Chang Hwa Commercial Bank, Ltd. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2019 and 2018 and Independent Auditors’ Report

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The entities that are required to be included in the combined financial statements of Chang Hwa Commercial Bank, Ltd. as of and for the year ended December 31, 2019, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, “Consolidated Financial Statements.” In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Chang Hwa Commercial Bank, Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

CHANG HWA COMMERCIAL BANK, LTD.

By

JOANNE LING
Chairman

February 25, 2020

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 December 31, 2019 and 2018, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

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

Basis for Opinion

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

Key Audit Matters

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

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

Impairment Assessment of Loans

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

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

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

Other Matter

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 25, 2020

Notice to Readers

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

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

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

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

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

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CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

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

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CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

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

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

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Bank									
	Capital Stock		Retained Earnings			Other Equity				
	Common Stock (In Thousands)	Amount	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Unrealized Gains (Losses) on Financial Assets Measured at Fair Value Through Other Comprehensive Income	Change in Fair Value of Financial Liability Attributable to Change in Credit Risk of Liability	Total Equity
BALANCE, JANUARY 1, 2018	9,413,001	$ 94,130,007	$ 27,410,736	$ 12,080,950	$ 11,779,842	$ (1,251,858)	$ 797,969	$ -	$ (82)	$ 144,947,564
Effect of retrospective application	-	-	-	-	(347,750)	-	(797,969)	4,239,567	-	3,093,848
BALANCE, JANUARY 1, 2018 AS RESTATED	9,413,001	94,130,007	27,410,736	12,080,950	11,432,092	(1,251,858)	-	4,239,567	(82)	148,041,412
Appropriation of 2017 earnings										
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	376,520	3,765,200	-	-	(3,765,200)	-	-	-	-	-
Net profit for the year ended December 31, 2018	-	-	-	-	12,646,535	-	-	-	-	12,646,535
Other comprehensive income (loss) for the year ended December 31, 2018, net of tax	-	-	-	-	(253,807)	637,065	-	(274,624)	900	109,534
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	12,392,728	637,065	-	(274,624)	900	12,756,069
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(44,023)	-	-	44,023	-	-
BALANCE, DECEMBER 31, 2018	9,789,521	97,895,207	31,038,668	12,141,416	12,091,349	(614,793)	-	4,008,966	818	156,561,631
Appropriation of 2018 earnings										
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	195,790	1,957,904	-	-	(1,957,904)	-	-	-	-	-
Net profit for the year ended December 31, 2019	-	-	-	-	11,571,782	-	-	-	-	11,571,782
Other comprehensive income (loss) for the year ended December 31, 2019, net of tax	-	-	-	-	(125,651)	(1,027,810)	-	1,523,354	(818)	369,075
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	11,446,131	(1,027,810)	-	1,523,354	(818)	11,940,857
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	1,070	-	-	(1,070)	-	-
BALANCE, DECEMBER 31, 2019	9,985,311	$ 99,853,111	$ 34,832,629	$ 12,204,648	$ 11,458,160	$ (1,642,603)	$ -	$ 5,531,250	$ -	$ 162,237,195

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

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

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

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CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

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

	December 31	
	2019	2018
Reconciliation of cash and cash equivalents		
Cash and cash equivalents in the consolidated balance sheets	$ 32,418,679	$ 51,073,179
Call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	103,491,712	128,568,789
Cash and cash equivalents at end of year	$ 135,910,391	$ 179,641,968

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

1. ORGANIZATION AND BUSINESS SCOPE

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

The Bank mainly engages in the following business:

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

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

2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

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

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

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the FSC

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

   - IFRS 16 "Leases"

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

Definition of a lease

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

The Group as lessee

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

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

The Group also applies the following practical expedients:

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

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

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

4) The Group uses hindsight, such as in determining lease terms, to measure lease liabilities.

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

The Group as lessor

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

Anticipated impact on assets, liabilities and equity

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
Prepayments for leases	$ 201,486	$ (176,211)	$ 25,275
Lease assets, net	760	(760)	-
Right-of-use assets, net	-	2,020,507	2,020,507
Total effect on assets	$ 202,246	$ 1,843,536	$ 2,045,782
Lease liabilities - non-current	$ -	$ 1,748,076	$ 1,784,076
Finance lease payables - non-current	656	(656)	-
Reserve for liabilities - non-current	-	60,116	60,116
Total effect on liabilities	$ 656	$ 1,843,536	$ 1,844,192

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

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

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

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

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

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

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

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

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
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks.

Basis of Preparation

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

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

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.

Current/Noncurrent Assets and Liabilities

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

Basis of Consolidation

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

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

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

Foreign Currencies

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

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

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

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

Property and Equipment

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

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

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

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

Investment Properties

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

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

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

Intangible Assets

a. Intangible assets acquired separately

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

b. Derecognition of intangible assets

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

Impairment of Tangible and Intangible Assets

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

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

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

Financial Instruments

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

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

a. Financial assets

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

1) Measurement categories

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

a) Financial assets at FVTPL

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

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

Financial assets at FVTPL are subsequently measured at fair value, and dividends, interest earned and remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 34.

b) Financial assets at amortized cost

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

i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

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

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

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

i. Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and

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

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

i. Significant financial difficulty of the issuer or the borrower;

ii. Breach of contract, such as a default;

iii. It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or

iv. The disappearance of an active market for that financial asset because of financial difficulties.

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

c) Investments in debt instruments designated at FVTOCI

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

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

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

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

d) Investments in equity instruments designated at FVTOCI

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

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

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

2) Impairment of financial assets

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

The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables, lease receivables and contract assets. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

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

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

3) Derecognition of financial assets

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

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

b. Equity instruments

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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

The repurchase of the Group’s own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Group’s own equity instruments.

c. Financial liabilities

1) Subsequent measurement

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

a) Financial liabilities at FVTPL

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

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

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

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

ii. The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and has performance evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

iii. The contract contains one or more embedded derivatives so that the entire combined contract (asset or liability) can be designated as at FVTPL.

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

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

b) Financial guarantee contracts

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

i. The amount of the loss allowance reflecting expected credit losses; and

ii. The amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the revenue recognition policies.

2) Derecognition of financial liabilities

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

d. Derivative financial instruments

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

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

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

Bonds or Securities Purchased/Sold under Specific Agreements

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

Hedge Accounting

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

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

The Group discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria; for instance, when the hedging instrument expires or is sold, terminated or exercised. The fair value adjustment to the carrying amount of the hedged instrument arising from the hedged risk for which the effective interest method is used is amortized to profit or loss from the date on which the hedge accounting is discontinued. The adjustment is based on a recalculated effective interest rate at the date on which amortization begins and will be amortized fully upon maturity of the financial instrument.

Reserve for liabilities

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

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

Revenue Recognition

a. Dividend and interest income

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

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

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

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

b. Service fee

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

Leases

2019

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

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

a. The Group as lessor

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

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

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

b. The Group as lessee

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

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

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

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

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

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

<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.

a. The Group as lessor

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

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

b. The Group as lessee

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

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

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

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

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

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

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

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

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

Taxation

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

a. Current tax

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

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

b. Deferred tax

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

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

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

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

c. Current and deferred tax

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key Sources of Estimation Uncertainty

Estimated impairment of financial assets

The provision for impairment of trade receivables, investments in debt instruments and financial guarantee contracts is based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs for the impairment calculation, which are based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Notes 8, 9, 11, 12 and 27. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

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

a. Cash and cash equivalents

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

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

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

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

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

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

Financial Liabilities at FVTPL

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

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

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

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

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

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

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

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

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

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

b. The par values of bonds provided for transactions with repurchase agreement were $1,178,600 and $4,380,200 thousand as of December 31, 2019 and 2018, respectively.

c. Government bonds placed as deposits in courts amounted to $335,700 thousand and $391,900 thousand as of December 31, 2019, and 2018, respectively. Another government bonds placed as operating deposits amounted to $330,000 thousand; government bonds placed as a reserve fund for trust compensation amounted to $170,000 thousand; overseas branches' bonds provided as collateral for operations were $152,304 thousand and $155,720 thousand as of December 31, 2019 and 2018, respectively. Refer to Note 37 for information relating to investments in debt instruments at FVTOCI pledged as security.

9. INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST

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

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

b. The amounts of the overseas branches' bonds provided as collateral for operations were $89,970 thousand and $307,061 thousand as of December 31, 2019 and 2018, respectively.

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

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

10. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

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

December 31, 2019

	At FVTOCI	At Amortized Cost	Total
Gross carrying amount	$ 101,631,174	$ 276,063,342	$ 377,694,516
Less: Allowance for impairment loss	(60,364)	(4,366)	(64,730)
Amortized cost	101,570,810	$ 276,058,976	377,629,786
Adjustment to fair value	274,213		274,213
	$ 101,845,023		$ 377,903,999

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

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

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

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

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

December 31, 2019

Category	**Expected Loss Rate**	**At FVTOCI**	**At Amortized Cost**
Stage 1	0%-0.3271%	$ 101,572,014	$ 276,063,342
Stage 2	45.0485%	59,160	-
		$ 101,631,174	$ 276,063,342

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

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

At FVTOCI

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

At amortized cost

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

11. RECEIVABLES, NET

a. Details of receivables

	December 31 2019	December 31 2018
Accounts receivable	$ 10,707,132	$ 16,329,369
Accrued incomes	6,816	5,993
Interests receivable	4,847,831	5,401,681
Acceptances receivable	4,756,072	5,402,488
Credit cards accounts receivable	2,225,416	1,833,999
Settlement price	340,835	392,434
Accounts receivable for settlement	305,067	217,848
Other receivables	451,350	985,194
	23,640,519	30,569,006
Less: Allowance for bad debts, receivables	(439,482)	(635,021)
	$ 23,201,037	$ 29,933,985

b. Allowance for receivables

1) Movements in the allowance for receivables

	For the Year Ended December 31, 2019					
	12-Month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on IFRS 9	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	(36)	53	(39)	(22)	-	(22)
Transfers to credit-impaired financial assets	(5)	(4)	486	477	-	477
Transfers to 12-months expected credit losses	332	(137)	(27)	168	-	168
Financial assets derecognized for the period	(30,991)	(1,725)	(16,170)	(48,886)	-	(48,886)
Purchased or originated financial assets	21,404	2,675	77,418	101,497	-	101,497

(Continued)

	For the Year Ended December 31, 2019					
	12-Month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on IFRS 9	Recognized Impairment Difference Based on Regulations of the Procedures For Banking Institutions to Evaluate Assets And Deal With Non-performing Loans and Bad Debts	Total
Recognized impairment difference based on the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts	$ -	$ -	$ -	$ -	$ (212,068)	$ (212,068)
Doubtful debts written off	-	-	(36,678)	(36,678)	-	(36,678)
Changes in exchange rates or others	(21)	(5)	(1)	(27)	-	(27)
Ending balance	$ 22,941	$ 3,535	$ 44,895	$ 71,371	$ 368,111	$ 439,482

(Concluded)

	For the Year Ended December 31, 2018					
	12-Month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on IFRS 9	Recognized Impairment Difference Based on Regulations of the Procedures For Banking Institutions to Evaluate Assets And Deal With Non-performing Loans and Bad Debts	Total
Receivables						
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	(55)	78	(78)	(55)	-	(55)
Transfers to credit-impaired financial assets	(1)	(3)	408	404	-	404
Transfers to 12-month expected credit losses	239	(168)	192	263	-	263
Financial assets derecognized for the period	(26,896)	(1,458)	1,574	(26,780)	-	(26,780)
Purchased or originated financial assets	30,867	1,932	15,059	47,858	-	47,858

(Continued)

	For the Year Ended December 31, 2018					
	12-Month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on IFRS 9	Recognized Impairment Difference Based on Regulations of the Procedures For Banking Institutions to Evaluate Assets And Deal With Non-performing Loans and Bad Debts	Total
Recognized impairment difference based on the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts	$ -	$ -	$ -	$ -	$ 54,663	$ 54,663
Doubtful debts written off	-	-	(22,684)	(22,684)	-	(22,684)
Changes in exchange rates or others	16	3	-	19	-	19
Ending balance	$ 32,256	$ 2,679	$ 19,907	$ 54,842	$ 580,179	$ 635,021

(Concluded)

2) Movements in the total carrying amount of receivables

	For the Year Ended December 31, 2019			
	12-Month Expected Credit Losses	Significant Increase in Risk Due to Lifetime Expected Credit Losses	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	(32,499)	28,404	(207)	(4,302)
Transfers to credit-impaired financial assets	(10,381)	(398)	5,718	(5,061)
Transfers to 12-month expected credit losses	218,447	(13,660)	(215)	204,572
Purchased or originated financial assets	11,647,928	94,506	236,123	11,978,557
Derecognized	(18,943,461)	(104,597)	(8,120)	(19,056,178)
Doubtful debts written off	-	-	(36,678)	(36,678)
Changes in exchange rates or others	(8,224)	(1,149)	(24)	(9,397)
Ending balance	$ 23,209,296	$ 162,789	$ 268,434	$ 23,640,519

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

12. DISCOUNTS AND LOANS, NET

a. Details of discounts and loans

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

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

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

b. Allowance for discounts and loans

1) Movements in the allowance for discounts and loans

	For the Year Ended December 31, 2019					
	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	(42,040)	46,149	(908)	3,201	-	3,201
Transfers to credit-impaired financial assets	(7,825)	(73,822)	82,744	1,097	-	1,097
Transfers to 12-month expected credit losses	246,992	(235,577)	(5,313)	6,102	-	6,102
Financial assets derecognized for the period	(1,319,366)	(973,741)	(1,758,089)	(4,051,196)	-	(4,051,196)
Purchased or originated financial assets	1,016,601	1,316,244	3,758,626	6,091,471	-	6,091,471
Recognized impairment difference based on the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts	-	-	-	-	1,069,117	1,069,117
Doubtful debts written off	-	-	(2,144,763)	(2,144,763)	-	(2,144,763)
Changes in exchange rates or others	(6,101)	(3,201)	(1,098)	(10,400)	-	(10,400)
Ending balance	$ 1,772,566	$ 1,920,375	$ 5,033,684	$ 8,726,625	$ 8,810,639	$ 17,537,264

	For the Year Ended December 31, 2018					
	12-Month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on IFRS 9	Recognized Impairment Difference Based on Regulations of the Procedures for Banking Institutions to Evaluate Assets And Deal with Non-performing Loans and Bad Debts	Total
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	(28,373)	31,712	(5,521)	(2,182)	-	(2,182)
Transfers to credit-impaired financial assets	(676)	(89,530)	89,906	(300)	-	(300)
Transfers to 12-month expected credit losses	302,535	(306,226)	(4,302)	(7,993)	-	(7,993)
Financial assets derecognized for the period	(644,929)	(199,297)	(2,754,150)	(3,598,376)	-	(3,598,376)
Purchased or originated financial assets	1,155,363	1,324,491	3,912,776	6,392,630	-	6,392,630

(Continued)

	For the Year Ended December 31, 2018					
	12-Month Expected Credit Losses	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	$ -	$ -	$ -	$ -	$ (550,851)	$ (550,851)
Doubtful debts written off	(665,581)	(158,990)	(1,213,175)	(2,037,746)	-	(2,037,746)
Changes in exchange rates or others	7,992	2,182	300	10,474	-	10,474
Ending balance	$ 1,884,305	$ 1,844,323	$ 5,102,485	$ 8,831,113	$ 7,741,522	$ 16,572,635

(Concluded)

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

	For the Year Ended December 31, 2019			
	12-Month Expected Credit Losses	Significant Increase in Risk Due to Lifetime Expected Credit Losses	Credit Impairment Due to Lifetime Expected Credit Losses	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	(16,914,967)	17,171,088	(9,966)	246,155
Transfers to credit-impaired financial assets	(2,806,168)	(1,161,154)	3,999,121	31,799
Transfers to 12-month expected credit losses	6,778,647	(4,498,690)	(44,918)	2,235,039
Financial assets derecognized for the period	(603,698,403)	(28,985,906)	(7,439,656)	(640,123,965)
Purchased or originated financial assets	699,244,104	28,386,349	6,252,756	733,883,209
Doubtful debts written off	-	-	(2,144,763)	(2,144,763)
Changes in exchange rates or others	(2,235,039)	(246,155)	(31,799)	(2,512,993)
Ending balance	$ 1,366,328,215	$ 64,407,067	$ 14,152,929	$ 1,444,888,211

	For the Year Ended December 31, 2018			
	12-Month Expected Credit Losses	Significant Increase in Risk Due to Lifetime Expected Credit Losses	Credit Impairment Due to Lifetime Expected Credit Losses	Total
Beginning balance	$ 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	(16,768,851)	16,561,897	(44,477)	(251,431)
Transfers to credit-impaired financial assets	(1,536,123)	(1,681,737)	3,216,165	(1,695)
Transfers to 12-month expected credit losses	4,134,661	(7,005,441)	(41,959)	(2,912,739)
Purchased or originated financial assets	594,201,380	24,757,939	7,286,332	626,245,651
Doubtful debts written off	(665,581)	(158,990)	(1,213,175)	(2,037,746)
Derecognized	(630,986,258)	(24,855,031)	(8,500,525)	(664,341,814)
Changes in exchange rates or others	2,912,738	251,432	1,695	3,165,865
Ending balance	$ 1,285,960,041	$ 53,741,535	$ 13,572,154	$ 1,353,273,730

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

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

13. FINANCIAL ASSETS FOR HEDGING

	December 31	
	2019	2018
Financial assets for hedging		
Fair value hedges - interest rate swaps	$ 247,375	$ 244,763

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

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

The information of hedging transactions is as follows:

a. Hedging type: Fair value hedging.

b. Hedging objective: To minimize the Group's risks from changes in fair value due to fluctuating interest rates, by converting fixed-rate notes to floating-rate notes.

c. Hedging method: By signing interest rate swap contracts, which pay floating rates (interest rate: 0.6681%) and charge fixed rates (interest rate range: 1.2900%-1.6075%).

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 gains or losses from hedging tools were $70,234 thousand and $69,523 thousand for the years ended December 31, 2019 and 2018, respectively, and the realized gains or losses from fair-value hedging were $(11,958) thousand and $(9,398) thousand, accounted for as net other non-interest income or loss, for the years ended December 31, 2019 and 2018, respectively.

14. OTHER FINANCIAL ASSETS

	December 31	
	2019	**2018**
Time deposits with original maturities of more than 3 months	$ 40,179,375	$ 54,923,845
Exchange bills negotiated	13,970	10,360
Overdue receivables	179,538	380,211
Call loan to security brokers	-	153,675
Less: Allowance for bad debts	(239,002)	(422,861)
	$ 40,133,881	$ 55,045,230

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

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

15. SUBSIDIARIES

Subsidiaries Included in Consolidated Financial Statements

			% of Ownership December 31	
Investor	**Investee**	**Main Business**	**2019**	**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

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

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	105,000	32,542	173,618	26,691	41,991	10,124	-	67,695	457,661
Disposals	-	217,306	(165,470)	(23,587)	(15,213)	(16,350)	-	(369,415)	(372,729)
Transfers to assets leased under operating leases	-	(10,030)	-	-	-	-	-	-	(10,030)
Reclassification	(135,314)	37,216	7,701	4,026	2,743	5,341	-	(72,911)	(151,198)
Effect of foreign currency exchange differences	-	(10,240)	(2,535)	(330)	(1,104)	(2,880)	-	(23,154)	(40,243)
Balance at December 31, 2019	$ 14,647,146	$ 9,108,562	$ 4,607,029	$ 732,871	$ 1,487,286	$ 968,543	$ -	$ 231,714	$ 31,783,151
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)	(206,922)	(25,914)	(15,220)	(17,765)	-	-	(291,703)
Depreciation expense	-	180,808	220,704	45,335	45,443	37,772	-	-	530,062
Transfers to assets leased under operating leases	-	(17,933)	-	-	-	-	-	-	(17,933)
Reclassification	-	(12,429)	-	-	-	-	-	-	(12,429)
Effect of foreign currency exchange differences	-	(1,888)	(1,976)	(283)	(1,020)	(2,209)	-	-	(7,376)
Balance at December 31, 2019	$ -	$ 4,423,584	$ 3,948,971	$ 636,296	$ 1,336,492	$ 875,385	$ -	$ -	$ 11,220,728
Carrying amounts at December 31, 2019	$ 14,647,146	$ 4,684,978	$ 658,058	$ 96,575	$ 150,794	$ 93,158	$ -	$ 231,714	$ 20,562,423

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	10,030
Balance at December 31, 2019	$ 351,452

(Continued)

	Buildings
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	6,439
Transfers from assets used by the Group	17,933
Balance at December 31, 2019	$ 174,839
Carrying amounts at December 31, 2019	$ 176,613

(Concluded)

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

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

	December 31, 2019
Year 1	$ 30,100
Year 2	19,048
Year 3	13,408
Year 4	3,241
Year 5	60
	$ 65,857

2018

	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	20,339	45,130	133,161	33,043	39,579	5,263	486	802,158	1,079,159
Disposals	-	-	(331,330)	(31,574)	(30,377)	(5,050)	-	-	(398,331)
Reclassification	-	(239,035)	67,538	(5,565)	(16,182)	(46,427)	(585)	(307,364)	(547,620)
Effect of foreign currency exchange differences	-	269,642	56,252	6,566	17,450	50,529	-	14,576	415,015
Balance at December 31, 2018	$ 14,677,460	$ 9,183,190	$ 4,593,715	$ 726,071	$ 1,458,869	$ 972,308	$ 908	$ 629,499	$ 32,242,020
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	-	180,066	196,919	43,656	44,694	42,051	124	-	507,510
Disposals	-	-	(331,022)	(31,568)	(30,374)	(5,050)	-	-	(398,014)
Reclassification	-	(37,182)	(32,175)	(3,349)	(12,686)	(26,223)	(325)	-	(111,940)
Effect of foreign currency exchange differences	-	38,700	33,854	3,970	13,887	28,690	-	-	119,101
Balance at December 31, 2018	$ -	$ 4,451,375	$ 3,937,165	$ 617,158	$ 1,307,289	$ 857,587	$ 148	$ -	$ 11,170,722
Carrying amounts at December 31, 2018	$ 14,677,460	$ 4,731,815	$ 656,550	$ 108,913	$ 151,580	$ 114,721	$ 760	$ 629,499	$ 21,071,298

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

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

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

	December 31, 2018
Not later than 1 year	$ 239,809
Later than 1 year and not later than 5 years	498,706
Later than 5 years	82,454
	$ 820,969

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

Building	
Main buildings	20-60 years
Air-conditioning	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

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

	For the Year Ended December 31, 2019
Additions to right-of-use assets	$ 432,554
Depreciation charge for right-of-use assets	
Land	$ 1,332
Buildings	624,304
Machinery equipment	464
Transportation equipment	37,139
Miscellaneous equipment	9,845
	$ 673,084

b. Lease liabilities - 2019

	December 31, 2019
Carrying amounts	$ 1,420,392

Range of discount rate for lease liabilities was as follows:

	December 31, 2019
Land	0.91%
Buildings	0.20%-2.99%
Machinery equipment	0.20%-2.89%
Transportation equipment	2.12%-3.00%
Miscellaneous equipment	0.86%-2.89%

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

	December 31, 2019
Expenses relating to short-term leases	$ 29,859
Expenses relating to low-value asset leases	$ 32,246
Expenses relating to variable lease payments not included in the measurement of lease liabilities	$ 209,864
Total cash outflow for leases	$ (271,969)

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

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

2018

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

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

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

	December 31, 2018
Not later than 1 year	$ 621,178
Later than 1 year and not later than 5 years	1,118,117
Later than 5 years	255,874
	$ 1,995,169

18. INVESTMENT PROPERTY

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

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

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

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

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

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

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

All investment properties are own right and interest.

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

	For the Year Ended December 31	
	2019	2018
Rental incomes	$ 181,431	$ 186,129
Direct operating expenses	$ 103,717	$ 103,365

19. INTANGIBLE ASSETS

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

(Continued)

	Computer Software
Balance at January 1, 2018	$ 436,176
Additions	347,387
Amortization expense	(201,851)
Effect of foreign currency exchange differences and others	149,652
Balance at December 31, 2018	$ 731,364

(Concluded)

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

20. OTHER ASSETS

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

21. DEPOSITS FROM THE CENTRAL BANK AND BANKS

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

22. PAYABLES

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

23. DEPOSITS AND REMITTANCES

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

24. BANK NOTES PAYABLE

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

25. OTHER FINANCIAL LIABILITIES

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

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

26. OTHER LIABILITIES

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

27. RESERVE FOR LIABILITIES

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

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

	For the Year Ended December 31, 2019					
	12-month Expected Credit Losses	**Lifetime Expected Credit Losses**	**Realized Credit Impairment**	**Loss Recognized Based on IFRS 9**	**Recognized Impairment Difference Based on 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	(5,522)	5,731	-	209	-	209
Transfers to credit-impaired financial assets	(19)	(9)	29	1	-	1
Transfers to 12-month expected credit losses	1,550	(930)	-	620	-	620
Financial assets derecognize for the period	(348,218)	(6,727)	(18,005)	(372,950)	-	(372,950)
Purchased or originated financial assets	354,555	28,205	4,925	387,685	-	387,685
Recognized impairment difference based on the Laws	-	-	-	-	62,973	62,973
Changes in exchange rates or others	(584)	(251)	-	(835)	-	(835)
Ending balance	$ 459,939	$ 52,207	$ 28,131	$ 540,277	$ 496,421	$ 1,036,698

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

28. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

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

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

	December 31	
	2019	**2018**
Present value of defined benefit obligation	$ 9,979,092	$ 9,864,472
Fair value of plan assets	(7,152,662)	(6,915,260)
Deficit	2,826,430	2,949,212
Others	13,351	12,132
Net defined benefit liability	$ 2,839,781	$ 2,961,344

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

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

(Continued)

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

(Concluded)

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

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government and corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	
	2019	2018
Discount rate(s)	0.70%	1.00%
Expected rate(s) of salary increase	2.05%	2.04%

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

	December 31	
	2019	2018
Discount rate(s)		
0.25% increase	$ (244,279)	$ (244,869)
0.25% decrease	$ 253,503	$ 254,327
Expected rate(s) of salary increase		
0.25% increase	$ 249,465	$ 251,059
0.25% decrease	$ (241,687)	$ (243,003)

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

	December 31	
	2019	2018
The expected contributions to the plan for the next year	$ 301,644	$ 308,280
The average duration of the defined benefit obligation	10 years	10 years

c. Plan of high-yield savings account for employee

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

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

	December 31	
	2019	2018
Present value of defined benefit obligation	$ 1,408,473	$ 1,375,993
Less: Fair value of defined benefit plan assets	-	-
Assets and liabilities at the end of the reporting period	$ 1,408,473	$ 1,375,993

2) Analysis of defined benefit obligation

	December 31	
	2019	2018
All or part of defined benefit obligation contributed	$ -	$ -
Defined benefit obligation not contributed	1,408,473	1,375,993
	$ 1,408,473	$ 1,375,993

3) Movements of the present value of defined benefit obligation

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

4) Movements of the fair value of plan assets

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

5) Details of gains and losses recognized in expenses

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

6) Main actuarial assumptions

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

29. EQUITY

a. Capital

Common stock

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

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

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

b. Distribution of earnings and dividend policy

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

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

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

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

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

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

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

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

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

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

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

c. Special reserve

	December 31	
	2019	**2018**
Initial application of IFRSs	$ 11,778,829	$ 11,778,829
Others	425,819	362,587
	$ 12,204,648	$ 12,141,416

30. NET INCOME

a. Net interest income

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

b. Net service fee income

	For the Year Ended December 31	
	2019	2018
Service fee income		
Fees from import and export	$ 313,138	$ 333,377
Remittance fees	451,563	483,992
Loan fees	460,531	605,083
Fees from trust	774,748	844,518
Fees from trust business	330,872	304,732
Fees from insurance agency	2,239,128	2,132,840
Others (1) (2)	1,267,462	1,172,872
	5,837,442	5,877,414
Service charge		
Interbank charges	(159,582)	(152,717)
Charges from trust	(17,884)	(27,811)
Custodian charges	(115,441)	(104,111)
Charges from insurance agency	(262,997)	(168,505)
Others	(646,772)	(556,316)
	(1,202,676)	(1,009,460)
Net service fee income	$ 4,634,766	$ 4,867,954

1) The service fee income from electronic payment business was $4,257 thousand and $3,409 thousand for the years ended December 31, 2019 and 2018, respectively.

2) In accordance with “Regulation Governing the Organization and Administration of Sinking Fund Established by Electronic Payment Institutions”, the yield income from electronic payment business was both $1 thousand for the years ended December 31, 2019 and 2018.

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

	For the Year Ended December 31	
	2019	**2018**
Realized gain (loss) on financial assets or liabilities measured at FVTPL		
Stock and beneficiary certificates	$ 30,748	$ (88,595)
Bonds	20,351	(20,679)
Bills	(32)	34
Derivative financial instruments	2,301,772	3,042,871
Net interest loss	(304,628)	(322,638)
Stock dividends and bonus	2,469	6,989
	2,050,680	2,617,982
Valuation gain (loss) on financial assets or liabilities measured at FVTPL		
Stock	(455)	-
Bonds	(317,847)	311,073
Bills	215	229
Derivative financial instruments	104,180	(217,328)
	(213,907)	93,974
	$ 1,836,773	$ 2,711,956

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

	For the Year Ended December 31	
	2019	**2018**
Stock dividends and bonus	$ 521,158	$ 457,351
Disposal gains		
Beneficiary securities	58,990	-
Bonds	799,172	342,348
Disposal losses		
Beneficiary securities	(671)	(2)
Bonds	(13,378)	(17,809)
	$ 1,365,271	$ 781,888

e. Depreciation and amortization expense

	For the Year Ended December 31	
	2019	**2018**
Property and equipment	$ 536,501	$ 507,511
Investment property	6,867	6,692
Right-of-use assets	673,084	-
Intangible assets and other deferred assets	220,417	201,960
	$ 1,436,869	$ 716,163

f. Employee benefits expenses

	For the Year Ended December 31	
	2019	**2018**
Short-term employee benefits	$ 9,796,042	$ 9,806,068
Post-employment benefits		
Defined contribution plans	195,093	181,849
Defined benefit plans	274,622	283,736
High-yield savings account for employees	316,694	267,865
Other post-employment benefits	275,550	246,116
Termination benefits	9,640	11,327
	$ 10,867,641	$ 10,796,961

Salary adjustments for 2019:

1) The operational and staff performance of the Bank were excellent in 2018. To boost employee morale, the Bank made an adjustment to annual salary in 2019 and implemented overall evaluation on April 1, 2019.

2) The salary adjustment plan consisted of fixed adjustment and performance adjustment, which was similar to the adjustments in recent years. The Bank had adjusted salaries based on different job performances to motivate outstanding compassionate rank-and-file employees.

   a) Fixed adjustment

   The monthly salary adjustment was increased from $1 thousand to $1.2 thousand for employees at job levels 5 to 7 and have less than 5 years seniority who earned 4 to 6 points in performance appraisal of 2018. The monthly salary adjustment was $1 thousand for other employees.

   b) Performance adjustment

   Employees who earned 6 points in 2018 performance appraisal of 2018 received a 4% raise in monthly salary; employees who earned 5 points received a 3% raise in monthly salary; employees who earned 4 points received a 2% raise in monthly salary; employees who earned 3 points received a 1% raise in monthly salary.

   c) In order to attract and retain excellent employees, the scope of salary adjustments has been expanded. Employees at job levels 5 to 7 without performance appraisal in 2018 were listed as the target of this salary adjustment, whereby the monthly salary was adjusted to $1.2 thousand.

3) The annual salary adjustment in 2019 was implemented on April 1, 2019. The average salary increase of all employees was 3.27%. The average salary increase and the highest salary increase of employees at job levels 5 to 7 were both 7.19%. The salary adjustments show the determination of the Bank to fulfill the duty of care towards its employees and implement corporate social responsibility.

<table>
<tr><th rowspan="3">Year
Appraisal</th><th colspan="3">2019</th></tr>
<tr><th rowspan="2">New Entry and Job Levels 5 to 7 Without Appraisal in 2018</th><th colspan="2">With Appraisal in 2018</th></tr>
<tr><th>Job Levels 5 to 7 and Less than 5 Years Seniority</th><th>Other Job Levels</th></tr>
<tr><td>6 points</td><td rowspan="6">1,200</td><td>1,200+4%</td><td>1,000+4%</td></tr>
<tr><td>5 points</td><td>1,200+3%</td><td>1,000+3%</td></tr>
<tr><td>4 points</td><td>1,200+2%</td><td>1,000+2%</td></tr>
<tr><td>3 points</td><td colspan="2">1,000+1%</td></tr>
<tr><td>2 points</td><td colspan="2">-</td></tr>
<tr><td>1 points</td><td colspan="2">-</td></tr>
<tr><td>Average salary increase of the Bank</td><td colspan="3">3.27%</td></tr>
</table>

g. Employees' compensation and remuneration of directors

The Bank accrued employees' compensation and remuneration of directors at the rates of 1%-6% and no higher than 0.8%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and the remuneration of directors for the years ended December 31, 2018 and 2019, which were approved by the Group's board of directors on March 20, 2020 and March 15, 2019, respectively, are as follows:

<u>Accrual rate</u>

	For the Year Ended December 31	
	2019 (Expected)	**2018**
Employees' compensation	5.00%	5.00%
Remuneration of directors	0.40%	0.40%

<u>Amount</u>

	For the Year Ended December 31	
	2019 (Expected)	**2018**
Employees' compensation	$ 714,178	$ 777,327
Remuneration of directors	57,134	62,186

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

Due to changes in accounting estimates, the actual amount of employees' compensation and directors' remuneration, which was resolved in the meeting of the board of directors dated on March 15, 2019 differs from what was accrued in the consolidated financial statements for 2018. The difference was then adjusted to profit and loss for 2019.

	For the Year Ended December 31, 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)

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

31. INCOME TAX

a. Major components of tax expense recognized in profit or loss

	For the Year Ended December 31	
	2019	**2018**
Current income tax		
In respect of the current period	$ 1,428,865	$ 1,521,821
Income tax on unappropriated earnings	15,617	5,396
Deferred income tax		
In respect of the current period	504,028	1,019,393
Effect of tax rate changes	-	(483,061)
Income tax expense recognized in profit or loss	$ 1,948,510	$ 2,063,549

A reconciliation of accounting profit and income tax expenses is as follows:

	For the Year Ended December 31	
	2019	**2018**
Profit before tax	$ 13,520,292	$ 14,710,084
Income tax expense calculated at the statutory rate	2,704,058	2,942,017
Non-deductible expenses in determining taxable income	479	102,612
Income tax on unappropriated earning	15,617	5,396
Overseas branch's additional income of deferred tax effect	203,757	186,078
Tax-exempt income	(1,077,899)	(940,216)
Non-deductible tax of overseas branches	112,096	241,614
Effect of tax rate changes	-	(483,061)
Adjustments for prior years' tax	4,748	6,613
Others	(14,346)	2,496
Income tax expense recognized in profit or loss	$ 1,948,510	$ 2,063,549

The Income Tax Act in the Republic of China ("ROC") was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings was reduced from 10% to 5%.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2019	2018
Deferred tax		
In respect of the current year:		
Exchange differences on translation	$ (157,891)	$ 20,432
Unrealized gains (losses) on financial assets at FVTOCI	43,946	(35,393)
Actuarial losses on defined benefit plan	(31,412)	(63,452)
Total income tax benefit recognized in other comprehensive income	$ (145,357)	$ (78,413)

c. Current tax assets and liabilities

	For the Year Ended December 31	
	2019	2018
Current tax assets		
Tax refund receivable	$ 164,394	$ 137,886
Others	43,126	151,885
	$ 207,520	$ 289,771
Current tax liabilities		
Income tax payable	$ 507,880	$ 241,285

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2019

	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Ending Balance
Deferred tax assets				
Temporary differences				
Doubtful debts	$ 1,510,676	$ 11,223	$ -	$ 1,521,899
Others	1,609,988	192,972	(12,534)	1,790,426
	$ 3,120,664	$ 204,195	$ (12,534)	$ 3,312,325
Deferred tax liabilities				
Land value increment tax	$ 6,156,692	$ -	$ -	$ 6,156,692
Temporary differences	1,195,585	708,223	(157,891)	1,745,917
	$ 7,352,277	$ 708,223	$ (157,891)	$ 7,902,609

For the year ended December 31, 2018

	Beginning Balance	Adjustments on IFRS 9	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Ending Balance
Deferred tax assets					
Temporary differences					
Doubtful debts	$ 1,944,366	$ -	$ (433,690)	$ -	$ 1,510,676
Others	1,230,684	71,226	227,736	80,342	1,609,988
	$ 3,175,050	$ 71,226	$ (205,954)	$ 80,342	$ 3,120,664
Deferred tax liabilities					
Land value increment tax	$ 6,156,692	$ -	$ -	$ -	$ 6,156,692
Temporary differences	863,278	-	330,378	1,929	1,195,585
	$ 7,019,970	$ -	$ 330,378	$ 1,929	$ 7,352,277

e. Income tax assessments

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

32. EARNINGS PER SHARE

The computation of earnings per share was retrospectively adjusted for the effects of adjustments resulting from bonus stock issues on August 12, 2019. The basic and diluted after-tax earnings per stock of 2018 were adjusted retrospectively as follows:

Unit: NT$ Per Share

	For the Year Ended December 31, 2018	
	Before Adjusted Retrospectively	After Adjusted Retrospectively
Basic earnings per stock	$ 1.29	$ 1.27
Diluted earnings per stock	$ 1.28	$ 1.26

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

	For the Year Ended December 31	
	2019	2018
Net profit for the year	$ 11,571,782	$ 12,646,535

Weighted average number of common stocks outstanding (in thousands of stocks):

	For the Year Ended December 31	
	2019	2018
Weighted average number of common stock in computation of basic earnings per share	9,985,311	9,985,311
Effect of potentially dilutive common stock:		
Employees' compensation issued	38,631	52,535
Weighted average number of common stock used in the computation of diluted earnings per share	10,023,942	10,037,846

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

33. CAPITAL RISK MANAGEMENT

a. Summary

The Group's goals in capital management are as follows:

1) The Group's qualified regulatory capital should meet the requirement of capital adequacy regulations, and reached the minimum capital adequacy ratio.

2) To ensure the Group is able to meet the capital heeds, it should be evaluated periodicity and observed the variation between regulatory capital and risk assets to keep common equity ratio in the interval approved by the board of directors.

3) Related to the calculation of qualified regulatory capital and legal capital were according to the regulation of administration.

b. Capital management procedures

The Group kept capital adequacy ratio completely to meet the requirement of the administration, and declared to the administration quarterly.

In addition, the capital management procedures for the overseas subsidiaries of the Group were carried out according to the regulation of local administrations.

The Group's capital adequacy performance, which was calculated based on Regulations Governing the Capital Adequacy and Capital Category of Banks, was reported to the Asset and Liability Management Committee of the Group periodically. The regulatory capital was classified into Tier 1 Capital, other Tier 1 Capital and Tier 2 Capital.

1) Tier 1 Capital: Include Common Equity and other Tier 1 Capital

Common Equity: Include common stock (include capital collected in advance), Capital reserves (exclude additional paid-in capital in excess of par - preferred stock), accumulated profit, reserve and adjusted equity. Deduct: Legal adjustments.

2) Other Tier 1 Capital: Include noncumulative perpetual preferred stock, noncumulative perpetual subordinated debts. Deduct: Legal adjustments.

3) Tier 2 Capital: Include cumulative perpetual preferred stock, cumulative perpetual subordinated debts, revaluation reserve, long-term subordinated debt, non-perpetual preferred stock include stock issue price 45% of unrecognized available-for-sale financial assets convertible bonds, operating reserves and allowance for doubtful accounts. Deduct: Legal adjustments.

c. Capital adequacy

<table>
<tr><th colspan="3">Period / Item</th><th>December 31, 2019</th><th>December 31, 2018</th></tr>
<tr><td rowspan="4">Self-owned capital</td><td colspan="2">Common equity Tier I</td><td>$ 140,790,667</td><td>$ 136,278,731</td></tr>
<tr><td colspan="2">Other Tier I capital</td><td>16,874,772</td><td>11,398,831</td></tr>
<tr><td colspan="2">Tier II capital</td><td>54,231,213</td><td>57,012,582</td></tr>
<tr><td colspan="2">Self-owned capital</td><td>211,896,652</td><td>204,690,144</td></tr>
<tr><td rowspan="9">Risk-weighted assets</td><td rowspan="3">Credit risk</td><td>Standardized approach</td><td>1,360,106,227</td><td>1,302,768,815</td></tr>
<tr><td>IRB</td><td>-</td><td>-</td></tr>
<tr><td>Securitization</td><td>-</td><td>133,357</td></tr>
<tr><td rowspan="3">Operation risk</td><td>Basic indicator approach</td><td>-</td><td>-</td></tr>
<tr><td>Standardized approach/ optional standard</td><td>57,819,213</td><td>57,297,063</td></tr>
<tr><td>Advanced internal rating based approach</td><td>-</td><td>-</td></tr>
<tr><td rowspan="2">Market price risk</td><td>Standardized approach</td><td>22,515,159</td><td>19,340,309</td></tr>
<tr><td>Internal model approach</td><td>-</td><td>-</td></tr>
<tr><td colspan="2">Total</td><td>1,440,440,599</td><td>1,379,539,544</td></tr>
<tr><td colspan="3">Capital adequacy ratio</td><td>14.71%</td><td>14.84%</td></tr>
<tr><td colspan="3">Common equity Tier I to risk-weighted assets ratio</td><td>9.77%</td><td>9.88%</td></tr>
<tr><td colspan="3">Tier I capital to risk-weighted assets ratio</td><td>10.95%</td><td>10.70%</td></tr>
<tr><td colspan="3">Leverage ratio</td><td>6.90%</td><td>6.62%</td></tr>
</table>

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

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

Note 3: Formula:

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

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

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

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

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

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

34. FINANCIAL INSTRUMENTS

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

Fair value of financial instruments not measured at fair value

December 31, 2019

	Carrying Amount	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3	Fair Value Total
Financial assets					
Financial assets at amortized cost	$ 276,058,976	$ 5,708,893	$ 270,388,077	$ -	$ 276,096,970
Financial liabilities					
Bank notes payable	55,521,014	-	8,461,014	48,299,657	56,760,671

December 31, 2018

	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

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

1) Fair value hierarchy

Fair Value Measurement of Financial Instruments	December 31, 2019 Total	Level 1	Level 2	Level 3
Non-derivative financial products				
Assets				
Financial assets at FVTPL	$ 8,543,164	$ 75,046	$ 8,468,118	$ -
Financial assets mandatorily measured at FVTPL				
Stock investments	75,046	75,046	-	-
Bond investments	907,705	-	907,705	-
Others	7,560,413	-	7,560,413	-
Financial assets at FVTOCI	116,296,139	76,511,042	31,784,179	8,000,918
Stock investments	14,451,116	6,400,568	49,630	8,000,918
Bond investments	100,755,695	69,021,146	31,734,549	-
Others	1,089,328	1,089,328	-	-
Derivative financial products				
Assets				
Financial assets at FVTPL	2,940,225	114,919	2,825,306	-
Other financial assets				
Financial assets for hedging	247,375	-	247,375	-
Liabilities				
Financial liabilities at FVTPL	4,247,279	-	4,247,279	-

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	-

There were no transfers between Levels 1 and 2 in the current and prior periods.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2019

Financial Assets	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	862,873
Ending balance	$ 8,000,918

For the year ended December 31, 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	(539,998)
Ending balance	$ 7,138,045

3) Definition for the hierarchy classifications of fair value measurements

a) Level 1

Level 1 inputs are quoted prices unadjusted in active markets for identical financial instruments. An active market indicates the market that is in conformity with all of the following conditions: The products in the market are identical; it is easy to find a knowledgeable and willing transaction counterparty; and price information is available to the public.

The fair values of the Group investments in listed stocks, beneficiary certificates, on-the-run Taiwan central government bonds and derivative instruments with quoted market prices are included in Level 1.

b) Level 2

Level 2 inputs are inputs other than quoted prices with reference to an active market that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). The fair values of the Group's investments in off-the-run government bonds, corporate bonds, bank debentures, convertible bonds and most derivative bank debentures issued by the Group are included in Level 2.

c) Level 3

The input parameters used are not based on observable market data (unobservable input parameters are those such as option pricing models using historical volatility which cannot represent the expected value of all market participants). The fair values of the Group's investments in derivatives and equity investments without an active market are included in Level 3.

4) Valuation techniques and assumptions applied for the purpose of measuring fair value

a) Determination of fair value

A quoted market price is used as the fair value when a financial instrument has an active market. Such market prices are provided by the Stock Exchange Corporation, Bloomberg and Reuters, which are all the foundation of fair values for listed equity securities and debt instruments with a quoted market price in an active market.

If the market quotation from the Stock Exchange Corporation, commission merchants, underwriters or pricing service institutions can be frequently and readily obtained and the price represents actual and frequent at arm's length transactions, then a financial instrument is deemed to have an active market. If the above conditions are not met, the market is deemed inactive. In general, a significant price variance between the purchase price and selling price or a significantly increasing price variance are both indicators of an inactive market.

In addition to the above financial instruments with an active market, other financial instruments at fair value are assessed by valuation techniques or by referencing counterparties with other financial instruments at fair value with similar conditions and characteristics in actual practice, including market information obtained by exercising valuation models at the balance sheet date (such as yield curves used by TPEx and TAIBIR (page 02) secondary market fixing rates used by the Taiwan Depository & Clearing Corporation).

When a financial instrument has no standardized valuation and has a greater level of complexity, such as interest rate swaps, currency swaps and options, the Group usually adopts the valuation generally accepted by market users. The inputs used for these financial instruments' valuations are usually observable information in the market.

For financial instruments with greater complexity, the fair value is assessed through the valuation model developed by valuation methods and techniques generally accepted by competitors. These kinds of valuation models are usually applicable for derivative instruments, debt instruments without quoted market price (including debt instruments of embedded derivatives) or other debt instruments with low market liquidity. Certain inputs used in these valuation models are not observable in the market, and the Group needs to make appropriate estimates based on assumptions.

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

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

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

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

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

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

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

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

viii. Unlisted stock: The fair value is referenced from related financial information or estimated using the price and parameters of listed companies which have similar service attributes.

ix. Beneficiary certificates: Closed-end funds use the closing price in an active market as the fair value and open-end funds use the net asset value of the fund as the fair value.

x. Derivatives:

i) Call/put warrants and stock index futures: Prices quoted from an active market are deemed the fair values.

ii) Foreign currency forward contracts, currency swaps, interest rate swaps, cross currency swaps and operating deposits of transactions: Discounted future cash flows are adopted.

iii) Options: The Black-Scholes model, binomial tree model and Monte Carlo method are mainly adopted for valuation.

iv) Certain derivatives use the quoted price from counterparties.

xi. Mixing Tools: The price from the active market, deal brokers and valuation models is used.

c) Adjustments for credit risks and the definitions are as follows:

Credit valuation adjustment (CVA) is a measurement for derivatives which are not transacted through the stock market, or for over-the-counter derivatives. CVA reflects the fair value should a counterparty default and the possibility of not collecting the derivative's full market value.

CVA is calculated by applying the loss given default (LGD) to the exposure at default (EAD), along with the consideration of the counterparty's probability of default (PD) (assuming the condition that the Group does not default).

c. Financial risk management objectives and policies

1) Market risk

a) The source and definition of market risk

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

The major market risks of the Group are equity securities price risks, interest rate risks, and exchange rate risks. The majority of equity securities risk includes domestic public stock, over-the-counter stock, emerging market stock, domestic stock index options and stock index futures. The main position of interest rate risk includes bonds and interest derivative instruments, such as interest rate swap. The main position of exchange rate risk includes the Group's investments denominated in foreign currencies, such as foreign currency spots, currency futures and foreign currency options.

b) Market risk management policy

The Group classifies the financial instruments held by the Group as trading book and banking book, and determines the market risk as interest rate risk, exchange rate risk, and equity security price risk. The Group establishes "Market Risk Management Regulation", "Derivative Financial Trading Process" and various financial instrument related regulations to manage the market risk of overall foreign exchange position, normal position, interest rate position of trading book and equity security position. The overall interest rate risk management of banking book belongs to Assets and Liabilities Management Committee.

The market risk management regulations are as follows:

i. Establish the market risk management process to ensure the risk would be identified, measured, monitored and reported.

ii. Measure and monitor the market risk and keep it under the risk limit and minimize unexpected loss from market risk.

iii. Follow the regulations of Basel Accord.

iv. Establish the market risk management system and economic capital allocation process.

v. Monitor the credit line management of financial instrument, sensitivity analysis, stress testing and the calculation of VaR. Report the result of market risk monitoring to Risk Management Committee periodically and Board of Director quarterly.

c) Market risk management procedures

According to “Whole Risk Management Policy”, Risk Management Department is the second line of defense against the market risk. Risk Management Department performs the market risk management, establishes related management process, and reports to the appropriate level of the management. Besides, Risk Management Department establishes independent risk management process and ensures it remains effective.

i. Identifying and measuring

The effective market risk management process begins with identifying the inherent risk of operating activities and financial instruments. The Group reviews the risk identifying method timely when the market environment changes and makes necessary adjustment to ensure the effective operation of the market risk management process. The Group’s risk management department identifies market risk factors and measures the market risk. The market risk factors refer to the factors which affect the interest rate, exchange rate or the fair value of equity instruments. The market risk factors include the position, profits and loss, loss from stress testing, 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 basis. The hedging derivatives are valued at least twice a month. The resources of fair value of financial instruments are categorized as: (1) those derived from quoted prices in active markets; (2) the latest price without active market; (3) valuation without active market.

iv. Risk measuring methods

i) The sensitivity of the interest rate changes of investment portfolio is measured by 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, 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, refer to item i.

f) Banking book interest rate risk management

i. Definition of banking book interest rate risk

The Group's banking book interest rate risk means the unfavorable change of interest rate of non-trading-book interest rate position which changes the present value of revenues and costs or assets and liabilities and causes decrease of earnings or impairment of economic value.

ii. Management strategy on banking book interest rate risk

According to the Group's interest rate risk management policy, the Group has set various measurement indicators and limits on banking book interest rate risk. To pursue profits and steady growth of stockholder value without exposure to extreme loss risks, the Group applies appropriate management strategy including on- and off-balance sheet adjustments and maintains appropriate amounts of assets and liabilities.

iii. Banking book interest rate risk report/range of measuring system

The Group mainly applies standard method for interest rate risk sensitivity gap analysis to measure banking book interest rate risks. The responsible department periodically measures banking book interest rate risks and reports to related departments and to the Asset and Liability Management Committee in order to adopt appropriate strategies for adjusting banking book interest rate risk combinations. Assessment information of banking book interest rate risk would be presented to the board of directors periodically to let the high-level management control such risks.

g) Exchange rate risk management

i. Definition of exchange rate risk

Exchange rate risk is the gain or loss resulting from exchange or translation of two different foreign currencies at different times. The Group's exchange rate risk mainly comes from spot and forward exchange positions.

ii. Exchange rate risk management policy, procedures and measuring methods

The risk management department sets the position limit and stop-loss limit of trading book investment combinations in order to control exchange rate risk. If the losses reach the stop-loss limit, the trading department should decrease risk exposure positions so as to control losses.

The risk management department applies sensitivity analysis or Value at Risk to measure exchange rate risk and calculates stress loss of risk position held. In sensitivity analysis, Delta is applied to measure the exchange rate risk of the first order change and Gamma is applied to measure the exchange rate risk of the second order change. In addition, Vega is used to measure the first order risk of implied volatility rate. With regard to the Group's Value at Risk assumptions and calculation methods, refer to item i.

h) Equity security price risk management

i. Definition of equity security price risk

Equity security price risk is the valuation effect on the position held by the Group when the equity security price changes. The Group's equity security price risk mainly comes from public and over-the-counter stock, index futures and options.

ii. Equity security price risk management purpose

The risk management department applies sensitivity analysis or Value at Risk to measure equity security price risk and calculates stress loss of risk position held. In sensitivity analysis, Delta, Gamma and Vega are, applied to measure the independent equity security price risk of the first order change, or market value is applied to indicate the exposure risks on positions of stock. With regard to the Group's Value at Risk assumptions and calculation methods, refer to item i.

iii. Equity security price risk management procedures

The Group sets restrictions on credit extensions with the same person, the same concerned party or the same affiliate to control the risk concentration. Risk Management Department monitors unrealized gain or loss of the holding position daily. If unrealized loss is over the stop-loss threshold, Risk Management Department would notice the department which holds the position to subject to the related regulations. The department which holds the position should report to Risk Management Committee if unrealized loss is over the stop-loss threshold but the department still holds the position.

iv. Measuring methods

The equity security price risk of Trading Book is monitored and controlled by VaR, refer to item i.

The Group would perform stress testing for the equity security price risk of non-trading position and report the result to Risk Management Committee.

i) Market risk measuring method

i. Value at Risk, "VaR"

The Group uses VaR model and stress testing to evaluate the risk of trading portfolio the market risk and the maximum expected loss of positions held through assumptions of changing market situation. VaR is the statistical estimation of potential losses of existing positions arising from unfavorable market changes. VaR refers to the maximum potential loss that Chang Hwa Bank might be exposed to within the confidence interval (99%), which means there is a certain probability (1%) that the actual loss would exceed VaR. Significant loss caused by excessive market volatility could not be avoided by using VaR.

The Group has been using historical simulation method to calculate VaR. The historical simulation method is based on historical data to estimate the future cash flow and assess the market risk of financial instrument. There are more and more financial institutions using the historical simulation method. However, there are some limitations for using the method. One of the limitations is that the assumption used in the method may not reflect the real situation. Besides, the simulation result may not be representative if the historical data used are too small. The Group would use proxy to respond to the limitations mentioned above.

According to the Group's "Risk Management Committee Establishment Points", the risk appetite of trading book market risk, operating limits and VaR limits should be approved by the Risk Management Committee. VaR is an important internal risk control in the Group. The VaR limits of investment portfolio are approved annually by the Risk Management Committee and reported to the board of directors. In addition, the daily actual VaR is monitored by the Group's risk management department.

ii. As of December 31, 2019 and 2018, the Bank's VaR factors based on historical simulation method were as follows:

	For the Year Ended December 31, 2019			
	Average	Highest	Lowest	Ending Balance
Exchange VaR	$ 87,557	$ 164,507	$ 46,990	$ 149,852
Interest rate VaR	4,292	6,997	2,070	5,039
Equity securities VaR	3,396	13,489	-	2,516
Value at risk	$ 95,245	$ 184,993	$ 49,060	$ 157,407

	For the Year Ended December 31, 2018			
	Average	Highest	Lowest	Ending Balance
Exchange VaR	$ 99,012	$ 134,964	$ 52,314	$ 52,314
Interest rate VaR	6,266	12,614	2,661	3,427
Equity securities VaR	4,353	10,043	-	-
Value at risk	$ 109,631	$ 157,621	$ 54,975	$ 55,741

2) Primary foreign currencies

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

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	December 31, 2019		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 7,581,239	29.9900	$ 227,361,358
GBP	22,106	39.3800	870,534
AUD	1,271,932	21.0150	26,729,651
HKD	2,260,263	3.8510	8,704,273
CAD	65,033	22.9800	1,494,458
ZAR	4,284,442	2.1200	9,083,017
JPY	48,671,485	0.2761	13,438,197
EUR	608,363	33.6400	20,465,331
NZD	71,076	20.2000	1,435,735
RMB	11,512,518	4.2950	49,446,265

(Continued)

	December 31, 2019		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial liabilities			
Monetary items			
USD	$ 10,592,236	29.9900	$ 317,661,158
GBP	28,742	39.3800	1,131,860
AUD	1,088,236	21.0150	22,869,280
HKD	1,525,516	3.8510	5,874,762
CAD	69,717	22.9800	1,602,097
ZAR	4,014,991	2.1200	8,511,781
JPY	49,659,212	0.2761	13,710,908
EUR	598,533	33.6400	20,134,650
NZD	84,477	20.2000	1,706,435
RMB	12,053,236	4.2950	51,768,649
Non-monetary items			
USD	2,593	29.9900	77,764

(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
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
NZD	22,425	20.6300	462,628
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

For the years ended December 31, 2019 and 2018, net foreign exchange gains (losses) were $918,885 thousand and $1,181,591 thousand, respectively. It is impractical to disclose net foreign exchange gains by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the Group and entities under its control.

3) Credit risk

a) Credit risk source and definition

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

b) Credit risk management policy

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

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

iii. The Group continues to develop methods of credit risk quantification models to elevate credit risk management techniques, which enable the Group's capital requirement and expected loss to become more risk sensitive.

iv. The Group implements strict and forward-looking credit risk stress testing to respond to the events or changes which may be unfavorable to the Group and in compliance with the requirements of the competent authority supervising risk management and improves the effectiveness of the Group's risk management.

v. The Group is holding sessions and training in risk management to strengthen risk management intelligence and increase the Group's financial institution of loan.

The Group's credit risk management procedures and measuring methods for major business are described as follows:

i. Credit business (including loan commitments and guarantees)

i) A signification increase in credit risk since initial recognition.

At the end of every reporting period, the Group evaluates the risk of default on credit assets occurring over their expected lifetime to determine whether the credit risk has increased significantly since their initial recognition.

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-delinquent in accordance with the Group's "Detailed Rules for the Processing of Ordinary-delinquent Accounts".

  The result of the credit review shows that the credit application and the loan application are inconsistent.

ii) Definition of the credit-impaired financial assets

A credit account that meets one of the following conditions is classified under Stage 3 (Credit impaired):

- The debtor's payment of the principal or interest is past due for more than 3 months from the end of the credit term; or the Bank has already petitioned or withdrawn the debtor's collateral.

- The case has been agreed to be repaid in installments and is exempt from being listed as an overdue loan.

- The case was negotiated and adopted in accordance with the debt negotiation mechanism set by the Association of Banks in 2006.

- The case has been negotiated and agreed upon in accordance with "The Statute for Consumer Debt Clearance" (excluding secured debt fulfilled under the original contractual conditions).

- The case is ruled to undergo restructuring or liquidation by the court.

- The case is ruled to be restricted by the court.

- The case is declared bankrupt by the court.

- The case involves credit accounts of a debtor, excluding credit card accounts, which is partly transferred to class A and B non-performing loans (excluding the sixth item of class B: The credit account is totally guaranteed and the interest payment is not past due during the inheritance period after the death of the debtor and the collateral provider), as well as overdue loans or bad debt loans.

- The case is an enterprise account which has applied for relief from the Ministry of Economic Affairs.

- The case involves a credit account which has an internal credit rating at the level of 19-21.

- The case is a mortgage loan credit account of the Group which has no rating score.

- The case is a credit account which is determined as Stage 3 by the internal or external auditors, or the risk management department of the Group.

iii) Expected credit loss measurement

The Group classifies credit assets into the following nine categories by the credit risk characteristics of the respective debtor's industry and organization size:

Business	Combination
Corporate banking loans	Government
	Large enterprise
	Small enterprise
	Legal person/group
	Overseas credit account
	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 ECLs based on past loss experience. The ECLs is the difference between the respective asset's EAD carrying amount and the present value of its estimated future cash flows, estimated at the forward-looking adjusted PD and discounted at the effective interest rate.

- Stage 2, significant increase in credit risk

  The Group measures the loss allowance for Stage 2 financial instruments at an amount equal to the lifetime ECLs. The ECLs is the difference between the respective asset's EAD carrying amount and the present value of its computed outcome which is discounted at the effective interest rate. The computed outcome is the product of the unpaid principal for each year end over instruments expected lifetime, the forward-looking adjusted PD, and the LGD.

- Stage 3, credit impairment

  The Group measures the loss allowance for Stage 3 financial instruments at an amount equal to the lifetime ECLs. The ECLs is the difference between the asset's EAD carrying amount and the present value of its estimated future cash flows, estimated assuming the credit impairment situation is given and discounted at effective interest rate.

The PD and EAD and LGD are used to measure the impairment loss for financial assets in the credit business:

- PD is meaning of using past credit-impaired situations to predict the probability of credit impairment in normal situation in a year. The PD for Stage 3 financial instruments is determined as 100%. The PD for Stages 1 and 2 are based on the categories and the remaining lifetime for each credit account. The credit accounts are divided into groups by remaining lifetimes. The PD of each group is determined as the PD of each credit quality stage. The Group shall update the probability of default at least once a year.

- The EAD is the total expected exposure amount of default which includes the unsecured line of credit.

- The exposure amount of impairment-tested off-balance sheet assets (i.e. guarantees, letters of credit issued yet unused, irrevocable loan commitments issued, and revocable loan commitments issued) is converted into the equivalent exposure amount of on-balance sheet assets through a credit conversion factor (CCF). The CCF is determined according to the standardized approach of the Capital Adequacy Ratio as either 0%, 20%, 50% or 100% by referring to the respective off-balance sheet item's characteristics.

iv) Forward-looking information

The Group classifies credit assets as either corporate banking - domestic, corporate banking - overseas, corporate banking - Singapore branch or individual banking business. Macroeconomic indicators for each the above categories are estimated using the domestic economic growth rate, global economic growth rate, Southeast Asia economic growth rate and the domestic unemployment rate, respectively, and are updated at least once a year.

Macroeconomic indicators include the actual statistical value of the past five years and predicted value of the current year and the next five years at the time of calculation. The forward-looking adjusted PD is adjusted based on the reasonableness of each value's predicted trend.

The total amount of undiscounted ECLs at the time of initial recognition of the credit-impaired financial assets - loans which were purchased or originated is as follows:

	December 31	
	2019	**2018**
Discounts and Loans	$ 6,252,756	$ 7,286,332

ii. Call loans to banks

The Group evaluates the credit status of counterparties before deals are closed. The Group grants different limits to counterparties based on their respective credit ratings as suggested by domestic and foreign credit rating agencies. The Group assesses the credit limits of counterparties by level and financial status; the Group efficiently manages counterparties' credit risks through regular and special reviews, monitoring and reporting. Additionally, in accordance with the application of IFRS 9, the Group performs credit impairment assessments for call loans to banks, transfers the related credit losses to each of the three stages of credit impairment, and measures the related expected credit loss, so as to ensure adequate allowance for losses, in accordance with regulations.

iii. Debt instruments and derivative financial instruments

The Group identifies and manages the credit risks from debt instruments through the use of external credit ratings of the debt instruments along with the evaluation of credit qualities of bonds, regional conditions and counterparty risks.

The other banks with which the Group conducts derivative transactions are mostly considered investment grade. The Group monitors the credit limits (including lending limits) by counterparties. The credits extended to counterparties who are general customers are monitored in accordance with the related contract terms and conditions and the credit limits for derivatives established in normal credit granting processes.

The Group classifies the credit qualities of debt instruments as strong, medium, weak and non-rating.

A change in an external credit rating announced by international credit rating institutions (e.g. S&P and Moody's) is one of the quantitative indicators for judging a significant increase in the credit risk of financial assets at amortized cost and investments in debt instruments at FVTOCI. The measurement of ECLs is calculated using the PD and LGD announced periodically by international credit rating institutions. The international credit rating institutions consider forward-looking information when establishing credit ratings. Thus, when the Group measures ECLs using such credit ratings it holds that an adequate evaluation of the forward-looking information, which was used by the institutions for establishing such credit rating, is inherent therein.

c) Credit risk hedging or mitigation policies

i. Collateral

The Group has a series of measures for credit granting to reduce credit risks. One of the procedures is asking for collateral from the borrowers. To secure the loans, the Group manages and assesses the collateral following the procedures that suggest the scope of collateralization and valuation of collateral and the process of disposition. In credit contracts, the Group stipulates the security mechanism for loans and the conditions and terms for collateral offsetting to state clearly that the Group reserves the right to reduce granted limit, to reduce repayment period, to demand immediate settlement or to offset the debts of the borrowers with their deposits in the Group in order to reduce the Group's credit risks.

ii. Credit line credit risks and control over concentration of credit risks

To avoid the concentration of credit risks, the Group has included credit limits for a single counterparty and for a single group in its credit-related guidelines. The Group has also included credit limits for an individual (entity) and for related enterprises (group) in the guidelines for investment and regulations for risk control on equity investments. To manage the concentration risk on the assets, the Group has set credit limits by industry, conglomerate, transactions collateralized by stock, and other categories and integrated within one system to supervise concentration of credit risk in these categories.

The table below analyzes the collateral held as security and other credit enhancements, and their financial effect in respect of the financial assets recognized in the Group's consolidated balance sheets:

December 31, 2019

		Maximum Exposure to Credit Risk Mitigated by			
	Carrying Amount	Collateral	Master Netting Arrangement	Other Credit Enhancements	Total
Discounts and loans	$ 1,444,888,211	$ 962,252,022	$ -	$ -	$ 962,252,022
Financial assets at FVTPL	11,483,389	5,466,346	-	-	5,466,346
Investments in debt instruments at FVTOCI	101,845,023	2,102,573	-	-	2,102,573
Investments in debt instruments at amortized cost	276,058,976	405,115	-	-	405,115

December 31, 2018

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

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

	Discounts and Loans			
	December 31, 2019			
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total
Credit rating				
Levels 1-15	$ 830,468,301	$ 3,677,985	$ -	$ 834,146,286
Levels 16-18	-	58,217,320	3,013,311	61,230,631
Levels 19-21	-	-	9,186,322	9,186,322
No rating	535,859,914	2,511,762	1,953,296	540,324,972
Total carrying amount	$ 1,366,328,215	$ 64,407,067	$ 14,152,929	$ 1,444,888,211
Expected credit losses	$ 1,772,566	$ 1,920,375	$ 5,033,684	$ 8,726,625
Recognized impairment based on the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts				8,810,639
				$ 17,537,264

	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

	Guarantee Payments			
	December 31, 2019			
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total
Carrying amount	$ 53,119,374	$ 519,415	$ 111,321	$ 53,750,110
Expected credit losses	133,570	10,306	23,813	167,689

	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

	Loan Commitments			
	December 31, 2019			
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total
Carry amount - non-cancellable	$ 68,073,103	$ 4,280,634	$ 7	$ 72,353,744
Carry amount - cancellable	584,231,889	9,654,753	591,910	594,478,552
	$ 652,304,992	$ 13,935,387	$ 591,917	$ 666,832,296
Expected credit losses - non-cancellable	$ 79,097	$ 39,077	$ 1	$ 118,175
Expected credit losses - cancellable	237,476	211	154	237,841
	$ 316,573	$ 39,288	$ 155	$ 356,016

	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

d) Maximum exposure to credit risk

The maximum credit risk exposures of various financial instruments held by the Group are the same as per book amounts. Refer to the notes to the consolidated financial statements.

As of December 31, 2019 and 2018, the maximum exposure to credit risk (before deducting the guarantees or other credit enhancement instruments and the irrepealably maximum amount of exposure) were as follows:

Financial Instrument Type	**December 31**	
	2019	**2018**
Unused loan commitments (excluding credit card)	$ 72,353,744	$ 68,776,330
Credit card commitments	322,128	316,154
Unused issued letters of credit	21,538,830	23,341,732
Guarantees in guarantee business	53,750,110	47,240,277

e) Situation of credit risk concentration

Prominent concentration of credit risks occurs when transaction parties for financial instruments prominently concentrate on one party, or on a few that are in similar business lines or exhibit similar economic characteristics. The characteristics of concentration of credit risks include the nature of business activities engaged by debtors. The Group has not engaged in transactions that involved a prominent concentration to one client or one transaction party, but has engaged in transaction parties of similar industry type or from similar region.

The Group's information on prominent concentration of credit risk was as follows:

Industry Type	**December 31, 2019**	
	Carrying Amount	**Percentage of Item (%)**
Financial and insurance	$ 57,859,637	4
Manufacturing	365,087,003	25
Wholesale and retail	119,352,855	9
Real estate and leasing	116,599,212	8
Service	41,458,147	3
Individuals	480,099,759	33
Others	264,431,598	18
	$ 1,444,888,211	

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

Geographic Location	December 31, 2019 Carrying Amount	Percentage of Item (%)
Asia	$ 1,339,980,751	93
America	75,096,223	5
Europe	16,976,716	1
Others	12,834,521	1
	$ 1,444,888,211	

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	

Securities Type	December 31, 2019 Carrying Amount	Percentage of Item (%)
Unsecured	$ 482,636,189	33
Secured		
Properties	823,464,467	57
Others	138,787,555	10
	$ 1,444,888,211	

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

f) Financial assets credit quality and non-performing impairment analysis

Part of financial assets held by the Group, such as cash and cash equivalents, due from the Central Bank and call loans to banks, financial assets at FVTPL, securities investments purchased under resell agreements, deposit refunds, operating deposits, and settlement deposits are exposed to low credit risks because the counterparties have rather high credit ratings.

4) Liquidity risk management

a) The definition of liquidity risk

Liquidity risk is the potential loss that the Group may suffer due to inability to liquidate assets or raise enough funds in reasonable time to perform obligations when due and to meet the demands of assets growth.

b) Liquidity risk management procedures

According to the Group's liquidity risk management policy, the Group clearly sets various indicators and limits for liquidity risk. The responsible department should implement operation procedures for funding liquidity, monitor and prepare maturity analysis periodically to assess liquidity risk. In addition, the responsible department should also report to related departments and Asset and Liability Committee to enable them to make appropriate adjustments to meet the needs of liquidity. Related information about the liquidity risk assessment should be reported to the board of directors to let the high-level management understand the Group's funding liquidity.

As of December 31, 2019 and 2018, the ratios of the liquidity reserve were 19.03% and 19.00%, respectively. Since the capital and working funds are deemed sufficient to meet the cash flow needs for performance of all contracted obligations, liquidity risk is not considered to be significant.

c) Maturity analysis of non-derivative financial assets and liabilities

The Group adopted appropriate grouping methods, which are based on the nature of non-derivative financial assets and liabilities, to do maturity analysis in order to assess liquidity. The maturity analysis is presented as follows:

(In Thousands of New Taiwan Dollars)

Item	December 31, 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	$ 21,988,924	$ -	$ -	$ -	$ -	$ 21,988,924
Due from the Central Bank and call loans to banks	21,174,806	4,128,212	4,296,455	6,421,140	25,971,795	61,992,408
Financial assets at FVTPL	7,740,356	-	-	-	-	7,740,356
Receivables	24,121,768	813,294	763,137	299,610	639,465	26,637,274
Discounts and loans	103,829,848	133,212,354	131,849,292	205,462,566	657,484,986	1,231,839,046
Investments in equity instruments designated at FVTOCI	-	-	-	-	14,451,116	14,451,116
Investments in debt instruments at FVTOCI	-	100,162	401,335	620,821	37,913,399	39,035,717
Investments in debt instruments at amortized cost	141,850,000	8,099,449	9,455,000	51,499,929	13,672,568	224,576,946
Other maturity funds inflow items	-	-	-	-	14,121,936	14,121,936
	320,705,702	146,353,471	146,765,219	264,304,066	764,255,265	1,642,383,723
Major maturity fund outflows						
Deposits from the Central Bank and banks	141,895	146,204	16,352	263,105	-	567,556
Due to the Central Bank and banks	9,610,000	10,000	-	-	-	9,620,000
Securities sold under repurchase agreements	510,935	1,036,356	-	-	-	1,547,291
Payables	22,431,702	645,811	1,459,879	1,493,074	967,276	26,997,742
Deposits and remittances	107,916,729	124,678,010	130,074,293	194,398,694	785,039,524	1,342,107,250
Bank notes payable	-	-	-	5,000,000	50,260,000	55,260,000
Other maturity fund outflow items	80,115	91,720	113,601	289,441	5,911,293	6,486,170
	140,691,376	126,608,101	131,664,125	201,444,314	842,178,093	1,442,586,009
Gap	$ 180,014,326	$ 19,745,370	$ 15,101,094	$ 62,859,752	$ (77,922,828)	$ 199,797,714

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 United States Dollars)

Item	December 31, 2019					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Major maturity fund inflows						
Cash and cash equivalents	$ 544,782	$ 100,000	$ -	$ -	$ -	$ 644,782
Due from the Central Bank and call loans to banks	1,996,946	1,106,566	31,809	1,884	3,516	3,140,721
Financial assets at FVTPL	26,769	-	-	-	-	26,769
Receivables	585,187	106,515	217,117	22,894	3,934	935,647
Discounts and loans	567,702	588,287	502,458	357,900	3,169,978	5,186,325
Investments in debt instruments at FVTOCI	-	12,983	22,531	48,113	745,592	829,219
Investments in debt instruments at amortized cost	-	7,997	9,493	27,974	218,425	263,889
Other maturity fund inflow items	-	-	100,000	550,000	23,056	673,056
	3,721,386	1,922,348	883,408	1,008,765	4,164,501	11,700,408
Major maturity fund outflows						
Deposits from the Central Bank and banks	16,819	523	784	1,568	85	19,779
Due to the Central Bank and banks	1,817,252	732,000	-	-	-	2,549,252
Financial liabilities at FVTPL	813,101	48,488	10,068	6,836	1	878,494
Payables	2,354,485	2,223,801	1,549,521	1,705,462	3,196,569	11,029,838
Deposits and remittances	49,723	1,179	1,571	6,167	63,244	121,884
Other maturity fund outflow items	5,051,380	3,005,991	1,561,944	1,720,033	3,259,899	14,599,247
Gap	$ (1,329,994)	$ (1,083,643)	$ (678,536)	$ (711,268)	$ 904,602	$ (2,898,839)

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.

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	December 31, 2019					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Foreign currency derivative instruments						
Outflows	$ 154,875,016	$ 324,648,718	$ 65,469,620	$ 49,988,208	$ -	$ 594,981,562
Inflows	154,178,175	324,467,148	65,300,756	50,001,141	-	593,947,220
Interest rate derivative instruments						
Outflows	610,300	-	-	7,044,840	12,824	7,667,964
Inflows	676,016	-	-	6,918,860	-	7,594,876
Others						
Outflows	-	-	-	-	-	-
Inflows	28,749	-	-	-	-	28,749
Total outflows	$ 155,485,316	$ 324,648,718	$ 65,469,620	$ 57,033,048	$ 12,824	$ 602,649,526
Total inflows	$ 154,882,940	$ 324,467,148	$ 65,300,756	$ 56,920,001	$ -	$ 601,570,845

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

Item	December 31, 2018					
	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

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	December 31, 2019					
	0-30 Days	**31-90 Days**	**91-180 Days**	**181 Days-1 Year**	**Over 1 Year**	**Total**
Irrevocable loan commitments issued	$ 57,017,716	$ 178,259	$ 1,130,997	$ 1,693,847	$ 12,332,925	$ 72,353,744
Credit card commitments	-	7	11,045	21,906	289,170	322,128
Letters of credit issued yet unused	21,437,556	101,274	-	-	-	21,538,830
Guarantees	52,828,773	63,119	144,787	648,768	64,663	53,750,110
	$ 131,284,045	$ 342,659	$ 1,286,829	$ 2,364,521	$ 12,686,758	$ 147,964,812

(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

35. OTHER DISCLOSURES OF FINANCIAL INSTITUTION

a. Asset quality

Business Type \ Item			December 31, 2019					December 31, 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		3,212,827	482,411,090	0.67%	5,660,321	176.18%	$ 2,305,939	$ 462,654,187	0.50%	$ 5,469,295	237.18%
	Unsecured		157,130	467,427,059	0.03%	5,302,464	3,374.57%	444,112	423,318,377	0.10%	4,899,868	1,103.30%
Consumer finance	Mortgage loans (Note d)		767,455	285,491,530	0.27%	4,331,663	564.42%	854,268	267,447,763	0.32%	4,071,946	476.66%
	Cash cards (Note h)		-	-	-	-	-	-	-	-	-	-
	Credit loans (Note e)		4,825	1,756,335	0.27%	19,927	412.99%	4,045	1,587,222	0.25%	19,711	487.29%
	Others (Note f)	Secured	767,907	191,611,766	0.40%	1,967,755	256.25%	699,715	180,193,394	0.39%	1,841,133	263.13%
		Unsecured	2,948	1,240,129	0.24%	13,919	472.15%	7,590	1,192,521	0.64%	14,285	188.21%
Total			4,913,092	1,429,937,909	0.34%	17,296,049	352.04%	4,315,669	1,336,393,464	0.32%	16,316,238	378.07%

Business Type \ Item	December 31, 2019					December 31, 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	5,181	2,161,802	0.24%	20,714	399.81%	3,131	1,789,770	0.17%	20,293	648.13%
No recourse receivable factoring (Note g)	-	9,700,199	-	147,002	-	-	14,539,752	-	145,398	-

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	December 31, 2019		December 31, 2018	
	Non-performing Loans Exempted from Reporting	**Non-performing Receivables Exempted from Reporting**	**Non-performing Loans Exempted from Reporting**	**Non-performing Receivables Exempted from Reporting**
Negotiated loans transacted in accordance with the agreement and exempted from reporting as non-performing loans (Note a)	$ -	$ 943	$ -	$ 1,284
Negotiated accounts receivable transacted in accordance with the agreement and exempted from reporting as non-performing receivables (Note b)	486	19,520	554	17,484
Total	486	20,463	554	18,768

Note a: Negotiated loans and accounts receivable transacted in accordance with the agreement and exempted from reporting as non-performing loans are disclosed in accordance with the Letter issued by Banking Bureau on April 25, 2006 (Ref. No. Jin-Guan-Yin (1) 09510001270).

Note b: Loans and receivables transacted in accordance with debt clearance and renewal regulation and exempted from reporting as non-performing loans or receivables are disclosed in accordance with the Letter issued by Banking Bureau on September 15, 2008 (Ref. No. Jin-Guan-Yin (1) 09700318940).

b. Concentration of credit risk

December 31, 2019			
Rank (Note a)	**Transaction Party (Note b)**	**Loans (Note c)**	**As Proportion of Net Equity (%) (Note d)**
1	A Corporation (railway transportation industry)	$ 25,827,350	15.92
2	B Group (airline industry)	24,490,414	15.10
3	C Group (construction industry)	18,791,012	11.58
4	D Group (steel smelting industry)	16,970,744	10.46
5	E Group (concrete manufacturing industry)	16,318,376	10.06
6	F Group (steel manufacturing industry)	7,248,601	4.47
7	G Group (enterprise general management agency)	6,547,128	4.04
8	H Group (real estate development industry)	6,145,549	3.79
9	I Group (electric wire and cable manufacturing industry)	5,989,758	3.69
10	J Group (real estate leasing industry)	5,811,259	3.58

December 31, 2018			
Rank (Note a)	**Transaction Party (Note b)**	**Loans (Note c)**	**As Proportion of Net Equity (%) (Note d)**
1	A Corporation (railway transportation industry)	$ 26,066,037	16.65
2	B Group (airline industry)	24,417,805	15.60
3	D Group (steel smelting industry)	21,098,325	13.48
4	E Group (concrete manufacturing industry)	18,768,879	11.99
5	C Group (construction industry)	16,927,144	10.81
6	K Group (other computer peripheral equipment manufacturing industry)	8,906,450	5.69
7	F Group (steel manufacturing industry)	7,530,964	4.81
8	I Group (electric wire and cable manufacturing industry)	6,115,546	3.91
9	L Group (real estate development industry)	6,114,530	3.91
10	M Group (other financial services industry)	5,469,398	3.49

Note a: Sorted by the balance of loans on December 31, 2019 and 2018, excluding government or state-run business. The number of transaction party which belongs to a group business was included in the balance of group business.

Note b: Transaction party is in accordance with article 6 of the Supplementary Provisions to the Taiwan Stock Exchange Corporation Criteria for Review of Securities Listings.

Note c: Loans include import and export bill negotiations, bills discounted, overdraft, short-term loan, short-term secured loan, accounts receivable financing, medium-term loan, medium-term secured loan, long-term loan, long-term secured loan, delinquent loans, inward remittances, factoring without recourse, acceptance, and guarantee.

Note d: The percentage of loans to equity for the period: Domestic banks should use bank equity to calculate; the Taiwan branch of foreign banks should use branch's equity to calculate.

c. Interest rate sensitivity

(In Thousands of New Taiwan Dollars; %)

Item	December 31, 2019				
	1-90 Days	**91-180 Days**	**181 Days-1 Year**	**More Than 1 Year**	**Total**
Interest-sensitive assets	$ 1,351,733,509	$ 59,055,353	$ 65,091,720	$ 112,365,049	$ 1,588,245,631
Interest-sensitive liabilities	320,397,347	894,994,787	98,106,938	53,953,478	1,367,452,550
Interest sensitivity gap	1,031,336,162	(835,939,434)	(33,015,218)	58,411,571	220,793,081
Net equity					141,078,002
Ratio of interest-sensitive assets to liabilities					116.15%
Ratio of interest sensitivity gap to net equity					156.50%

(In Thousands of New Taiwan Dollars; %)

Item	December 31, 2018				
	1-90 Days	**91-180 Days**	**181 Days-1 Year**	**More Than 1 Year**	**Total**
Interest-sensitive assets	$ 1,271,933,192	$ 39,554,518	$ 62,221,289	$ 97,643,050	$ 1,471,352,049
Interest-sensitive liabilities	321,021,210	833,758,818	89,052,792	47,053,818	1,290,886,638
Interest sensitivity gap	950,911,982	(794,204,300)	(26,831,503)	50,589,232	180,465,411
Net equity					134,111,383
Ratio of interest-sensitive assets to liabilities					113.98%
Ratio of interest sensitivity gap to net equity					134.56%

Note a: The amounts listed above include accounts in N.T. dollars only (i.e. excluding foreign currency) for both head office and domestic branches.

Note b: Interest-sensitive assets and liabilities are interest-earning assets and interest-bearing liabilities with income or cost affected by interest rate fluctuations.

Note c: Interest sensitivity gap = Interest-sensitive assets - Interest-sensitive liabilities

Note d: Ratio of interest-sensitive assets to interest-sensitive liabilities = $\frac{\text{Interest-sensitive assets}}{\text{Interest-sensitive liabilities}}$ (N.T. dollars only)

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

Item	December 31, 2019				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	$ 12,559,869	$ 830,942	$ 480,275	$ 74,057	$ 13,945,143
Interest-sensitive liabilities	13,950,748	1,413,764	1,405,394	109	16,770,015
Interest sensitivity gap	(1,390,879)	(582,822)	(925,119)	73,948	(2,824,872)
Net equity					508,858
Ratio of interest-sensitive assets to liabilities					83.16%
Ratio of interest sensitivity gap to net equity					(555.14%)

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

Item	December 31, 2018				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	$ 13,345,324	$ 620,067	$ 606,445	$ 748,767	$ 15,320,603
Interest-sensitive liabilities	14,383,210	1,042,284	1,022,113	111	16,447,718
Interest sensitivity gap	(1,037,886)	(422,217)	(415,668)	748,656	(1,127,115)
Net equity					530,622
Ratio of interest-sensitive assets to liabilities					93.15%
Ratio of interest sensitivity gap to net equity					(212.41%)

Note a: The amounts listed above include accounts in U.S. dollars only for domestic branches, offshore banking unit (OBU), and overseas branches, excluding contingent assets and contingent liabilities.

Note b: Interest-sensitive assets and liabilities are interest-earning assets and interest-bearing liabilities with income or cost affected by interest rate fluctuations.

Note c: Interest sensitivity gap = Interest-sensitive assets - Interest-sensitive liabilities

Note d: Ratio of interest-sensitive assets to interest-sensitive liabilities = $\frac{\text{Interest-sensitive assets}}{\text{Interest-sensitive liabilities}}$ (U.S. dollars only)

d. Profitability

Item		December 31, 2019	December 31, 2018
Return on total assets	Pretax	0.64%	0.71%
	After tax	0.55%	0.61%
Return on net equity	Pretax	8.48%	9.76%
	After tax	7.26%	8.39%
Profit margin		36.07%	38.20%

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 December 31 of 2019 and 2018, respectively.

e. Maturity analysis of assets and liabilities

(In Thousands of New Taiwan Dollars)

	Total	December 31, 2019					
		Period Remaining until Due Date and Amount Due					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year
Major maturity cash inflows	$ 1,940,852,644	$ 169,115,385	$ 187,074,922	$ 353,348,038	$ 158,894,940	$ 273,473,729	$ 798,945,630
Major maturity cash outflows	2,474,479,448	134,112,738	139,853,921	454,558,706	279,925,485	456,973,212	1,009,055,386
Gap	(533,626,804)	35,002,647	47,221,001	(101,210,668)	(121,030,545)	(183,499,483)	(210,109,756)

(In Thousands of New Taiwan Dollars)

	Total	December 31, 2018					
		Period Remaining until Due Date and Amount Due					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year
Major maturity cash inflows	$ 1,707,833,143	$ 175,844,127	$ 184,340,884	$ 217,198,302	$ 143,340,830	$ 221,038,740	$ 766,070,260
Major maturity cash outflows	2,254,038,309	118,541,883	139,349,808	330,434,420	280,008,174	435,156,088	950,547,936
Gap	(546,205,166)	57,302,244	44,991,076	(113,236,118)	(136,667,344)	(214,117,348)	(184,477,676)

Note: The amounts listed above include accounts in N.T. dollars only (i.e. excluding foreign currency) for both head office and domestic branches.

(In Thousands of U.S. Dollars)

	Total	December 31, 2019				
		Period Remaining until Due Date and Amount Due				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year
Major maturity cash inflows	$ 23,894,487	$ 9,998,071	$ 5,145,260	$ 2,581,022	$ 1,997,240	$ 4,172,894
Major maturity cash outflows	28,555,457	9,783,120	5,570,195	3,660,626	4,260,119	5,281,397
Gap	(4,660,970)	214,951	(424,935)	(1,079,604)	(2,262,879)	(1,108,503)

(In Thousands of U.S. Dollars)

	Total	December 31, 2018				
		Period Remaining until Due Date and Amount Due				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year
Major maturity cash inflows	$ 22,371,236	$ 9,764,134	$ 4,338,156	$ 1,817,531	$ 1,233,708	$ 5,217,707
Major maturity cash outflows	27,471,708	10,457,265	5,130,078	2,794,196	3,737,405	5,352,764
Gap	(5,100,472)	(693,131)	(791,922)	(976,665)	(2,503,697)	(135,057)

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

f. Trust accounts

Under article 3 of the Trust Law, the Group can offer trust services. The items and amounts of trust accounts as of December 31, 2019 and 2018 were as follows:

	December 31	
	2019	**2018**
Special purpose trust accounts - domestic	$ 32,055,153	$ 30,954,936
Special purpose trust accounts - foreign	74,642,122	75,877,822
Insurance trust	10,760	10,697
Retirement and breeds trust	643,512	422,516
Umbilical cord blood trust	12,199,191	11,231,280
Money claim and guarantee trust	58,800	65,800
Marketable securities trust	866,543	739,231
Real estate trust	25,092,597	17,663,388
Securities under custody	215,616,230	134,752,976
Other money trust	2,248,066	2,006,512
	$ 363,432,974	$ 273,725,158

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

Trust Assets	**December 31 2019**	**December 31 2018**	**Trust Liabilities**	**December 31 2019**	**December 31 2018**
Bank deposits	$ 5,350,631	$ 4,118,911	Trust capital		
Insurance claims	58,800	65,800	Money trust	$ 126,248,077	$ 119,998,578
Financial assets			Insurance claims	58,800	65,800
Common stock	2,244,637	1,867,776	Marketable securities trust	749,182	736,286
Mutual funds	120,082,141	114,602,922	Real estate trust	20,273,438	17,664,125
Bonds	3,560,451	2,784,909	Securities under custody payable	215,616,230	134,752,976
Interest receivable	921	1,459	Withholdings	57	131
Land	4,384,643	10,862,297	Profit and loss	218,211	337,679
Buildings	580,681	597,410	Unappropriated retained earnings - realized capital gain/loss	52,859	42,042
Construction in progress	11,553,839	4,070,698	Unappropriated retained earnings - gain on revenue/expense investment	1,030,796	748,120
Securities under custody	215,616,230	134,752,976	Unappropriated retained earning	(814,676)	(620,579)
Total trust assets	$ 363,432,974	$ 273,725,158	Total trust liabilities	$ 363,432,974	$ 273,725,158

Trust Assets Register

Investments	December 31 2019	December 31 2018
Bank deposits	$ 5,350,631	$ 4,118,911
Insurance claims	58,800	65,800
Financial assets		
Common stock	2,244,637	1,867,776
Mutual funds	120,082,141	114,602,922
Bonds	3,560,451	2,784,909
Land	4,384,643	10,862,297
Buildings	580,681	597,410
Construction in progress	11,553,839	4,070,698
Others	921	1,459
Securities under custody	215,616,230	134,752,976
Total trust assets	$ 363,432,974	$ 273,725,158

Income Statement of Trust

Investments	For the Year Ended December 31 2019	For the Year Ended December 31 2018
Revenue		
Interest income	$ 91,926	$ 90,198
Dividends	92,496	102,913
Rental revenues	-	94,538
Gain on mutual funds	9,133	12,058
Foreign exchange gains	806,432	818,946
Realized capital gain - mutual funds	5,659	5,666
Realized capital gain - quoted stock	11,114	67,821
Realized capital gain - bonds	4,519	1,952
	1,021,279	1,194,092
Expense		
Maintenance	(1,948)	(1,614)
Tax expense	(3,508)	(2,169)
Others	(320)	(120)
Foreign exchange losses	(758,539)	(789,270)
Realized capital loss - bonds	(1,785)	(14,968)
Realized capital loss - mutual funds	(23,966)	(16,979)
Realized capital loss - quoted stock	(13,002)	(31,293)
	(803,068)	(856,413)
	$ 218,211	$ 337,679

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
Unity OPTO Technology Co., Ltd.	Its director is the Bank's corporate director
Powertec Electronical Corporation (former name is Powertec Energy Corporation)	Its director is the Bank's corporate director
CSBC Corporation	Its director is the Bank's corporate director
United Renewable Energy Co., Ltd.	Its director is the Bank's corporate director
Kaohsiung Rapid Transit Corporation	Its director is the Bank's corporate director
Adimmune Corporation	Its director is the Bank's corporate director
Others	FSC-approved IAS 24, "Related Party Disclosures" other related parties

b. Significant transactions with related parties

1) Loans

	Balance	Percentage of Loans (%)
Balance as of December 31, 2019	$ 31,515,937	2.21
Balance as of December 31, 2018	29,195,481	2.18

For the years ended December 31, 2019 and 2018, interest rates ranged from 0.63% to 4.20% and from 0.63% to 4.70%, respectively, and interest income amounted to $611,993 thousand and $587,840 thousand, respectively.

	December 31, 2019					
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral	Difference in Terms Between Related Parties and Non-related Parties
Consumer loans						
37 accounts	$ 18,234	$ 19,552	$ 18,234	$ -	Credit	None
Self-use residential mortgage loans						
222 accounts	1,480,928	1,524,348	1,480,928	-	Real estate	None
Others						
Taiwan High Speed Rail Corporation	25,674,629	25,683,510	25,674,629	-	Credit and station equipment	None
Yang Ming Marine Transport Corporation	1,878,000	2,378,000	1,878,000	-	Credit and ship	None
Unity Opto Technology Co., Ltd.	744,849	1,142,872	744,849	-	Credit and land and plant	None
Powertec Electronical Corporation	666,383	666,383	666,383	-	Credit and plant	None
CSBC Corporation	500,000	672,483	500,000	-	Credit	None

(Continued)

	December 31, 2019					
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral	Difference in Terms Between Related Parties and Non-related Parties
United Renewable Energy Co., Ltd.	$ 100,000	$ 490,000	$ 100,000	$ -	Credit	None
Other - corporation 10 accounts (Note 1)	452,092	929,683	452,092	-	Credit and fund guarantee and real estate	None
Other - individual 6 accounts (Note 2)	823	1,633	823	-	Deposit	None

(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

Note 1: The balance of each corporate entity does not exceed $1 billion.

Note 2: The balance of each single entity does not exceed 1% of the total ending balance.

Loans to managers for mortgage within $8,000 thousand and credit loans within $800 thousand per person all bore interests at 1.26% in December 31, 2019 and 2018. The interest rates and other terms provided to the other related parties are the same as those offered to the public.

2) Guaranteed loans

	December 31, 2019				
	Ending Balance	Highest Amount	Reserve for Guarantee Liabilities	Interest Rate (Per Annum %)	Collateral
Yang Ming Marine Transport Corporation	$ 1,511,100	$ 1,511,100	$ 15,111	0.80%-1.00%	None
Kaohsiung Rapid Transit Corporation	21,327	21,327	213	0.50%	None
Adimmune Corporation	18,457	18,771	185	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

3) Deposits

	Balance	Percentage of Loans (%)
Balance as of December 31, 2019	$ 9,078,174	0.51
Balance as of December 31, 2018	4,283,912	0.25

For the years ended December 31, 2019 and 2018, the interest rates intervals were both between 0.00% and 13.00%; the interest expense was $72,814 thousand and $50,410 thousand, respectively.

The interest rate for managers' deposits amounting to $480 thousand per person was 13% per annum. The part of deposit exceeding $480 thousand will earn interest calculated at the demand savings rate. The interest rates and others terms provided to the other related parties are the same as those offered to general public.

4) Call loans to banks and call loans from banks

Call loans to banks

(In Thousands of Original Currencies)

	December 31, 2019				
Name	Department	Currency	Ending Balance	Interest Rate (Per Annum %)	Interest Income
Land Bank	OBU	USD	$ 260,000	1.55-3.28	$ 5,418
	London Branch	USD	10,000	2.38-2.94	258
	Hong Kong Branch	USD	70,000	2.34-3.32	2,570
Taiwan Business Bank	OBU	USD	41,000	1.52-3.25	1,327
	Hong Kong Branch	USD	10,000	1.60-3.25	542
	Singapore Branch	USD	10,000	2.25-2.79	81

	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

Call loans from banks

(In Thousands of Original Currencies)

Name	Department	Currency	December 31, 2019 Ending Balance	Interest Rate (Per Annum %)	Interest Expense
Land Bank	DBU	NTD	$ 2,005,000	0.18-0.67	$ 378
Taiwan Business Bank	Singapore Branch	SGD	5,500	1.20-2.55	65
	London Branch	GBP	5,000	1.05	12

Name	Department	Currency	December 31, 2018 Ending Balance	Interest Rate (Per Annum %)	Interest Expense
Land Bank	New York Branch	USD	$ 30,000	1.44-3.30	$ 344
	Los Angeles Branch	USD	90,000	1.44-3.30	392
	Hong Kong Branch	USD	30,000	1.44-3.20	176
Taiwan Business Bank	Singapore Branch	SGD	4,500	0.80-2.55	20
	New York Branch	USD	135,000	1.75-3.32	116
	Los Angeles Branch	USD	47,000	2.30-3.30	32

5) Due from banks and deposits from banks

Due from banks

(In Thousands of New Taiwan Dollars)

			December 31	
			2019	2018
Name	Department	Currency	Ending Balance	Ending Balance
Land Bank	DBU	NTD	$ 2	$ 225
Taiwan Business Bank	DBU	NTD	819	28

Deposits from banks

(In Thousands of Original Currencies)

			December 31	
			2019	2018
Name	Department	Currency	Ending Balance	Ending Balance
Land Bank	DBU	NTD	277	277
The Export-Import Bank	DBU	NTD	3,536	1,173
Taishin International Bank	New York Branch	USD	67	62

c. Compensation of directors and management personnel

	For the Year Ended December 31	
	2019	2018
Short-term employee benefits	$ 112,885	$ 115,455
Post-employment benefits	10,755	13,973
	$ 123,640	$ 129,428

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 Group's pledged assets as of December 31, 2019 and 2018 is as follows:

Pledged Assets	Description	December 31 2019	December 31 2018
Investments in debt instruments at FVTOCI	Bonds	$ 988,004	$ 1,047,620
Investments in debt instruments at amortized cost	Bonds and certificates of deposit	41,389,970	41,607,061
Time deposits with original maturities of more than 3 months	Time deposits	2,577,000	2,681,400
Refundable deposits	Cash	959,061	666,426

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 December 31, 2019 and 2018:

	December 31 2019	December 31 2018
Trust liabilities	$ 363,432,974	$ 273,725,158
Unused loan commitments (excluding credit cards)	72,353,744	68,776,330
Credit card commitments	322,128	316,154
Unused issued letters of credit	21,538,830	23,341,732
Guarantees issued in guarantee business	53,750,110	47,240,277
Repayment notes and times deposit held for custody	13,910,771	14,756,665
Liabilities on joint loans	915,013	764,376

The unrecognized commitments for the acquisition of equipment and intangible assets, as well as the commitments for construction, lease engagement, appointment and security as of December 31, 2019 were $421,601 thousand, $69,389 thousand, $29,084 thousand, $513,292 thousand and $133,703 thousand, respectively.

b. TDK Corporation filed a legal proceeding against the Bank for damages compensation in the amount of $45,794 thousand. On April 19, 2017, the Taiwan Superior Court passed a verdict partially in favor of and partially against the Bank, and the Bank shall compensate the damages in the amount of $11,448 thousand. The Bank had appealed to the Supreme Court. The Supreme Court remanded the case and held a hearing on September 3, 2019. Then, the Supreme Court held another hearing on November 4, 2019. On January 14, 2020, the oral argument session had concluded and the judgement procedure was held on March 23, 2020.

39. DISCLOSURES UNDER STATUTORY REQUIREMENTS

a. Material transactions

No.	Item	Explanation
1	Accumulated purchases and sales balance of specific investees' marketable security over NT$300 million or 10% of outstanding capital for the year ended December 31, 2019	None
2	Acquisition of fixed assets over NT$300 million or 10% of outstanding capital for the year ended December 31, 2019	None
3	Disposal of fixed assets over NT$300 million or 10% of outstanding capital for the year ended December 31, 2019	None
4	Discount on fees income from related parties over NT$5 million	None
5	Receivables from related parties over NT$300 million or 10% of outstanding capital as of December 31, 2019	None
6	Sale of NPL	None
7	Securitized instruments and related assets which are in accordance with the Statute for Financial Assets Securitization and the Statute for Real Estate Securitization	None
8	Other significant transactions which may affect decisions of the users of the financial statements	None

b. Information on the Bank's investees

No.	Item	Explanation
1	Investees' names, locations, etc.	Table 1
2	Capital lending to another party	None
3	Endorsement for another party	None
4	Marketable securities held as of December 31, 2019	None
5	Accumulated purchases and sales balance of specific marketable security over NT$300 million or 10% of outstanding capital for the year ended December 31, 2019	None
6	Acquisition of property, plant and equipment over NT$300 million or 10% of outstanding capital for the year ended December 31, 2019	None
7	Disposal of property, plant and equipment over NT$300 million or 10% of outstanding capital for the year ended December 31, 2019	None
8	Receivables from related parties over NT$300 million or 10% of outstanding capital as of December 31, 2019	None
9	Derivative instrument	None
10	Discount on fees income from related parties over NT$5 million	None
11	Sale of NPL by subsidiary	None
12	Other significant transactions which may affect decisions of the users of the financial statements	None

c. Investment in mainland China: Table 2.

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

40. INFORMATION ON INVESTEES

Investees' Names (Note a)	Investees' Location	Principal Business Activities	Ownership Interest (%) at Ending Balance	Investment Book Value	Recognized Investment Income (Loss) of Current Period	Sum of Ownership (Note a)			
						Current Stock	Imputed Stock (Note b)	Stock	Ownership Interest (%) (Note d)
Shin Kong Financial Holding Co., Ltd.	Taipei City	Financial holding company	0.43	$ 561,075	$ -	$ 54,210,125	$ -	$ 54,210,125	0.43
Asia Pacific Broadband Telecom Co.	Taipei City	Type I & type II telecommunications business	0.35	112,950	-	15,000,000	-	15,000,000	0.35
Taiwan High Speed Rail Corporation	Taipei City	High speed rail road	0.79	1,708,800	-	44,500,000	-	44,500,000	0.79
Taiwan Stock Exchange Co.	Taipei City	Securities brokerage, margin lending, and underwriting financial products	3.00	1,900,019	-	21,859,396	-	21,859,396	3.00
Taiwan Sugar Co.	Tainan City	Manufacture correlative products of sugar and crop	0.41	1,330,378	-	23,246,159	-	23,246,159	0.41
Taiwan Power Co.	Taipei City	Generate electric power, power distribution, and cable assemble	0.71	1,973,031	-	235,726,532	-	235,726,532	0.71
Taipei Foreign Exchange Inc.	Taipei City	Exchange trading, DEPOS, and Swap	3.53	31,262	-	700,000	-	700,000	3.53
Lieu-An Service Co., Ltd.	Taipei City	ATM purchase, rental, and repair or maintenance	5.00	1,674	-	125,000	-	125,000	5.00
CDIB & Partners Investment Holding Co.	Taipei City	Investment	4.95	684,180	-	54,000,000	-	54,000,000	4.95
Nomura Asset Management Taiwan Ltd.	Taipei City	Securities investment trust	4.09	50,880	-	1,413,725	-	1,413,725	4.09
Financial Information Service Co., Ltd.	Taipei City	Type II telecommunications business	1.19	135,498	-	6,229,800	-	6,229,800	1.19
Taiwan Futures Exchange	Taipei City	Futures exchange	1.00	269,498	-	3,541,364	-	3,541,364	1.00
Taiwan Assets Management Co., Ltd.	Taipei City	Acquisition of delinquent loans, evaluation, auction, and management	11.35	1,516,800	-	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	48,400	-	5,000,000	-	5,000,000	2.94
Financial Evolution Co., Ltd.	Taipei City	Financial information systems development	4.12	8,674	-	905,475	-	905,475	4.12
Taiwan Depository & Clearing Corporation	Taipei City	Provide book-entry of securities transactions	0.08	19,088	-	314,988	-	314,988	0.08
Sunlight Assets Management Co., Ltd.	Taipei City	Acquisition of delinquent loans, evaluation, auction, and management	0.70	509	-	41,768	-	41,768	0.70
Taiwan Mobile Payment Corporation	Taipei City	Electronic Information provider	3.00	10,152	-	1,800,000		1,800,000	3.00
Taiwan Urban Regeneration & Financial Services Co., Ltd.	Taipei City	Urban renewal industry	5.00	20,875	-	2,500,000	-	2,500,000	5.00
Tai Yu Products Corporation	Taichung City	Frozen agricultural products	4.77	(Note 3)	-	5,748,382	-	5,748,382	4.77
Chi-Yi Construction Management Company	New Taipei City	Residential development and lease	1.47	(Note 3)	-	410,395	-	410,395	1.47

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

Note b: 1) Imputed stock refers to the purchase of securities with equity or derivative commodity contracts (not yet converted into equity holding), which is linked to the equity of the reinvestment business according to the agreed transaction conditions and the bank's commitment to be used as Article 74 of The Banking Act of The Republic of China stipulates that for the purpose of reinvestment, under the assumption of conversion, the shares acquired as a result of the conversion.

2) The above-mentioned "securities with equity" refers to the securities stipulated in the first paragraph of Article 11 of Securities and Exchange Act Enforcement Rules, such as convertible corporate bonds and call warrants.

3) The above-mentioned "derivative commodity contract" refers to those who meet the definition of derivative instruments in International Accounting Standards No. 39, such as stock options.

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

Note d: The total number of shares issued by Asia Pacific Telecom Co., Ltd. was 4,298,232,169 shares. On November 8, 2019, capital reduction was done by reducing 1,481,035,770 shares (reduction rate 34.456858%). On November 21, 2019, investments in private equity increased by 1,000 million shares. After the capital increase, the total number of shares was 3,817,196,399 shares. The Bank's original number of shares was 15,000,000 shares, and the shareholding ratio was 0.35%. After the capital reduction (not participating in the capital increase), the number of shares was 9,831,471 shares and the shareholding ratio was 0.26%. Asia-Pacific Telecom Co., Ltd. set a base date for capital reduction on November 8, 2019, a base date for capital reduction and stock replacement on January 17, 2020, a last trading day for old stocks on January 8, 2020, and an expected new stock listing date on January 20, 2020.

41. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of services provided.

a. Segment revenue and results

	For the Year Ended December 31, 2019						
	Loans	Deposits and Remittances	Financial Instruments and Investments	Wealth Management	Subsidiaries and Oversea Branch	Others	Total
Net interest income	$ 12,942,181	$ 6,080,548	$ 216,721	$ -	$ 3,638,586	$ (28,329)	$ 22,849,707
Net service fee income	1,210,551	267,695	(33,429)	3,057,844	132,105	-	4,634,766
Net income on financial instrument	-	-	4,162,547	-	(20,982)	-	4,141,565
Others	12,418	-	10,853	-	26,368	402,676	452,315
Net revenue and gains	14,165,150	6,348,243	4,356,692	3,057,844	3,776,077	374,347	32,078,353
Bad debts expense, commitment and guarantee liability provision	(1,805,048)	-	(84)	-	(331,263)	-	(2,136,395)
Operating expenses	-	-	-	-	-	-	(16,421,666)
Income before income tax	$ 12,360,102	$ 6,348,243	$ 4,356,608	$ 3,057,844	$ 3,444,814	$ 374,347	$ 13,520,292

	For the Year Ended December 31, 2018						
	Loans	Deposits and Remittances	Financial Instruments and Investments	Wealth Management	Subsidiaries and Oversea Branch	Others	Total
Net interest income	$ 13,332,450	$ 6,188,759	$ 117,742	$ -	$ 3,550,625	$ 69	$ 23,189,644
Net service fee income	1,393,265	243,175	(28,760)	3,086,223	174,051	-	4,867,954
Net income on financial instrument	-	-	4,730,427	-	31,296	-	4,761,723
Others	148,232	-	(111)	4	(88,877)	229,620	288,868
Net revenue and gains	14,873,947	6,431,934	4,819,298	3,086,227	3,667,095	229,689	33,108,189
Bad debts expense and guarantee liability provision	(1,462,791)	-	37	-	(740,498)	-	(2,203,252)
Operating expenses	-	-	-	-	-	-	(16,194,853)
Income before income tax	$ 13,411,156	$ 6,431,934	$ 4,819,335	$ 3,086,227	$ 2,926,597	$ 229,689	$ 14,710,084

The reported revenue and results on the segment information did not include inter-segment revenue for the years ended December 31, 2019 and 2018.

This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Segment total assets and liabilities

	December 31, 2019						
	Loans	Deposits and Remittances	Financial Instruments and Investments	Wealth Management	Subsidiaries and Oversea Branch	Others	Total
Assets	$ 1,326,659,864	$ (4,568,155)	$ 545,994,568	$ -	$ 180,075,839	$ 87,481,087	$ 2,135,643,203
Liabilities	$ 1,838,190	$ 1,724,514,160	$ 89,311,827	$ -	$ 119,325,088	$ 38,416,743	$ 1,973,406,008

	December 31, 2018						
	Loans	Deposits and Remittances	Financial Instruments and Investments	Wealth Management	Subsidiaries and Oversea Branch	Others	Total
Assets	$ 1,237,462,200	$ (4,791,489)	$ 560,589,233	$ -	$ 193,947,559	$ 94,604,167	$ 2,081,811,670
Liabilities	$ 2,612,375	$ 1,642,046,711	$ 90,263,563	$ -	$ 140,038,268	$ 50,289,122	$ 1,925,250,039

TABLE 1

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES' NAMES AND LOCATIONS
FOR THE YEAR ENDED DECEMBER 31, 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 December 31, 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	$ 12,484,226	$ 423,440	$ 423,440	
	Chang Hwa Bank Venture Capital Co., Ltd.	Taiwan	Venture capital	600,000	-	60,000,000	100	603,249	(5,382)	(5,382)	

Note: Limited company organization.

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

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 December 31, 2019	Net Income (Loss) of the Investee (Note 2)	% of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2019	Accumulated Repatriation of Investment Income as of December 31, 2019	Note
					Outflow	Inflow							
Chang Hua Commercial Bank, Ltd.	Banking	$ 12,117,288 (US$ 399,558)	Note 1.c.	$ 12,117,288 (US$ 399,558)	$ -	$ -	$ 12,117,288 (US$ 399,558)	$ 423,440	100	$ 423,440	$ 12,484,226	$ -	

2.

Accumulated Outward Remittance for Investment in Mainland China December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 3)
$ 12,117,288 (US$ 399,558)	$ 12,117,288 (US$ 399,433)	$ 24,335,579

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

a. Direct investment in mainland China.
b. Investment in mainland China through reinvestment in existing enterprise in a third area.
c. Others.

Note 2: Equity in the profit (loss):

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

b. The basis of recognizing equity in profit (loss) is categorized in the following three types and each entity should be noted according to its condition.

1) Financial statements audited (reviewed) by international accounting firms that cooperate with the accounting firms in the ROC.
2) Financial statements audited (reviewed) by the Taiwan-based parent company's CPA.
3) Others.

Note 3: In accordance with the "Bank, Financial Holding Corporation and Related Party Invest China Business Rules" announced by the FSC, the accumulated outflow of operating funds and investment from the following parties may not exceed 15% of net assets while they applied:

a. Banks in Taiwan (or subsidiaries in a third area) which establish branches, establish/acquire subsidiaries or acquire stock or capital contributions from local stockholders in mainland China.
b. The subsidiaries whose issued stocks with voting rights or more than 50% of capital held by banks in Taiwan that have investments in mainland China.

TABLE 3

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transactions Details			
				Financial Statement Accounts	Amount	Payment Terms	% to Total Sales or Assets (Note 3)
0	The Bank	Chang Hua Commercial Bank, Ltd.	a.	Due from the Central Bank and call loans to bank	$ 28,075	Same as normal customers	-
		Chang Hua Commercial Bank, Ltd.	a.	Cash and cash equivalents	268,480	Same as normal customers	0.01
		Chang Hua Commercial Bank, Ltd.	a.	Other financial assets	4,295,000	Same as normal customers	0.20
		Chang Hua Commercial Bank, Ltd.	a.	Interest income	51,529	Same as normal customers	0.13
		Chang Hua Commercial Bank, Ltd.	a.	Interest expense	330	Same as normal customers	-
		Chang Hua Commercial Bank, Ltd.	a.	Receivables	4,675	Same as normal customers	-
		Chang Hwa Bank Venture Capital Co., Ltd.	a.	Deposits and remittances	554,172	Same as normal customers	0.03
		Chang Hwa Bank Venture Capital Co., Ltd.	a.	Other liabilities	5	Same as normal customers	-
		Chang Hwa Bank Venture Capital Co., Ltd.	a.	Interest expense	1,219	Same as normal customers	-
		Chang Hwa Bank Venture Capital Co., Ltd.	a.	Net non-interest income	770	Same as normal customers	-

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

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.
b. Subsidiary to parent company.
c. Subsidiary to subsidiary.

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