes 4 and 30)	1,132,370	14	1,165,639	13	2,296,982	14	2,392,113	15
Gain (loss) on financial assets or liabilities measured at fair value through profit or loss (Notes 4, 7 and 30)	233,595	3	602,742	7	800,356	5	1,348,707	8
Realized gain (loss) on financial assets at fair value through other comprehensive income (Notes 4 and 30)	270,873	3	148,099	2	464,972	3	156,451	1
Foreign exchange gain (loss) (Notes 4 and 34)	290,906	4	766,787	9	621,345	4	762,910	5
Net other non-interest income (loss) (Note 13)	65,355	1	107,142	1	131,202	1	183,421	1
Net non-interest income (loss)	1,993,099	25	2,790,409	32	4,314,857	27	4,843,602	30
NET REVENUE AND GAINS	7,945,988	100	8,588,963	100	15,998,735	100	16,411,828	100
BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION (Notes 4 and 12)	(621,107)	(8)	(813,475)	(9)	(995,119)	(6)	(1,154,016)	(7)
OPERATING EXPENSES								
Employee benefits expense (Notes 4 and 30)	(2,654,236)	(33)	(2,588,238)	(30)	(5,269,091)	(33)	(5,163,812)	(31)
Depreciation and amortization expenses (Notes 4 and 30)	(356,203)	(5)	(178,469)	(2)	(717,578)	(5)	(357,599)	(2)
Other general and administrative expenses	(1,043,905)	(13)	(1,198,708)	(14)	(1,969,617)	(12)	(2,264,299)	(14)
Total operating expenses	(4,054,344)	(51)	(3,965,415)	(46)	(7,956,286)	(50)	(7,785,710)	(47)
INCOME BEFORE INCOME TAX	3,270,537	41	3,810,073	45	7,047,330	44	7,472,102	46
INCOME TAX EXPENSE (Notes 4 and 31)	(407,755)	(5)	(673,858)	(8)	(1,048,267)	(6)	(907,190)	(6)
NET INCOME	2,862,782	36	3,136,215	37	5,999,063	38	6,564,912	40

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CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX								
Items that will not be reclassified to profit or loss, net of tax:								
Revaluation gains (losses) on investments in equity instruments measured at fair value through other comprehensive income	$ 609,601	8	$ (456,637)	(6)	$ 1,345,928	8	$ (196,855)	(1)
Changes in fair value of financial liabilities attributable to changes in credit risk of liabilities	(154)	-	336	-	(918)	-	1,120	-
Items that will be reclassified to profit or loss, net of tax:								
Exchange differences on translation (Note 4)	49,095	1	1,001,084	12	300,774	2	750,875	4
Revaluation gains (losses) on investments in debt instruments measured at fair value through other comprehensive income	237,979	3	68,226	1	396,802	2	(18,024)	-
(Impairment loss) reversal of impairment loss on investments in debt instruments measured at fair value through other comprehensive income	8,558	-	-	-	14,941	-	-	-
Income tax related to items that will be reclassified to profit or loss (Notes 4 and 31)	(33,818)	(1)	(61,702)	(1)	(81,785)	-	(48,947)	-
Other comprehensive income (loss), net of tax	871,261	11	551,307	6	1,975,742	12	488,169	3
TOTAL COMPREHENSIVE INCOME	$ 3,734,043	47	$ 3,687,522	43	$ 7,974,805	50	$ 7,053,081	43
NET PROFIT ATTRIBUTABLE TO:								
Owners of the Parent	$ 2,862,782	36	$ 3,136,215	37	$ 5,999,063	38	$ 6,564,912	40
Non-controlling interests	$ -	-	$ -	-	$ -	-	$ -	-
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owners of the Parent	$ 3,734,043	47	$ 3,687,522	43	$ 7,974,805	50	$ 7,053,081	43
Non-controlling interests	$ -	-	$ -	-	$ -	-	$ -	-
EARNINGS PER SHARE (Note 34)								
Basic	$ 0.29		$ 0.32		$ 0.60		$ 0.67	
Diluted	$ 0.29		$ 0.32		$ 0.60		$ 0.67	

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)

	Equity Attributable to Owners of the Bank										
	Capital Stock			Retained Earnings			Other Equity				
	Common Stock (In Thousands)	Amount	Reserve for Capitalization	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
Appropriation of 2017 earnings											
Legal reserve appropriated	-	-	-	3,627,932	-	(3,627,932)	-	-	-	-	-
Special reserve appropriated	-	-	-	-	60,466	(60,466)	-	-	-	-	-
Cash dividends	-	-	-	-	-	(4,235,850)	-	-	-	-	(4,235,850)
Stock dividends	-	-	3,765,200	-	-	(3,765,200)	-	-	-	-	-
Net income for the six months ended June 30, 2018	-	-	-	-	-	6,564,912	-	-	-	-	6,564,912
Other comprehensive income (loss) for the six months ended June 30, 2018, net of tax	-	-	-	-	-	-	698,634	-	(211,585)	1,120	488,169
Total comprehensive income (loss) for the six months ended June 30, 2018	-	-	-	-	-	6,564,912	698,634	-	(211,585)	1,120	7,053,081
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	-	(44,023)	-	-	44,023	-	-
BALANCE AT JUNE 30, 2018	9,413,001	$ 94,130,007	$ 3,765,200	$ 31,038,668	$ 12,141,416	$ 6,263,533	$ (553,224)	$ -	$ 4,072,005	$ 1,038	$ 150,858,643
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
Appropriation of 2018 earnings											
Legal reserve appropriated	-	-	-	3,793,961	-	(3,793,961)	-	-	-	-	-
Special reserve appropriated	-	-	-	-	63,232	(63,232)	-	-	-	-	-
Cash dividends	-	-	-	-	-	(6,265,293)	-	-	-	-	(6,265,293)
Stock dividends	-	-	1,957,904	-	-	(1,957,904)	-	-	-	-	-
Net income for the six months ended June 30, 2019	-	-	-	-	-	5,999,063	-	-	-	-	5,999,063
Other comprehensive income (loss) for the six months ended June 30, 2019, net of tax	-	-	-	-	-	-	226,160	-	1,750,500	(918)	1,975,742
Total comprehensive income (loss) for the six months ended June 30, 2019	-	-	-	-	-	5,999,063	226,160	-	1,750,500	(918)	7,974,805
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	-	19,197	-	-	(19,197)	-	-
BALANCE AT JUNE 30, 2019	9,789,521	$ 97,895,207	$ 1,957,904	$ 34,832,629	$ 12,204,648	$ 6,029,219	$ (388,633)	$ -	$ 5,740,269	$ (100)	$ 158,271,143

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)

	For the Six Months Ended June 30	
	2019	**2018**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before income tax	$ 7,047,330	$ 7,472,102
Adjustments for:		
Expected credit loss recognized on trade receivables	995,119	1,154,016
Depreciation expense	607,677	258,926
Amortization expense	109,901	98,673
Interest income	(19,991,971)	(18,780,172)
Dividend income	(255,742)	(141,218)
Interest expense	8,308,093	7,211,946
Net gain on financial assets or liabilities at fair value through profit or loss	(887,414)	(4,958,292)
Gain on disposal of investments	(210,430)	(18,344)
Unrealized foreign exchange losses	87,060	3,609,585
Other adjustments	(30,028)	(87,849)
Changes in operating assets and liabilities		
Decrease in due from the Central Bank	13,704,855	3,729,701
(Increase) decrease in financial assets at fair value through profit or loss	(2,093,826)	5,930,366
Decrease (increase) in receivables	3,559,393	(1,713,873)
(Increase) decrease in discounts and loans	(48,059,019)	6,078,418
Increase in financial assets at fair value through other comprehensive income	(25,932,567)	(18,130,446)
Increase in investments in debt instruments at amortized cost	(2,002,585)	(22,295,004)
Decrease (increase) in other financial assets	10,927,214	(28,795,967)
Decrease (increase) in other assets	91,903	(227,870)
Decrease in deposits from the Central Bank and banks	(28,515,493)	(1,093,369)
Increase in deposits and remittances	10,841,982	2,550,779
(Decrease) increase in payables	(3,187,797)	712,852
Increase (decrease) in financial liabilities at fair value through profit or loss	5,787,616	(6,540,300)
Decrease in reserve for liabilities	(244,666)	(156,769)
Increase in other financial liabilities	602,520	664,147
Increase in other liabilities	575,673	2,722,923
Cash flows used in generated from operations	(68,165,202)	(60,745,039)
Interest received	20,080,954	17,935,547
Dividends received	106,863	138,106
Interest paid	(8,260,267)	(7,234,024)
Income taxes paid	(271,675)	(988,800)
Net cash flows used in operating activities	(56,509,327)	(50,894,210)

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CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

	For the Six Months Ended June 30	
	2019	**2018**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	$ (169,180)	$ (224,044)
Proceeds from disposal of property and equipment	10	-
Acquisition of intangible assets	(57,600)	(37,957)
Acquisition of right-of-use assets	(116,141)	-
Acquisition of investment property	(1,203)	(215)
Net cash flows used in investing activities	(344,114)	(262,216)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in due to the Central Bank and banks	48,005,876	36,271,740
Proceeds from issuing bank notes	5,960,000	7,000,000
Repayment of bank notes	-	(2,200,000)
Decrease in securities sold under repurchase agreement	(3,104,657)	(556,339)
Repayments of the principal portion of lease liabilities	(308,793)	-
Net cash flows from financing activities	50,552,426	40,515,401
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	300,774	750,875
NET DECREASE IN CASH AND CASH EQUIVALENTS	(6,000,241)	(9,890,150)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	179,641,968	172,818,258
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 173,641,727	$ 162,928,108

	June 30	
	2019	**2018**
Reconciliation of cash and cash equivalents		
Cash and cash equivalents in the balance sheets	$ 36,726,593	$ 44,439,392
Call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	136,915,134	118,488,716
Cash and cash equivalents at end of period	$ 173,641,727	$ 162,928,108

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 dollars.

2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Bank's board of directors on August 27, 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, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Bank and its subsidiaries (collectively referred to as the "Group") accounting policies.

   - IFRS 16 "Leases"

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

     <u>Definition of a lease</u>

     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

(Continued)

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
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

(Concluded)

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

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

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

Note 2: The Group shall apply these amendments 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.

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by 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, and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

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

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.

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

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 and the relevant accounting policies of leases refer to the summary of other significant accounting policies in the Group’s financial statements for the year ended December 31, 2018.

a. 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.

b. 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.

1) 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.

2) 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.

For sale and leaseback transactions, if the transfer of an asset satisfies the requirements of IFRS 15 to be accounted for as a sale, the Group recognizes only the amount of any gain or loss which relates to the rights transferred to the buyer-lessor, and adjusts the off-market terms to measure the sale proceeds at fair value. If the transfer does not satisfy the requirements of IFRS 15 to be accounted for as a sale, it is accounted for as a financing transaction.

<u>2018</u>

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.

1) 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.

2) 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.

c. 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.

d. 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

	June 30, 2019	December 31, 2018	June 30, 2018
Cash on hand	$ 11,308,494	$ 11,307,867	$ 11,075,745
Checks for clearing	16,948,213	18,042,831	19,199,061
Due from banks	6,793,484	20,056,292	12,516,033
Foreign currencies on hand	1,676,402	1,666,189	1,648,553
	$ 36,726,593	$ 51,073,179	$ 44,439,392

Refer to the consolidated statement of cash flows for the cash and cash equivalents reconciliation information as of June 30, 2019 and 2018. Cash and cash equivalents as of December 31, 2018 as shown in the statement of cash flows can be reconciled to the related items in the 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 the Central Bank and call loans to banks

	June 30, 2019	December 31, 2018	June 30, 2018
Call loans to banks	$ 136,915,134	$ 128,568,789	$ 118,488,716
Reserve for checking accounts	5,726,829	17,165,934	16,017,164
Reserve for demand accounts	43,495,453	42,402,505	42,486,349
Reserve for foreign deposits	487,720	482,288	480,638
Others	5,958,954	9,323,084	4,318,079
	$ 192,584,090	$ 197,942,600	$ 181,790,946

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 FAIR VALUE THROUGH PROFIT OR LOSS

Financial Assets at Fair Value Through Profit or Loss (FVTPL)

	June 30, 2019	December 31, 2018	June 30, 2018
Financial assets designated at FVTPL			
Interest rate-linked combination instruments	$ -	$ -	$ 183,638
Financial assets mandatorily classified at FVTPL			
Derivative financial assets (not under hedge accounting)			
Futures	273,613	173,149	184,775
Forward exchange contracts	37,566	49,518	295,487
Interest rate swaps	869,442	741,343	944,178
Cross-currency swaps	42,142	32,867	74,849
Swaps	1,986,474	1,314,821	6,923,092
Currency call option premiums	47,877	24,244	35,176
Non-derivative financial assets			
Investment in bills	4,826,489	6,626,120	1,778,780
Domestic listed stock	36,844	-	232,291
Mutual funds	-	-	10,112
Government bonds	5,709	1,103,764	1,405,082
Corporate bonds	964,119	851,664	185,416
	9,090,275	10,917,490	12,069,238
	$ 9,090,275	$ 10,917,490	$ 12,252,876

The par values of bonds and notes provided for transactions with repurchase agreements were $534,100 thousand, $923,300 thousand and $697,200 thousand, as of June 30, 2019, December 31, 2018 and June 30, 2018, respectively.

Financial Liabilities at FVTPL

	June 30, 2019	December 31, 2018	June 30, 2018
Financial liabilities designated at FVTPL	$ 9,757,742	$ 9,130,255	$ 8,851,867
Financial liabilities held for trading			
Derivative financial liabilities (not applying hedge accounting)			
Forward contracts	76,071	65,379	512,934
Interest rate swaps	615,408	953,280	1,009,952
Cross-currency swaps	17,472	32,761	26,169
Currency swaps	1,628,706	841,567	3,599,561
Currency put option premiums	47,907	24,246	35,307
	2,385,564	1,917,233	5,183,923
	$ 12,143,306	$ 11,047,488	$ 14,035,790

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

   Note C, 20-year term, US$260,000 thousand, issued at par value without interest payment, callable 5 years after issue date with interest payment, maturity: 2034.12.17.

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

The Group entered into derivative contracts during the six months ended June 30, 2019 and 2018 to manage exposures due to exchange rate and interest rate fluctuations. The financial risk management objective of the Bank is to minimize risks due to changes in fair value and cash flows.

The nominal principal amounts of outstanding derivative contracts as of June 30, 2019, December 31, 2018 and June 30, 2018 were as follows:

	June 30, 2019	December 31, 2018	June 30, 2018
Currency swaps	$ 393,209,920	$ 349,448,614	$ 415,216,911
Currency options	23,984,631	12,774,097	21,652,196
Forward exchange contracts	14,601,122	17,114,455	25,911,338
Interest rate swaps	414,339,160	358,411,064	400,167,422
Cross-currency swaps	3,727,200	3,688,200	3,669,000

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	June 30, 2019	December 31, 2018	June 30, 2018
Investments in equity instruments at fair value through other comprehensive income (FVTOCI)			
Domestic listed stock	$ 6,877,964	$ 4,785,216	$ 4,426,221
Domestic unquoted stock	7,489,414	7,138,045	7,421,016
	14,367,378	11,923,261	11,847,237
Investments in debt instruments at FVTOCI			
Government bonds	16,569,521	17,893,192	29,228,337
Corporate bonds	27,499,056	16,494,550	14,901,722
Bank notes	52,176,803	31,428,851	29,645,137
Bonds issued by international organizations	3,581,973	11,025,870	5,744,596
Beneficiary and asset-based securities	3,045,293	666,787	60,037
Investments in bills	2,598,843	2,505,688	2,518,406
	105,471,489	80,014,938	82,098,235
	$ 119,838,867	$ 91,938,199	$ 93,945,472

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

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 agreements were $1,490,700 thousand, $4,380,200 thousand and $1,687,600 thousand, respectively, as of June 30, 2019, December 31, 2018 and June 30, 2018, respectively.

c. Government bonds placed as deposits in courts amounted to $333,200 thousand, $391,900 thousand and $389,600 thousand, respectively. Another government bonds placed as operating deposits amounted to $330,000 thousand; government bonds placed as a reserve fund for trust compensation amounted to $170,000 thousand; overseas branches' bonds provided as collateral for operations were $158,260 thousand, $155,720 thousand and $157,021 thousand, respectively, as of June 30, 2019, December 31, 2018 and June 30, 2018, respectively. Government bonds pledged for call loans from banks amounted to $5,000,000 thousand as of June 30, 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

	June 30, 2019	December 31, 2018	June 30, 2018
Investments in bills	$ 254,316,814	$ 251,312,321	$ 250,424,937
Bank notes	7,171,382	7,327,497	7,306,573
Corporate bonds	6,207,479	7,038,802	8,595,779
Government bonds	2,363,188	2,381,185	2,399,457
	$ 270,058,863	$ 268,059,805	$ 268,726,746

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

b. The amounts of the overseas branches' bonds provided as collateral for operations were $310,484 thousand, $307,061 thousand and $305,287 thousand as of June 30, 2019, December 31, 2018 and June 30, 2018, respectively.

c. Certificates of deposit placed as reserves for clearing at the Central Bank amounted to $36,000,000 thousand; certificates of deposit which were issued by the Central Bank and pledged for call loans from banks amounted to $5,300,000 thousand, $5,300,000 thousand and $300,000 thousand, respectively, as of June 30, 2019, December 31, 2018 and June 30, 2018.

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

10. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

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

June 30, 2019

	At FVTOCI	At Amortized Cost	Total
Gross carrying amount	$ 104,905,793	$ 270,064,377	$ 374,970,170
Less: Allowance for impairment loss	(182,348)	(5,514)	(187,862)
Amortized cost	104,723,445	$ 270,058,863	374,782,308
Adjustment to fair value	748,044		748,044
	$ 105,471,489		$ 375,530,352

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

June 30, 2018

	At FVTOCI	At Amortized Cost	Total
Gross carrying amount	$ 81,876,696	$ 268,734,485	$ 350,611,181
Less: Allowance for impairment loss	(169,625)	(7,739)	(177,364)
Amortized cost	81,707,071	$ 268,726,746	350,433,817
Adjustment to fair value	391,164		391,164
	$ 82,098,235		$ 350,824,981

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:

June 30, 2019

Category	Expected Loss Rate	At FVTOCI	At Amortized Cost
Stage 1	0%-0.3271%	$ 104,762,298	$ 270,064,377
Stage 3	100%	143,495	-
		$ 104,905,793	$ 270,064,377

December 31, 2018

Category	Expected Loss Rate	At FVTOCI	At Amortized Cost
Stage 1	0%-0.3422%	$ 79,704,057	$ 268,066,420
Stage 3	100%	141,986	-
		$ 79,846,043	$ 268,066,420

June 30, 2018

Category	Expected Loss Rate	At FVTOCI	At Amortized Cost
Stage 1	0%-0.3693%	$ 81,735,441	$ 268,734,485
Stage 3	100%	141,255	-
		$ 81,876,696	$ 268,734,485

The allowance for impairment loss of investments in debt instruments at FVTOCI and at amortized cost for the six months ended June 30, 2019 and six months ended June 30, 2018 grouped by credit rating is reconciled as follows:

At 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	18,338	-	-	18,338
Derecognition	(3,371)	-	-	(3,371)
Change in exchange rates or others	(1,536)	-	1,509	(27)
Balance at June 30, 2019	$ 38,853	$ -	$ 143,495	$ 182,348
Balance at January 1, 2018	$ 29,316	$ 27,285	$ 137,112	$ 193,713
Purchase investments in debt instruments	4,936	-	-	4,936
Derecognition	(6,072)	(27,285)	-	(33,357)
Change in exchange rates or others	190	-	4,143	4,333
Balance at June 30, 2018	$ 28,370	$ -	$ 141,255	$ 169,625

At amortized cost

	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	$ 6,615	$ -	$ -	$ 6,615
Purchase investments in debt instruments	56	-	-	56
Derecognition	(795)	-	-	(795)
Change in exchange rates or others	(362)	-	-	(362)
Balance at June 30, 2019	$ 5,514	$ -	$ -	$ 5,514
Balance at January 1, 2018	$ 9,623	$ -	$ -	$ 9,623
Derecognition	(1,871)	-	-	(1,871)
Change in exchange rates or others	(13)	-	-	(13)
Balance at June 30, 2018	$ 7,739	$ -	$ -	$ 7,739

11. RECEIVABLES, NET

a. Details of receivables

	June 30, 2019	December 31, 2018	June 30, 2018
Accounts receivable	$ 12,522,909	$ 16,329,369	$ 12,723,075
Accrued revenue	2,136	5,993	1,504
Interests receivable	5,347,832	5,401,681	4,935,367
Acceptances receivable	5,209,109	5,402,488	5,480,846
Credit cards accounts receivable	3,038,914	1,833,999	2,981,313
Settlement price	388,965	392,434	598,685
Accounts receivable for settlement	210,594	217,848	379,172
Other receivables	515,195	985,194	1,256,380
Less: allowance for bad debts, receivables	(654,411)	(635,021)	(606,374)
	$ 26,581,243	$ 29,933,985	$ 27,749,968

b. Allowance for receivables

1) Movements in the allowance for receivables

	For the Six Months Ended June 30, 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	(11)	33	(25)	(3)	-	(3)
Transfers to credit-impaired financial assets	(3)	(26)	272	243	-	243
Transfers to 12-months expected credit losses	175	(17)	(28)	130	-	130
Financial assets derecognized for the period	(30,262)	(1,525)	13,102	(18,685)	-	(18,685)
Purchase or originated financial assets	26,930	4,698	9,508	41,136	-	41,136

(Continued)

	For the Six Months Ended June 30, 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	$ -	$ -	$ -	$ -	$ 20,996	$ 20,996
Doubtful debts written off	-	-	(24,460)	(24,460)	-	(24,460)
Changes in exchange rates or others	15	3	15	33	-	33
Ending balance	$ 29,102	$ 5,844	$ 18,290	$ 53,236	$ 601,175	$ 654,411

(Concluded)

	For the Six Months Ended June 30, 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	$ 28,086	$ 2,295	$ 25,436	$ 55,817	$ 525,516	$ 581,333
Changes from financial instruments recognized at the beginning of the period:						
Transfers to lifetime expected credit losses	(30)	45	(186)	(171)	-	(171)
Transfers to credit-impaired financial assets	(2)	(52)	499	445	-	445
Transfers to 12-month expected credit losses	79	(489)	(92)	(502)	-	(502)
Financial assets derecognize for the period	(26,200)	(678)	(7,028)	(33,906)	-	(33,906)
Purchase or originated financial assets	24,140	1,072	23,307	48,519	-	48,519

(Continued)

	For the Six Months Ended June 30, 2018					
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on IFRS 9	Recognized Impairment Difference Based on Regulations of the Procedures For Banking Institutions to Evaluate Assets And Deal With Non-Performing Loans and Bad Debts	Total
Recognized impairment difference based on the Regulations of the Procedures for banking institutions to evaluate assets and deal with non-performing loans and bad debts	$ -	$ -	$ -	$ -	$ 21,726	$ 21,726
Doubtful debts write off	-	-	(11,114)	(11,114)	-	(11,114)
Others	27	3	14	44	-	44
Ending balance	$ 26,100	$ 2,116	$ 30,836	$ 59,132	$ 547,242	$ 606,374

2) Movements in the total carrying amount of receivables

	For the Six Months Ended June 30, 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	(14,807)	10,708	(345)	(4,444)
Transfers to credit-impaired financial assets	(5,465)	(3,148)	3,802	(4,811)
Transfers to 12-month expected credit losses	25,994	(946)	(146)	24,902
Purchase or originated financial assets	15,071,008	201,972	28,380	15,301,360
Derecognized	(18,543,906)	(83,914)	(4,482)	(18,632,302)
Doubtful debts written off	-	-	(24,460)	(24,460)
Change in exchange rates or others	5,818	554	31	6,403
Ending balance	$ 26,876,128	$ 284,909	$ 74,617	$ 27,235,654

	For the Six Months Ended June 30, 2018			
	12-month Expected Credit Losses	Significant Increase in Risk Due to Lifetime Expected Credit Losses	Credit Impairment Due to Lifetime Expected Credit Losses	Total
Beginning balance	$ 25,015,385	$ 156,888	$ 79,083	$ 25,251,356
Changes from financial instruments recognized at the beginning of the period:				
Transfers to lifetime expected credit loss	(25,935)	22,383	(890)	(4,442)
Transfers to credit-impaired financial assets	(5,472)	(5,049)	6,944	(3,577)
Transfers to 12-month expected credit losses	226,547	(5,445)	(558)	220,544
Purchase or originated financial assets	17,419,133	45,683	38,603	17,503,419
Derecognized	(14,506,865)	(88,971)	(19,240)	(14,615,076)
Doubtful debts write off	-	-	(11,114)	(11,114)
Others	14,129	1,073	30	15,232
Ending balance	$ 28,136,922	$ 126,562	$ 92,858	$ 28,356,342

12. DISCOUNTS AND LOANS, NET

a. Details of discounts and loans

	June 30, 2019	December 31, 2018	June 30, 2018
Negotiated and discounted	$ 3,681,747	$ 4,541,384	$ 5,148,356
Overdrafts	1,345,687	1,388,976	1,433,068
Short-term loans	403,523,721	361,909,922	375,907,849
Margin loans receivable	242,449	230,047	375,219
Medium-term loans	424,700,985	421,455,388	440,298,666
Long-term loans	563,181,551	559,202,595	559,484,821
Overdue loans	4,065,639	4,545,418	4,043,894
	1,400,741,779	1,353,273,730	1,386,691,873
Less: allowance for loan losses	(17,060,835)	(16,572,635)	(16,616,891)
	$ 1,383,680,944	$ 1,336,701,095	$ 1,370,074,982

Loans of which the accrual of interest income was ceased internally as of June 30, 2019, December 31, 2018 and June 30, 2018 were $4,065,639 thousand, $4,545,418 thousand and $4,043,894 thousand, respectively. The amounts of interest income that would have been accured on these loans for the six months ended June 30, 2019 and 2018 were $54,480 thousand and $53,986, thousand, respectively.

The Group did not write off any loans without legal claims process during the six months ended June 30, 2019 and 2018.

b. Allowance for discounts and loans

1) Movements in the allowance for discounts and loans

	For the Six Months Ended June 30, 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	(5,559)	5,234	(2,173)	(2,498)	-	(2,498)
Transfers to credit impaired financial assets	(5,134)	(27,027)	30,544	(1,617)	-	(1,617)
Transfers to month expected credit losses	24,948	(22,880)	(5,127)	(3,059)	-	(3,059)
Financial assets derecognized for the period	(877,565)	(806,073)	(1,551,335)	(3,234,973)	-	(3,234,973)
Purchased or originated financial assets	766,050	530,953	2,908,398	4,205,401	-	4,205,401
Recognized impairment difference based on the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming Loans and Bad Debts	-	-	-	-	749,054	749,054
Doubtful debts written off	-	-	(1,231,280)	(1,231,280)	-	(1,231,280)
Change in exchange rates or others	3,059	2,498	1,615	7,172	-	7,172
Ending balance	$ 1,790,104	$ 1,527,028	$ 5,253,127	$ 8,570,259	$ 8,490,576	$ 17,060,835

	For the Six Months Ended June 30, 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	(13,707)	11,967	(2,087)	(3,827)	-	(3,827)
Transfers to credit-impaired financial assets	(873)	(101,544)	95,420	(6,997)	-	(6,997)
Transfers to 12-month expected credit losses	109,991	(114,856)	(2,375)	(7,240)	-	(7,240)
Financial assets derecognized for the period	(796,638)	(190,770)	(2,833,862)	(3,821,270)	-	(3,821,270)
Purchase or originated financial assets	1,032,205	806,688	4,059,403	5,898,296	-	5,898,296

(Continued)

	For the Six Months Ended June 30, 2018					
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on IFRS 9	Recognized Impairment Difference Based on Regulations of the Procedures For Banking Institutions to Evaluate Assets And Deal With Non-performing Loans and Bad Debts	Total
Recognized impairment difference base on the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts	$ -	$ -	$ -	$ -	$ (727,090)	$ (727,090)
Doubtful debts write off	(270,180)	(85,883)	(743,961)	(1,100,024)	-	(1,100,024)
Others	7,240	3,828	6,996	18,064	-	18,064
Ending balance	$ 1,826,012	$ 1,569,411	$ 5,656,185	$ 9,051,608	$ 7,565,283	$ 16,616,891

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

	For the Six Months Ended June 30, 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	(5,324,937)	5,231,711	(21,920)	(115,146)
Transfers to credit-impaired financial assets	(727,304)	(874,938)	1,598,421	(3,821)
Transfers to 12-month expected credit losses	(697,423)	(893,247)	(36,979)	(1,627,649)
Derecognized	(432,739,472)	(20,526,064)	(4,539,914)	(457,805,450)
Purchase or originated financial assets	482,785,176	19,300,449	4,419,156	506,504,781
Doubtful debts write off	-	-	(1,231,280)	(1,231,280)
Others	1,627,647	115,146	3,821	1,746,614
Ending balance	$ 1,330,883,728	$ 56,094,592	$ 13,763,459	$ 1,400,741,779

	For the Six Months Ended June 30, 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	(8,248,436)	7,963,243	(21,317)	(306,510)
Transfers to credit-impaired financial assets	(949,855)	(2,256,925)	3,188,088	(18,692)
Transfers to 12-month expected credit losses	(716,325)	(2,808,380)	(21,304)	(3,546,009)
Purchase or originated financial assets	403,519,862	12,505,476	5,102,847	421,128,185
Doubtful debts write off	(270,180)	(85,883)	(743,961)	(1,100,024)
Derecognized	(404,318,210)	(16,553,703)	(5,872,015)	(426,743,928)
Others	3,546,010	306,510	18,692	3,871,212
Ending balance	$ 1,327,230,941	$ 44,941,804	$ 14,519,128	$ 1,386,691,873

c. Details of provision for bad debts expense, commitment and guarantee for the three months and the six months ended June 30, 2019 and 2018

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Provision for receivable and loan (including overdue loan) losses	$ 547,745	$ 848,696	$ 971,077	$ 1,243,482
Provision (reversal) for loan commitment	17,782	14,256	(32,981)	(108,278)
Provision (reversal) for guarantee liability	45,385	(49,477)	47,090	18,812
Reversal for others	10,195	-	9,933	-
	$ 621,107	$ 813,475	$ 995,119	$ 1,154,016

13. FINANCIAL ASSETS FOR HEDGING

	June 30, 2019	December 31, 2018	June 30, 2018
Financial assets for hedging			
Fair value hedges - interest rate swaps	$ 274,930	$ 244,763	$ 238,471

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 June 30, 2019, December 31, 2018 and June 30, 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 six months ended June 30, 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 $283,886 thousand, $249,055 thousand and $238,904 thousand, respectively, as of June 30, 2019, December 31, 2018 and June 30, 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: 0.6638%-0.6676%) 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 $29,897 thousand and $28,052 thousand, respectively, for the three months ended June 30, 2019 and 2018, and $63,945 thousand and $29,112 thousand for the six months ended June 30, 2019 and 2018, respectively, and the realized gain or loss from fair-value hedging was a loss of $(15,327) thousand and $(12,807) thousand, accounted for as net other non-interest income or loss, for the three months ended June 30, 2019 and 2018, respectively, and the realized gain or loss from fair value hedging was a loss of $(34,830) thousand and a gain of $753 thousand, accounted for as net other non-interest income or loss, for the six months ended June 30, 2019 and 2018, respectively.

14. OTHER MISCELLANEOUS FINANCIAL ASSETS

	June 30, 2019	December 31, 2018	June 30, 2018
Time deposits with original maturities of more than 3 months	$ 43,974,500	$ 54,923,845	$ 55,504,765
Exchange bills negotiated	9,006	10,360	11,294
Overdue receivable	334,995	380,211	487,139
Call loan to security brokers	155,300	153,675	152,875
Less: Allowance for bad debts	(355,785)	(422,861)	(344,352)
	$ 44,118,016	$ 55,045,230	$ 55,811,721

The market rates of time deposits with original maturities of more than 3 months were 2.72%-4.55% and 2.15%-4.85%, respectively, for the six months ended June 30, 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

			% of Ownership		
Investor	**Investee**	**Main Business**	**June 30, 2019**	**December 31, 2018**	**June 30, 2018**
The Bank	Chang Hua Commercial Bank, Ltd.	Banking	100	100	-
The Bank	Chang Hwa Bank Venture Capital Co., Ltd.	Investing	100	-	-

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

16. PROPERTY AND EQUIPMENT

	June 30, 2019
Assets used by the Group	$ 20,652,591
Assets leased under operating leases	174,050
	$ 20,826,641

a. Asset used by the Group - 2019

	Freehold Land	Buildings	Machinery Equipment	Transportation Equipment	Miscellaneous Equipment	Leasehold Improvement	Leased Assets	Construction in Progress and Prepayment for Building 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	-	16,370	64,985	13,767	20,733	5,888	-	47,436	169,179
Disposals	-	(26,066)	(61,437)	(7,437)	(4,600)	(4,185)	-	-	(103,725)
Transfers to assets leased under operating leases	-	132	-	-	-	-	-	-	132
Reclassification	(135,313)	288,102	19,077	4,026	1,534	5,951	-	(352,616)	(169,239)
Effect of foreign currency exchange differences	-	2,765	1,198	340	592	1,460	-	6,282	12,637
Balance at June 30, 2019	$ 14,542,147	$ 9,123,071	$ 4,617,538	$ 736,767	$ 1,477,128	$ 981,422	$ -	$ 330,601	$ 31,808,674
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	-	(25,882)	(61,281)	(7,415)	(4,524)	(4,185)	-	-	(103,287)
Depreciation expense	-	88,689	109,894	22,633	22,650	19,134	-	-	263,000
Transfers to assets leased under operating leases	-	(13,660)	-	-	-	-	-	-	(13,660)
Reclassification	-	(12,429)	-	-	-	-	-	-	(12,429)
Effect of foreign currency exchange differences	-	357	579	135	456	825	-	-	2,352
Balance at June 30, 2019	$ -	$ 4,337,983	$ 3,986,357	$ 632,511	$ 1,325,871	$ 873,361	$ -	$ -	$ 11,156,083
Carrying amounts at June 30, 2019	$ 14,542,147	$ 4,785,088	$ 631,181	$ 104,256	$ 151,257	$ 108,061	$ -	$ 330,601	$ 20,652,591
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

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
Transfers from assets used by the Group	(132)
Balance at June 30, 2019	$ 341,290
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	3,113
Transfers from assets used by the Group	13,660
Balance at June 30, 2019	$ 167,240
Carrying amounts at June 30, 2019	$ 174,050
Carrying amounts at December 31, 2018 and January 1, 2019	$ 190,955

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

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

	June 30, 2019
Year 1	$ 25,629
Year 2	18,528
Year 3	14,164
Year 4	5,325
Year 5	131
	$ 63,777

2018

	Freehold Land	Buildings	Machinery Equipment	Transportation Equipment	Miscellaneous Equipment	Leasehold Improvement	Leased Assets	Construction in Progress and Prepayment for Building 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	-	11,363	79,210	9,286	16,204	1,472	486	106,023	224,044
Disposals	-	-	(63,233)	(5,823)	(5,088)	-	-	-	(74,144)
Reclassification	-	-	-	445	-	878	(445)	(878)	-
Effect of foreign currency exchange differences	-	7,453	2,002	330	1,163	2,907	-	672	14,527
Balance at June 30, 2018	$ 14,657,121	$ 9,126,269	$ 4,686,073	$ 727,839	$ 1,460,678	$ 973,250	$ 1,048	$ 225,946	$ 31,858,224
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	-	89,954	98,962	21,795	22,374	22,447	70	-	255,602
Disposals	-	-	(62,999)	(5,823)	(5,088)	-	-	-	(73,910)
Reclassification	-	-	-	247	-	-	(247)	-	-
Effect of foreign currency exchange differences	-	1,018	1,213	224	960	1,900	-	-	5,315
Balance at June 30, 2018	$ -	$ 4,360,763	$ 4,106,765	$ 620,892	$ 1,310,014	$ 842,466	$ 172	$ -	$ 11,241,072
Carrying amounts at June 30, 2018	$ 14,657,121	$ 4,765,506	$ 579,308	$ 106,947	$ 150,664	$ 130,784	$ 876	$ 225,946	$ 20,617,152

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 June 30, 2018, refundable deposits received under operation leases amounted to $55,213 thousand and $55,479 thousand, respectively.

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

	December 31, 2018	June 30, 2018
Not later than 1 year	$ 239,809	$ 239,811
Later than 1 year and not later than 5 years	498,706	515,846
Later than 5 years	82,454	83,096
	$ 820,969	$ 838,753

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

	June 30, 2019
Carrying amounts	
Land	$ 2,308
Buildings	1,581,553
Machinery equipment	525
Transportation equipment	83,674
Miscellaneous equipment	15,938
	$ 1,683,998

	For the Three Months Ended June 30, 2019	For the Six Months Ended June 30, 2019
Additions to right-of-use assets	$ 72,040	$ 116,141
Depreciation charge for right-of-use assets		
Land	$ 331	$ 660
Buildings	157,621	313,597
Machinery equipment	116	232
Transportation equipment	9,390	18,772
Miscellaneous equipment	2,422	4,912
	$ 169,880	$ 338,173

b. Lease liabilities - 2019

	June 30, 2019
Carrying amounts	$ 1,475,283

Range of discount rate for lease liabilities was as follows:

	June 30, 2019
Land	0.91%
Buildings	0.20%-2.99%
Machinery equipment	0.20%-0.74%
Transportation equipment	2.12%-3.00%
Miscellaneous equipment	1.05%-2.82%

c. Material lease-in activities and terms

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

d. Other lease information

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

2019

	For the Three Months Ended June 30, 2019	For the Six Months Ended June 30, 2019
Expenses relating to short-term leases	$ 8,040	$ 14,037
Expenses relating to low-value asset leases	$ 8,197	$ 16,002
Expenses relating to variable lease payments not included in the measurement of lease liabilities	$ 55,182	$ 95,731
Total cash outflow for leases		$ (125,770)

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 June 30, 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 $10,384 thousand as of June 30, 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 June 30, 2018, refundable deposits paid under operation leases amounted to $47,992 thousand and $44,699 thousand, respectively.

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

	December 31, 2018	June 30, 2018
Not later than 1 year	$ 621,178	$ 556,514
Later than 1 year and not later than 5 years	1,118,117	1,073,018
Later than 5 years	255,874	285,381
	$ 1,995,169	$ 1,914,913

18. INVESTMENT PROPERTY

	Completed Investment Property
Cost	
Balance at January 1, 2019	$ 14,097,759
Additions	1,203
Reclassification	148,507
Balance at June 30, 2019	$ 14,247,469
Accumulated depreciation and impairment	
Balance at January 1, 2019	$ 355,383
Depreciation expense	3,391
Reclassification	12,429
Balance at June 30, 2019	$ 371,203
Carrying amounts at June 30, 2019	$ 13,876,266
Carrying amounts at December 31, 2018 and January 1, 2019	$ 13,742,376

Except for depreciation recognized, the Group had no significant additions disposals and impairment of investment property during the six months ended June 30, 2018.

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

The maturity analysis of lease payments receivable under operating leases of investment properties as of June 30, 2019 was as follows:

	June 30, 2019
Year 1	$ 213,840
Year 2	159,004
Year 3	131,581
Year 4	102,116
Year 5	94,743
Year 6 onwards	94,743
	$ 796,027

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

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

The investment properties are measured and stated at cost in the balance sheet. For management purpose, the Group periodically measure the fair value of investment properties in accordance with the Group's internal rules and procedures. The Group conducts regular evaluations. The fair values were $26,832,174 thousand, $26,506,226 thousand and $26,269,911 thousand, respectively, as of June 30, 2019, December 31, 2018 and June 30, 2018, respectively.

The rental incomes and direct operating expenses generated by the investment property for the three months ended June 30, 2019 and 2018 and for the six months ended June 30, 2019 and 2018 were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Rental incomes	$ 42,311	$ 46,389	$ 85,660	$ 93,360
Direct operating expenses	$ 24,932	$ 27,664	$ 50,882	$ 55,222

19. INTANGIBLE ASSETS

	Computer Software
Cost	
Balance at January 1, 2019	$ 731,364
Additions	57,600
Amortization expense	(109,753)
Reclassification	7,248
Effect of foreign currency exchange differences and others	281
Balance at June 30, 2019	$ 686,740
Balance at January 1, 2018	$ 436,176
Additions	37,957
Amortization expense	(98,628)
Effect of foreign currency exchange differences	412
Balance at June 30, 2018	$ 375,917

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

20. OTHER ASSETS

	June 30, 2019	December 31, 2018	June 30, 2018
Refundable deposits	$ 576,875	$ 666,426	$ 837,718
Assumed collateral and residuals	23,462	23,462	23,462
Less: Accumulated impairment	(23,462)	(23,462)	(23,462)
Prepayments	144,487	332,556	330,764
Others	1,704	869	306
	$ 723,066	$ 999,851	$ 1,168,788

21. DEPOSITS FROM THE CENTRAL BANK AND BANKS

	June 30, 2019	December 31, 2018	June 30, 2018
Deposits from the Central Bank	$ 24,389	$ 25,835	$ 24,994
Deposits from banks	217,805	28,639,448	27,380,980
Overdrafts on banks	548,035	1,167,669	625,772
Call loans from banks	131,133,936	82,508,426	114,004,502
Deposits transferred from Chunghwa Post Co., Ltd.	604,759	697,163	1,293,990
	$ 132,528,924	$ 113,038,541	$ 143,330,238

22. PAYABLES

	June 30, 2019	December 31, 2018	June 30, 2018
Checks issued to payees for clearing	$ 17,303,772	$ 18,402,780	$ 19,408,139
Accounts payable	1,410,423	1,776,020	1,333,330
Accrued expenses	2,116,387	2,568,648	2,085,544
Accrued interests	2,749,683	2,711,071	2,081,275
Acceptances	5,232,430	6,105,324	5,753,288
Others	10,968,397	5,113,936	9,123,987
	$ 39,781,092	$ 36,677,779	$ 39,785,563

23. DEPOSITS AND REMITTANCES

	June 30, 2019	December 31, 2018	June 30, 2018
Checking account deposits	$ 36,669,689	$ 44,742,967	$ 37,470,526
Demand deposits	406,369,250	391,831,065	408,801,568
Time deposits	386,439,761	395,634,572	392,561,482
Negotiable certificates of deposit	5,859,648	5,670,685	6,264,788
Savings account deposits	863,792,345	849,749,138	828,196,150
Remittances	1,292,401	1,952,685	1,336,049
	$ 1,700,423,094	$ 1,689,581,112	$ 1,674,630,563

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 Bank issued $5,960 million perpetual subordinated bank notes 108-1 on June 27, 2019.

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

Bank Note, Interest Rate and Maturity Date	**June 30, 2019**	**December 31, 2018**	**June 30, 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	283,886	249,055	238,904
	8,483,886	8,449,055	8,438,904
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

(Continued)

Bank Note, Interest Rate and Maturity Date	June 30, 2019	December 31, 2018	June 30, 2018
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	7,000,000
107-2, no maturity date, interest payable annually, interest rate 2.30%	3,000,000	3,000,000	-
108-1, no maturity date, interest payable annually, interest rate 1.90%	5,960,000	3,000,000	-
	47,060,000	41,100,000	38,100,000
	$ 55,543,886	$ 49,549,055	$ 46,538,904

(Concluded)

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

	June 30, 2019	December 31, 2018	June 30, 2018
Principal received on structured notes	$ 4,143,094	$ 3,715,307	$ 3,674,312
Appropriations for loans	845,848	671,115	651,690
Lease payable	-	656	745
	$ 4,988,942	$ 4,387,078	$ 4,326,747

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

	June 30, 2019	December 31, 2018	June 30, 2018
Advance receipts	$ 715,655	$ 662,897	$ 740,148
Guarantee deposits	2,640,984	2,115,346	4,633,719
Deferred revenue	18,688	14,959	21,936
	$ 3,375,327	$ 2,793,202	$ 5,395,803

27. RESERVE FOR LIABILITIES

	June 30, 2019	December 31, 2018	June 30, 2018
Reserve for employee benefits (Note 28)	$ 4,105,033	$ 4,337,337	$ 4,096,216
Reserve for guarantee liabilities	605,240	557,933	533,949
Reserve for loan commitments	336,398	369,150	365,176
Reserve for decommissioning restoration and rehabilitation costs	57,729	-	-
Others	31,425	31,912	-
	$ 5,135,825	$ 5,296,332	$ 4,995,341

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

	For the Six Months Ended June 30, 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	(1,841)	1,739	-	(102)	-	(102)
Transfers to credit-impaired financial assets	(65)	-	65	-	-	-
Transfers to 12-month expected credit losses	646	(1,377)	-	(731)	-	(731)
Financial assets derecognize for the period	(212,619)	(3,956)	(16,109)	(232,684)	-	(232,684)
Purchase or originated financial assets	179,057	9,899	796	189,752	-	189,752
Recognized impairment difference based on the Laws	-	-	-	-	57,018	57,018
Changes in exchange rates or others	713	102	-	815	-	815
Ending balance	$ 424,068	$ 32,595	$ 25,934	$ 482,597	$ 490,466	$ 973,063

	For the Six Months Ended June 30, 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	$ 490,854	$ 126,871	$ 427,500	$1,045,225	$ (67,883)	$ 977,342
Changes from financial instruments recognized at the beginning of the period:						
Transfers to lifetime expected credit losses	(1,578)	1,558	-	(20)	-	(20)
Transfers to credit-impaired financial assets	(22)	-	47	25	-	25
Transfers to 12-month expected credit losses	95,449	(95,545)	-	(96)	-	(96)
Financial assets derecognize for the period	(254,147)	(18,186)	(375,333)	(647,666)	-	(647,666)
Purchase or originated financial assets	154,715	5,697	482	160,894	-	160,894
Recognized impairment difference based on the Laws	-	-	-	-	407,135	407,135
Changes in exchange rates or others	1,517	20	(26)	1,511	-	1,511
Ending balance	$ 486,788	$ 20,415	$ 52,670	$ 559,873	$ 339,252	$ 899,125

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 $78,470 thousand, $81,659 thousand, $158,126 thousand and $161,886 thousand for the three months ended and for the six months ended June 30, 2019 and 2018, respectively.

29. EQUITY

a. Capital

Common stock

	June 30, 2019	December 31, 2018	June 30, 2018
Shares granted (in thousands)	11,000,000	11,000,000	11,000,000
Capital stock granted	$ 110,000,000	$ 110,000,000	$ 110,000,000
Shares issued and fully paid (in thousands)	9,789,521	9,789,521	94,130,001
Capital stock issued	$ 97,895,207	$ 97,895,207	$ 94,130,007

Fully paid common stocks, with a par value at $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.

The Bank approved of capitalization of earnings as new stocks be issued in the stockholders' meeting. Capitalization of earnings in the amounts of NT$1,957,904 thousand and NT$3,765,200 thousand, divided into 195,790 thousand shares and 376,520 thousand shares on June 14, 2019 and June 8, 2018, respectively.

b. Distribution of earnings and dividend policy

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

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

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

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

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

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

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

The restriction of the cash dividends stated above does not apply if the Bank's capital surplus exceeds the capital or the Bank's financial position satisfied the criteria 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 approved in the stockholders' meetings on June 14, 2019 and June 8, 2018, respectively. The appropriations of earnings and dividends per stock were as follows:

	Appropriation of Earnings		Dividends Per Stock (NT$)	
	2018	2017	2018	2017
Legal reserve	$ 3,793,961	$ 3,627,932	$ -	$ -
Special reserve	63,232	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

c. Special reserve

	June 30, 2019	December 31, 2018	June 30, 2018
Special reserves appropriated following first-time adoption of IFRSs	$ 11,778,829	$ 11,778,829	$ 11,778,829
Others	425,819	362,587	362,587
	$ 12,204,648	$ 12,141,416	$ 12,141,416

30. NET INCOME

a. Net income of interest

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Interest income				
Loans	$ 7,382,359	$ 7,368,714	$ 14,681,458	$ 14,476,129
Due from and call loans to banks	1,563,950	1,245,737	3,119,696	2,409,602
Investments in marketable securities	1,114,456	908,873	2,053,061	1,747,814
Others	60,969	78,932	137,756	146,627
	10,121,734	9,602,256	19,991,971	18,780,172
Interest expense				
Deposits	(3,203,459)	(2,889,353)	(6,353,255)	(5,552,832)
Due to central bank and call loans from banks	(689,193)	(686,194)	(1,397,413)	(1,236,488)
Others	(276,193)	(228,155)	(557,425)	(422,626)
	(4,168,845)	(3,803,702)	(8,308,093)	(7,211,946)
Net income of interest	$ 5,952,889	$ 5,798,554	$ 11,683,878	$ 11,568,226

b. Net service fee income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Service fee income				
Fees from import and export	$ 78,183	$ 82,935	$ 156,575	$ 171,308
Remittance fees	112,430	119,954	226,592	241,890
Loan fees	118,032	100,745	232,880	257,290
Fees from trust	192,530	212,682	349,133	497,756
Fees from trust business	79,512	82,960	151,143	154,009
Fees from insurance agency	535,142	509,367	1,132,990	984,909
Others	305,655	279,388	599,019	555,695
	1,421,484	1,388,031	2,848,332	2,862,857
Service charge				
Interbank charges	(39,389)	(37,670)	(79,978)	(75,876)
Charges from trust	(4,797)	(6,498)	(9,207)	(17,468)
Custodian charges	(30,437)	(25,672)	(51,440)	(52,903)
Charges from insurance agency	(59,266)	(44,883)	(121,064)	(82,502)
Others	(155,225)	(107,669)	(289,661)	(241,995)
	(289,114)	(222,392)	(551,350)	(470,744)
Net service fee income	$ 1,132,370	$ 1,165,639	$ 2,296,982	$ 2,392,113

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Realized gain (loss) on financial assets or liabilities measured at FVTPL				
Stock and beneficiary certificates	$ 119	$ (3,480)	$ 6,593	$ (4,832)
Bonds	10,707	(7,995)	12,813	(4,515)
Bills	-	-	-	11
Derivative financial instruments	409,384	794,533	1,202,719	1,540,258
Net interest loss	(91,192)	(83,449)	(169,136)	(162,740)
Stock dividends and bonus	1,200	3,112	1,200	3,112
	330,218	702,721	1,054,189	1,371,294
Valuation gain (loss) on financial assets or liabilities measured at FVTPL				
Stock and beneficiary certificates	874	(8,209)	544	(10,837)
Bonds	(71,260)	106,722	(325,584)	355,170
Bills	776	356	1	288
Derivative financial instruments	(27,013)	(198,848)	71,206	(367,208)
	(96,623)	(99,979)	(253,833)	(22,587)
	$ 233,595	$ 602,742	$ 800,356	$ 1,348,707

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	**2018**	**2019**	**2018**
Stock dividends and bonus	$ 252,933	$ 138,106	$ 254,542	$ 138,106
Disposal gains				
Beneficiary securities	34	-	34	-
Bonds	18,363	9,995	211,692	18,361
Disposal losses				
Beneficiary securities	(90)	(1)	(133)	(1)
Bonds	(367)	(1)	(1,163)	(15)
	$ 270,873	$ 148,099	$ 464,972	$ 156,451

e. Depreciation and amortization expense

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	**2018**	**2019**	**2018**
Property and equipment	$ 133,606	$ 127,170	$ 266,113	$ 255,602
Investment property	1,703	1,666	3,391	3,324
Right-of-use assets	169,830	-	338,173	-
Intangible assets and other deferred assets	51,064	49,633	109,901	98,673
	$ 356,203	$ 178,469	$ 717,578	$ 357,599

f. Employee benefits expenses

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	**2018**	**2019**	**2018**
Short-term employee benefits	$ 2,389,781	$ 2,326,339	$ 4,739,796	$ 4,648,593
Post-employment benefits				
Defined contribution plans	46,964	45,439	93,763	89,153
Defined benefit plans	78,470	81,659	158,126	161,886
High-yield savings account for employees	134,191	129,744	263,799	256,139
Other post-employment benefits	2,720	2,277	5,224	4,399
Termination benefits	2,110	2,780	8,383	3,642
	$ 2,654,236	$ 2,588,238	$ 5,269,091	$ 5,163,812

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 and the six months ended June 30, 2019 and 2018 were as follows:

Accrual rate

	For the Six Months Ended June 30	
	2019	2018
Employees’ compensation	5.00%	5.00%
Remuneration of directors	0.40%	0.40%

Amount

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
	Cash	Cash	Cash	Cash
Employees’ compensation	$ 193,050	$ 192,000	$ 386,100	$ 384,000
Remuneration of directors	$ 15,450	$ 15,300	$ 30,900	$ 30,600

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 consolidation 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 June 30		For the Six Months Ended June 30	
	2019	**2018**	**2019**	**2018**
Current income tax				
In respect of the current period	$ 388,050	$ 133,538	$ 896,701	$ 713,382
Income tax on unappropriated earnings	15,617	5,396	15,617	5,396
Deferred income tax				
In respect of the current period	4,088	534,924	135,949	671,473
Adjustments to deferred tax attributable to changes in tax rates and laws	-	-	-	(483,061)
Income tax expense recognized in profit or loss	$ 407,755	$ 673,858	$ 1,048,267	$ 907,190

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 June 30		For the Six Months Ended June 30	
	2019	**2018**	**2019**	**2018**
Deferred tax				
In respect of the current year:				
Exchange differences on translation	$ 34,513	$ 61,944	$ 74,613	$ 52,241
Unrealized gains of financial assets at FVTOCI	(695)	(242)	7,172	(3,294)
Effect of change in tax rate	-	-	-	(24,422)
Total income tax benefit recognized in other comprehensive income	$ 33,818	$ 61,702	$ 81,785	$ 48,947

c. Income tax assessments

The Bank's income tax returns through 2017 had been examined and cleared by the tax authority.

32. EARNINGS PER STOCK

The computation of earnings per stock was retrospectively adjusted for the effects of adjustments resulting from bonus stock issued on August 12, 2019. The basic and diluted after-tax earnings per stock of the three months and the six months ended June 30, 2018 were adjusted retrospectively as follows:

Unit: NT$ Per Stock

	Before Adjusted Retrospectively		After Adjusted Retrospectively	
	For the Three Months Ended June 30, 2018	For the Six Months Ended June 30, 2018	For the Three Months Ended June 30, 2018	For the Six Months Ended June 30, 2018
Basic earnings per stock	$ 0.32	$ 0.67	$ 0.31	$ 0.66
Diluted earnings per stock	$ 0.32	$ 0.67	$ 0.31	$ 0.66

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Net profit for the period	$ 2,862,782	$ 3,136,215	$ 5,999,063	$ 6,564,912

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Weighted average number of common stock in computation of basic earnings per stock	9,985,311	9,985,311	9,985,311	9,985,311
Effect of potentially dilutive common stock:				
Employees' compensation issued	18,429	21,695	32,709	36,358
Weighted average number of common stock used in the computation of diluted earnings per stock	10,003,740	10,007,006	10,018,020	10,021,669

If the Bank offered to settle compensation or bonuses paid to employees in cash or stock, the Bank assumed the entire amount of the compensation or bonus would be settled in stock and the resulting potential stock were included in the weighted average number of stock outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential stock is included in the computation of diluted earnings per stock until the number of stock to be distributed to employees is resolved in the following year.

33. CAPITAL RISK MANAGEMENT

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 financial statements for the year ended December 31, 2018.

The following table illustrates the Group's self-owned capital, risk-weighted assets and calculated capital adequacy. The Group has conformed to the capital management regulation in the local authority for the six months ended June 30, 2019 and 2018.

Item \ Period			June 30, 2019	December 31, 2018	June 30, 2018
Self-owned capital	Common equity Tier I		$ 136,519,729	$ 136,278,731	$ 130,871,063
	Other Tier I capital		16,869,782	11,398,831	8,295,854
	Tier II capital		54,862,919	57,012,582	57,562,890
	Self-owned capital		208,252,430	204,690,144	196,729,807
Risk-weighted assets	Credit risk	Standardized approach	1,343,277,348	1,302,768,815	1,315,251,506
		IRB	-	-	-
		Securitization	609,059	133,357	12,007
	Operation risk	Basic indicator approach	-	-	-
		Standardized approach/optional standard	57,297,063	57,297,063	53,616,863
		Advanced internal rating based approach	-	-	-
	Market price risk	Standardized approach	21,046,700	19,340,309	20,614,125
		Internal model approach	-	-	-
	Total		1,422,230,170	1,379,539,544	1,389,494,501
Capital adequacy ratio			14.64%	14.84%	14.16%
Common equity Tier I to risk-weighted assets ratio			9.60%	9.88%	9.42%
Tier I capital to risk-weighted assets ratio			10.79%	10.70%	10.02%
Leverage ratio			6.73%	6.62%	6.22%

Note 1: The ratios are calculated in accordance with the Regulations Governing the Capital Adequacy and Capital Category of Banks.

Note 2: Annual financial statements should include the capital adequacy ratio in current and previous period. Besides, semiannual financial statements should disclose the ratio from the end of the last year.

Note 3: Formula:

a. Self-owned capital = Common equity Tier I + Other Tier I capital + Tier II capital

b. Risk-weighted assets = Credit risk-weighted assets + (Operation risk capital + Market price risk capital) x 12.5

c. Capital adequacy = Self-owned capital ÷ Risk-weighted assets

d. Common equity Tier I capital to risk-weighted assets ratio = Common equity Tier I capital ÷ Risk-weighted assets

e. Tier I capital to risk-weighted assets ratio = (Common equity Tier I + Other Tier I capital) ÷ Risk-weighted assets

f. Leverage ratio = Tier I capital ÷ Adjusted average assets

34. FINANCIAL INSTRUMENTS

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

Fair value of financial instruments not measured at fair value

June 30, 2019

	Carrying Amount	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3	Fair Value Total
Financial assets					
Financial assets at amortized cost	$ 270,058,863	$ 6,842,125	$ 263,259,486	$ -	$ 270,101,611
Financial liabilities					
Bank notes payable	55,543,886	-	8,483,886	48,132,539	56,616,425

December 31, 2018

	Carrying Amount	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3	Fair Value 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

June 30, 2018

	Carrying Amount	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3	Fair Value Total
Financial assets					
Financial assets at amortized cost	$ 268,726,746	$ 7,412,490	$ 261,329,416	$ -	$ 268,741,906
Financial liabilities					
Bank notes payable	46,538,904	-	8,438,904	39,069,670	47,508,574

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	June 30, 2019			
	Total	Level 1	Level 2	Level 3
Non-derivative financial products				
Assets				
Financial assets at FVTPL	$ 5,833,161	$ 36,844	$ 5,796,317	$ -
Financial assets mandatorily measured at FVTPL	5,833,161	36,844	5,796,317	-
Stock investments	36,844	36,844	-	-
Bond investments	969,828	-	969,828	-
Others	4,826,489	-	4,826,489	-
Financial assets at FVTOCI	119,838,867	85,636,374	26,713,079	7,489,414
Stock investments	14,367,378	6,877,964	-	7,489,414
Bond investments	102,872,646	76,159,567	26,713,079	-
Others	2,598,843	2,598,843	-	-
Liabilities				
Financial liabilities at FVTPL	9,757,742	-	9,757,742	-
Derivative financial products				
Assets				
Financial assets at FVTPL	3,257,114	273,613	2,983,501	-
Other financial assets				
Financial assets for hedging	274,930	-	274,930	-
Liabilities				
Financial liabilities at FVTPL	2,385,564	-	2,385,564	-

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	77,509,250	59,725,389	17,783,861	-
Others	2,505,688	2,505,688	-	-
Liabilities				
Financial liabilities at FVTPL	9,130,255	-	9,130,255	-
Derivative financial products				
Assets				
Financial assets at FVTPL	2,335,942	173,149	2,162,793	-
Other financial assets				
Financial assets for hedging	244,763	-	244,763	-
Liabilities				
Financial liabilities at FVTPL	1,917,233	-	1,917,233	-

Fair Value Measurement of Financial Instruments	June 30, 2018			
	Total	Level 1	Level 2	Level 3
Non-derivative financial products				
Assets				
Financial assets at FVTPL	$ 3,795,319	$ 1,040,282	$ 2,755,037	$ -
Financial assets mandatorily measured at FVTPL	3,611,681	1,040,282	2,571,399	-
Stocks and mutual funds	242,403	242,403	-	-
Bond investments	1,590,498	797,879	792,619	-
Others	1,778,780	-	1,778,780	-
Financial assets designated at FVTPL	183,638	-	183,638	-
Financial assets at FVTOCI	93,945,472	58,707,741	27,816,715	7,421,016
Stock investments	11,847,237	4,426,221	-	7,421,016
Bond investments	79,579,829	51,763,114	27,816,715	-
Others	2,518,406	2,518,406	-	-
Liabilities				
Financial liabilities at FVTPL	8,851,867	-	8,851,867	-
Derivative financial products				
Assets				
Financial assets at FVTPL	8,457,557	184,775	8,272,782	-
Other financial assets				
Financial assets for hedging	238,471	-	238,471	-
Liabilities				
Financial liabilities at FVTPL	5,183,923	-	5,183,923	-

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 six months ended June 30, 2019

Financial Assets	Financial Assets at FVTOCI Equity Instrument
Beginning balance	$ 7,138,045
Realized losses on other comprehensive income/unrealized gain (loss) on financial assets at FVTOCI	351,369
Ending balance	$ 7,489,414

For the six months ended June 30, 2018

Financial Assets	Financial Assets at FVTOCI Equity Instrument
Beginning balance	$ 7,678,043
Realized losses on other comprehensive income/unrealized gain (loss) on financial assets at FVTOCI	(257,027)
Ending balance	$ 7,421,016

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 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 without quoted market price (including debt instruments of embedded derivatives) or other debt instruments with low market liquidity. Certain inputs used in these valuation models are not observable in the market, and the Group and its subsidiaries need to make appropriate estimates based on assumptions.

b) The types and nature of the valuation methods for financial instruments used by the Group and its subsidiaries are as follows:

i. NTD central government bonds: The bond market rate and theoretical interest rate are price-per-hundred conversions announced by TPEx.

ii. NTD corporate bonds and bank notes: The corporate bond reference rate is announced by TPEx, and the Group uses the appropriate credit rate and the remaining period to calculate the yield rate and convert it to price-per-hundred.

iii. NTD convertible corporate bonds: The closing prices of outright purchase/sale trading are listed on TPEx on the valuation day. If the price is not available, the price is referenced from the outright purchase/sale trading information listed on TPEx.

iv. Securitization instruments: Prices are those quoted from Bloomberg.

v. NTD short-term bills: The TAIBIR (page 02) secondary market fixing rates used by the Taiwan Depository & Clearing Corporation are discounted from future cash flows.

vi. Foreign securities: The latest prices quoted from Bloomberg, Reuters or other systems on the valuation day are used, if there is no available price or valuation, then the price used is that which is quoted from counterparties.

vii. Listed stock, call/put warrants and depositary receipts: The closing price listed on TWSE or TPEx is adopted.

viii. Unlisted stock: The fair value is referenced from related financial information or estimated using the price or parameter 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 Bank does not default).

c. Financial risk management objectives and policies

1) Market risk

a) The source and definition of market risk

Market risk is the uncertainty of changes in fair value of on- and off-balance-sheet financial instruments due to changes in market risk factors. Market risk factors include interest rates, exchange rates, equity security prices and commodity prices.

The major market risks of the 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 without active market; (3) valuation without active market.

iv. Risk measuring methods

i) The sensitivity of the interest rate changes of investment portfolio is measured by DVO1. The sensitivity of the foreign exchange derivatives is measured by the sensitivity factors (Delta, Gamma, and Vega).

ii) With regard to the Group's Value at Risk assumptions and calculation methods, 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 Group'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 Grouping 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 Group'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 Group'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 Group'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 June 30, 2019 and 2018, the Bank's VaR factors based on historical simulation method were as follows:

	For the Six Months Ended June 30, 2019			
	Average	Highest	Lowest	Ending Balance
Exchange VaR	$ 74,299	$ 87,949	$ 59,826	$ 74,194
Interest rate VaR	4,497	6,997	3,261	3,261
Equity securities VaR	1,679	4,399	-	1,476
Value at risk	$ 80,475	$ 99,345	$ 63,087	$ 78,931

	For the Six Months Ended June 30, 2018			
	Average	Highest	Lowest	Ending Balance
Exchange VaR	$ 108,273	$ 134,932	$ 91,647	$ 130,178
Interest rate VaR	6,535	9,460	3,956	3,976
Equity securities VaR	4,958	8,113	2,124	8,085
Value at risk	$ 119,766	$ 152,505	$ 97,727	$ 142,239

2) Primary foreign currencies

The significant foreign-currency financial assets and liabilities as of June 30, 2019, December 31, 2018 and June 30, 2018 were as follows:

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	June 30, 2019		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 9,411,330	31.0600	$ 292,315,910
AUD	1,361,722	21.7450	29,610,645
HKD	872,177	3.9730	3,465,159
CAD	77,920	23.7200	1,848,262
ZAR	2,864,488	2.1900	6,273,229
JPY	44,943,596	0.2885	12,966,227
EUR	346,540	35.3100	12,236,327
RMB	10,367,343	4.5160	46,818,921

(Continued)

	June 30, 2019		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial liabilities			
Monetary items			
USD	$ 9,940,145	31.0600	$ 308,740,904
GBP	37,842	39.3600	1,489,461
AUD	1,216,654	21.7450	26,456,141
HKD	1,001,567	3.9730	3,979,226
CAD	78,151	23.7200	1,853,742
ZAR	3,331,607	2.1900	7,296,219
JPY	48,622,450	0.2885	14,027,577
EUR	440,090	35.3100	15,539,578
NZD	63,137	20.8000	1,313,250
RMB	11,607,389	4.5160	52,418,969
Non-monetary items			
USD	316,754	31.0600	9,838,379

(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
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
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

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	June 30, 2018		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
Monetary items			
USD	$ 7,018,079	30.5750	$ 214,577,765
GBP	11,499	39.9900	459,845
AUD	1,016,478	22.4550	22,825,013
HKD	1,525,610	3.8960	5,943,777
CAD	90,157	23.0500	2,078,119
ZAR	1,403,666	2.2100	3,102,102
JPY	45,941,286	0.2769	12,721,142
EUR	379,814	35.3800	13,437,819
RMB	17,887,977	4.5990	82,266,806
Financial liabilities			
Monetary items			
USD	9,809,552	30.5750	299,927,052
GBP	35,442	39.9900	1,417,326
AUD	967,701	22.4550	21,729,726
HKD	1,341,322	3.8960	5,225,791
CAD	98,795	23.0500	2,277,225
ZAR	2,172,129	2.2100	4,800,405
JPY	53,312,684	0.2769	14,762,282
EUR	441,180	35.3800	15,608,948
NZD	59,487	20.6100	1,226,027
RMB	16,346,633	4.5990	75,178,165
Non-monetary items			
USD	302,172	30.5750	9,238,909

For the three months ended June 30, 2019 and 2018, net foreign exchange gains were $290,906 thousand and $766,787 thousand, respectively. For the six months ended June 30, 2019 and 2018, net foreign exchange gains were $621,345 thousand and $762,910 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the Bank and entities under its control.

3) Credit risk

a) Credit risk source and definition

Credit risk means the possible loss due to failure of debtors or counterparties to fulfill their contractual obligations or their ability to fulfill contractual obligations is impaired. Credit risk arises from the operation, on- and off-balance-sheet items, including credit loans, derivatives transactions and securities investment, etc. Because the business becomes more complex, the credit risk is often generated with other risks that affect one another. For example, exchange rate risk also exists in foreign currency debt investment. Secured loans will be affected by the price volatility of the collateral and market liquidity risk of the collateral.

b) Credit risk management policy

The related mechanism and procedures for monitoring credit risk includes:

i. The Bank continuously improves its credit risk management technology and its efficiency to meet the requirements of internal operations, business scale and management objectives and buildup the risk management system that fits the requirements for ensuring accuracy and completeness of the Bank's risk management technology.

ii. The Group is building a complete monitoring mechanism, setting up a loan early warning system to track down bad indications and risk changes of high-risk credits, setting up "corporate clients' risk exposure and credit risk quick-search system" to understand the negative reporting and transactions with the 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 implement 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.

- 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 Group.

iii) Expected credit loss measurement

The Group classify credit assets into the following nine categories by the credit risk characteristics of the 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.

iv) Forward-looking information

The Group classifies credit assets as either corporate banking - domestic, corporate banking - overseas, corporate banking - Singapore branch or individual banking business. Macroeconomic indicators for each 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 ECLs at the time of initial recognition of the credit impaired financial assets - loans which were purchased or originated is as follows:

	June 30	
	2019	**2018**
Loans	$ 4,205,401	$ 4,705,582

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 Group 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 Bank 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:

June 30, 2019

		Maximum Exposure to Credit Risk Mitigated by			
	Carrying Amount	Collateral	Master Netting Arrangement	Other Credit Enhancements	Total
Discounts and loans	$ 1,400,741,779	$ 919,582,325	$ -	$ -	$ 919,582,325
Financial assets at FVTPL	9,090,275	3,267,141	-	-	3,267,141
Investments in debt instruments at FVTOCI	105,471,489	5,397,694	-	-	5,397,694
Investments in debt instruments at amortized cost	270,058,863	755,193	-	-	755,193

December 31, 2018

	Carrying Amount	Maximum Exposure to Credit Risk Mitigated by Collateral	Master Netting Arrangement	Other Credit Enhancements	Total
Discounts and loans	$ 1,353,273,730	$ 912,119,282	$ -	$ -	$ 912,119,282
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

June 30, 2018

	Carrying Amount	Maximum Exposure to Credit Risk Mitigated by Collateral	Master Netting Arrangement	Other Credit Enhancements	Total
Discounts and loans	$ 1,386,691,873	$ 905,998,506	$ -	$ -	$ 905,998,506
Financial assets at FVTPL	12,252,876	779,732	-	-	779,732
Investments in debt instruments at FVTOCI	82,098,235	2,538,103	-	-	2,538,103
Investments in debt instruments at amortized cost	268,726,746	1,347,256	-	-	1,347,256

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

	Discounts and Loans June 30, 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	$ 836,628,732	$ 1,811,404	$ -	$ 838,440,136
Levels 16-18	-	52,093,136	3,743,834	55,836,970
Levels 19-21	-	-	8,376,456	8,376,456
No rating	494,254,996	2,190,052	1,643,169	498,088,217
Total carrying amount	$ 1,330,883,728	$ 56,094,592	$ 13,763,459	$ 1,400,741,779
Expected credit losses	$ 1,790,104	$ 1,527,028	$ 5,253,127	$ 8,570,259
Recognized impairment based on the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts				8,490,576
				$ 17,060,835

	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			
	June 30, 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	$ 835,110,474	$ 358,538	$ -	$ 835,469,012
Levels 16-18	-	42,976,599	2,840,409	45,817,008
Levels 19-21	-	-	9,500,143	9,500,143
No rating	492,120,467	1,606,667	2,178,576	495,905,710
Total carrying amount	$ 1,327,230,941	$ 44,941,804	$ 14,519,128	$ 1,386,691,873
Expected credit losses	$ 1,826,012	$ 1,569,411	$ 5,656,185	$ 9,051,608
Recognized impairment based on the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts				7,565,283
				$ 16,616,891

	Guarantee Payments			
	June 30, 2019			
	Stage 1 12-month Expected Credit Losses	**Stage 2 Lifetime Expected Credit Losses**	**Stage 3 Lifetime Expected Credit Losses**	**Total**
Carrying amount	$ 51,180,500	$ 588,782	$ 103,696	$ 51,872,978
Expected credit losses	101,297	7,343	24,605	133,245

	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			
	June 30, 2018			
	Stage 1 12-month Expected Credit Losses	**Stage 2 Lifetime Expected Credit Losses**	**Stage 3 Lifetime Expected Credit Losses**	**Total**
Carrying amount	$ 40,840,173	$ 195,627	$ 131,141	$ 41,166,941
Expected credit losses	147,702	3,739	44,882	196,323

	Loan Commitments			
	June 30, 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	$ 78,928,027	$ 3,762,521	$ -	$ 82,690,548
Carry amount - cancellable	596,558,809	10,920,322	427,790	607,906,921
	$ 675,486,836	$ 14,682,843	$ 427,790	$ 690,597,469
Expected credit losses - non-cancellable	$ 80,136	$ 22,059	$ -	$ 102,195
Expected credit losses - cancellable	231,025	83	1,412	232,520
	$ 311,161	$ 22,142	$ 1,412	$ 334,715

	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			
	June 30, 2018			
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total
Carrying amount - non-cancellable	$ 76,843,834	$ 2,908,304	$ 21,807	$ 79,773,945
Carrying amount - cancellable	603,248,111	8,010,196	1,021,537	612,279,844
Subtotal	$ 680,091,945	$ 10,918,500	$ 1,043,344	$ 692,053,789
Expected credit losses - non-cancellable	$ 76,298	$ 16,675	$ 7,789	$ 100,762
Expected credit losses - cancellable	262,788	76	1,549	264,413
Subtotal	$ 339,086	$ 16,751	$ 9,338	$ 365,175

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 June 30, 2019, December 31, 2018 and June 30, 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	June 30, 2019	December 31, 2018	June 30, 2018
Unused loan commitments (excluding credit card)	$ 82,690,548	$ 68,776,330	$ 79,773,945
Credit card commitments	346,164	316,154	394,462
Unused issued letters of credit	26,633,493	23,341,732	24,191,878
Guarantees in guarantee business	51,872,978	47,240,277	41,166,941

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:

	June 30, 2019	
Industry Type	**Carrying Amount**	**Percentage of Item (%)**
Financial and insurance	$ 63,341,727	5
Manufacturing	362,788,193	26
Wholesale and retail	117,298,123	8
Real estate and leasing	107,184,370	8
Service	42,670,904	3
Individuals	450,315,717	32
Others	257,142,745	18
	$ 1,400,741,779	

	December 31, 2018	
Industry Type	**Carrying Amount**	**Percentage of Item (%)**
Financial and insurance	$ 61,513,658	5
Manufacturing	357,106,346	26
Wholesale and retail	119,732,031	9
Real estate and leasing	103,658,818	8
Service	42,521,269	3
Individuals	450,420,900	33
Others	218,320,708	16
	$ 1,353,273,730	

	June 30, 2018	
Industry Type	**Carrying Amount**	**Percentage of Item (%)**
Financial and insurance	$ 63,484,992	5
Manufacturing	350,546,478	25
Wholesale and retail	122,838,023	9
Real estate and leasing	104,823,547	7
Service	43,348,572	3
Individuals	453,615,229	33
Others	248,035,032	18
	$ 1,386,691,873	

Geographic Location	June 30, 2019 Carrying Amount	Percentage of Item (%)
Asia	$ 1,294,629,550	93
America	83,638,248	6
Europe	18,340,939	1
Others	4,133,042	-
	$ 1,400,741,779	

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

Geographic Location	June 30, 2018 Carrying Amount	Percentage of Item (%)
Asia	$ 1,278,895,382	93
America	85,837,841	6
Europe	16,298,221	1
Others	5,660,429	-
	$ 1,386,691,873	

Securities Type	June 30, 2019 Carrying Amount	Percentage of Item (%)
Unsecured	$ 481,159,454	34
Secured		
Properties	784,190,172	56
Others	135,392,153	10
	$ 1,400,741,779	

	December 31, 2018	
Securities Type	**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	

	June 30, 2018	
Securities Type	**Carrying Amount**	**Percentage of Item (%)**
Unsecured	$ 480,693,367	35
Secured		
Properties	752,603,392	54
Others	153,395,114	11
	$ 1,386,691,873	

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 June 30, 2019 and 2018, the ratio of the liquidity reserve was 17.01% and 19.28%, 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	June 30, 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	$ 28,457,422	$ -	$ -	$ -	$ -	$ 28,457,422
Due from the Central Bank and call loans to banks	9,238,196	4,005,934	4,615,209	6,144,383	29,289,660	53,293,382
Financial assets at FVTPL	4,956,426	-	-	-	-	4,956,426
Receivables	21,789,974	1,022,977	905,390	313,094	266,718	24,298,153
Discounts and loans	94,858,821	153,425,234	117,812,694	171,183,702	632,388,885	1,169,669,336
Investments in equity instruments designated at FVTOCI	-	-	-	-	14,367,378	14,367,378
Investments in debt instruments at FVTOCI	-	200,345	2,004,479	499,763	23,122,850	25,827,437
Investments in debt instruments at amortized cost	141,200,000	27,249,662	18,949,661	15,604,354	14,273,188	217,276,865
Other maturity funds inflow items	-	-	-	-	27,600,598	27,600,598
	300,500,839	185,904,152	144,287,433	193,745,296	741,309,277	1,565,746,997
Major maturity fund outflows						
Deposits from the Central Bank and banks	147,112	304,022	134,327	179,800	-	765,261
Due to the Central Bank and banks	8,010,000	10,000	-	-	-	8,020,000
Securities sold under repurchase agreements	899,358	1,262,466	19,409	-	-	2,181,233
Payables	38,903,558	1,846,923	677,300	657,317	1,255,562	43,340,660
Deposits and remittances	104,911,275	119,729,952	138,285,282	184,103,833	756,221,638	1,303,251,980
Bank notes payable	-	-	-	5,000,000	50,260,000	55,260,000
Other maturity fund outflow items	46,540	86,944	92,887	354,155	5,834,493	6,415,019
	152,917,843	123,240,307	139,209,205	190,295,105	813,571,693	1,419,234,153
Gap	$ 147,582,996	$ 62,663,845	$ 5,078,228	$ 3,450,191	$ (72,262,416)	$ 146,512,844

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	June 30, 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	$ 30,423,498	$ -	$ -	$ -	$ -	$ 30,423,498
Due from the Central Bank and call loans to banks	51,815,181	4,047,445	4,999,102	6,215,312	25,566,813	92,643,853
Financial assets at FVTPL	3,426,265	-	-	-	-	3,426,265
Receivables	17,551,086	1,163,173	577,896	201,095	133,849	19,627,099
Discounts and loans	89,917,904	113,730,856	163,296,938	147,694,060	638,992,230	1,153,631,988
Investments in equity instruments designated at FVTOCI	-	-	-	-	11,847,237	11,847,237
Investments in debt instruments at FVTOCI	-	-	-	2,713,132	27,777,119	30,490,251
Investments in debt instruments at amortized cost	135,230,000	17,255,311	12,769,926	19,639,016	35,752,895	220,647,148
Other maturity fund inflow items	-	-	-	-	14,307,370	14,307,370
	328,363,934	136,196,785	181,643,862	176,462,615	754,377,513	1,577,044,709
Major maturity fund outflows						
Deposits from the Central Bank and banks	207,954	755,622	235,610	272,203	-	1,471,389
Due to the Central Bank and banks	29,755,000	10,000	-	-	-	29,765,000
Securities sold under repurchase agreements	1,171,783	1,362,541	27,873	-	-	2,562,197
Payables	33,746,330	5,677,463	635,525	697,711	1,476,126	42,233,155
Deposits and remittances	110,131,336	120,402,718	149,080,810	185,350,028	702,042,406	1,267,007,298
Bank notes payable	-	-	-	-	46,300,000	46,300,000
Other maturity fund outflow items	48,500	53,687	122,734	235,190	5,786,865	6,246,976
	175,060,903	128,262,031	150,102,552	186,555,132	755,605,397	1,395,586,015
Gap	$ 153,303,031	$ 7,934,754	$ 31,541,310	$ (10,092,517)	$ (1,227,884)	$ 181,458,694

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

(In Thousands of United States Dollars)

Item	June 30, 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	$ 111,001	$ 225,001	$ -	$ -	$ -	$ 336,002
Due from the Central Bank and call loans to banks	2,812,196	1,035,848	211,418	42,285	3,460	4,105,207
Financial assets at FVTPL	28,227	-	-	-	-	28,227
Receivables	573,796	80,493	229,979	44,059	14,619	942,946
Discounts and loans	759,236	459,366	542,810	377,604	3,364,420	5,503,436
Investments in debt instruments at FVTOCI	2,192	22,030	48,051	37,539	1,389,249	1,499,061
Investments in debt instruments at amortized cost	-	-	2,996	17,485	262,399	282,880
Other maturity fund inflow items	5,000	-	400,000	500,000	14,881	919,881
	4,291,648	1,822,738	1,435,254	1,018,972	5,049,028	13,617,640
Major maturity fund outflows						
Deposits from the Central Bank and banks	16,803	365	547	1,095	85	18,895
Due to the Central Bank and banks	2,213,568	866,000	-	-	-	3,079,568
Financial liabilities at FVTPL	-	-	314,158	-	-	314,158
Payables	774,452	33,553	6,034	7,388	538	821,965
Deposits and remittances	2,215,730	1,781,666	1,158,402	1,809,778	2,797,247	9,762,823
Other maturity fund outflow items	44,427	1,082	11,022	1,230	94,877	152,638
	5,264,980	2,682,666	1,490,163	1,819,491	2,892,747	14,150,047
Gap	$ (973,332)	$ (859,928)	$ (54,909)	$ (800,519)	$ 2,156,281	$ (532,407)

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	June 30, 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	$ 680,267	$ 15,000	$ -	$ -	$ -	$ 695,267
Due from the Central Bank and call loans to banks	1,579,022	687,929	131,293	61,946	3,603	2,463,793
Financial assets at FVTPL	12,070	-	-	-	-	12,070
Receivables	588,046	139,463	199,478	8,038	15,377	950,402
Discounts and loans	479,674	687,287	580,433	515,384	3,417,364	5,680,142
Investments in debt instruments at FVTOCI	230	-	5,009	23,057	807,182	835,478
Investments in debt instruments at amortized cost	-	-	-	12,072	282,850	294,922
Other maturity fund inflow items	5,000	-	110,010	708,000	15,444	838,454
	3,344,309	1,529,679	1,026,223	1,328,497	4,541,820	11,770,528
Major maturity fund outflows						
Deposits from the Central Bank and banks	795,485	507	660	1,281	85	798,018
Due to the Central Bank and banks	1,520,079	394,000	100,000	(20,000)	-	1,994,079
Financial liabilities at FVTPL	-	-	-	-	289,513	289,513
Payables	638,029	39,419	3,276	4,130	2,758	687,612
Deposits and remittances	2,116,912	2,370,642	1,091,007	1,588,126	2,986,335	10,153,022
Other maturity fund outflow items	49,309	1,203	605	534	157,783	209,434
	5,119,814	2,805,771	1,195,548	1,574,071	3,436,474	14,131,678
Gap	$ (1,775,505)	$ (1,276,092)	$ (169,325)	$ (245,574)	$ 1,105,346	$ (2,361,150)

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	June 30, 2019					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Foreign currency derivative instruments						
Outflows	$ 107,866,140	$ 197,602,736	$ 52,063,546	$ 50,450,318	$ -	$ 407,982,740
Inflows	107,865,421	197,788,219	52,255,994	50,579,334	-	408,488,968
Interest rate derivative instruments						
Outflows	1,238,200	-	2,468,850	-	8,430	3,715,480
Inflows	1,515,875	-	2,685,074	-	-	4,200,949
Others						
Outflows	-	-	-	-	-	-
Inflows	28,776	-	-	-	-	28,776
Total outflows	$ 109,104,340	$ 197,602,736	$ 54,532,396	$ 50,450,318	$ 8,430	$ 411,698,220
Total inflows	$ 109,410,072	$ 197,788,219	$ 54,941,068	$ 50,579,334	$ -	$ 412,718,693

(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	June 30, 2018					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Foreign currency derivative instruments						
Outflows	$ 122,992,780	$ 220,828,015	$ 72,224,146	$ 17,914,830	$ 17,639	$ 433,977,410
Inflows	124,331,390	221,995,857	72,858,231	18,363,025	17,072	437,565,575
Interest rate derivative instruments						
Outflows	257,804	-	2,402,640	1,199,620	408	3,860,472
Inflows	166,224	-	2,446,000	1,199,620	194,488	4,006,332
Total outflows	$ 123,250,584	$ 220,828,015	$ 74,626,786	$ 19,114,450	$ 18,047	$ 437,837,882
Total inflows	$ 124,497,614	$ 221,995,857	$ 75,304,231	$ 19,562,645	$ 211,560	$ 441,571,907

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	June 30, 2019					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	$ 64,431,938	$ 966,890	$ 1,160,477	$ 3,245,959	$ 12,885,284	$ 82,690,548
Credit card commitments	21	10,124	22,470	22,958	290,591	346,164
Letters of credit issued yet unused	26,584,307	49,186	-	-	-	26,633,493
Guarantees	50,443,908	160,685	717,979	489,480	60,926	51,872,978
	$ 141,460,174	$ 1,186,885	$ 1,900,926	$ 3,758,397	$ 13,236,801	$ 161,543,183

(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	June 30, 2018					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	$ 61,309,639	$ 1,866,530	$ 903,750	$ 5,712,990	$ 9,981,036	$ 79,773,945
Credit card commitments	-	3,724	2,644	6,789	381,305	394,462
Letters of credit issued yet unused	23,985,691	194,400	11,787	-	-	24,191,878
Guarantees	39,148,687	35,196	590,411	977,660	414,987	41,166,941
	$ 124,444,017	$ 2,099,850	$ 1,508,592	$ 6,697,439	$ 10,777,328	$ 145,527,226

35. OTHER DISCLOSURES OF FINANCIAL INSTITUTION

a. Asset quality

Business Type \ Item			June 30, 2019					June 30, 2018				
			Non-performing Loans (Note a)	**Loans**	**Non-performing Loans Ratio (Note b)**	**Allowance for Loan Losses**	**Coverage Ratio (Note c)**	**Non-performing Loans (Note a)**	**Loans**	**Non-performing Loans Ratio (Note b)**	**Allowance for Loan Losses**	**Coverage Ratio (Note c)**
Corporate finance	Secured		$ 2,684,327	$ 468,883,131	0.57%	$ 5,510,029	205.27%	$ 2,804,338	$ 460,319,992	0.61%	$ 5,215,665	185.99%
	Unsecured		174,517	465,210,000	0.04%	5,344,549	3,062.48%	937,570	472,756,616	0.20%	5,358,803	571.56%
Consumer finance	Mortgage loans (Note d)		678,188	266,763,162	0.25%	4,053,845	597.75%	1,085,981	273,832,805	0.40%	4,184,483	385.32%
	Cash cards (Note h)		-	-	-	-	-	-	-	-	-	-
	Credit loans (Note e)		3,060	1,567,467	0.20%	18,288	597.65%	9,376	1,609,163	0.58%	20,798	221.82%
	Others (Note f)	Secured	646,224	180,715,182	0.36%	1,861,482	288.06%	647,278	176,454,639	0.37%	1,818,360	280.92%
		Unsecured	5,963	1,269,907	0.47%	14,653	245.73%	3,382	1,718,658	0.20%	18,782	555.35%
Total			4,192,279	1,384,408,849	0.30%	16,802,846	400.80%	5,487,925	1,386,691,873	0.40%	16,616,891	302.79%

Business Type \ Item	June 30, 2019					June 30, 2018				
	Non-performing Loans (Note a)	**Loans**	**Non-performing Loans Ratio (Note b)**	**Allowance for Loan Losses**	**Coverage Ratio (Note c)**	**Non-performing Loans (Note a)**	**Loans**	**Non-performing Loans Ratio (Note b)**	**Allowance for Loan Losses**	**Coverage Ratio (Note c)**
Credit card	$ 3,096	$ 2,806,725	0.11%	$ 20,315	656.17%	$ 3,754	$ 2,919,883	0.13%	$ 20,614	549.12%
No recourse receivable factoring (Note g)	-	11,428,531	-	164,285	-	-	11,669,748	-	116,697	-

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 Bank does not engage in cash cards business.

Business Type \ Item	June 30, 2019		June 30, 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)	$ -	$ 1,126	$ 7	$ 1,479
Negotiated accounts receivable transacted in accordance with the agreement and exempted from reporting as non-performing receivables (Note b)	520	18,271	585	16,542
Total	520	19,397	592	18,021

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

June 30, 2019			
Rank (Note a)	**Transaction Party (Note b)**	**Loans (Note c)**	**As Proportion of Net Equity (%) (Note d)**
1	A Corporation (railway transportation industry)	$ 25,963,677	16.40
2	B Group (airline industry)	24,260,055	15.33
3	C Group (concrete manufacturing industry)	18,394,800	11.62
4	D Group (synthesis construction industry)	17,466,021	11.04
5	E Group (steel smelting industry)	17,366,338	10.97
6	F Group (other computer peripheral equipment manufacturing industry)	9,132,672	5.77
7	G Group (real estate development industry)	7,478,344	4.73
8	H Group (steel manufacturing industry)	7,439,499	4.70
9	I Group (wire and cable manufacturing industry)	6,551,111	4.14
10	J Group (liquid crystal panel and components manufacturing industry)	4,867,614	3.08

June 30, 2018			
Rank (Note a)	Transaction Party (Note b)	Loans (Note c)	As Proportion of Net Equity (%) (Note d)
1	A Corporation (railway transportation industry)	$ 26,783,021	17.75
2	E Group (steel smelting industry)	22,293,443	14.78
3	B Group (airline industry)	21,318,117	14.13
4	D Group (synthesis construction industry)	17,876,084	11.85
5	C Group (basic chemical material manufacturing industry)	10,719,139	7.11
6	K Group (real estate development industry)	7,274,540	4.82
7	H Group (steel manufacturing industry)	7,225,617	4.79
8	L Group (financial intermediation industry)	6,464,558	4.29
9	G Group (real estate development industry)	5,587,530	3.70
10	M Group (real estate development industry)	5,494,792	3.64

Note a: Sorted by the balance of loans on June 30, 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	June 30, 2019				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	$ 1,317,766,799	$ 58,074,537	$ 32,400,670	$ 92,085,229	$ 1,500,327,235
Interest-sensitive liabilities	319,904,516	872,484,822	85,577,345	54,160,637	1,332,127,320
Interest sensitivity gap	997,862,283	(814,410,285)	(53,176,675)	37,924,592	168,199,915
Net equity					131,545,336
Ratio of interest-sensitive assets to liabilities					112.63%
Ratio of interest sensitivity gap to net equity					127.86%

(In Thousands of New Taiwan Dollars; %)

Item	June 30, 2018				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	$ 1,305,004,267	$ 68,763,950	$ 27,365,810	$ 120,759,128	$ 1,521,893,155
Interest-sensitive liabilities	345,346,753	833,907,765	85,521,323	44,159,818	1,308,935,659
Interest sensitivity gap	959,657,514	(765,143,815)	(58,155,513)	76,599,310	212,957,496
Net equity					118,642,088
Ratio of interest-sensitive assets to liabilities					116.27%
Ratio of interest sensitivity gap to net equity					179.50%

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	June 30, 2019				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	$ 14,257,632	$ 1,412,358	$ 670,749	$ 696,846	$ 17,037,585
Interest-sensitive liabilities	14,676,972	1,037,515	1,542,913	144	17,257,544
Interest sensitivity gap	(419,340)	374,843	(872,164)	696,702	(219,959)
Net equity					630,030
Ratio of interest-sensitive assets to liabilities					98.73%
Ratio of interest sensitivity gap to net equity					(34.91%)

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

Item	June 30, 2018				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	$ 10,747,415	$ 920,595	$ 855,386	$ 515,487	$ 13,038,883
Interest-sensitive liabilities	12,847,558	973,983	1,296,894	20,176	15,138,611
Interest sensitivity gap	(2,100,143)	(53,388)	(441,508)	495,311	(2,099,728)
Net equity					623,558
Ratio of interest-sensitive assets to liabilities					86.13%
Ratio of interest sensitivity gap to net equity					(336.73%)

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		June 30, 2019	June 30, 2018
Return on total assets	Pretax	0.34%	0.36%
	After tax	0.29%	0.32%
Return on net equity	Pretax	4.48%	5.05%
	After tax	3.81%	4.44%
Profit margin		37.50%	40.00%

Note a: Return on total assets = $\dfrac{\text{Income before (after) tax}}{\text{Average assets}}$

Note b: Return on net equity = $\dfrac{\text{Income before (after) tax}}{\text{Average net equity}}$

Note c: Profit margin = $\dfrac{\text{Income after tax}}{\text{Net revenue and gains}}$

Note d: Profitability presented above is cumulative from January 1 to June 30 of 2019 and 2018, respectively.

e. Maturity analysis of assets and liabilities

(In Thousands of New Taiwan Dollars)

	Total	June 30, 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	$ 1,763,299,064	$ 195,990,426	$ 130,794,210	$ 308,537,758	$ 163,991,400	$ 200,918,139	$ 763,067,131
Major maturity cash outflows	2,306,958,591	128,488,745	122,921,638	350,706,994	283,352,190	450,737,333	970,751,691
Gap	(543,659,527)	67,501,681	7,872,572	(42,169,236)	(119,360,790)	(249,819,194)	(207,684,560)

(In Thousands of New Taiwan Dollars)

	Total	June 30, 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	$ 1,755,978,093	$ 181,717,614	$ 171,734,966	$ 243,675,057	$ 201,736,816	$ 181,860,678	$ 775,252,962
Major maturity cash outflows	2,293,732,417	131,051,215	152,193,699	359,350,747	304,988,348	434,266,794	911,881,614
Gap	(537,754,324)	50,666,399	19,541,267	(115,675,690)	(103,251,532)	(252,406,116)	(136,628,652)

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	June 30, 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	$ 23,873,488	$ 10,507,726	$ 3,896,538	$ 2,230,357	$ 2,191,197	$ 5,047,670
Major maturity cash outflows	28,846,623	10,862,758	4,719,108	3,366,792	4,769,894	5,128,071
Gap	(4,973,135)	(355,032)	(822,570)	(1,136,435)	(2,578,697)	(80,401)

(In Thousands of U.S. Dollars)

	Total	June 30, 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	$ 21,672,355	$ 7,826,751	$ 4,519,099	$ 2,575,002	$ 1,784,308	$ 4,967,195
Major maturity cash outflows	27,011,630	8,421,102	5,518,413	3,157,479	3,821,374	6,093,262
Gap	(5,339,275)	(594,351)	(999,314)	(582,477)	(2,037,066)	(1,126,067)

Note: The amounts listed above include accounts in U.S. dollars for head office, domestic branches, and OBU.

f. Trust accounts

Under Article 3 of the Trust Law, the Bank can offer trust services. The items and amounts of trust accounts as of June 30, 2019 and 2018 were as follows:

	June 30	
	2019	2018
Special purpose trust accounts - domestic	$ 32,633,241	$ 29,578,010
Special purpose trust accounts - foreign	75,612,933	75,908,025
Insurance trust	10,729	10,666
Retirement and breeds trust	357,197	300,764
Umbilical-cord-blood trust	11,692,699	10,563,043
Money claim and guarantee trust	61,800	68,800
Marketable securities trust	751,456	709,569
Real estate trust	20,272,793	19,245,869
Securities under custody	171,803,878	139,107,388
Other money trust	1,687,138	1,755,683
	$ 314,883,864	$ 277,247,817

g. Disclosures on trust assets and liabilities and assets register as required by Enforcement Rules of ROC Trust Law Article 17 were as follows:

Balance Sheet of Trust

	June 30			June 30	
Trust Assets	**2019**	**2018**	**Trust Liabilities**	**2019**	**2018**
Bank deposits	$ 4,153,820	$ 3,572,616	Trust capital		
Insurance claims	61,800	68,800	Money trust	$ 121,585,924	$ 117,748,119
Financial assets			Insurance claims	61,800	68,800
Common stock	1,756,780	1,632,238	Marketable securities trust	749,182	708,044
Mutual funds	117,217,575	114,028,420	Real estate trust	20,273,438	19,264,462
Bonds	3,335,163	2,874,850	Securities under custody payable	171,803,878	139,107,388
Interest receivable	4,350	-	With holdings	284	152
Prepayments	-	2,490	Profit and loss	96,123	149,854
Land	8,422,388	10,093,215	Unappropriated retained earnings - realized capital gain/loss	55,224	41,718
Buildings	599,045	597,410	Unappropriated retained earnings - gain on revenue/expense investment	1,047,583	732,090
Construction in progress	7,529,065	5,270,390	Unappropriated retained earning	(789,572)	(572,810)
Securities under custody	171,803,878	139,107,388			
Total trust assets	$ 314,883,864	$ 277,247,817	Total trust liabilities	$ 314,883,864	$ 277,247,817

Trust Assets Register

Investments	June 30 2019	June 30 2018
Bank deposits	$ 4,153,820	$ 3,572,616
Insurance claims	61,800	68,800
Financial assets		
Common stock	1,756,780	1,632,238
Mutual funds	117,217,575	114,028,420
Bonds	3,335,163	2,874,850
Land	8,422,388	10,093,215
Buildings	599,045	597,410
Construction in progress	7,529,065	5,270,390
Others	4,350	2,490
Securities under custody	171,803,878	139,107,388
Total trust assets	$ 314,883,864	$ 277,247,817

Income Statement of Trust

Investments	For the Six Months Ended June 30 2019	For the Six Months Ended June 30 2018
Revenue		
Interest income	$ 43,503	$ 45,431
Dividends	31,209	31,594
Rental revenues	-	49,760
Gain on mutual funds	3,356	5,987
Foreign exchange gains	832,953	773,699
Realized capital gain - mutual funds	2,131	4,992
Realized capital gain - bonds	4,680	1,018
Realized capital gain - common stock	11,486	25,786
	929,318	938,267
Expense		
Maintenance	(828)	(855)
Tax expense	(1,200)	(938)
Others	(29)	(46)
Foreign exchange losses	(797,570)	(766,239)
Realized capital loss - bonds	(1,801)	(13,223)
Realized capital loss - mutual funds	(19,656)	(7,112)
Realized capital losses - common stock	(12,111)	-
	(833,195)	(788,413)
	$ 96,123	$ 149,854

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 the Bank's corporate director
Powertec Energy Corporation	Its director is the Bank's corporate director
Taiwan Biotech Corporation Ltd.	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
Air Asia Company Ltd.	Its director is representative of 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 June 30, 2019	$ 30,014,290	2.17
Balance as of December 31, 2018	29,195,481	2.18
Balance as of June 30, 2018	28,911,570	2.11

For the six months ended June 30, 2019 and 2018, interest rates ranged from 0.63% to 4.35% and from 0.69% to 3.67%, and interest income was $297,378 thousand and $271,139 thousand, respectively.

For the three months ended June 30, 2019 and 2018, interest income was $149,804 thousand and $140,486 thousand, respectively.

	June 30, 2019					
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral	Difference in Terms Between Related Parties and Non-related Parties
Consumer loans						
30 accounts	$ 14,974	$ 15,754	$ 14,974	$ -	Credit	None
Self-use residential mortgage loans						
207 accounts	1,214,949	1,262,267	1,214,949	-	Real estate	None
Others						
Taiwan High Speed Rail Corporation	25,820,881	25,928,892	25,820,881	-	Credit and station equipment	None

(Continued)

	June 30, 2019					
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral	Difference in Terms Between Related Parties and Non-related Parties
Yang Ming Marine Transport Corporation	$ 1,759,000	$ 1,759,000	$ 1,759,000	$ -	Ship	None
Powertec Energy Corporation	687,675	687,675	687,675	-	Credit and planet	None
Taiwan Biotech Corporation Ltd.	122,786	256,214	122,786	-	Credit	None
Ritdisplay Corporation	100,000	100,000	100,000	-	Land and planet	None
Other - corporation 6 accounts (Note 1)	292,442	569,033	292,442	-	Credit and fund guarantee and real estate	None
Other - individual 4 accounts (Note 2)	1,583	1,615	1,583	-	Deposit	None

(Concluded)

	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

	June 30, 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	$ 15,029	$ 15,720	$ 15,029	$ -	Credit	None
Self-use residential mortgage loans						
201 accounts	1,193,801	1,247,593	1,193,801	-	Real estate	None
Others						
Taiwan High Speed Rail Corporation	26,621,362	26,738,489	26,621,362	-	Credit and station equipment	None
Powertec Energy Corporation	567,244	567,244	567,244	-	Credit	None
Taiwan Biotech Corporation Ltd.	110,701	245,000	110,701		Credit	None
Ritdisplay Corporation	109,380	144,490	109,380		Real estate	None
Other - corporation 6 accounts (Note 1)	289,690	298,178	289,690	-	Credit and fund guarantee and real estate	None
Other - individual 4 accounts (Note 2)	4,363	4,369	4,363	-	Deposit	None

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 June 30, 2019, December 31, 2018 and June 30, 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

	June 30, 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

	June 30, 2018				
	Ending Balance	Highest Amount	Reserve for Guarantee Liabilities	Interest Rate (Per Annum %)	Collateral
Air Asia Company Ltd.	$ 1,328,000	$ 1,328,000	$ 13,280	0.50	None
Kaohsiung Rapid Transit Corporation	29,799	29,799	298	0.50	None
Adimmune Corporation	19,236	19,236	192	1.80	Pledged demand deposit

3) Deposits

	Balance	Percentage of Loans (%)
Balance as of June 30, 2019	$ 5,099,840	0.30
Balance as of December 31, 2018	4,283,912	0.25
Balance as of June 30, 2018	4,219,333	0.25

For the six months ended June 30, 2019 and 2018, the interest rates intervals were between 0.00% and 13.00%, the interest expense was $26,170 thousand and $27,283 thousand, respectively. For the three months ended June 30, 2019 and 2018, the interest expense was $12,668 thousand and $13,685 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)

	June 30, 2019					
Name	**Department**	**Currency**	**Ending Balance**	**Interest Rate (Per Annum %)**	**For the Three Months Ended June 30, 2019 Interest Income**	**For the Six Months Ended June 30, 2019 Interest Income**
Land Bank	DBU	NTD	$ 5,000	0.17-0.66	$ 51	$ 315
	OBU	USD	290,000	2.37-3.28	1,901	3,085
	London Branch	USD	8,000	2.85-2.94	73	152
	Hong Kong Branch	USD	120,000	2.64-3.32	741	1,470
Taiwan Business Bank	OBU	USD	8,900	2.36-3.25	521	809
	Hong Kong Branch	USD	35,000	2.40-3.25	147	297

	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

	June 30, 2018					
Name	**Department**	**Currency**	**Ending Balance**	**Interest Rate (Per Annum %)**	**For the Three Months Ended June 30, 2018 Interest Income**	**For the Six Months Ended June 30, 2018 Interest Income**
Land Bank	DBU	NTD	$2,500,000	0.18-0.19	$ 52	$ 187
	OBU	USD	107,000	1.48-2.62	742	1,209
	Kunshan Branch	RMB	90,000	2.53-3.80	92	93
	Hong Kong Branch	USD	90,000	1.62-2.76	581	984
Taiwan Business Bank	Hong Kong Branch	USD	20,000	1.50-2.78	98	289

Call loans from banks

(In Thousands of Original Currencies)

	June 30, 2019					
Name	**Department**	**Currency**	**Ending Balance**	**Interest Rate (Per Annum %)**	**For the Three Months Ended June 30, 2019 Interest Expense**	**For the Six Months Ended June 30, 2019 Interest Expense**
Land Bank	OBU	USD	$ 30,000	2.36-2.75	$ 71	$ 75
	Los Angeles Branch	USD	100,000	2.36-3.30	243	404
	London Branch	USD	7,000	2.36-2.58	6	16
Taiwan Business Bank	Singapore Branch	SGD	4,000	1.40-2.55	15	25

Name	Department	Currency	Ending Balance	Interest Rate (Per Annum %)	Interest Expense
	December 31, 2018				
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

Name	Department	Currency	Ending Balance	Interest Rate (Per Annum %)	For the Three Months Ended June 30, 2018 Interest Expense	For the Six Months Ended June 30, 2018 Interest Expense
	June 30, 2018					
Land Bank	Singapore Branch	USD	$ 20,000	1.48-2.65	$ 157	$ 184
	Fuzhou Branch	RMB	100,000	3.90-4.80	405	405
	London Branch	USD	60,000	1.79-2.77	412	907
Taiwan Business Bank	Singapore Branch	SGD	4,200	0.80-1.40	3	5
	Los Angeles Branch	USD	40,000	2.30	5	5

5) Due from banks and deposits from banks

Due from banks

(In Thousands of New Taiwan Dollars)

Name	Department	Currency	June 30, 2019 Ending Balance	December 31, 2018 Ending Balance	June 30, 2018 Ending Balance
Land Bank	DBU	NTD	$ 222	$ 225	$ 225
Taiwan Business Bank	DBU	NTD	17	28	92

Deposits from banks

(In Thousands of Original Currencies)

Name	Department	Currency	June 30, 2019 Ending Balance	December 31, 2018 Ending Balance	June 30, 2018 Ending Balance
The Export-Import Bank	DBU	NTD	$ 1,355	$ 1,173	$ 613
Taishin International Bank	New York Branch	USD	64	62	59
Land Bank	DBU	NTD	277	277	277

c. Compensation of directors and management personnel

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Short-term employee benefits	$ 10,882	$ 8,395	$ 23,154	$ 18,828
Post-employment benefits	9,609	403	10,012	13,166
	$ 20,491	$ 8,798	$ 33,166	$ 31,994

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 June 30, 2019, December 31, 2018 and June 30, 2018 are as follows:

Pledged Assets	Description	June 30, 2019	December 31, 2018	June 30, 2018
Investments in debt instruments at FVTOCI	Bonds	$ 991,460	$ 1,047,620	$ 6,046,621
Investments in debt instruments at amortized cost	Bonds and certificates of deposit	41,610,484	41,607,061	36,605,287
Time deposits with original maturities of more than 3 months	Time deposits	2,709,600	2,681,400	2,759,400
Refundable deposits	Cash	576,875	666,426	837,718

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 June 30, 2019, December 31, 2018 and June 30, 2018:

	June 30, 2019	December 31, 2018	June 30, 2018
Trust liabilities	$ 314,883,864	$ 273,725,158	$ 277,247,817
Unused loan commitments (excluding credit cards)	82,690,548	68,776,330	79,773,945
Credit card commitments	346,164	316,154	394,462
Unused issued letters of credit	26,633,493	23,341,732	24,191,878
Guarantees issued in guarantee business	51,872,978	47,240,277	41,166,941
Repayment notes and times deposit held for custody	13,839,993	14,756,665	14,401,282
Liabilities on joint loans	851,595	764,376	740,181

The unrecognized commitments for the acquisition of equipment and intangible assets, as well as the commitments for construction, lease and security as of June 30, 2019 were $294,011 thousand, $22,169 thousand, $1,660 thousand and $67,665 thousand, respectively.

b. TDK Corporation filed a legal proceeding against the Bank for damages compensation in the amount of $45,794 thousand. On April 19, 2017, the Taiwan Superior Court passed a verdict partially in favor of and partially against the Bank, and the Bank shall compensate the damages in the amount of $11,448 thousand. The Bank had appealed to the Supreme Court. The Supreme Court remanded and will hold hearings on September 3, 2019.

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 six months ended June 30, 2019	None
2	Acquisition of fixed assets over NT$300 million or 10% of outstanding capital for the six months ended June 30, 2019	None
3	Disposal of fixed assets over NT$300 million or 10% of outstanding capital for the six months ended June 30, 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 June 30, 2019	None
6	Sale of NPL	None
7	Securitized instruments and related assets which are in accordance with the Statute for Financial Assets Securitization and the Statute for Real Estate Securitization	None
8	Other significant transactions which may affect decisions of the users of the financial statements	None

b. Information on the Bank’s Investees

No.	Item	Explanation
1	Investees’ names, locations, etc.	Table 1
2	Capital lending to another party	None
3	Endorsement for another party	None
4	Marketable securities held as of June 30, 2019	None
5	Accumulated purchases and sales balance of specific marketable security over NT$300 million or 10% of outstanding capital for the six months ended June 30, 2019	None
6	Acquisition of property, plant and equipment over NT$300 million or 10% of outstanding capital for the six months ended June 30, 2019	None
7	Disposal of property, plant and equipment over NT$300 million or 10% of outstanding capital for the six months ended June 30, 2019	None
8	Receivables from related parties over NT$300 million or 10% of outstanding capital as of June 30, 2019	None
9	Derivative instrument	None
10	Discount on fees income from related parties over NT$5 million	None
11	Sale of NPL by subsidiary	None
12	Other significant transactions which may affect decisions of the users of the financial statements	None

c. Investment in mainland China: Table 2.

d. Intercompany relationships and significant intercompany transactions: Table 3.

40. INFORMATION ON THE BANK'S INVESTEES

Investees' Names (Note a)	Investees' Location	Principal Business Activities	Ownership Interest (%) at Ending Balance	Investment Carrying Amount	Recognized Investment Income (Loss) of Current Period	Sum of Ownership (Note a) Current Stock	Imputed Stock (Note b)	Stock	Ownership Interest (%)
Shin Kong Financial Holding Co., Ltd.	Taipei City	Financial holding company	0.52	$ 598,306	$ -	$ 63,447,125	$ -	$ 63,447,125	0.52
Asia Pacific Broadband Telecom Co.	Taipei City	Type I & type II telecommunications business	0.35	109,500	-	15,000,000	-	15,000,000	0.35
Taiwan High Speed Rail Corporation	Taipei City	High speed rail road	0.79	2,033,650	-	44,500,000	-	44,500,000	0.79
Taiwan Stock Exchange Co.	Taipei City	Securities brokerage, margin lending, and underwriting financial products	3.00	1,720,022	-	20,818,473	-	20,818,473	3.00
Taiwan Sugar Co.	Tainan City	Manufacture correlative products of sugar and crop	0.41	1,280,166	-	23,246,159	-	23,246,159	0.41
Taiwan Power Co.	Taipei City	Generate electric power, power distribution, and cable assemble	0.71	1,848,096	-	235,726,532	-	235,726,532	0.71
Taipei Foreign Exchange Inc.	Taipei City	Exchange trading, DEPOS, and Swap	3.53	29,736	-	700,000	-	700,000	3.53
Lieu-An Service Co., Ltd.	Taipei City	ATM purchase, rental, and repair or maintenance	5.00	1,718	-	125,000	-	125,000	5.00
CDIB & Partners Investment Holding Co.	Taipei City	Investment	4.95	551,880	-	54,000,000	-	54,000,000	4.95
Nomura Asset Management Taiwan Ltd.	Taipei City	Securities investment trust	4.09	56,351	-	1,413,725	-	1,413,725	4.09
Financial Information Service Co., Ltd.	Taipei City	Type II telecommunications business	1.19	129,331	-	6,229,800	-	6,229,800	1.19
Taiwan Futures Exchange	Taipei City	Futures exchange	1.00	267,139	-	3,340,910	-	3,340,910	1.00
Taiwan Assets Management Co., Ltd.	Taipei City	Acquisition of delinquent loans, evaluation, auction, and management	11.35	1,495,200	-	120,000,000	-	120,000,000	11.35
Taiwan Financial Asset Service Co.	Taipei City	Auction assets of the recognition of an impartial third party	2.94	47,800	-	5,000,000	-	5,000,000	2.94
Financial Esolution Co., Ltd.	Taipei City	Financial information systems development	4.12	8,656	-	905,475	-	905,475	4.12
Taiwan Depository & Clearing Corporation	Taipei City	Provide book-entry of securities transactions	0.08	18,623	-	307,306	-	307,306	0.08
Sunlight Assets Management Co., Ltd.	Taipei City	Acquisition of delinquent loans, evaluation, auction, and management	0.70	486	-	41,768	-	41,768	0.70
Taiwan Mobile Payment Corporation	Taipei City	Electronic Information provider	3.00	10,710	-	1,800,000	-	1,800,000	3.00
Taiwan Urban Regeneration & Financial Services Co., Ltd.	Taipei City	Urban renewal and reconstruction industry	5.00	23,500	-	2,500,000	-	2,500,000	5.00
Tai Yu Products Corporation	Taichung City	Frozen agricultural products	4.77	(Note c)	-	5,748,382	-	5,748,382	4.77
Chi-Yi Construction Management Company	New Taipei City	Residential development and lease	1.47	(Note c)	-	556,965	-	556,965	1.47

Note a: The investees' voting shares, and imputed stock were owned by the Bank and related parties.

Note b: Imputed stocks are considered if equity securities such as convertible bonds, warrants, etc., or derivative contracts such as stock options, are converted.

Note c: The Bank had recognized the loss on investment in Tai Yu Products Corporation and Chi-Yi Construction Management Company.

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 Six Months Ended June 30, 2019 Loans	Deposits and Remittances	Financial Instruments and Investments	Wealth Management	Oversea Branch	Others	Total
Net income of interest	$ 6,464,160	$ 3,152,649	$ 232,434	$ -	$ 1,842,167	$ (7,532)	$ 11,683,878
Net service fee income	595,854	128,960	(15,318)	1,510,842	76,644	-	2,296,982
Net income on financial instrument	-	-	1,936,272	-	(32,422)	-	1,903,850
Others	6,113	-	4,973	-	997	101,942	114,025
Net revenue and gains	7,066,127	3,281,609	2,158,361	1,510,842	1,887,386	94,410	15,998,735
Bad debts expense and commitment and guarantee liability provision	(943,415)	-	(36)	-	(51,668)	-	(995,119)
Operating expense	-	-	-	-	-	-	(7,956,286)
Income before income tax	$ 6,112,712	$ 3,281,609	$ 2,158,325	$ 1,510,842	$ 1,835,718	$ 94,410	$ 7,047,330

	For the Six Months Ended June 30, 2018						
	Loans	Deposits and Remittances	Financial Instruments and Investments	Wealth Management	Oversea Branch	Others	Total
Net income of interest	$ 6,700,526	$ 2,958,004	$ 161,440	$ -	$ 1,748,228	$ 28	$ 11,568,226
Net service fee income	647,870	118,387	(13,340)	1,530,581	108,615	-	2,392,113
Net income on financial instruments	-	-	2,286,478	-	37,751	-	2,324,229
Others	9,557	-	(38)	-	10,411	107,330	127,260
Net revenue and gains	7,357,953	3,076,391	2,434,540	1,530,581	1,905,005	107,358	16,411,828
Bad debt expense and commitment and guarantee liability provision	(798,317)	-	81	-	(355,780)	-	(1,154,016)
Operating expenses	-	-	-	-	-	-	(7,785,710)
Income before income tax	$ 6,559,636	$ 3,076,391	$ 2,434,621	$ 1,530,581	$ 1,549,225	$ 107,358	$ 7,472,102

The revenue and results on the segment information reported does not include inter-segment revenue, for the six months ended June 30, 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

	June 30, 2019						
	Loans	Deposits and Remittances	Financial Instruments and Investments	Wealth Management	Overseas Branches and Subsidiary	Others	Total
Assets	$ 1,276,286,715	$ -	$ 552,632,153	$ -	$ 201,074,716	$ 94,176,868	$ 2,124,170,452
Liabilities	$ 2,572,999	$ 1,657,945,166	$ 101,788,096	$ -	$ 148,498,535	$ 55,094,512	$ 1,965,899,309

	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

	June 30, 2018					
	Loans	Deposits and Remittances	Financial Instruments and Investments	Overseas Branches	Others	Total
Assets	$ 1,266,331,419	$ -	$ 558,538,067	$ 187,002,317	$ 83,141,992	$ 2,095,013,795
Liabilities	$ 2,848,222	$ 1,630,174,584	$ 113,412,546	$ 141,123,797	$ 56,596,003	$ 1,944,155,152

TABLE 1

CHANG HWA COMMERCIAL BANK, LTD.

INFORMATION ON INVESTEES' NAMES, LOCATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2019
(In Thousands of New Taiwan Dollars, Except for Percentage and Shares)

Investor	Investees' Names	Investees' Location	Line of Business	Original Investment Amount		Ending Balance			Net Income (Loss) of Current Period	Recognized Income (Loss) of Current Period	Note
				End of June 30, 2019	End of December 31, 2018	Stock	Ownership Interest (%)	Book Value			
Chang Hwa Bank	Chang Hua Commercial Bank, Ltd.	China	Banking	$ 12,117,288	$ 12,117,288	Note	100	$ 12,721,750	$ 55,431	$ 55,431	
	Chang Hwa Bank Venture Capital Co., Ltd.	Taiwan	Venture capital	600,000	-	60,000,000	100	597,615	(2,385)	(2,385)	

Note: Department of organization.

CHANG HWA COMMERCIAL BANK, LTD.

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE SIX MONTHS ENDED JUNE 30, 2019
(Amounts in Thousands of New Taiwan Dollars, Unless Specified 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 June 30, 2019	Net Income (Loss) of the Investee (Note 2)	% of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of June 30, 2019	Accumulated Repatriation of Investment Income as of June 30, 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)	$ 55,431	100	$ 55,431	$ 12,721,750	$ -	

2.

Accumulated Outward Remittance for Investment in Mainland China June 30, 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)	$ 23,740,671

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 stocks 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 3

CHANG HWA COMMERCIAL BANK, LTD.

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE SIX MONTHS ENDED JUNE 30, 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	$ 240,237	Same as normal customers	0.01
				Due from the Central Bank and call loans to bank	240,237	Same as normal customers	0.01
				Interest income	47,381	Same as normal customers	0.24
				Interest expense	47,381	Same as normal customers	0.24
		Chang Hwa Bank Venture Capital Co., Ltd.	b.	Deposits and remittances	598,426	Same as normal customers	0.03
				Cash and cash equivalents	598,426	Same as normal customers	0.03
				Other liabilities	5	Same as normal customers	-
				Other assets	5	Same as normal customers	-
				Interest income	44	Same as normal customers	-
				Interest expense	44	Same as normal customers	-
				Reserve for liabilities	214	Same as normal customers	-
				Lease liabilities	4,990	Same as normal customers	-
				Net non-interest income	228	Same as normal customers	-
				Other liabilities	118	Same as normal customers	-
				Right-of-use assets	5,086	Same as normal customers	-
				Interest expense	7	Same as normal customers	-
				Depreciation expense	221	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.