

**Chang Hwa Commercial Bank, Ltd. and
Subsidiaries**

**Consolidated Financial Statements for the
Three Months Ended March 31, 2020 and 2019 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Chang Hwa Commercial Bank, Ltd. (the "Bank") and its subsidiaries (collectively referred to as the "Group") as of March 31, 2020 and 2019, the related consolidated statements of comprehensive income, the consolidated statements of changes in equity and cash flows for the three months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms and International Accounting Standards 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not give a true and fair view of the consolidated financial position of the Group as of March 31, 2020 and 2019 and of its consolidated financial performance and its consolidated cash flows for the three months then ended March 31, 2020 and 2019 in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms and International Accounting Standards 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

May 7, 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 review such consolidated financial statements are those generally applied in the Republic of China.

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

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

	March 31, 2020 (Reviewed)		December 31, 2019 (Audited)		March 31, 2019 (Reviewed)	
	Amount	%	Amount	%	Amount	%
ASSETS						
Cash and cash equivalents (Notes 4, 6 and 36)	\$ 25,408,212	1	\$ 32,418,679	1	\$ 50,807,365	2
Due from the Central Bank and call loans to banks (Notes 4, 6 and 36)	183,025,594	8	166,917,091	8	210,256,545	10
Financial assets at fair value through profit or loss (Notes 4, 7, 34 and 37)	19,465,542	1	11,483,389	1	8,892,021	-
Financial assets at fair value through other comprehensive income (Notes 4, 8 and 34)	106,589,160	5	116,296,139	5	95,753,735	5
Financial assets for hedging (Notes 4 and 13)	301,740	-	247,375	-	261,845	-
Investments in debt instruments at amortized cost (Notes 4, 5, 9, 34 and 37)	294,019,978	13	276,058,976	13	260,258,988	13
Receivables, net (Notes 4, 11 and 12)	20,149,569	1	23,201,037	1	25,871,665	1
Current tax assets (Notes 4 and 31)	422,411	-	207,520	-	1,290,979	-
Discounts and loans, net (Notes 4, 5, 12, 35 and 36)	1,469,115,330	67	1,427,350,947	67	1,338,709,421	64
Other financial assets, net (Notes 4, 14 and 37)	33,282,035	2	40,133,881	2	50,986,526	3
Property and equipment, net (Notes 4 and 16)	20,672,125	1	20,739,036	1	21,051,054	1
Right-of-use assets, net (Notes 4 and 17)	1,669,633	-	1,620,404	-	1,883,055	-
Investment properties, net (Notes 4 and 18)	13,871,055	1	13,872,790	1	13,741,151	1
Intangible assets, net (Notes 4 and 19)	674,630	-	720,656	-	718,729	-
Deferred tax assets (Notes 4 and 31)	3,040,062	-	3,312,325	-	3,878,385	-
Other assets, net (Notes 20 and 37)	<u>1,888,228</u>	<u>-</u>	<u>1,062,958</u>	<u>-</u>	<u>1,872,858</u>	<u>-</u>
TOTAL	<u>\$ 2,193,595,304</u>	<u>100</u>	<u>\$ 2,135,643,203</u>	<u>100</u>	<u>\$ 2,086,234,322</u>	<u>100</u>
LIABILITIES AND EQUITY						
Deposits from the Central Bank and banks (Notes 4, 21 and 36)	\$ 120,632,875	6	\$ 102,305,626	5	\$ 114,730,982	6
Financial liabilities at fair value through profit or loss (Notes 4 and 7)	2,536,673	-	4,247,279	-	11,171,677	1
Securities sold under repurchase agreements (Note 4)	1,830,657	-	1,547,291	-	3,634,684	-
Payables (Notes 4, 22 and 29)	23,286,095	1	21,846,910	1	36,325,948	2
Current tax liabilities (Notes 4 and 31)	777,489	-	507,880	-	789,974	-
Deposits and remittances (Notes 4, 23 and 36)	1,805,746,515	82	1,765,948,203	83	1,685,252,580	81
Bank notes payable (Notes 4, 24 and 34)	55,577,340	3	55,521,014	3	49,568,558	2
Other financial liabilities (Notes 4 and 25)	3,517,721	-	4,274,900	-	4,913,856	-
Reserve for liabilities (Notes 4, 5 and 27)	5,229,013	-	5,340,555	-	5,190,220	-
Lease liabilities (Notes 4 and 17)	1,476,145	-	1,420,392	-	1,657,241	-
Deferred tax liabilities (Notes 4 and 31)	7,985,798	1	7,902,609	-	9,010,869	-
Other liabilities (Notes 4, 16 and 26)	<u>2,857,708</u>	<u>-</u>	<u>2,543,349</u>	<u>-</u>	<u>3,185,340</u>	<u>-</u>
Total liabilities	<u>2,031,454,029</u>	<u>93</u>	<u>1,973,406,008</u>	<u>92</u>	<u>1,925,431,929</u>	<u>92</u>
EQUITY (Notes 4, 29 and 31)						
Capital stock						
Common stock	99,853,111	4	99,853,111	5	97,895,207	5
Retained earnings						
Legal reserve	34,832,629	2	34,832,629	2	31,038,668	1
Special reserve	12,204,648	-	12,204,648	1	12,141,416	1
Unappropriated earnings	13,961,162	1	11,458,160	-	15,250,278	1
Other equity	<u>1,289,725</u>	<u>-</u>	<u>3,888,647</u>	<u>-</u>	<u>4,476,824</u>	<u>-</u>
Total equity	<u>162,141,275</u>	<u>7</u>	<u>162,237,195</u>	<u>8</u>	<u>160,802,393</u>	<u>8</u>
TOTAL	<u>\$ 2,193,595,304</u>	<u>100</u>	<u>\$ 2,135,643,203</u>	<u>100</u>	<u>\$ 2,086,234,322</u>	<u>100</u>

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

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

	For the Three Months Ended March 31			
	2020		2019	
	Amount	%	Amount	%
INTEREST INCOME (Notes 4, 30, 36 and 40)	\$ 8,796,573	118	\$ 9,870,237	122
INTEREST EXPENSE (Notes 30, 36 and 40)	<u>(3,659,450)</u>	<u>(49)</u>	<u>(4,139,248)</u>	<u>(51)</u>
NET INCOME OF INTEREST	<u>5,137,123</u>	<u>69</u>	<u>5,730,989</u>	<u>71</u>
NET NON-INTEREST INCOME (LOSS)				
Net service fee income (Notes 4 and 30)	1,223,446	17	1,164,612	15
Gain (loss) on financial assets or liabilities measured at fair value through profit or loss (Notes 4, 7 and 30)	323,065	4	566,761	7
Realized gain (loss) on financial assets at fair value through other comprehensive income (Notes 4 and 30)	385,712	5	194,099	2
Foreign exchange gain (loss) (Notes 4 and 34)	234,623	3	330,439	4
Net other non-interest income (loss) (Note 15)	<u>150,343</u>	<u>2</u>	<u>65,847</u>	<u>1</u>
Net non-interest income	<u>2,317,189</u>	<u>31</u>	<u>2,321,758</u>	<u>29</u>
NET REVENUE AND GAINS	<u>7,454,312</u>	<u>100</u>	<u>8,052,747</u>	<u>100</u>
BAD DEBT EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION (Notes 4 and 12)	<u>(572,122)</u>	<u>(7)</u>	<u>(374,012)</u>	<u>(5)</u>
OPERATING EXPENSES				
Employee benefits expense (Notes 4 and 30)	(2,505,442)	(34)	(2,614,855)	(32)
Depreciation and amortization expenses (Notes 4 and 30)	(354,227)	(5)	(361,375)	(4)
Other general and administrative expenses	<u>(922,852)</u>	<u>(12)</u>	<u>(925,712)</u>	<u>(12)</u>
Total operating expenses	<u>(3,782,521)</u>	<u>(51)</u>	<u>(3,901,942)</u>	<u>(48)</u>
INCOME BEFORE INCOME TAX	3,099,669	42	3,776,793	47
INCOME TAX EXPENSE (Notes 4 and 31)	<u>(606,885)</u>	<u>(8)</u>	<u>(640,512)</u>	<u>(8)</u>
NET INCOME	<u>2,492,784</u>	<u>34</u>	<u>3,136,281</u>	<u>39</u>

(Continued)

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

	For the Three Months Ended March 31			
	2020		2019	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified to profit or loss, net of tax:				
Revaluation gains (losses) on investments in equity instruments measured at fair value through other comprehensive income	\$ (1,793,861)	(24)	\$ 736,327	9
Changes in fair value of financial liabilities attributable to changes in credit risk of liabilities	-	-	(764)	-
Items that will be reclassified to profit or loss, net of tax:				
Exchange differences on translation (Note 4)	(80,073)	(1)	251,679	3
Revaluation gains (losses) on investments in debt instruments measured at fair value through other comprehensive income	(546,885)	(7)	158,823	2
(Impairment loss) reversal of impairment loss on investments in debt instruments measured at fair value through other comprehensive income	(29,340)	(1)	6,383	-
Income tax related to items that will be reclassified to profit or loss (Notes 4 and 31)	<u>(138,545)</u>	<u>(2)</u>	<u>(47,967)</u>	<u>-</u>
Other comprehensive income (loss), net of tax	<u>(2,588,704)</u>	<u>(35)</u>	<u>1,104,481</u>	<u>14</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ (95,920)</u>	<u>(1)</u>	<u>\$ 4,240,762</u>	<u>53</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Parent	<u>\$ 2,492,784</u>	<u>33</u>	<u>\$ 3,136,281</u>	<u>39</u>
Non-controlling interests	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Parent	<u>\$ (95,920)</u>	<u>(1)</u>	<u>\$ 4,240,762</u>	<u>53</u>
Non-controlling interests	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>
EARNINGS PER SHARE (Note 32)				
Basic	<u>\$ 0.25</u>		<u>\$ 0.31</u>	
Diluted	<u>\$ 0.25</u>		<u>\$ 0.31</u>	

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

(Concluded)

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (In Thousands of New Taiwan Dollars, Except Shares of Capital Stock) (Reviewed, Not Audited)

	Equity Attributable to Owners of the Bank								
	Capital Stock		Retained Earnings			Exchange Differences on Translation of Foreign Financial Statements	Other Equity Unrealized Gains (Losses) on Financial Assets Measured at Fair Value Through Other Comprehensive Income	Changes in Fair Value of Financial Liability Attributable to Change in Credit Risk of Liability	Total Equity
	Common Stock (In Thousand)	Amount	Legal Reserve	Special Reserve	Unappropriated Earnings				
BALANCE AT JANUARY 1, 2019	9,789,521	\$ 97,895,207	\$ 31,038,668	\$ 12,141,416	\$ 12,091,349	\$ (614,793)	\$ 4,008,966	\$ 818	\$ 156,561,631
Net income for the three months ended March 31, 2019	-	-	-	-	3,136,281	-	-	-	3,136,281
Other comprehensive income (loss) for the three months ended March 31, 2019, net of tax	-	-	-	-	-	211,579	893,666	(764)	1,104,481
Total comprehensive income (loss) for the three months ended March 31, 2019	-	-	-	-	3,136,281	211,579	893,666	(764)	4,240,762
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	22,648	-	(22,648)	-	-
BALANCE AT MARCH 31, 2019	9,789,521	\$ 97,895,207	\$ 31,038,668	\$ 12,141,416	\$ 15,250,278	\$ (403,214)	\$ 4,879,984	\$ 54	\$ 160,802,393
BALANCE AT JANUARY 1, 2020	9,985,311	\$ 99,853,111	\$ 34,832,629	\$ 12,204,648	\$ 11,458,160	\$ (1,642,603)	\$ 5,531,250	\$ -	\$ 162,237,195
Net income for the three months ended March 31, 2020	-	-	-	-	2,492,784	-	-	-	2,492,784
Other comprehensive income (loss) for the three months ended March 31, 2020, net of tax	-	-	-	-	-	(287,164)	(2,301,540)	-	(2,588,704)
Total comprehensive income (loss) for the three months ended March 31, 2020	-	-	-	-	2,492,784	(287,164)	(2,301,540)	-	(95,920)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	10,218	-	(10,218)	-	-
BALANCE AT MARCH 31, 2020	9,985,311	\$ 99,853,111	\$ 34,832,629	\$ 12,204,648	\$ 13,961,162	\$ (1,929,767)	\$ 3,219,492	\$ -	\$ 162,141,275

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

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before income tax	\$ 3,099,669	\$ 3,776,793
Non-cash (income and gains) or expenses and losses		
Expected credit loss recognized on trade receivables	572,122	374,012
Depreciation expense	296,188	302,538
Amortization expense	58,039	58,837
Interest income	(8,796,573)	(9,870,237)
Dividend income	(1,825)	(1,610)
Interest expense	3,659,450	4,139,248
Net gain on financial assets or liabilities at fair value through profit or loss	(2,217,116)	(738,706)
Gain on disposal of investments	(383,887)	(192,489)
Unrealized foreign exchange losses	1,894,051	171,945
Other adjustments	(201,731)	(5,394)
Changes in operating assets and liabilities		
(Increase) decrease in due from the Central Bank	(26,703,883)	5,747,988
(Increase) decrease in financial assets at fair value through profit or loss	(8,099,849)	2,113,164
Decrease in receivables	2,302,868	3,686,480
Increase in discounts and loans	(42,552,737)	(2,478,820)
Decrease (increase) in financial assets at fair value through other comprehensive income	7,720,780	(2,721,514)
(Increase) decrease in investments in debt instruments at amortized cost	(17,961,002)	7,798,741
Decrease in other financial assets	6,946,756	4,058,704
Increase in other assets	(819,502)	(1,055,691)
Increase (decrease) in deposits from the Central Bank and banks	4,927	(6,535,951)
Increase (decrease) in deposits and remittances	39,798,312	(4,328,532)
Increase (decrease) in payables	1,133,154	(723,728)
(Decrease) increase in financial liabilities at fair value through profit or loss	(1,284,770)	582,739
Decrease in reserve for liabilities	(150,776)	(116,909)
(Decrease) increase in other financial liabilities	(757,179)	527,434
Increase in other liabilities	261,094	312,236
Cash flows (used in) generated from operations	(42,183,420)	4,881,278
Interest received	9,775,744	10,394,970
Dividends received	-	1,610
Interest paid	(3,359,281)	(3,760,938)
Income taxes paid	(120,369)	(240,127)
Net cash flows (used in) generated from operating activities	<u>(35,887,326)</u>	<u>11,276,793</u>

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CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	\$ (67,459)	\$ (97,908)
Proceeds from disposal of property and equipment	-	10
Acquisition of intangible assets	(12,650)	(40,241)
Acquisition of right-of-use assets	-	(44,101)
Acquisition of investment properties	-	(463)
Net cash flows used in investing activities	<u>(80,109)</u>	<u>(182,703)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in due to the Central Bank and banks	18,322,322	8,228,392
Increase (decrease) in securities sold under repurchase agreement	283,366	(1,651,206)
Repayments of the principal portion of lease liabilities	<u>(164,027)</u>	<u>(126,836)</u>
Net cash flows generated from financing activities	<u>18,441,661</u>	<u>6,450,350</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(80,073)</u>	<u>251,679</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(17,605,847)	17,796,119
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>135,910,391</u>	<u>179,641,968</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 118,304,544</u>	<u>\$ 197,438,087</u>
	March 31	
	2020	2019
Reconciliation of cash and cash equivalents		
Cash and cash equivalents in the balance sheets	\$ 25,408,212	\$ 50,807,365
Call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	<u>92,896,332</u>	<u>146,630,722</u>
Cash and cash equivalents at end of period	<u>\$ 118,304,544</u>	<u>\$ 197,438,087</u>

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

(Concluded)

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. ORGANIZATION AND BUSINESS SCOPE

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

The Bank mainly engages in the following business:

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Bank’s board of directors on May 7, 2020.

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

- a. Initial application of the amendments to 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 Financial Supervisory Commission (FSC)

Except for the following, the initial application of the amendments to 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.

Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”

Upon retrospective application of the amendments, the Group complied with the hedge accounting requirements under the assumption that the interest rate benchmark (such as the London Interbank Offered Rate or LIBOR) 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. Refer to Note 34 for the affected hedge relationship.

- b. 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, Regulations Governing the Preparation of Financial Reports by Securities Firms, and IAS 34 as endorsed and issued into effect by the FSC. Disclosure information included in these consolidated financial statements is less than the disclosure information required in a complete set of annual consolidated financial statements.

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair values.

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

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

Basis of Consolidation

The consolidated financial statements incorporate the financial 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.

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

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

Other Significant Accounting Policies

Except for the following, for the summary of other significant accounting policies, refer to the Group's consolidated financial statements for the year ended December 31, 2019.

a. Retirement benefits

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

b. Taxation

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Refer to the summary of critical accounting judgements and key sources of estimation uncertainty in the Group's consolidated financial statements for the year ended December 31, 2019.

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

a. Cash and cash equivalents

	March 31, 2020	December 31, 2019	March 31, 2019
Cash on hand	\$ 12,508,047	\$ 18,315,646	\$ 11,771,016
Checks for clearing	2,721,621	3,559,426	16,617,136
Due from banks	8,325,701	9,012,687	20,839,581
Foreign currencies on hand	<u>1,852,843</u>	<u>1,530,920</u>	<u>1,579,632</u>
	<u>\$ 25,408,212</u>	<u>\$ 32,418,679</u>	<u>\$ 50,807,365</u>

Refer to the consolidated statement of cash flows for the reconciliation information of cash and cash equivalents as of March 31, 2020 and 2019. Cash and cash equivalents as of December 31, 2019 as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated balance sheets as follows:

	December 31, 2019
Cash and cash equivalents	\$ 32,418,679
Call loans to banks	<u>103,491,712</u>
	<u>\$ 135,910,391</u>

b. Due from Central Bank and call loans to banks

	March 31, 2020	December 31, 2019	March 31, 2019
Call loans to banks	\$ 92,896,332	\$ 103,491,712	\$ 146,630,722
Reserve for checking accounts	38,924,410	11,299,268	11,496,835
Reserve for demand accounts	44,838,928	44,349,154	42,714,648
Reserve for foreign deposits	471,963	469,765	482,610
Others	<u>5,893,961</u>	<u>7,307,192</u>	<u>8,931,730</u>
	<u>\$ 183,025,594</u>	<u>\$ 166,917,091</u>	<u>\$ 210,256,545</u>

Cash and cash equivalents and due from the Central Bank and call loans to banks are assessed for impairment using approach similar to those used for investments in debt instruments (refer to Note 10). The 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)

	March 31, 2020	December 31, 2019	March 31, 2019
Financial assets mandatorily classified at FVTPL			
Derivative financial assets (not under hedge accounting)			
Futures	\$ 126,494	\$ 114,919	\$ 202,628
Forward exchange contracts	67,116	140,099	41,545
Interest rate swaps	777,615	468,855	799,843
Cross-currency swaps	15,449	21,671	75,461
Currency swaps	1,806,888	2,135,583	1,310,445
Currency call option premiums	63,419	59,098	29,364
Non-derivative financial assets			
Investment in bills	15,184,649	7,560,413	5,443,548
Domestic listed stock	-	75,046	14,025
Mutual funds	250,000	-	-
Government bonds	5,722	5,678	5,707
Corporate bonds	<u>1,168,190</u>	<u>902,027</u>	<u>969,455</u>
	<u>\$ 19,465,542</u>	<u>\$ 11,483,389</u>	<u>\$ 8,892,021</u>

The par values of notes provided for transactions with repurchase agreements were \$337,200 thousand, \$247,000 thousand and \$584,900 thousand as of March 31, 2020, December 31, 2019 and March 31, 2019, respectively.

Financial Liabilities at FVTPL

	March 31, 2020	December 31, 2019	March 31, 2019
Financial liabilities designated at FVTPL	\$ _____ -	\$ _____ -	\$ 9,529,943
Financial liabilities held for trading			
Derivative financial liabilities (not applying hedge accounting)			
Forward contracts	46,952	32,285	61,891
Interest rate swaps	778,712	465,546	683,829
Cross-currency swaps	116,357	128,427	47,737
Currency swaps	1,531,227	3,561,915	818,905
Currency put option premiums	<u>63,425</u>	<u>59,106</u>	<u>29,372</u>
	<u>2,536,673</u>	<u>4,247,279</u>	<u>1,641,734</u>
	<u>\$ 2,536,673</u>	<u>\$ 4,247,279</u>	<u>\$ 11,171,677</u>

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

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

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

The Group entered into derivative contracts during the three months ended March 31, 2020 and 2019 to manage exposures due to exchange rate and interest rate fluctuations. The financial risk management objective of the Group is to minimize risks due to changes in fair value and cash flows.

The nominal principal amounts of outstanding derivative contracts as of March 31, 2020, December 31, 2019 and March 31, 2019 were as follows:

	March 31, 2020	December 31, 2019	March 31, 2019
Currency swaps	\$ 568,760,564	\$ 544,771,238	\$ 374,389,508
Currency options	20,897,821	18,546,651	19,067,282
Forward exchange contracts	15,147,480	13,833,533	14,251,309
Interest rate swaps	303,444,635	338,302,150	383,080,920
Cross-currency swaps	10,269,700	7,497,500	4,934,400

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	March 31, 2020	December 31, 2019	March 31, 2019
Investments in equity instruments at FVTOCI			
Domestic listed stock	\$ 5,845,303	\$ 6,400,568	\$ 5,366,300
Domestic unquoted stock	<u>7,585,353</u>	<u>8,050,548</u>	<u>7,432,414</u>
	<u>13,430,656</u>	<u>14,451,116</u>	<u>12,798,714</u>

(Continued)

	March 31, 2020	December 31, 2019	March 31, 2019
Investments in debt instruments at FVTOCI			
Government bonds	\$ 19,899,843	\$ 28,085,689	\$ 15,485,367
Corporate bonds	19,340,909	20,083,472	19,587,426
Bank notes	41,534,261	50,566,442	40,509,305
Bonds issued by international organizations	6,546,492	2,020,092	3,797,010
Beneficiary and asset-based securities	4,786,914	-	977,887
Investments in bills	<u>1,050,085</u>	<u>1,089,328</u>	<u>2,598,026</u>
	<u>93,158,504</u>	<u>101,845,023</u>	<u>82,955,021</u>
	<u>\$ 106,589,160</u>	<u>\$ 116,296,139</u>	<u>\$ 95,753,735</u>
			(Concluded)

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 value of bonds provided for transactions with repurchase agreement were \$1,352,900 thousand, \$1,178,600 thousand and \$2,901,200 thousand as of March 31, 2020, December 31, 2019 and March 31, 2019, respectively.
- c. Government bonds placed as deposits in courts amounted to \$335,500 thousand, \$335,700 thousand and \$331,200 thousand as of March 31, 2020, December 31, 2019 and March 31, 2019, respectively. Another government bonds placed as operating deposits amounted to \$330,000 thousand; government bonds placed as reserve fund for trust compensation amounted to \$220,000 thousand, \$170,000 thousand and \$170,000 thousand, respectively; overseas branches' bonds provided as collateral for operations were \$145,710 thousand, \$152,304 thousand and \$157,486 thousand as of March 31, 2020, December 31, 2019 and March 31, 2019, 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

	March 31, 2020	December 31, 2019	March 31, 2019
Investments in bills	\$ 284,197,224	\$ 262,797,272	\$ 243,919,101
Bank notes	4,922,663	6,710,913	7,109,558
Corporate bonds	446,132	2,943,223	6,858,091
Government bonds	<u>4,453,959</u>	<u>3,607,568</u>	<u>2,372,238</u>
	<u>\$ 294,019,978</u>	<u>\$ 276,058,976</u>	<u>\$ 260,258,988</u>

- a. Refer to Note 10 for information relating to their credit risk management and impairment.
- b. The amounts of the overseas branches' bonds provided as collateral for operations were \$271,793 thousand, \$89,970 thousand and \$308,197 thousand as of March 31, 2020, December 31, 2019 and March 31, 2019, respectively.

- c. Certificates of deposits placed as reserves for clearing at the Central Bank amounted to \$36,000,000 thousand; certificates of deposit which were issued by Central Bank and pledged for call loans from banks amounted to \$5,300,000 thousand as of March 31, 2020, December 31, 2019 and March 31, 2019.
- d. Refer to Note 37 for information relating to investments in debt instruments at amortized cost pledged as security.

10. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

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

March 31, 2020

	At FVTOCI	At Amortized Cost	Total
Gross carrying amount	\$ 93,491,539	\$ 294,022,706	\$ 387,514,245
Less: Allowance for impairment loss	<u>(31,023)</u>	<u>(2,728)</u>	<u>(33,751)</u>
Amortized cost	93,460,516	<u>\$ 294,019,978</u>	387,480,494
Adjustment to fair value	<u>(302,012)</u>		<u>(302,012)</u>
	<u>\$ 93,158,504</u>		<u>\$ 387,178,482</u>

December 31, 2019

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

March 31, 2019

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

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

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

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

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

March 31, 2020

Category	Expected Loss Rate	At FVTOCI	At Amortized Cost
Stage 1	0%-0.3271%	<u>\$ 93,491,539</u>	<u>\$ 294,022,706</u>

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%	<u>59,160</u>	<u>-</u>
		<u>\$ 101,631,174</u>	<u>\$ 276,063,342</u>

March 31, 2019

Category	Expected Loss Rate	At FVTOCI	At Amortized Cost
Stage 1	0%-0.3422%	\$ 82,484,828	\$ 260,265,429
Stage 3	100%	<u>142,475</u>	<u>-</u>
		<u>\$ 82,627,303</u>	<u>\$ 260,265,429</u>

The allowance for impairment loss of investments in debt instruments at FVTOCI and at amortized cost as of three months ended March 31, 2020 and 2019 grouped by credit rating is reconciled as follows:

At FVTOCI

Allowance for Impairment Loss	Credit Rating			Total
	Performing (12-month ECLs)	Doubtful (Lifetime ECLs - Not Credit-impaired)	Defaulted (Lifetime ECLs - Credit-impaired)	
Balance at January 1, 2020	\$ 33,713	\$ 26,651	\$ -	\$ 60,364
Transfers from doubtful to performing	96	(26,651)	-	(26,555)
Purchase of investments in debt instruments	2,283	-	-	2,283
Derecognition	(4,827)	-	-	(4,827)
Change in exchange rates or others	<u>(242)</u>	<u>-</u>	<u>-</u>	<u>(242)</u>
Balance at March 31, 2020	<u>\$ 31,023</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,023</u>
Balance at January 1, 2019	\$ 25,422	\$ -	\$ 141,986	\$ 167,408
Purchase of investments in debt instruments	7,435	-	-	7,435
Derecognition	(486)	-	-	(486)
Change in exchange rates or others	<u>(1,056)</u>	<u>-</u>	<u>489</u>	<u>(567)</u>
Balance at March 31, 2019	<u>\$ 31,315</u>	<u>\$ -</u>	<u>\$ 142,475</u>	<u>\$ 173,790</u>

At amortized cost

Allowance for Impairment Loss	Credit Rating			Total
	Performing (12-month ECLs)	Doubtful (Lifetime ECLs - Not Credit-impaired)	Defaulted (Lifetime ECLs - Credit-impaired)	
Balance at January 1, 2020	\$ 4,366	\$ -	\$ -	\$ 4,366
Purchase of investments in debt instruments	36	-	-	36
Derecognition	(1,667)	-	-	(1,667)
Change in exchange rates or others	<u>(7)</u>	<u>-</u>	<u>-</u>	<u>(7)</u>
Balance at March 31, 2020	<u>\$ 2,728</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,728</u>
Balance at January 1, 2019	\$ 6,615	\$ -	\$ -	\$ 6,615
Purchase of investments in debt instruments	-	-	-	-
Derecognition	(149)	-	-	(149)
Change in exchange rates or others	<u>(25)</u>	<u>-</u>	<u>-</u>	<u>(25)</u>
Balance at March 31, 2019	<u>\$ 6,441</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,441</u>

11. RECEIVABLES, NET

a. Details of receivables

	March 31, 2020	December 31, 2019	March 31, 2019
Accounts receivable	\$ 9,000,855	\$ 10,707,132	\$ 12,901,218
Accrued incomes	1,429	6,816	1,424
Interests receivable	3,936,850	4,847,831	4,976,602
Acceptances receivable	3,673,768	4,756,072	5,085,669
Credit cards accounts receivable	1,943,171	2,225,416	1,864,891
Settlement price	279,813	340,835	375,974
Accounts receivable for settlement	274,551	305,067	329,027
Other receivables	<u>1,313,514</u>	<u>451,350</u>	<u>940,797</u>
	20,423,951	23,640,519	26,475,602
Less: Allowance for bad debts, receivables	<u>(274,382)</u>	<u>(439,482)</u>	<u>(603,937)</u>
	<u>\$ 20,149,569</u>	<u>\$ 23,201,037</u>	<u>\$ 25,871,665</u>

b. Allowance for receivables

1) Movements in the allowance for receivables

For the Three Months Ended March 31, 2020						
	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	\$ 22,941	\$ 3,535	\$ 44,895	\$ 71,371	\$ 368,111	\$ 439,482
Changes from financial instruments recognized at the beginning of the period:						
Transfers to lifetime expected credit losses	(11)	43	(35)	(3)	-	(3)
Transfers to credit-impaired financial assets	(3)	(34)	422	385	-	385
Transfers to 12-month expected credit losses	457	(35)	(224)	198	-	198
Financial assets derecognized for the period	(19,307)	(1,426)	(33,663)	(54,396)	-	(54,396)
Purchase or originated financial assets	14,413	1,197	27,975	43,585	-	43,585

(Continued)

For the Three Months Ended March 31, 2020

	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	\$ -	\$ -	\$ -	\$ -	\$ (151,002)	\$ (151,002)
Doubtful debts written off	-	-	(3,893)	(3,893)	-	(3,893)
Changes in exchange rates or others	<u>16</u>	<u>-</u>	<u>10</u>	<u>26</u>	<u>-</u>	<u>26</u>
Ending balance	<u>\$ 18,506</u>	<u>\$ 3,280</u>	<u>\$ 35,487</u>	<u>\$ 57,273</u>	<u>\$ 217,109</u>	<u>\$ 274,382</u>

(Concluded)

For the Three Months Ended March 31, 2019

	12-Month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on IFRS 9	Recognized Impairment Difference Based on Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal With Non- performing Loans and Bad Debts	Total
Receivables						
Beginning balance	\$ 32,258	\$ 2,678	\$ 19,906	\$ 54,842	\$ 580,179	\$ 635,021
Changes from financial instruments recognized at the beginning of the period:						
Transfers to lifetime expected credit losses	(9)	36	(35)	(8)	-	(8)
Transfers to credit-impaired financial assets	-	(41)	2,012	1,971	-	1,971
Transfers to 12-month expected credit losses	171	(6)	(85)	80	-	80
Financial assets derecognized for the period	(28,435)	(1,386)	11,712	(18,109)	-	(18,109)
Purchase or originated financial assets	17,057	1,718	7,920	26,695	-	26,695

(Continued)

For the Three Months Ended March 31, 2019

	12-Month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on IFRS 9	Recognized Impairment Difference Based on Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal With Non- performing Loans and Bad Debts	Total
Recognized impairment difference based on the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts	\$ -	\$ -	\$ -	\$ -	\$ (22,556)	\$ (22,556)
Doubtful debts written off	-	-	(19,204)	(19,204)	-	(19,204)
Changes in exchange rates or others	<u>11</u>	<u>-</u>	<u>36</u>	<u>47</u>	<u>-</u>	<u>47</u>
Ending balance	<u>\$ 21,053</u>	<u>\$ 2,999</u>	<u>\$ 22,262</u>	<u>\$ 46,314</u>	<u>\$ 557,623</u>	<u>\$ 603,937</u>

(Concluded)

2) Movements in the total carrying amount of receivables

For the Three Months Ended March 31, 2020

	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	\$ 23,209,296	\$ 162,789	\$ 268,434	\$ 23,640,519
Changes from financial instruments recognized at the beginning of the period:				
Transfers to lifetime expected credit loss	(16,158)	12,475	(186)	(3,869)
Transfers to credit-impaired financial assets	(8,378)	(7,589)	11,395	(4,572)
Transfers to 12-month expected credit losses	92,939	(4,146)	(563)	88,230
Purchase or originated financial assets	9,784,597	24,754	123,086	9,932,437
Derecognized	(12,919,030)	(92,119)	(219,003)	(13,230,152)
Doubtful debts written off	-	-	(3,893)	(3,893)
Changes in exchange rates or others	<u>5,410</u>	<u>(229)</u>	<u>70</u>	<u>5,251</u>
Ending balance	<u>\$ 20,148,676</u>	<u>\$ 95,935</u>	<u>\$ 179,340</u>	<u>\$ 20,423,951</u>

	For the Three Months Ended March 31, 2019			
	12-Month Expected Credit Losses	Significant Increase in Risk Due to Lifetime Expected Credit Losses	Credit Impairment Due to Lifetime Expected Credit Losses	Total
Beginning balance	\$ 30,337,486	\$ 159,683	\$ 71,837	\$ 30,569,006
Changes from financial instruments recognized at the beginning of the period:				
Transfers to lifetime expected credit loss	(15,114)	10,635	(314)	(4,793)
Transfers to credit-impaired financial assets	(3,696)	(4,254)	2,349	(5,601)
Transfers to 12-month expected credit losses	(8,787)	(1,602)	(543)	(10,932)
Purchase or originated financial assets	14,030,130	53,768	26,090	14,109,988
Derecognized	(18,107,805)	(62,742)	(125)	(18,170,672)
Doubtful debts written off	-	-	(19,204)	(19,204)
Changes in exchange rates or others	<u>7,493</u>	<u>259</u>	<u>58</u>	<u>7,810</u>
Ending balance	<u>\$ 26,239,707</u>	<u>\$ 155,747</u>	<u>\$ 80,148</u>	<u>\$ 26,475,602</u>

12. DISCOUNTS AND LOANS, NET

a. Details of discounts and loans

	March 31, 2020	December 31, 2019	March 31, 2019
Negotiated and discounted	\$ 2,977,641	\$ 3,870,803	\$ 4,169,519
Overdrafts	1,221,583	1,289,623	1,367,980
Short-term loans	445,473,936	413,838,056	373,918,263
Margin loans receivable	181,461	288,722	230,828
Medium-term loans	426,486,006	430,295,179	415,203,763
Long-term loans	606,268,161	590,558,692	556,600,860
Overdue loans	<u>4,340,348</u>	<u>4,747,136</u>	<u>4,024,830</u>
	1,486,949,136	1,444,888,211	1,355,516,043
Less: Allowance for loan losses	<u>(17,833,806)</u>	<u>(17,537,264)</u>	<u>(16,806,622)</u>
	<u>\$ 1,469,115,330</u>	<u>\$ 1,427,350,947</u>	<u>\$ 1,338,709,421</u>

Loans of which the accrual of interest income had ceased internally as of March 31, 2020, December 31, 2019 and March 31, 2019 were \$4,340,348 thousand, \$4,747,136 thousand and \$4,024,830 thousand, respectively. The amounts of interest income that would have been accrued on these loans for the three months ended March 31, 2020 and 2019 were \$28,972 thousand and \$26,866 thousand, respectively.

The Group did not write off any loans without legal claims process during the three months ended March 31, 2020 and 2019.

b. Allowance for discounts and loans

1) Movements in the allowance for discounts and loans

For the Three Months Ended March 31, 2020						
	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	\$ 1,772,566	\$ 1,920,375	\$ 5,033,684	\$ 8,726,625	\$ 8,810,639	\$ 17,537,264
Changes from financial instruments recognized at the beginning of the period:						
Transfers to lifetime expected credit losses	(5,098)	12,046	(7,820)	(872)	-	(872)
Transfers to credit-impaired financial assets	(2,961)	(48,111)	44,461	(6,611)	-	(6,611)
Transfers to 12-month expected credit losses	117,571	(69,550)	(49,006)	(985)	-	(985)
Financial assets derecognized for the period	(674,192)	(318,266)	(806,683)	(1,799,141)	-	(1,799,141)
Purchased or originated financial assets	524,634	904,022	2,843,289	4,271,945	-	4,271,945
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	-	-	-	-	(1,572,278)	(1,572,278)
Doubtful debts written off	-	-	(603,986)	(603,986)	-	(603,986)
Changes in exchange rates or others	986	873	6,611	8,470	-	8,470
Ending balance	<u>\$ 1,733,506</u>	<u>\$ 2,401,389</u>	<u>\$ 6,460,550</u>	<u>\$ 10,595,445</u>	<u>\$ 7,238,361</u>	<u>\$ 17,833,806</u>

For the Three Months Ended March 31, 2019						
	12-Month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on IFRS 9	Recognized Impairment Difference Based on Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal With Non- performing Loans and Bad Debts	Total
Loans						
Beginning balance	\$ 1,884,305	\$ 1,844,323	\$ 5,102,485	\$ 8,831,113	\$ 7,741,522	\$ 16,572,635
Changes from financial instruments recognized at the beginning of the period:						
Transfers to lifetime expected credit losses	(3,659)	4,685	(1,821)	(795)	-	(795)
Transfers to credit-impaired financial assets	(24)	(11,356)	9,403	(1,977)	-	(1,977)

(Continued)

For the Three Months Ended March 31, 2019

	12-Month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on IFRS 9	Recognized Impairment Difference Based on Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal With Non- performing Loans and Bad Debts	Total
Transfers to 12-month expected credit losses	\$ 24,452	\$ (21,603)	\$ (4,187)	\$ (1,338)	\$ -	\$ (1,338)
Financial assets derecognized for the period	(756,680)	(773,147)	(723,592)	(2,253,419)	-	(2,253,419)
Purchased or originated financial assets	455,929	247,808	843,624	1,547,361	-	1,547,361
Recognized impairment difference based on the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts	-	-	-	-	1,504,729	1,504,729
Doubtful debts written off	-	-	(564,682)	(564,682)	-	(564,682)
Changes in exchange rates or others	1,338	794	1,976	4,108	-	4,108
Ending balance	<u>\$ 1,605,661</u>	<u>\$ 1,291,504</u>	<u>\$ 4,663,206</u>	<u>\$ 7,560,371</u>	<u>\$ 9,246,251</u>	<u>\$ 16,806,622</u>

(Concluded)

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

For the Three Months Ended March 31, 2020

	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	\$ 1,366,328,215	\$ 64,407,067	\$ 14,152,929	\$ 1,444,888,211
Changes from financial instruments recognized at the beginning of the period:				
Transfers to lifetime expected credit losses	(3,758,676)	3,817,549	(40,865)	18,008
Transfers to credit-impaired financial assets	(1,448,620)	(2,343,250)	3,761,231	(30,639)
Transfers to 12-month expected credit losses	3,351,723	(3,364,069)	(85,449)	(97,795)
Financing assets derecognized for the period	(320,189,319)	(17,472,506)	(3,074,109)	(340,735,934)
Purchase or originated financial assets	367,679,612	13,740,541	1,980,690	383,400,843
Doubtful debts written off	-	-	(603,986)	(603,986)
Changes in exchange rates or others	97,795	(18,008)	30,641	110,428
Ending balance	<u>\$ 1,412,060,730</u>	<u>\$ 58,767,324</u>	<u>\$ 16,121,082</u>	<u>\$ 1,486,949,136</u>

	For the Three Months Ended March 31, 2019			
	12-Month Expected Credit Losses	Significant Increase in Risk Due to Lifetime Expected Credit Losses	Credit Impairment Due to Lifetime Expected Credit Losses	Total
Beginning balance	\$ 1,285,960,041	\$ 53,741,535	\$ 13,572,154	\$ 1,353,273,730
Changes from financial instruments recognized at the beginning of the period:				
Transfers to lifetime expected credit losses	(3,529,745)	3,486,132	(17,774)	(61,387)
Transfers to credit-impaired financial assets	(71,838)	(497,583)	565,901	(3,520)
Transfers to 12-month expected credit losses	162,093	(994,830)	(34,908)	(867,645)
Financing assets derecognized for the period	(292,977,748)	(11,608,557)	(2,225,864)	(306,812,169)
Purchase or originated financial assets	297,378,951	10,644,252	1,595,962	309,619,165
Doubtful debts written off	-	-	(564,682)	(564,682)
Changes in exchange rates or others	<u>867,645</u>	<u>61,387</u>	<u>3,519</u>	<u>932,551</u>
Ending balance	<u>\$ 1,287,789,399</u>	<u>\$ 54,832,336</u>	<u>\$ 12,894,308</u>	<u>\$ 1,355,516,043</u>

- c. Details of provision for bad debts expense, commitment and guarantee for the three months ended March 31, 2020 and 2019

	For the Three Months Ended March 31	
	2020	2019
Provision for receivable and loan (including overdue loan) losses	\$ 532,888	\$ 423,332
Reversal for loan commitments	(7,965)	(50,763)
Provision for guarantee liability	37,777	1,705
Provision (reversal) for others	<u>9,422</u>	<u>(262)</u>
	<u>\$ 572,122</u>	<u>\$ 374,012</u>

13. FINANCIAL ASSETS FOR HEDGING

	March 31, 2020	December 31, 2019	March 31, 2019
Financial assets for hedging			
Fair value hedges - interest rate swaps	<u>\$ 301,740</u>	<u>\$ 247,375</u>	<u>\$ 261,845</u>

The Group used interest rate swaps to minimize its exposure to the fair value fluctuations of its fixed-rate borrowings by entering into fixed-to-floating interest rate swap contracts. The interest swaps and the corresponding borrowings have the same terms, and management believes that the interest rate swaps are highly effective hedging instruments. The respective, nominal principal amount of the Group's outstanding interest rate swaps as of March 31, 2020, December 31, 2019 and March 31, 2019 was \$8,200,000 thousand. The maturity period is from April 19, 2021 to September 27, 2026.

The fixed-to-floating interest swaps were designated and effective fair value hedge instruments. During the three months ended March 31, 2020 and 2019, the swaps were effective in hedging the fair value exposure to interest rate movements, and as a result, the carrying amount of the fixed-rate borrowings were adjusted by \$317,340 thousand, \$261,014 thousand and \$268,558 thousand as of March 31, 2020, December 31, 2019 and March 31, 2019, 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 range: 0.4740%-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 \$71,530 thousand and \$34,048 thousand for the three months ended March 31, 2020 and 2019, respectively, and the realized gains or losses from fair-value hedging were \$(56,326) thousand and \$(19,503) thousand, accounted for as net other non-interest net income and loss, for the three months ended March 31, 2020 and 2019, respectively.

14. OTHER FINANCIAL ASSETS

	March 31, 2020	December 31, 2019	March 31, 2019
Time deposits with original maturities of more than 3 months	\$ 33,208,625	\$ 40,179,375	\$ 50,875,562
Exchange bills negotiated	27,146	13,970	27,057
Overdue receivables	184,098	179,538	353,815
Call loan to security brokers	-	-	154,200
Less: Allowance for bad debts	<u>(137,834)</u>	<u>(239,002)</u>	<u>(424,108)</u>
	<u>\$ 33,282,035</u>	<u>\$ 40,133,881</u>	<u>\$ 50,986,526</u>

The market rates of time deposits with original maturities of more than 3 months were ranging from 1.72%-3.25% and 2.85%-4.55% for the three months ended March 31, 2020 and 2019, respectively.

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

15. SUBSIDIARIES

Subsidiaries Included in Consolidated Financial Statements

Investor	Investee	Main Business	% of Ownership		
			March 31, 2020	December 31, 2019	March 31, 2019
The Bank	Chang Hua Commercial Bank, Ltd.	Banking	100	100	100
The Bank	Chang Hwa Bank Venture Capital Co., Ltd.	Investing	100	100	-

The Bank established Chang Hwa Bank Venture Capital Co., Ltd. on April 17, 2019.

16. PROPERTY AND EQUIPMENT

	March 31, 2020	December 31, 2019	March 31, 2019
Assets used by the Group	\$ 20,499,077	\$ 20,562,423	\$ 20,861,748
Assets leased under operating leases	<u>173,048</u>	<u>176,613</u>	<u>189,306</u>
	<u>\$ 20,672,125</u>	<u>\$ 20,739,036</u>	<u>\$ 21,051,054</u>

a. Asset used by the Group

	Freehold Land	Buildings	Machinery Equipment	Transportation Equipment	Miscellaneous Equipment	Leasehold Improvements	Leased Assets	Construction in Progress and Prepayment for Buildings and Equipment	Total
Cost									
Balance at January 1, 2020	\$ 14,647,146	\$ 9,108,562	\$ 4,607,029	\$ 732,871	\$ 1,487,286	\$ 968,543	\$ -	\$ 231,714	\$ 31,783,151
Additions	-	7,220	43,162	2,104	8,872	1,093	-	5,008	67,459
Disposals	-	-	(6,563)	(3,782)	(5,412)	(9,474)	-	-	(25,231)
Transfers from assets leased under operating leases	-	9,992	-	-	-	-	-	-	9,992
Reclassification	-	153	846	-	-	-	-	(999)	-
Effect of foreign currency exchange differences	-	(5,085)	(980)	(178)	(132)	(172)	-	(2,202)	(8,749)
Balance at March 31, 2020	<u>\$ 14,647,146</u>	<u>\$ 9,120,842</u>	<u>\$ 4,643,494</u>	<u>\$ 731,015</u>	<u>\$ 1,490,614</u>	<u>\$ 959,990</u>	<u>\$ -</u>	<u>\$ 233,521</u>	<u>\$ 31,826,622</u>
Accumulated depreciation and impairment									
Balance at January 1, 2020	\$ -	\$ 4,423,584	\$ 3,948,971	\$ 636,296	\$ 1,336,492	\$ 875,385	\$ -	\$ -	\$ 11,220,728
Disposals	-	-	(6,546)	(3,752)	(5,412)	(9,474)	-	-	(25,184)
Depreciation expense	-	45,751	51,778	9,374	11,081	7,206	-	-	125,190
Transfers from assets leased under operating leases	-	7,990	-	-	-	-	-	-	7,990
Effect of foreign currency exchange differences	-	(515)	(451)	(88)	(105)	(20)	-	-	(1,179)
Balance at March 31, 2020	<u>\$ -</u>	<u>\$ 4,476,810</u>	<u>\$ 3,993,752</u>	<u>\$ 641,830</u>	<u>\$ 1,342,056</u>	<u>\$ 873,097</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,327,545</u>
Carrying amounts at March 31, 2020	<u>\$ 14,647,146</u>	<u>\$ 4,644,032</u>	<u>\$ 649,742</u>	<u>\$ 89,185</u>	<u>\$ 148,558</u>	<u>\$ 86,893</u>	<u>\$ -</u>	<u>\$ 233,521</u>	<u>\$ 20,499,077</u>
Carrying amounts at December 31, 2019 and January 1, 2019	<u>\$ 14,647,146</u>	<u>\$ 4,684,978</u>	<u>\$ 658,058</u>	<u>\$ 96,575</u>	<u>\$ 150,794</u>	<u>\$ 93,158</u>	<u>\$ -</u>	<u>\$ 231,714</u>	<u>\$ 20,562,423</u>
Cost									
Balance at January 1, 2019	\$ 14,677,460	\$ 8,841,768	\$ 4,593,715	\$ 726,071	\$ 1,458,869	\$ 972,308	\$ 908	\$ 629,499	\$ 31,900,598
Adjustments on initial application of IFRS 16	-	-	-	-	-	-	(908)	-	(908)
Balance at January 1, 2019 (restated)	14,677,460	8,841,768	4,593,715	726,071	1,458,869	972,308	-	629,499	31,899,690
Additions	-	8,597	47,676	7,041	10,296	4,933	-	19,365	97,908
Disposals	-	-	(22,053)	(3,282)	(1,864)	-	-	-	(27,199)
Reclassification	-	-	19,228	4,026	1,534	5,971	-	(36,263)	(5,504)
Effect of foreign currency exchange differences	-	6,238	1,399	216	533	1,357	-	14,144	23,887
Balance at March 31, 2019	<u>\$ 14,677,460</u>	<u>\$ 8,856,603</u>	<u>\$ 4,639,965</u>	<u>\$ 734,072</u>	<u>\$ 1,469,368</u>	<u>\$ 984,569</u>	<u>\$ -</u>	<u>\$ 626,745</u>	<u>\$ 31,988,782</u>
Accumulated depreciation and impairment									
Balance at January 1, 2019	\$ -	\$ 4,300,908	\$ 3,937,165	\$ 617,158	\$ 1,307,289	\$ 857,587	\$ 148	\$ -	\$ 11,020,255
Adjustments on initial application of IFRS 16	-	-	-	-	-	-	(148)	-	(148)
Balance at January 1, 2019 (restated)	-	4,300,908	3,937,165	617,158	1,307,289	857,587	-	-	11,020,107
Disposals	-	-	(21,960)	(3,274)	(1,789)	-	-	-	(27,023)
Depreciation expense	-	43,921	55,155	11,261	11,281	9,240	-	-	130,858
Effect of foreign currency exchange differences	-	895	864	120	424	789	-	-	3,092
Balance at March 31, 2019	<u>\$ -</u>	<u>\$ 4,345,724</u>	<u>\$ 3,971,224</u>	<u>\$ 625,265</u>	<u>\$ 1,317,205</u>	<u>\$ 867,616</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,127,034</u>
Carrying amounts at March 31, 2019	<u>\$ 14,677,460</u>	<u>\$ 4,510,879</u>	<u>\$ 668,741</u>	<u>\$ 108,807</u>	<u>\$ 152,163</u>	<u>\$ 116,953</u>	<u>\$ -</u>	<u>\$ 626,745</u>	<u>\$ 20,861,748</u>

b. Assets leased under operating leases

	Buildings
<u>Cost</u>	
Balance at January 1, 2020	\$ 351,452
Transfers from assets used by the Group	<u>(9,992)</u>
Balance at March 31, 2020	<u>\$ 341,460</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2020	\$ 174,839
Depreciation expense	1,563
Transfers from assets used by the Group	<u>(7,990)</u>
Balance at March 31, 2020	<u>\$ 168,412</u>
Carrying amounts at March 31, 2020	<u>\$ 173,048</u>
Carrying amounts at December 31, 2019 and January 1, 2020	<u>\$ 176,613</u>
<u>Cost</u>	
Balance at January 1, 2019	\$ 341,422
Adjustments on initial application of IFRS 16	<u>-</u>
Balance at January 1, 2019 (restated)	<u>341,422</u>
Balance at March 31, 2019	<u>\$ 341,422</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2019	\$ 150,467
Adjustments on initial application of IFRS 16	<u>-</u>
Balance at January 1, 2019 (restated)	150,467
Depreciation expense	<u>1,649</u>
Balance at March 31, 2019	<u>\$ 152,116</u>
Carrying amounts at March 31, 2019	<u>\$ 189,306</u>

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:

	March 31, 2020	December 31, 2019	March 31, 2019
Year 1	\$ 47,866	\$ 23,081	\$ 25,821
Year 2	46,794	19,160	23,290
Year 3	36,928	10,796	10,469
Year 4	28,305	1,883	3,362
Year 5	211	-	-
Year 6 onwards	<u>141</u>	<u>-</u>	<u>-</u>
	<u>\$ 160,245</u>	<u>\$ 54,920</u>	<u>\$ 62,942</u>

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

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

17. LEASE ARRANGEMENTS

a. Right-of-use assets

	March 31, 2020	December 31, 2019	March 31, 2019
<u>Carrying amounts</u>			
Land	\$ 1,609	\$ 1,636	\$ 2,580
Buildings	1,583,402	1,535,387	1,787,833
Machinery equipment	173	289	639
Transportation equipment	69,101	69,160	75,345
Miscellaneous equipment	<u>15,348</u>	<u>13,932</u>	<u>16,658</u>
	<u>\$ 1,669,633</u>	<u>\$ 1,620,404</u>	<u>\$ 1,883,055</u>

	For the Three Months Ended March 31	
	2020	2019
Additions to right-of-use assets	<u>\$ 224,846</u>	<u>\$ 44,101</u>
Depreciation charge for right-of-use assets		
Land	\$ 260	\$ 329
Buildings	155,612	156,173
Machinery equipment	115	116
Transportation equipment	9,228	9,235
Miscellaneous equipment	<u>2,485</u>	<u>2,490</u>
	<u>\$ 167,700</u>	<u>\$ 168,343</u>

In addition to the additions and recognition of depreciation expenses mentioned above, the Group's right-of-use assets did not undergo significant sublease and impairment as of March 31, 2020 and 2019.

b. Lease liabilities

	March 31, 2020	December 31, 2019	March 31, 2019
Carrying amounts	<u>\$ 1,476,145</u>	<u>\$ 1,420,392</u>	<u>\$ 1,657,241</u>

Range of discount rate for lease liabilities was as follows:

	March 31, 2020	December 31, 2019	March 31, 2019
Land	0.91%	0.91%	0.91%
Buildings	0.20%-2.99%	0.20%-2.99%	0.20%-2.99%
Machinery equipment	0.20%-2.89%	0.20%-2.89%	0.20%-0.74%
Transportation equipment	0.53%-3.00%	2.12%-3.00%	2.12%-3.00%
Miscellaneous equipment	0.86%-2.89%	0.86%-2.89%	0.86%-2.82%

c. Material lease-in activities and terms

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

d. Other lease information

	For the Three Months Ended March 31	
	2020	2019
Expenses relating to short-term leases	<u>\$ 6,746</u>	<u>\$ 5,997</u>
Expenses relating to low-value asset leases	<u>\$ 4,788</u>	<u>\$ 7,805</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	<u>\$ 46,807</u>	<u>\$ 40,549</u>
Total cash outflow for leases	<u>\$ (58,341)</u>	<u>\$ (54,350)</u>

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

For the three months ended March 31, 2020, expenses relating to short-term leases also include expenses relating to leases for which the lease terms end on or before March 31, 2020 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 \$17,406 thousand as of March 31, 2020.

18. INVESTMENT PROPERTY

	Completed Investment Property
<u>Cost</u>	
Balance at January 1 and March 31, 2020	<u>\$ 14,247,470</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2020	\$ 374,680
Depreciation expense	<u>1,735</u>
Balance at March 31, 2020	<u>\$ 376,415</u>
Carrying amounts at March 31, 2020	<u>\$ 13,871,055</u>
Carrying amounts at December 31, 2019 and January 1, 2020	<u>\$ 13,872,790</u>
<u>Cost</u>	
Balance at January 1, 2019	\$ 14,097,759
Additions	<u>463</u>
Balance at March 31, 2019	<u>\$ 14,098,222</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2019	\$ 355,383
Depreciation expense	<u>1,688</u>
Balance at March 31, 2019	<u>\$ 357,071</u>
Carrying amounts at March 31, 2019	<u>\$ 13,741,151</u>

Operating leases relate to the investment property owned by the Group with lease terms between 1 and 20 years, with an 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 March 31, 2020 was as follows:

	March 31, 2020	December 31, 2019	March 31, 2019
Year 1	\$ 179,023	\$ 193,607	\$ 226,783
Year 2	163,336	165,533	195,046
Year 3	125,489	120,884	135,580
Year 4	106,582	102,984	108,458
Year 5	97,679	98,343	101,343
Year 6 onwards	<u>339,463</u>	<u>427,070</u>	<u>494,230</u>
	<u>\$ 1,011,572</u>	<u>\$ 1,108,421</u>	<u>\$ 1,261,440</u>

The investment properties are depreciated using the straight-line method over their estimated useful live 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, \$26,959,699 thousand and \$26,696,859 thousand as of March 31, 2020, December 31, 2019 and March 31, 2019, respectively.

All investment properties are own right and interest.

The rental incomes and direct operating expenses generated by the investment property for the three months ended March 31, 2020 and 2019 were as follows:

	For the Three Months Ended March 31	
	<u>2020</u>	<u>2019</u>
Rental incomes	<u>\$ 48,074</u>	<u>\$ 43,349</u>
Direct operating expenses	<u>\$ 25,534</u>	<u>\$ 25,950</u>

19. INTANGIBLE ASSETS

	Computer Software
<u>Cost</u>	
Balance at January 1, 2020	\$ 720,656
Additions	12,650
Amortization expense	(57,945)
Effect of foreign currency exchange differences and others	<u>(731)</u>
Balance at March 31, 2020	<u>\$ 674,630</u>

(Continued)

**Computer
Software**Cost

Balance at January 1, 2019	\$ 731,364
Additions	40,241
Amortization expense	(58,776)
Reclassification	5,504
Effect of foreign currency exchange differences and others	<u>396</u>
Balance at March 31, 2019	<u>\$ 718,729</u> (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

	March 31, 2020	December 31, 2019	March 31, 2019
Refundable deposits	\$ 585,481	\$ 959,061	\$ 236,348
Assumed collateral and residuals	23,462	23,462	23,462
Less: Accumulated impairment	(23,462)	(23,462)	(23,462)
Prepayments	1,301,356	102,413	1,635,633
Others	<u>1,391</u>	<u>1,484</u>	<u>877</u>
	<u>\$ 1,888,228</u>	<u>\$ 1,062,958</u>	<u>\$ 1,872,858</u>

21. DEPOSITS FROM THE CENTRAL BANK AND BANKS

	March 31, 2020	December 31, 2019	March 31, 2019
Deposits from the Central Bank	\$ 23,554	\$ 26,128	\$ 24,538
Deposits from banks	274,299	199,103	22,138,091
Overdrafts on banks	17,872	322,914	874,941
Call loans from banks	119,941,939	101,314,575	91,029,546
Deposits transferred from Chunghwa Post Co., Ltd.	<u>375,211</u>	<u>442,906</u>	<u>663,866</u>
	<u>\$ 120,632,875</u>	<u>\$ 102,305,626</u>	<u>\$ 114,730,982</u>

22. PAYABLES

	March 31, 2020	December 31, 2019	March 31, 2019
Checks issued to payees for clearing	\$ 5,989,001	\$ 6,706,074	\$ 16,853,207
Accounts payable	4,425,287	1,592,510	3,890,830
Accrued expenses	2,579,908	2,343,601	2,873,275
Accrued interests	2,948,939	2,642,908	3,082,968
Acceptances	3,681,713	4,863,813	5,160,000
Others	<u>3,661,247</u>	<u>3,698,004</u>	<u>4,465,668</u>
	<u>\$ 23,286,095</u>	<u>\$ 21,846,910</u>	<u>\$ 36,325,948</u>

23. DEPOSITS AND REMITTANCES

	March 31, 2020	December 31, 2019	March 31, 2019
Checking account deposits	\$ 35,524,091	\$ 40,797,582	\$ 37,020,431
Demand deposits	474,667,860	425,688,524	395,010,868
Time deposits	400,908,328	401,783,691	389,354,897
Negotiable certificates of deposit	4,045,236	6,186,997	5,342,440
Savings account deposits	889,629,708	890,034,856	857,048,784
Remittances	<u>971,292</u>	<u>1,456,553</u>	<u>1,475,160</u>
	<u>\$ 1,805,746,515</u>	<u>\$ 1,765,948,203</u>	<u>\$ 1,685,252,580</u>

24. BANK NOTES PAYABLE

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

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

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

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

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

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

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

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

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

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

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

The Group 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	March 31, 2020	December 31, 2019	March 31, 2019
<u>Hedged financial liabilities at fair value</u>			
103-1 Note A, 7-year term, interest payable annually, interest rate 1.70%, maturity date: April 16, 2021	\$ 2,200,000	\$ 2,200,000	\$ 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	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	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	2,000,000
Valuation adjustment	<u>317,340</u>	<u>261,014</u>	<u>268,558</u>
	<u>8,517,340</u>	<u>8,461,014</u>	<u>8,468,558</u>
<u>Non-hedged bank notes payable</u>			
99-1, No maturity date, interest payable annually, interest rate from first to tenth year is 3.15%, after tenth year is 4.15%	5,000,000	5,000,000	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	1,100,000
100-2, 10-year term, interest payable annually, floating rate, maturity date: April 18, 2021	6,700,000	6,700,000	6,700,000
103-1 Note B, 10-year term, interest payable annually, interest rate 1.85%, maturity date: April 16, 2024	2,300,000	2,300,000	2,300,000
103-1 Note C, 10-year term, interest payable annually, floating rate, maturity date: April 16, 2024	2,500,000	2,500,000	2,500,000
105-1 Note A, 7-year term, interest payable annually, interest rate 1.09%, maturity date: September 27, 2023	2,000,000	2,000,000	2,000,000

(Continued)

Bank Note, Interest Rate and Maturity Date	March 31, 2020	December 31, 2019	March 31, 2019
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	\$ 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	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	8,670,000
107-1, no maturity date, interest payable annually, interest rate 2.66%	7,000,000	7,000,000	7,000,000
107-2, no maturity date, interest payable annually, interest rate 2.30%	3,000,000	3,000,000	3,000,000
108-1, no maturity date, interest payable annually, interest rate 1.90%	<u>5,960,000</u>	<u>5,960,000</u>	<u>-</u>
	<u>47,060,000</u>	<u>47,060,000</u>	<u>41,100,000</u>
	<u>\$ 55,577,340</u>	<u>\$ 55,521,014</u>	<u>\$ 49,568,558</u> (Concluded)

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

	March 31, 2020	December 31, 2019	March 31, 2019
Principal received on structured notes	\$ 2,795,813	\$ 3,495,607	\$ 4,288,918
Appropriations for loans	<u>721,908</u>	<u>779,293</u>	<u>624,938</u>
	<u>\$ 3,517,721</u>	<u>\$ 4,274,900</u>	<u>\$ 4,913,856</u>

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

26. OTHER LIABILITIES

	March 31, 2020	December 31, 2019	March 31, 2019
Advance receipts	\$ 674,081	\$ 672,643	\$ 714,448
Guarantee deposits	2,170,316	1,857,871	2,453,775
Deferred revenue	<u>13,311</u>	<u>12,835</u>	<u>17,077</u>
	<u>\$ 2,857,708</u>	<u>\$ 2,543,349</u>	<u>\$ 3,185,340</u>

27. RESERVE FOR LIABILITIES

	March 31, 2020	December 31, 2019	March 31, 2019
Reserve for employee benefits (Note 28)	\$ 4,098,540	\$ 4,248,254	\$ 4,220,358
Reserve for guarantee liabilities	664,039	626,383	560,094
Reserve for loan commitments	349,379	357,282	318,561
Reserve for decommissioning restoration and rehabilitation costs	60,255	55,603	59,286
Reserve for contingencies	412	-	271
Others	<u>56,388</u>	<u>53,033</u>	<u>31,650</u>
	<u>\$ 5,229,013</u>	<u>\$ 5,340,555</u>	<u>\$ 5,190,220</u>

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

For the Three Months Ended March 31, 2020						
	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	\$ 459,939	\$ 52,207	\$ 28,131	\$ 540,277	\$ 496,421	\$ 1,036,698
Changes from financial instruments recognized at the beginning of the period:						
Transfers to lifetime expected credit losses	(524)	436	-	(88)	-	(88)
Transfers to credit-impaired financial assets	-	(179)	173	(6)	-	(6)
Transfers to 12-month expected credit losses	1,039	(1,341)	-	(302)	-	(302)
Financial assets derecognize for the period	(113,324)	(9,884)	(6,299)	(129,507)	-	(129,507)
Purchase or originated financial assets	118,994	20,635	22,429	162,058	-	162,058
Recognized impairment difference based on the Laws	-	-	-	-	510	510
Changes in exchange rates or others	<u>350</u>	<u>87</u>	<u>6</u>	<u>443</u>	<u>-</u>	<u>443</u>
Ending balance	<u>\$ 466,474</u>	<u>\$ 61,961</u>	<u>\$ 44,440</u>	<u>\$ 572,875</u>	<u>\$ 496,931</u>	<u>\$ 1,069,806</u>

For the Three Months Ended March 31, 2019						
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on IFRS 9	Recognized Impairment Difference Based on the Laws	Total
Beginning balance	\$ 458,177	\$ 26,188	\$ 41,182	\$ 525,547	\$ 433,448	\$ 958,995
Changes from financial instruments recognized at the beginning of the period:						
Transfers to lifetime expected credit losses	(980)	948	-	(32)	-	(32)
Transfers to credit-impaired financial assets	(3)	-	153	150	-	150
Transfers to 12-month expected credit losses	(277)	(33)	-	(310)	-	(310)
Financial assets derecognize for the period	(150,427)	(2,361)	(6,879)	(159,667)	-	(159,667)
Purchase or originated financial assets	85,061	5,955	-	91,016	-	91,016

(Continued)

For the Three Months Ended March 31, 2019

	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on IFRS 9	Recognized Impairment Difference Based on the Laws	Total
Recognized impairment difference based on the Laws	\$ -	\$ -	\$ -	\$ -	\$ 21,384	\$ 21,384
Changes in exchange rates or others	312	(9)	(1,534)	(1,231)	-	(1,231)
Ending balance	<u>\$ 391,863</u>	<u>\$ 30,688</u>	<u>\$ 32,922</u>	<u>\$ 455,473</u>	<u>\$ 454,832</u>	<u>\$ 910,305</u>

(Concluded)

28. RETIREMENT BENEFIT PLANS

Employee benefits expense in respect of the Group's defined benefit retirement plans was calculated using the prior year's actuarially determined pension cost discount rate as of December 31, 2019 and 2018 and the amounts were \$98,663 thousand and \$79,656 thousand for the three months ended March 31, 2020 and 2019, respectively.

29. EQUITY

a. Capital

Common stock

	March 31, 2020	December 31, 2019	March 31, 2019
Shares granted (in thousands)	<u>11,000,000</u>	<u>11,000,000</u>	<u>11,000,000</u>
Capital stock granted	<u>\$ 110,000,000</u>	<u>\$ 110,000,000</u>	<u>\$ 110,000,000</u>
Shares issued and fully paid (in thousands)	<u>9,985,311</u>	<u>9,985,311</u>	<u>9,789,521</u>
Capital stock issued	<u>\$ 99,853,111</u>	<u>\$ 99,853,111</u>	<u>\$ 97,895,207</u>

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

As of January 1, 2019, 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 \$97,895,207 thousand. In August 2019, the Bank resolved its capitalization of earnings and increased its paid-in capital by \$1,957,904 thousand. The amount of the Bank's authorized and registered capital as at December 31, 2019 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 divided into 9,985,311 thousand outstanding shares at \$10 par value.

b. Distribution of earnings and dividend policy

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

policies on distribution of employees' compensation and remuneration of directors after amendment, refer to Note 30 (g) "employees' compensation and remuneration of directors".

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

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

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

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

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

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

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

The appropriations of earnings for 2019 and 2018 were proposed by the board of directors on April 17, 2020 and approved in the stockholders' meetings on June 14, 2019, respectively. The appropriations of earnings and dividends per stock were as follows:

	Appropriation of Earnings	
	For the Three Months Ended	
	March 31	
	2019	2018
Legal reserve	\$ 3,434,160	\$ 3,793,961
Special reserve	-	63,232
Cash dividends	3,994,124	6,265,293
Share dividends	3,994,124	1,957,904
Cash dividends per share (NT\$)	0.40	0.64
Share dividends per share (NT\$)	0.40	0.20

The appropriations of earnings, the bonus of employees, and the remuneration of directors and supervisors for 2019 are subject to the resolution of the stockholders' meeting to be held on June 19, 2020.

c. Special reserve

	March 31, 2020	December 31, 2019	March 31, 2019
Initial application of IFRSs	\$ 11,778,829	\$ 11,778,829	\$ 11,778,829
Others	<u>425,819</u>	<u>425,819</u>	<u>362,587</u>
	<u>\$ 12,204,648</u>	<u>\$ 12,204,648</u>	<u>\$ 12,141,416</u>

30. NET INCOME

a. Net income of interest

	For the Three Months Ended March 31	
	2020	2019
Interest income		
Loans	\$ 6,963,221	\$ 7,299,099
Due from and call loans to banks	733,978	1,555,746
Investment in marketable securities	1,048,621	938,605
Others	<u>50,753</u>	<u>76,787</u>
	<u>8,796,573</u>	<u>9,870,237</u>
Interest expense		
Deposits	(2,965,132)	(3,149,796)
Due to central bank and call loans from banks	(409,101)	(708,220)
Others	<u>(285,217)</u>	<u>(281,232)</u>
	<u>(3,659,450)</u>	<u>(4,139,248)</u>
Net income of interest	<u>\$ 5,137,123</u>	<u>\$ 5,730,989</u>

b. Net service fee income

	For the Three Months Ended March 31	
	2020	2019
Service fee income		
Fees from import and export	\$ 63,328	\$ 78,392
Remittance fees	98,947	114,162
Loan fees	134,057	114,848
Fees from trust	281,473	156,603
Fees from trust business	90,793	71,631
Fees from insurance agency	531,258	597,848
Others	<u>306,847</u>	<u>293,364</u>
	<u>1,506,703</u>	<u>1,426,848</u>
Service charge		
Interbank fees	(39,226)	(40,589)
Fees from trust	(3,715)	(4,410)
Custodian fees	(32,640)	(21,003)
Charges from insurance agency	(50,658)	(61,798)
Others	<u>(157,018)</u>	<u>(134,436)</u>
	<u>(283,257)</u>	<u>(262,236)</u>
Net service fee income	<u>\$ 1,223,446</u>	<u>\$ 1,164,612</u>

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

	For the Three Months Ended March 31	
	2020	2019
Realized gain (loss) on financial assets or liabilities measured at FVTPL		
Stock	\$ (62,488)	\$ 6,474
Bonds	(3,029)	2,106
Derivative financial instruments	662,748	793,335
Net interest loss	<u>14,925</u>	<u>(77,944)</u>
	<u>612,156</u>	<u>723,971</u>
Valuation gain (loss) on financial assets or liabilities measured at FVTPL		
Stock	456	(330)
Bonds	(11,615)	(254,324)
Bills	(1,574)	(775)
Derivative financial instruments	<u>(276,358)</u>	<u>98,219</u>
	<u>(289,091)</u>	<u>(157,210)</u>
	<u>\$ 323,065</u>	<u>\$ 566,761</u>

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

	For the Three Months Ended March 31	
	2020	2019
Stock dividends and bonus	\$ 1,825	\$ 1,610
Disposal gains		
Beneficiary securities	23	-
Bonds	384,135	193,329
Disposal losses		
Beneficiary securities	(43)	(43)
Bonds	<u>(228)</u>	<u>(797)</u>
	<u>\$ 385,712</u>	<u>\$ 194,099</u>

e. Depreciation and amortization expense

	For the Three Months Ended March 31	
	2020	2019
Property and equipment	\$ 126,753	\$ 132,507
Investment property	1,735	1,688
Right-of-use assets	167,700	168,343
Intangible assets and other deferred assets	<u>58,039</u>	<u>58,837</u>
	<u>\$ 354,227</u>	<u>\$ 361,375</u>

f. Employee benefits expenses

	For the Three Months Ended March 31	
	2020	2019
Short-term employee benefits	\$ 2,174,423	\$ 2,350,015
Post-employment benefits		
Defined contribution plans	56,287	46,799
Defined benefit plans (Note 28)	98,663	79,656
High-yield savings account for employees	136,505	129,608
Other post-employment benefits	27,910	2,504
Termination benefits	<u>11,654</u>	<u>6,273</u>
	<u>\$ 2,505,442</u>	<u>\$ 2,614,855</u>

g. Employees' compensation and remuneration of directors

The Bank accrued employees' compensation and remuneration of directors at the rates of 1%-6% and no higher than 0.8%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the three months ended March 31, 2020 and 2019 are as follows:

Accrual rate

	For the Three Months Ended March 31	
	2020	2019
Employees' compensation	5.00%	5.00%
Remuneration of directors	0.40%	0.40%

Amount

	For the Three Months Ended March 31	
	2020	2019
	Cash	Cash
Employees' compensation	\$ 145,000	\$ 193,050
Remuneration of directors	11,400	15,450

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.

The appropriations of employees' compensation and remuneration of directors for 2019 and 2018 having been resolved by the board of directors on March 20, 2020 and March 15, 2019, respectively, were as below:

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

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2019.

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

	For the Year Ended December 31, 2018	
	Employees' Compensation	Remuneration of Directors
Amounts approved in the board of directors' meeting	<u>\$ 777,327</u>	<u>\$ 62,186</u>
Amounts recognized in the annual consolidated financial statements	<u>\$ 777,500</u>	<u>\$ 62,500</u>
Differences	<u>\$ (173)</u>	<u>\$ (314)</u>

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

31. INCOME TAX

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

	For the Three Months Ended March 31	
	2020	2019
Current income tax		
In respect of the current period	\$ 392,013	\$ 508,651
Income tax on unappropriated earnings	1,202	-
Deferred income tax		
In respect of the current period	<u>213,670</u>	<u>131,861</u>
Income tax expense recognized in profit or loss	<u>\$ 606,885</u>	<u>\$ 640,512</u>

- b. Income tax recognized in other comprehensive income

	For the Three Months Ended March 31	
	2020	2019
<u>Deferred tax</u>		
In respect of the current year:		
Exchange differences on translation	\$ 207,091	\$ 40,101
Unrealized (losses) gains of financial assets at FVTOCI	<u>(68,546)</u>	<u>7,866</u>
Total income tax benefit recognized in other comprehensive income	<u>\$ 138,545</u>	<u>\$ 47,967</u>

c. Income tax assessments

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

32. EARNINGS PER SHARE

The computation of earnings per share was retrospectively adjusted for the effects of adjustments resulting from bonus stock issues on August 12, 2019. The basic and diluted after-tax earnings per stock of three months ended March 31, 2019 were adjusted retrospectively as follows:

	Unit: NT\$ Per Share	
	For the Three Months Ended March 31, 2019	
	Before Adjusted Retrospectively	After Adjusted Retrospectively
Basic earnings per stock	<u>\$ 0.32</u>	<u>\$ 0.31</u>
Diluted earnings per stock	<u>\$ 0.32</u>	<u>\$ 0.31</u>

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

	For the Three Months Ended March 31	
	2020	2019
Net profit for the period	<u>\$ 2,492,784</u>	<u>\$ 3,136,281</u>

The weighted average number of common stocks outstanding (in thousands of stock) is as follows:

	For the Three Months Ended March 31	
	2020	2019
Weighted average number of common stock in computation of basic earnings per share	9,985,311	9,985,311
Effect of potentially dilutive common stock:		
Employees' compensation issued	<u>39,428</u>	<u>39,180</u>
Weighted average number of common stock used in the computation of diluted earnings per share	<u>10,024,739</u>	<u>10,024,491</u>

If the Group offered to settle compensation or bonuses paid to employees in cash or stock, the Group assumed the entire amount of the compensation or bonus would be settled in stock and the resulting potential stock were included in the weighted average number of stock outstanding used in the computation of diluted earnings per 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

The description of the goals and procedures of the capital risk management of the Group is the same as the description in the Group's consolidated financial statements for the year ended December 31, 2019.

34. FINANCIAL INSTRUMENTS

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

Fair value of financial instruments not measured at fair value

March 31, 2020

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets</u>					
Financial assets at amortized cost	\$ 294,019,978	\$ 5,598,858	\$ 288,440,215	\$ -	\$ 294,039,073
<u>Financial liabilities</u>					
Bank notes payable	55,577,340	-	8,517,340	49,239,210	57,756,550

December 31, 2019

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

March 31, 2019

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

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

1) Fair value hierarchy

Fair Value Measurement of Financial Instruments	March 31, 2020			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial products</u>				
Assets				
Financial assets at FVTPL	\$ 16,608,561	\$ 250,000	\$ 16,358,561	\$ -
Financial assets mandatorily measured at FVTPL				
Bond investments	1,173,912	-	1,173,912	-
Others	15,434,649	250,000	15,184,649	-
Financial assets at FVTOCI	106,589,160	84,741,750	14,287,057	7,560,353
Stock investments	13,430,656	5,845,303	25,000	7,560,353
Bond investments	87,321,505	73,059,448	14,262,057	-
Others	5,836,999	5,836,999	-	-
<u>Derivative financial products</u>				
Assets				
Financial assets at FVTPL	2,856,981	126,494	2,730,487	-
Other financial assets				
Financial assets for hedging	301,740	-	301,740	-
Liabilities				
Financial liabilities at FVTPL	2,536,673	-	2,536,673	-

Fair Value Measurement of Financial Instruments	December 31, 2019			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial products</u>				
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	-	-
<u>Derivative financial products</u>				
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	March 31, 2019			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial products</u>				
Assets				
Financial assets at FVTPL	\$ 6,432,735	\$ 14,025	\$ 6,418,710	\$ -
Financial assets mandatorily measured at FVTPL				
Stock investments	14,025	14,025	-	-
Bond investments	975,162	-	975,162	-
Others	5,443,548	-	5,443,548	-
Financial assets at FVTOCI	95,753,735	66,612,343	21,708,978	7,432,414
Stock investments	12,798,714	5,366,300	-	7,432,414
Bond investments	79,379,108	57,670,130	21,708,978	-
Others	3,575,913	3,575,913	-	-
Liabilities				
Financial liabilities at FVTPL	9,529,943	-	9,529,943	-
<u>Derivative financial products</u>				
Assets				
Financial assets at FVTPL	2,459,286	202,629	2,256,657	-
Other financial assets				
Financial assets for hedging	261,845	-	261,845	-
Liabilities				
Financial liabilities at FVTPL	1,641,734	-	1,641,734	-

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

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

For the three months ended March 31, 2020

Financial Assets	<u>Financial Assets at FVTOCI Equity Instrument</u>
Beginning balance	\$ 8,000,918
Realized losses on other comprehensive income unrealized gain (loss) on financial assets at FVTOCI	<u>(440,565)</u>
Ending balance	<u>\$ 7,560,353</u>

For the three months ended March 31, 2019

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

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 market price and parameters of listed companies which have similar service attributes.
 - ix. Beneficiary certificates: Closed-end funds use the closing price in an active market as the fair value and open-end funds use the net asset value of the fund as the fair value.
 - x. Derivatives:
 - i) Call/put warrants and stock index futures: Prices quoted from an active market are deemed the fair values.
 - ii) Foreign currency forward contracts, currency swaps, interest rate swaps, cross currency swaps and operating deposits of transactions: Discounted future cash flows are adopted.
 - iii) Options: The Black-Scholes model, binomial tree model and Monte Carlo method are mainly adopted for valuation.
 - iv) Certain derivatives use the quoted price from counterparties.
 - xi. Mixing Tools: The price from the active market, deal brokers and 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 with no 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 March 31, 2020 and 2019, the Group's VaR factors based on historical simulation method were as follows:

For the Three Months Ended March 31, 2020				
	Average	Highest	Lowest	Ending Balance
Exchange VaR	\$ 206,850	\$ 294,687	\$ 146,477	\$ 294,687
Interest rate VaR	9,242	18,690	5,214	18,678
Equity securities VaR	<u>4,548</u>	<u>11,115</u>	<u>-</u>	<u>11,115</u>
Value at risk	<u>\$ 220,640</u>	<u>\$ 324,492</u>	<u>\$ 151,691</u>	<u>\$ 324,480</u>
For the Three Months Ended March 31, 2019				
	Average	Highest	Lowest	Ending Balance
Exchange VaR	\$ 75,646	\$ 107,883	\$ 46,990	\$ 77,374
Interest rate VaR	3,760	5,258	2,307	4,870
Equity securities VaR	<u>3,461</u>	<u>13,489</u>	<u>-</u>	<u>505</u>
Value at risk	<u>\$ 82,867</u>	<u>\$ 126,630</u>	<u>\$ 49,297</u>	<u>\$ 82,749</u>

2) Primary foreign currencies

The significant foreign-currency financial assets and liabilities as of March 31, 2020, December 31, 2019 and March 31, 2019 were as follows:

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	March 31, 2020		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 6,499,343	30.2050	\$ 196,312,655
GBP	46,943	37.2800	1,750,035
AUD	1,144,778	18.6450	21,344,386
HKD	1,688,179	3.8940	6,573,769
CAD	64,958	21.2900	1,382,956
ZAR	4,768,553	1.6800	8,011,169
JPY	51,504,720	0.2784	14,338,914
EUR	663,984	33.2800	22,097,388
RMB	11,901,117	4.2510	50,591,648
<u>Financial liabilities</u>			
Monetary items			
USD	10,307,859	30.2050	311,348,881
GBP	56,542	37.2800	2,107,886
AUD	1,019,533	18.6450	19,009,193

(Continued)

March 31, 2020			
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
HKD	\$ 1,113,160	3.8940	\$ 4,334,645
CAD	73,481	21.2900	1,564,410
ZAR	4,875,860	1.6800	8,191,445
JPY	52,760,172	0.2784	14,688,432
EUR	641,131	33.2800	21,336,840
NZD	76,837	18.2000	1,398,433
RMB	12,840,984	4.2510	54,587,023
Non-monetary items			
USD	2,577	30.2050	77,838
			(Concluded)

(In Thousands of Foreign Currencies/New Taiwan Dollars)

December 31, 2019			
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
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
<u>Financial liabilities</u>			
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

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	March 31, 2019		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 9,930,139	30.8400	\$ 306,245,487
AUD	1,345,454	21.8450	29,391,443
HKD	1,016,562	3.9280	3,993,056
CAD	84,479	22.9600	1,939,638
ZAR	1,559,120	2.1100	3,289,743
JPY	49,401,399	0.2785	13,758,290
EUR	270,243	34.6300	9,358,515
RMB	10,009,987	4.5750	45,795,691
Non-monetary items			
USD	6,042	30.8400	186,335
<u>Financial liabilities</u>			
Monetary items			
USD	9,799,340	30.8400	302,211,646
GBP	32,338	40.3200	1,303,868
AUD	1,242,603	21.8450	27,144,663
HKD	873,014	3.9280	3,429,199
CAD	84,632	22.9600	1,943,151
ZAR	2,534,907	2.1100	5,348,654
JPY	50,819,316	0.2785	14,153,180
EUR	417,929	34.6300	14,472,881
NZD	52,693	20.9200	1,102,338
RMB	11,537,585	4.5750	52,784,451
Non-monetary items			
USD	311,364	30.8400	9,602,466

For the three months ended March 31, 2020 and 2019, net foreign exchange gains (losses) were \$234,623 thousand and \$330,439 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 determined signification increase in credit risk since initial recognition.

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

For this credit risk evaluation, the Group considers corroborative information (including forward-looking information) which indicates a significant increase in credit risk since initial recognition of the credit assets. The key indicators include:

- Quantitative indicators

A change in internal credit rating

The Group classifies each type of credit asset into three categories according to credit quality, internal credit rating and external credit rating (refer to the following table). A financial instrument is determined as having a significant increase in credit risk since initial recognition if its internal credit rating is at the level of 16-18 or if the scoring of a housing loan debtor is lower than 340.

- Qualitative indicators

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

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

ii) Definition of the credit-impaired financial assets

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

- The debtor's payment of the principal or interest is past due for more than 3 months from the end of the credit term; or the Group has already petitioned or withdrawn the debtor's collateral.
- The case has been agreed to be repaid in installments and is exempt from being listed as an overdue loan.
- The case was negotiated and adopted in accordance with the debt negotiation mechanism set by the Association of Banks in 2006.
- The case has been negotiated and agreed upon in accordance with "The Statute for Consumer Debt Clearance" (excluding secured debt fulfilled under the original contractual conditions).
- The case is ruled to undergo restructuring or liquidation by the court.
- The case is ruled to be restricted by the court.
- The case is declared bankrupt by the court.
- The case involves credit accounts of a debtor, excluding credit card accounts, which is partly transferred to class A and B non-performing loans (excluding the sixth item of class B: The credit account is totally guaranteed and the interest payment is not past due during the inheritance period after the death of the debtor and the collateral provider), as well as overdue loans or bad debt loans.
- The case is an enterprise account which has applied for relief from the Ministry of Economic Affairs.
- The case involves a credit account which has an internal credit rating at the level of 19-21.
- The case is a mortgage loan credit account of the Group which has no rating score.
- The case is a credit account which is determined as Stage 3 by the internal or external auditors, or the risk management department of the Group.

iii) Expected credit loss measurement

The Group 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:

	March 31	
	2020	2019
Discounts and Loans	<u>\$ 1,980,690</u>	<u>\$ 1,595,962</u>

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:

March 31, 2020

	Carrying Amount	Maximum Exposure to Credit Risk Mitigated by			Total
		Collateral	Master Netting Arrangement	Other Credit Enhancements	
Discounts and loans	\$ 1,486,949,136	\$ 978,828,611	\$ -	\$ -	\$ 978,828,611
Financial assets at FVTPL	19,465,542	7,514,806	-	-	7,514,806
Investments in debt instruments at FVTOCI	93,158,504	2,359,853	-	-	2,359,853
Investments in debt instruments at amortized cost	294,019,978	400,984	-	-	400,984

December 31, 2019

	Carrying Amount	Maximum Exposure to Credit Risk Mitigated by			Total
		Collateral	Master Netting Arrangement	Other Credit Enhancements	
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

March 31, 2019

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

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

Discounts and Loans				
March 31, 2020				
	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	\$ 856,684,279	\$ 3,713,204	\$ -	\$ 860,397,483
Levels 16-18	-	53,361,935	3,390,233	56,752,168
Levels 19-21	-	-	11,068,067	11,068,067
No rating	<u>555,376,451</u>	<u>1,692,185</u>	<u>1,662,782</u>	<u>558,731,418</u>
Total carrying amount	<u>\$ 1,412,060,730</u>	<u>\$ 58,767,324</u>	<u>\$ 16,121,082</u>	<u>\$ 1,486,949,136</u>
Expected credit losses	\$ 1,733,506	\$ 2,401,389	\$ 6,460,550	\$ 10,595,445
Recognized impairment based on the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts				<u>7,238,361</u>
				<u>\$ 17,833,806</u>

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	<u>535,859,914</u>	<u>2,511,762</u>	<u>1,953,296</u>	<u>540,324,972</u>
Total carrying amount	<u>\$ 1,366,328,215</u>	<u>\$ 64,407,067</u>	<u>\$ 14,152,929</u>	<u>\$ 1,444,888,211</u>
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				<u>8,810,639</u>
				<u>\$ 17,537,264</u>

Discounts and Loans				
March 31, 2019				
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total
Credit rating				
Levels 1-15	\$ 816,673,038	\$ 1,729,146	\$ 36,123	\$ 818,438,307
Levels 16-18	-	50,830,855	3,633,191	54,464,046
Levels 19-21	-	-	7,369,681	7,369,681
No rating	<u>471,116,361</u>	<u>2,272,335</u>	<u>1,855,313</u>	<u>475,244,009</u>
Total carrying amount	<u>\$ 1,287,789,399</u>	<u>\$ 54,832,336</u>	<u>\$ 12,894,308</u>	<u>\$ 1,355,516,043</u>
Expected credit losses	\$ 1,605,661	\$ 1,291,504	\$ 4,663,206	\$ 7,560,371
Recognized impairment based on the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts				<u>9,246,251</u>
				<u>\$ 16,806,622</u>
Guarantee Payments				
March 31, 2020				
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total
Carrying amount	\$ 57,523,119	\$ 570,968	\$ 93,012	\$ 58,187,099
Expected credit losses	163,310	17,150	21,810	202,270
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				
March 31, 2019				
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total
Carrying amount	\$ 46,913,212	\$ 578,431	\$ 94,625	\$ 47,586,268
Expected credit losses	87,667	5,390	23,696	116,753
Loan Commitments				
March 31, 2020				
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total
Carry amount - non-cancellable	\$ 66,401,172	\$ 4,054,604	\$ 28,022	\$ 70,483,798
Carry amount - cancellable	<u>625,057,848</u>	<u>14,355,334</u>	<u>52,914</u>	<u>639,466,096</u>
	<u>\$ 691,459,020</u>	<u>\$ 18,409,938</u>	<u>\$ 80,936</u>	<u>\$ 709,949,894</u>
Expected credit losses - non-cancellable	\$ 73,038	\$ 41,966	\$ 9,327	\$ 124,331
Expected credit losses - cancellable	<u>222,059</u>	<u>361</u>	<u>154</u>	<u>222,574</u>
	<u>\$ 295,097</u>	<u>\$ 42,327</u>	<u>\$ 9,481</u>	<u>\$ 346,905</u>

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	<u>584,231,889</u>	<u>9,654,753</u>	<u>591,910</u>	<u>594,478,552</u>
	<u>\$ 652,304,992</u>	<u>\$ 13,935,387</u>	<u>\$ 591,917</u>	<u>\$ 666,832,296</u>
Expected credit losses - non-cancellable	\$ 79,097	\$ 39,077	\$ 1	\$ 118,175
Expected credit losses - cancellable	<u>237,476</u>	<u>211</u>	<u>154</u>	<u>237,841</u>
	<u>\$ 316,573</u>	<u>\$ 39,288</u>	<u>\$ 155</u>	<u>\$ 356,016</u>

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

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 March 31, 2020, December 31, 2019 and March 31, 2019, the maximum exposure to credit risk (before deducting the guarantees or other credit enhancement instruments and the irrevocably maximum amount of exposure) were as follows:

Financial Instrument Type	March 31, 2020	December 31, 2019	March 31, 2019
Unused loan commitments (excluding credit card)	\$ 70,483,798	\$ 72,353,744	\$ 72,995,108
Credit card commitments	300,945	322,128	239,066
Unused issued letters of credit	22,171,080	21,538,830	25,329,219
Guarantees in guarantee business	58,187,099	53,750,110	47,586,268

e) Situation of credit risk concentration

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

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

Industry Type	March 31, 2020	
	Carrying Amount	Percentage of Item (%)
Financial and insurance	\$ 62,617,173	4
Manufacturing	377,845,764	26
Wholesale and retail	120,057,933	8
Real estate and leasing	118,081,255	8
Service	47,652,362	3
Individuals	488,256,050	33
Others	272,438,599	18
	<u>\$ 1,486,949,136</u>	
Industry Type	December 31, 2019	
	Carrying Amount	Percentage of Item (%)
Financial and insurance	\$ 57,859,637	4
Manufacturing	365,087,003	25
Wholesale and retail	119,352,855	9
Real estate and leasing	116,599,212	8
Service	41,458,147	3
Individuals	480,099,759	33
Others	264,431,598	18
	<u>\$ 1,444,888,211</u>	
Industry Type	March 31, 2019	
	Carrying Amount	Percentage of Item (%)
Financial and insurance	\$ 57,926,102	4
Manufacturing	354,178,807	26
Wholesale and retail	114,417,380	8
Real estate and leasing	102,895,404	8
Service	44,164,232	3
Individuals	445,992,727	33
Others	235,941,391	18
	<u>\$ 1,355,516,043</u>	

	March 31, 2020	
Geographic Location	Carrying Amount	Percentage of Item (%)
Asia	\$ 1,377,277,498	93
America	77,357,700	5
Europe	19,637,957	1
Others	<u>12,675,981</u>	1
	<u>\$ 1,486,949,136</u>	

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

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

	March 31, 2020	
Securities Type	Carrying Amount	Percentage of Item (%)
Unsecured	\$ 508,120,524	34
Secured		
Properties	841,278,356	57
Others	<u>137,550,256</u>	9
	<u>\$ 1,486,949,136</u>	

Securities Type	December 31, 2019	
	Carrying Amount	Percentage of Item (%)
Unsecured	\$ 482,636,189	33
Secured		
Properties	823,464,467	57
Others	<u>138,787,555</u>	10
	<u>\$ 1,444,888,211</u>	
Securities Type	March 31, 2019	
	Carrying Amount	Percentage of Item (%)
Unsecured	\$ 451,409,991	33
Secured		
Properties	767,830,700	57
Others	<u>136,275,352</u>	10
	<u>\$ 1,355,516,043</u>	

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

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

4) Liquidity risk management

a) The definition of liquidity risk

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

b) Liquidity risk management procedures

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

As of March 31, 2020 and 2019, the ratio of the liquidity reserve were 21.60% and 16.88%, respectively. Since the capital and working funds are deemed sufficient to meet the cash flow needs for performance of all contracted obligations, liquidity risk is not considered to be significant.

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

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

(In Thousands of New Taiwan Dollars)

Item	March 31, 2020					
	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	\$ 15,369,129	\$ -	\$ -	\$ -	\$ -	\$ 15,369,129
Due from the Central Bank and call loans to banks	68,372,767	3,710,275	4,505,632	6,484,284	26,683,485	109,756,443
Financial assets at FVTPL	15,509,992	-	-	-	-	15,509,992
Receivables	25,077,742	775,120	644,996	213,935	1,503,863	28,215,656
Discounts and loans	107,088,294	126,712,580	150,589,067	205,066,116	667,725,506	1,257,181,563
Investments in equity instruments designated at FVTOCI	-	-	-	-	13,430,656	13,430,656
Investments in debt instruments at FVTOCI	-	400,637	752,230	201,871	22,793,164	24,147,902
Investments in debt instruments at amortized cost	144,500,000	14,104,929	32,535,000	45,575,000	8,888,959	245,603,888
Other maturity funds inflow items	-	-	-	-	14,124,024	14,124,024
	<u>375,917,924</u>	<u>145,703,541</u>	<u>189,026,925</u>	<u>257,541,206</u>	<u>755,149,657</u>	<u>1,723,339,253</u>
Major maturity fund outflows						
Deposits from the Central Bank and banks	129,240	9,443	147,848	218,369	-	504,900
Due to the Central Bank and banks	15,060,000	15,000	-	-	-	15,075,000
Securities sold under repurchase agreements	779,009	1,051,648	-	-	-	1,830,657
Payables	20,941,227	1,084,196	1,295,862	632,388	1,215,016	25,168,689
Deposits and remittances	107,944,663	114,233,639	138,834,558	200,451,459	824,124,791	1,385,589,110
Bank notes payable	-	5,000,000	-	1,100,000	49,160,000	55,260,000
Other maturity fund outflow items	60,206	93,185	85,454	276,906	5,752,652	6,268,403
	<u>144,914,345</u>	<u>121,487,111</u>	<u>140,363,722</u>	<u>202,679,122</u>	<u>880,252,459</u>	<u>1,489,696,759</u>
Gap	\$ 231,003,579	\$ 24,216,430	\$ 48,663,203	\$ 54,862,084	\$ (125,102,802)	\$ 233,642,494

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

(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
	<u>320,705,702</u>	<u>146,353,471</u>	<u>146,765,219</u>	<u>264,304,066</u>	<u>764,255,265</u>	<u>1,642,383,723</u>
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
	<u>140,691,376</u>	<u>126,608,101</u>	<u>131,664,125</u>	<u>201,444,314</u>	<u>842,178,093</u>	<u>1,442,586,009</u>
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	March 31, 2019					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Major maturity fund inflows						
Cash and cash equivalents	\$ 28,523,267	\$ -	\$ -	\$ -	\$ -	\$ 28,523,267
Due from the Central Bank and call loans to banks	24,319,257	3,708,289	4,555,537	6,471,564	28,705,086	67,759,733
Financial assets at FVTPL	5,563,375	-	-	-	-	5,563,375
Receivables	16,290,810	709,181	804,027	192,611	274,600	18,271,229
Discounts and loans	105,138,706	121,324,804	113,017,024	162,938,505	620,272,630	1,122,691,669
Investments in equity instruments designated at FVTOCI	-	-	-	-	12,798,714	12,798,714
Investments in debt instruments at FVTOCI	-	500,945	200,781	2,105,577	18,017,634	20,824,937
Investments in debt instruments at amortized cost	137,600,000	9,174,363	23,249,697	24,599,080	12,937,145	207,560,285
Other maturity funds inflow items	-	-	-	-	26,934,480	26,934,480
	<u>317,435,415</u>	<u>135,417,582</u>	<u>141,827,066</u>	<u>196,307,337</u>	<u>719,940,289</u>	<u>1,510,927,689</u>
Major maturity fund outflows						
Deposits from the Central Bank and banks	339,565	9,837	297,878	163,781	-	811,061
Due to the Central Bank and banks	8,905,000	15,000	-	-	-	8,920,000
Securities sold under repurchase agreements	1,122,360	1,304,770	-	-	-	2,427,130
Payables	30,917,116	1,112,563	1,417,182	632,322	1,232,333	35,311,516
Deposits and remittances	99,552,342	111,166,852	137,120,221	194,792,041	743,066,010	1,285,697,466
Bank notes payable	-	-	-	-	49,300,000	49,300,000
Other maturity fund outflow items	31,901	46,470	68,956	288,472	5,877,098	6,312,897
	<u>140,868,284</u>	<u>113,655,492</u>	<u>138,904,237</u>	<u>195,876,616</u>	<u>799,475,441</u>	<u>1,388,780,070</u>
Gap	\$ <u>176,567,131</u>	\$ <u>21,762,090</u>	\$ <u>2,922,829</u>	\$ <u>430,721</u>	\$ <u>(79,535,152)</u>	\$ <u>122,147,619</u>

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

(In Thousands of United States Dollars)

Item	March 31, 2020					
	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	\$ 122,816	\$ 100,000	\$ -	\$ -	\$ -	\$ 222,816
Due from the Central Bank and call loans to banks	1,283,265	878,510	68,672	22,366	3,522	2,256,335
Financial assets at FVTPL	36,370	-	-	-	-	36,370
Receivables	476,147	84,104	150,881	34,385	3,839	749,356
Discounts and loans	872,192	608,651	683,206	345,970	3,260,952	5,770,971
Investments in debt instruments designated at FVTOCI	15,007	4,999	27,055	43,651	975,490	1,066,202
Investments in debt instruments at amortized cost	2,999	9,495	22,979	15,508	110,943	161,924
Other maturity fund inflow items	-	-	220,000	600,000	11,556	831,556
	<u>2,808,796</u>	<u>1,685,759</u>	<u>1,172,793</u>	<u>1,061,880</u>	<u>4,366,302</u>	<u>11,095,530</u>
Major maturity fund outflows						
Deposits from the Central Bank and banks	17,270	914	1,370	2,740	85	22,379
Due to the Central Bank and banks	2,207,734	716,000	120,000	20,000	-	3,063,734
Payables	903,195	48,898	9,092	7,995	1,181	970,361
Deposits and remittances	2,098,639	2,096,167	1,467,139	2,085,291	3,143,582	10,890,818
Other maturity fund outflow items	33,900	1,394	2,146	12,441	56,586	106,467
	<u>5,260,738</u>	<u>2,863,373</u>	<u>1,599,747</u>	<u>2,128,467</u>	<u>3,201,434</u>	<u>15,053,759</u>
Gap	\$ <u>(2,451,942)</u>	\$ <u>(1,177,614)</u>	\$ <u>(426,954)</u>	\$ <u>(1,066,587)</u>	\$ <u>1,164,868</u>	\$ <u>(3,958,229)</u>

Note: The amounts listed above were the position in U.S. 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
	<u>3,721,386</u>	<u>1,922,348</u>	<u>883,408</u>	<u>1,008,765</u>	<u>4,164,501</u>	<u>11,700,408</u>
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
Payables	813,101	48,488	10,068	6,836	1	878,494
Deposits and remittances	2,354,485	2,223,801	1,549,521	1,705,462	3,196,569	11,029,838
Other maturity fund outflow items	49,723	1,179	1,571	6,167	63,244	121,884
	<u>5,051,380</u>	<u>3,005,991</u>	<u>1,561,944</u>	<u>1,720,033</u>	<u>3,259,899</u>	<u>14,599,247</u>
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	March 31, 2019					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Major maturity fund inflows						
Cash and cash equivalents	\$ 377,360	\$ 300,070	\$ -	\$ -	\$ -	\$ 677,430
Due from the Central Bank and call loans to banks	2,463,309	1,252,970	217,931	52,194	3,434	3,989,838
Financial assets at FVTPL	28,189	-	-	-	-	28,189
Receivables	624,087	169,821	149,706	8,729	15,442	967,785
Discounts and loans	652,736	778,818	444,013	371,486	3,489,205	5,736,258
Investments in debt instruments designated at FVTOCI	5,221	-	24,095	81,006	1,102,600	1,212,922
Investments in debt instruments at amortized cost	4,087	-	-	10,990	271,878	286,955
Other maturity fund inflow items	5,000	-	425,000	800,000	3,085	1,233,085
	<u>4,159,989</u>	<u>2,501,679</u>	<u>1,260,745</u>	<u>1,324,405</u>	<u>4,885,644</u>	<u>14,132,462</u>
Major maturity fund outflows						
Deposits from the Central Bank and banks	708,370	5,697	1,046	2,090	85	717,288
Due to the Central Bank and banks	1,589,558	340,000	13,000	-	-	1,942,558
Financial liabilities at FVTPL	-	-	-	309,012	-	309,012
Securities sold under repurchase agreements	-	39,155	-	-	-	39,155
Payables	714,728	32,758	7,050	6,320	2,143	762,999
Deposits and remittances	1,831,866	1,895,031	1,506,116	1,755,251	2,777,277	9,765,541
Other maturity fund outflow items	48,334	1,216	74	10,953	98,854	159,431
	<u>4,892,856</u>	<u>2,313,857</u>	<u>1,527,286</u>	<u>2,083,626</u>	<u>2,878,359</u>	<u>13,695,984</u>
Gap	\$ (732,867)	\$ 187,822	\$ (266,541)	\$ (759,221)	\$ 2,007,285	\$ 436,478

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

d) Maturity analysis of derivative financial assets and liabilities

The derivative instruments held by the Group, except for interest rate swaps with leveraging effects, have very little probabilities of failing to be sold with reasonable prices in the market, and thus have very low liquidity risks.

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

Item	March 31, 2020					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Foreign currency derivative instruments						
Outflows	\$ 121,892,256	\$ 378,848,715	\$ 93,049,345	\$ 71,531,472	\$ -	\$ 665,321,788
Inflows	122,010,468	379,021,665	93,283,158	71,701,140	-	666,016,431
Interest rate derivative instruments						
Outflows	516	-	3,102,300	7,250,020	15,315	10,368,151
Inflows	72,139	-	3,037,360	7,249,200	-	10,358,699
Others						
Outflows	-	-	-	-	-	-
Inflows	28,749	-	-	-	-	28,749
Total outflows	\$ 121,892,772	\$ 378,848,715	\$ 96,151,645	\$ 78,781,492	\$ 15,315	\$ 675,689,939
Total inflows	\$ 122,111,356	\$ 379,021,665	\$ 96,320,518	\$ 78,950,340	\$ -	\$ 676,403,879

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

e) Maturity analysis of off-balance sheet items

Bank's off-balance-sheet items - irrevocable loans, guarantees, and letters of credit - presented based on the residual time from the balance sheet date to the maturity date were as follows:

(In Thousands of New Taiwan Dollars)

Item	March 31, 2020					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	\$ 58,120,594	\$ 1,175,074	\$ 782,340	\$ 2,121,059	\$ 8,284,731	\$ 70,483,798
Credit card commitments	-	33	8,629	18,756	273,527	300,945
Letters of credit issued yet unused	22,065,465	105,615	-	-	-	22,171,080
Guarantees	57,169,106	57,886	134,220	773,240	52,647	58,187,099
	\$ 137,355,165	\$ 1,338,608	\$ 925,189	\$ 2,913,055	\$ 8,610,905	\$ 151,142,922

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

35. OTHER DISCLOSURES OF FINANCIAL INSTITUTION

a. Asset quality

Item		March 31, 2020					March 31, 2019				
		Non-performing Loans (Note a)	Loans	Non-performing Loans Ratio (Note b)	Allowance for Loan Losses	Coverage Ratio (Note c)	Non-performing Loans (Note a)	Loans	Non-performing Loans Ratio (Note b)	Allowance for Loan Losses	Coverage Ratio (Note c)
Corporate finance	Secured	\$ 2,898,774	\$ 490,441,183	0.59%	\$ 5,608,518	193.48%	\$ 2,886,049	\$ 457,814,231	0.63%	\$ 5,544,125	192.10%
	Unsecured	273,734	494,906,062	0.06%	5,569,946	2,034.80%	321,970	434,901,489	0.07%	5,117,564	1,589.45%
Consumer finance	Mortgage loans (Note d)	602,397	290,820,959	0.21%	4,402,816	730.88%	799,253	264,264,085	0.30%	4,021,248	503.13%
	Cash cards (Note h)	-	-	-	-	-	-	-	-	-	-
	Credit loans (Note e)	5,704	1,791,421	0.32%	20,472	358.91%	3,876	1,527,930	0.25%	18,560	478.84%
	Others (Note f)	Secured	849,047	194,091,091	0.44%	1,992,026	234.62%	685,116	179,051,824	0.38%	1,836,712
Unsecured		2,923	1,552,579	0.19%	17,144	586.52%	3,655	1,148,887	0.32%	13,624	372.75%
Total		4,632,579	1,473,603,295	0.31%	17,610,922	380.15%	4,699,919	1,338,708,446	0.35%	16,551,833	352.17%

Item		March 31, 2020					March 31, 2019				
		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		\$ 5,123	\$ 1,771,063	0.29%	\$ 21,280	415.38%	\$ 5,809	\$ 1,798,508	0.32%	\$ 23,155	398.61%
No recourse receivable factoring (Note g)		-	7,913,350	-	129,134	-	-	11,513,990	-	115,140	-

Note a: Non-performing loans are classified in accordance with the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past Due/Non-performing Loans and Bad Debts issued by the MOF. Non-performing loans of credit cards are defined in the Letter issued by the Banking Bureau on July 6, 2005 (Ref. No. Jin-Guan-Yin (4) 0944000378).

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

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

Note d: Mortgage loans are for borrowers to build or repair buildings, allowing the borrowers, their spouses or their minor children to fully use their buildings as collateral and to mortgage their rights to financial institutions.

Note e: Credit loans are defined in the Letter issued by the Banking Bureau on December 19, 2005 (Ref. No. Jin-Guan-Yin (4) 09440010950), excluding credit loans of credit cards and cash cards.

Note f: The other consumer financial businesses are defined as secured or unsecured consumer financial businesses, excluding mortgage loans, cash cards, credit loans and credit cards.

Note g: In accordance with the Letter issued by the Banking Bureau on July 19, 2005 (Ref. No. Jin-Guan-Yin (5) 094000494) non-recourse receivable factorings are not defined as non-performing loans until compensation from factors or insurance companies are ascertained to be non-recoverable.

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

Item Business Type	March 31, 2020		March 31, 2019	
	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)	\$ -	\$ 878	\$ -	\$ 1,278
Negotiated accounts receivable transacted in accordance with the agreement and exempted from reporting as non-performing receivables (Note b)	469	20,019	537	17,609
Total	469	20,897	537	18,887

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

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

b. Concentration of credit risk

March 31, 2020			
Rank (Note a)	Transaction Party (Note b)	Loans (Note c)	As Proportion of Net Equity (%) (Note d)
1	A Group (airline industry)	\$ 26,031,008	16.05
2	B Corporation (railway transportation industry)	25,074,410	15.46
3	C Group (synthesis construction industry)	20,461,000	12.62
4	D Group (concrete manufacturing industry)	19,161,933	11.82
5	E Group (steel smelting industry)	16,878,727	10.41
6	F Group (enterprise general management agency)	9,427,208	5.81
7	G Group (steel manufacturing industry)	6,997,562	4.32
8	H Group (LCD panel and components manufacturing industry)	6,675,144	4.12
9	I Group (real estate development industry)	6,336,163	3.91
10	J Group (electric wire and cable manufacturing industry)	6,127,744	3.78

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

Note a: Sorted by the balance of loans on March 31, 2020 and 2019, 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	March 31, 2020				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 1,407,604,986	\$ 82,098,738	\$ 53,969,063	\$ 105,043,111	\$ 1,648,715,898
Interest-sensitive liabilities	321,913,089	947,970,221	101,485,741	49,102,823	1,420,471,874
Interest sensitivity gap	1,085,691,897	(865,871,483)	(47,516,678)	55,940,288	228,244,024
Net equity					141,046,315
Ratio of interest-sensitive assets to liabilities					116.07%
Ratio of interest sensitivity gap to net equity					161.82%

(In Thousands of New Taiwan Dollars; %)

Item	March 31, 2019				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 1,249,555,078	\$ 65,461,954	\$ 42,818,732	\$ 90,194,009	\$ 1,448,029,773
Interest-sensitive liabilities	312,904,130	852,965,933	93,471,916	47,839,250	1,307,181,229
Interest sensitivity gap	936,650,948	(787,503,979)	(50,653,184)	42,354,759	140,848,544
Net equity					136,193,294
Ratio of interest-sensitive assets to liabilities					110.77%
Ratio of interest sensitivity gap to net equity					103.42%

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

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

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

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

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

Item	March 31, 2020				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 10,765,985	\$ 1,115,743	\$ 657,219	\$ 292,204	\$ 12,831,151
Interest-sensitive liabilities	13,246,479	1,440,415	1,798,840	78	16,485,812
Interest sensitivity gap	(2,480,494)	(324,672)	(1,141,621)	292,126	(3,654,661)
Net equity					517,048
Ratio of interest-sensitive assets to liabilities					77.83%
Ratio of interest sensitivity gap to net equity					(706.83%)

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

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

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

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

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

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

d. Profitability

Item		March 31, 2020	March 31, 2019
Return on total assets	Pretax	0.14%	0.18%
	After tax	0.12%	0.15%
Return on net equity	Pretax	1.91%	2.38%
	After tax	1.54%	1.98%
Profit margin		33.44%	38.95%

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

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

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

Note d: Profitability presented above is cumulative from January 1 to March 31 of 2020 and 2019, respectively.

e. Maturity analysis of assets and liabilities

(In Thousands of New Taiwan Dollars)

	Total	March 31, 2020					
		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	\$ 2,063,148,303	\$ 212,749,867	\$ 188,938,366	\$ 393,677,755	\$ 205,546,976	\$ 273,113,760	\$ 789,121,579
Major maturity cash outflows	2,643,942,314	123,575,961	143,347,368	517,453,289	317,975,602	492,894,694	1,048,695,400
Gap	(580,794,011)	89,173,906	45,590,998	(123,775,534)	(112,428,626)	(219,780,934)	(259,573,821)

(In Thousands of New Taiwan Dollars)

	Total	March 31, 2019					
		Period Remaining until Due Date and Amount Due					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year
Major maturity cash inflows	\$ 1,712,776,994	\$ 177,737,978	\$ 173,861,205	\$ 259,508,377	\$ 155,735,320	\$ 203,983,674	\$ 741,950,440
Major maturity cash outflows	2,261,092,280	103,102,328	129,509,949	318,087,575	282,988,796	465,898,839	961,504,793
Gap	(548,315,286)	74,635,650	44,351,256	(58,579,198)	(127,253,476)	(261,915,165)	(219,554,353)

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

(In Thousands of U.S. Dollars)

	Total	March 31, 2020				
		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	\$ 23,427,344	\$ 7,237,699	\$ 6,070,738	\$ 3,276,489	\$ 2,477,177	\$ 4,365,241
Major maturity cash outflows	28,028,902	8,367,643	6,053,675	3,503,318	5,007,424	5,096,842
Gap	(4,601,558)	(1,129,944)	17,063	(226,829)	(2,530,247)	(731,601)

(In Thousands of U.S. Dollars)

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

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

f. Trust accounts

Under article 3 of the Trust Law, the Group can offer trust services. The items and amounts of trust accounts as of March 31, 2020 and 2019 were as follows:

	March 31	
	2020	2019
Special purpose trust accounts - domestic	\$ 31,515,525	\$ 29,511,760
Special purpose trust accounts - foreign	69,458,985	75,570,423
Insurance trust	10,775	10,713
Retirement and breeds trust	418,531	322,492
Umbilical cord blood trust	12,120,535	11,383,770
Money claim and guarantee trust	57,800	61,800
Marketable securities trust	997,063	738,348
Real estate trust	25,185,388	18,919,815
Securities under custody	249,159,028	142,784,534
Other money trust	<u>3,188,685</u>	<u>2,230,959</u>
	<u>\$ 392,112,315</u>	<u>\$ 281,534,614</u>

36. RELATED-PARTY TRANSACTIONS

a. Related parties and their relationships with the Bank

<u>Name</u>	<u>Relationship</u>
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
Ritdisplay 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 March 31, 2020	\$ 31,727,036	2.16
Balance as of December 31, 2019	31,515,937	2.21
Balance as of March 31, 2020	29,458,750	2.20

For the three months ended March 31, 2020 and 2019, interest ranged from 0.63% to 3.67% and from 0.63% to 4.35% and interest income amounted to \$155,575 thousand and \$147,574 thousand, respectively.

	March 31, 2020					Collateral	Difference in Terms Between Related Parties and Non-related Parties
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral		
<u>Consumer loans</u>							
32 accounts	\$ 16,402	\$ 17,245	\$ 16,402	\$ -	Credit		None
<u>Self-use residential mortgage loans</u>							
226 accounts	1,458,934	1,518,829	1,458,934	-	Real estate		None
<u>Others</u>							
Taiwan High Speed Rail Corporation	24,971,433	25,742,437	24,971,433	-	Credit and station equipment		None
Yang Ming Marine Transport Corporation	2,338,000	2,878,000	2,338,000	-	Credit and ship		None
CSBC Corporation	1,000,000	3,515,936	1,000,000	-	Credit		None
Unity Opto Technology Co., Ltd.	746,047	1,051,361	746,047	-	Credit, land and plant		None
Powertec Electronical Corporation	668,002	1,131,383	668,002	-	Credit and plant		None
United Renewable Energy Co., Ltd.	100,000	100,000	100,000	-	Credit		None
Other - corporation 10 accounts (Note 1)	426,716	714,331	426,716	-	Credit and fund guarantee and real estate		None
Other - individual 3 accounts (Note 2)	1,501	1,506	1,501	-	Deposit		None
December 31, 2019							
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral		Difference in Terms Between Related Parties and Non-related Parties
<u>Consumer loans</u>							
37 accounts	\$ 18,234	\$ 19,552	\$ 18,234	\$ -	Credit		None
<u>Self-use residential mortgage loans</u>							
222 accounts	1,480,928	1,524,348	1,480,928	-	Real estate		None
<u>Others</u>							
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

(Continued)

December 31, 2019							Difference in Terms Between Related Parties and Non-related Parties
Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral			
Powertec Electrical Corporation	\$ 666,383	\$ 666,383	\$ 666,383	\$ -	Credit and plant	None	
CSBC Corporation	500,000	672,483	500,000	-	Credit	None	
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)

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

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

Note 2: The balance of every single entity is 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 1.01%, 1.26% and 1.26% in March 31, 2020, December 31, 2019 and March 31, 2019, respectively. The interest rates and other terms provided to the other related parties are the same as those offered to the public.

2) Guaranteed loans

March 31, 2020					
	Ending Balance	Highest Amount	Reserve for Guarantee Liabilities	Interest Rate (Per Annum %)	Collateral
CSBC Corporation	\$ 2,010,650	\$ 2,010,650	\$ 20,107	0.65	None
Yang Ming Marine Transport Corporation	1,511,100	1,511,100	15,111	0.80-1.00	None
Adimmune Corporation	18,367	18,457	184	1.80	Pledged demand deposit
Kaoshiung Rapid Transit Corporation	6,000	21,327	60	0.50	None

	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

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

3) Deposits

	Balance	Percentage of Loans (%)
Balance as of March 31, 2020	\$ 10,860,663	0.60
Balance as of December 31, 2019	9,078,174	0.51
Balance as of March 31, 2019	4,859,668	0.29

For the three months ended March 31, 2020 and 2019, the interest rates intervals were between 0.00% and 13.00%; the interest expense was \$44,895 thousand and \$13,502 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)

Name	Department	Currency	March 31, 2020		
			Ending Balance	Interest Rate (Per Annum %)	Interest Income
Land Bank	DBU	NTD	\$ 6,010,000	0.08-0.67	\$ 902
	OBU	USD	85,000	0.35-2.35	1,034
	New York Branch	USD	20,000	2.6	3
Taiwan Business Bank	Hong Kong Branch	USD	60,000	1.85-2.38	426
	New York Branch	USD	10,000	2.7	1
	Hong Kong Branch	USD	15,000	1.29-2.37	104

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

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

Call loans from banks

(In Thousands of Original Currencies)

March 31, 2020					
Name	Department	Currency	Ending Balance	Interest Rate (Per Annum %)	Interest Expense
Taiwan Business Bank	Singapore Branch	SGD	\$ 6,000	0.70-2.20	\$ 35
	London Branch	GBP	5,000	1.00-1.05	13

December 31, 2019					
Name	Department	Currency	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

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

5) Due from banks and deposits from banks

Due from banks

(In Thousands of New Taiwan Dollars)

Name	Department	Currency	March 31, 2020	December 31, 2019	March 31, 2019
			Ending Balance	Ending Balance	Ending Balance
Land Bank	DBU	NTD	\$ 1	\$ 2	\$ 5
Taiwan Business Bank	DBU	NTD	190	819	764

Deposits from banks

(In Thousands of Original Currencies)

Name	Department	Currency	March 31, 2020	December 31, 2019	March 31, 2019
			Ending Balance	Ending Balance	Ending Balance
Land Bank	DBU	NTD	\$ 277	\$ 277	\$ 277
The Export-Import Bank	DBU	NTD	792	3,536	964
Taishin International Bank	New York Branch	USD	67	67	64

c. Compensation of directors and management personnel

	For the Three Months Ended March 31	
	2020	2019
Short-term employee benefits	\$ 12,716	\$ 12,272
Post-employment benefits	<u>406</u>	<u>403</u>
	<u>\$ 13,122</u>	<u>\$ 12,675</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

d. Others

The Bank signed two-year information system service contracts of \$2,000 thousand and \$46 thousand on April 8, 2020 and April 30, 2020, with its subsidiaries Chang Hua Commercial Bank, Ltd. and Chang Hwa Bank Venture Capital Co., Ltd., respectively.

37. PLEDGED ASSETS

The summary of the Group's pledged assets as of March 31, 2020, December 31, 2019 and March 31, 2019 is as follows:

Pledged Assets	Description	March 31, 2020	December 31, 2019	March 31, 2019
Investments in debt instruments at FVTOCI	Bonds	\$ 1,031,210	\$ 988,004	\$ 988,686
Investments in debt instruments at amortized cost	Bonds and certificates of deposit	41,571,793	41,389,970	41,608,197
Time deposits with original maturities of more than 3 months	Time deposits	2,763,150	2,577,000	2,745,000
Refundable deposits	Cash	585,481	959,061	236,348

38. CONTINGENT LIABILITIES AND COMMITMENTS

- a. In addition to those mentioned in Note 7, the Group had the following contingent liabilities and commitments as of March 31, 2020, December 31, 2019 and March 31, 2019:

	March 31, 2020	December 31, 2019	March 31, 2019
Trust liabilities	\$ 392,112,315	\$ 363,432,974	\$ 281,534,614
Unused loan commitments (excluding credit cards)	70,483,798	72,353,744	72,995,108
Credit card commitments	300,945	322,128	239,066
Unused issued letters of credit	22,171,080	21,538,830	25,329,219
Guarantees issued in guarantee business	58,187,099	53,750,110	47,586,268
Repayment notes and times deposit held for custody	14,522,823	13,910,771	13,842,024
Liabilities on joint loans	807,111	915,013	825,649

The unrecognized commitments for purchase, as well as the commitments for construction, appointment and security as of March 31, 2020 were \$458,101 thousand, \$65,419 thousand, \$517,857 thousand and \$100,553 thousand, respectively.

- b. TDK Corporation filed a legal proceeding against the Bank for damages 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. The oral argument session had concluded on January 14, 2020, and the judgement procedure was held on May 11, 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 three months ended March 31, 2020	None
2	Acquisition of fixed assets over NT\$300 million or 10% of outstanding capital for the three months ended March 31, 2020	None
3	Disposal of fixed assets over NT\$300 million or 10% of outstanding capital for the three months ended March 31, 2020	None
4	Discount on fees income from related parties over NT\$5 million	None
5	Receivables from related parties over NT\$300 million or 10% of outstanding capital as of March 31, 2020	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 March 31, 2020	Table 2
5	Accumulated purchases and sales balance of specific marketable security over NT\$300 million or 10% of outstanding capital for the three months ended March 31, 2020	None
6	Acquisition of property, plant and equipment over NT\$300 million or 10% of outstanding capital for the three months ended March 31, 2020	None
7	Disposal of property, plant and equipment over NT\$300 million or 10% of outstanding capital for the three months ended March 31, 2020	None
8	Receivables from related parties over NT\$300 million or 10% of outstanding capital as of March 31, 2020	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 3.

d. Intercompany relationships and significant intercompany transactions: Table 4.

e. Information of major shareholders: The name of the shareholder, shareholding amount and ratio of shareholders with a shareholding ratio more than 5%. (Table 5)

40. SEGMENT INFORMATION

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

a. Segment revenue and results

	For the Three Months Ended March 31, 2020						Total
	Loans	Deposits and Remittances	Financial Instruments and Investments	Wealth Management	Overseas Branch and Subsidiaries	Others	
Net interest income	\$ 3,224,763	\$ 1,353,008	\$ (272,421)	\$ -	\$ 836,725	\$ (4,952)	\$ 5,137,123
Net service fee income	291,448	58,690	(8,286)	847,056	34,538	-	1,223,446
Net income on financial instrument	-	-	921,083	-	68,419	-	989,502
Others	3,996	-	130	-	40,108	60,007	104,241
Net revenue and gains	<u>3,520,207</u>	<u>1,411,698</u>	<u>640,306</u>	<u>847,056</u>	<u>979,790</u>	<u>55,055</u>	<u>7,454,312</u>
Bad debts expense and commitment and guarantee liability provision	(176,973)	-	160	-	(395,309)	-	(572,122)
Operating expense	-	-	-	-	-	-	(3,782,521)
Income before income tax	<u>\$ 3,343,234</u>	<u>\$ 1,411,698</u>	<u>\$ 640,666</u>	<u>\$ 847,056</u>	<u>\$ 584,481</u>	<u>\$ 55,055</u>	<u>\$ 3,099,669</u>
	For the Three Months Ended March 31, 2019						Total
	Loans	Deposits and Remittances	Financial Instruments and Investments	Wealth Management	Overseas Branch and Subsidiaries	Others	
Net interest income	\$ 3,199,752	\$ 1,595,032	\$ 6,658	\$ -	\$ 933,107	\$ (3,560)	\$ 5,730,989
Net service fee income	287,399	64,753	(6,814)	775,130	44,144	-	1,164,612
Net income on financial instrument	-	-	1,151,654	-	(46,663)	-	1,104,991
Others	2,961	-	260	-	753	48,181	52,155
Net revenue and gains	<u>3,490,112</u>	<u>1,659,785</u>	<u>1,151,758</u>	<u>775,130</u>	<u>931,341</u>	<u>44,621</u>	<u>8,052,747</u>
Bad debts expense and commitment and guarantee liability provision	(353,271)	-	(64)	-	(20,677)	-	(374,012)
Operating expense	-	-	-	-	-	-	(3,901,942)
Income before income tax	<u>\$ 3,136,841</u>	<u>\$ 1,659,785</u>	<u>\$ 1,151,694</u>	<u>\$ 775,130</u>	<u>\$ 910,664</u>	<u>\$ 44,621</u>	<u>\$ 3,776,793</u>

The reported revenue and results on the segment information reported did not include inter-segment revenue for the three months ended March 31, 2020 and 2019.

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

b. Segment total assets and liabilities

		March 31, 2020						
		Loans	Deposits and Remittances	Financial Instruments and Investments	Wealth Management	Oversea Branch and Subsidiaries	Others	Total
Assets		<u>\$ 1,362,226,326</u>	<u>\$ -</u>	<u>\$ 568,558,785</u>	<u>\$ -</u>	<u>\$ 182,598,498</u>	<u>\$ 80,211,695</u>	<u>\$ 2,193,595,304</u>
Liabilities		<u>\$ 2,281,427</u>	<u>\$ 1,766,402,582</u>	<u>\$ 105,325,570</u>	<u>\$ -</u>	<u>\$ 118,364,626</u>	<u>\$ 39,079,824</u>	<u>\$ 2,031,454,029</u>
		December 31, 2019						
		Loans	Deposits and Remittances	Financial Instruments and Investments	Wealth Management	Oversea Branch and Subsidiaries	Others	Total
Assets		<u>\$ 1,326,659,864</u>	<u>\$ (4,568,155)</u>	<u>\$ 545,994,568</u>	<u>\$ -</u>	<u>\$ 180,075,839</u>	<u>\$ 87,481,087</u>	<u>\$ 2,135,643,203</u>
Liabilities		<u>\$ 1,838,190</u>	<u>\$ 1,724,514,160</u>	<u>\$ 89,311,827</u>	<u>\$ -</u>	<u>\$ 119,325,088</u>	<u>\$ 38,416,743</u>	<u>\$ 1,973,406,008</u>
		March 31, 2019						
		Loans	Deposits and Remittances	Financial Instruments and Investments	Wealth Management	Oversea Branch and Subsidiaries	Others	Total
Assets		<u>\$ 1,232,611,607</u>	<u>\$ -</u>	<u>\$ 563,314,180</u>	<u>\$ -</u>	<u>\$ 193,484,117</u>	<u>\$ 96,824,418</u>	<u>\$ 2,086,234,322</u>
Liabilities		<u>\$ 2,232,277</u>	<u>\$ 1,641,794,646</u>	<u>\$ 92,021,013</u>	<u>\$ -</u>	<u>\$ 136,328,314</u>	<u>\$ 53,055,679</u>	<u>\$ 1,925,431,929</u>

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES' NAMES AND LOCATIONS

FOR THE THREE MONTHS ENDED MARCH 31, 2020

(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 March 31, 2020	End of December 31, 2019	Stock	Ownership Interest (%)	Book Value			
Chang Hwa Bank	Chang Hua Commercial Bank, Ltd. Chang Hwa Bank Venture Capital Co., Ltd.	China Taiwan	Banking Venture capital	\$ 12,117,288 600,000	\$ 12,117,288 600,000	Note 60,000,000	100 100	\$ 12,604,515 575,914	\$ 147,761 (2,705)	\$ 147,761 (2,705)	

Note: Limited company organization.

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

FOR THE THREE MONTHS ENDED MARCH 31, 2020

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities (Note 1)	Relationship with the Holding Company (Note 2)	Financial Statement Account	March 31, 2020				Note
				Number of Shares	Carrying Amount (Note 3)	Percentage of Ownership (%)	Fair Value	
Chang Hwa Bank Venture Capital Co., Ltd.	Tigerair Taiwan Co., Ltd.	-	Financial assets at fair value through other comprehensive income	1,000,000	\$ 25,000	0.5	\$ 25,000	
	Cheng Mei Instrument Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income	790,000	15,800	3.0	15,800	

Note 1: The securities referred to in this table refer to stocks, bonds, beneficiary certificates and securities derived from the above items within the scope of IFRS 9 "Financial Instruments".

Note 2: If the issuer of securities is not a related party, this column is exempt.

Note 3: As measured by fair value, fill in the balance of book value after adjustment of the fair value evaluation and deduct the allowance loss. If not measured by fair value, fill in the amortized cost (after allowance loss has been deducted) of the book balance.

CHANG HWA COMMERCIAL BANK, LTD.

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE THREE MONTHS ENDED MARCH 31, 2020
(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, 2020	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2020	Net Income (Loss) of the Investee (Note 2)	% of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of March 31, 2020	Accumulated Repatriation of Investment Income as of March 31, 2020	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)	\$ 147,761	100	\$ 147,761	\$ 12,604,515	\$ -	

2.

Accumulated Outward Remittance for Investment in Mainland China March 31, 2020	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)	\$ 24,321,191

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

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

Note 2: Equity in the profit (loss):

- a. If the entity is still in the preparation stage and there is no equity in profit (loss), the condition should be noted.
- b. The basis of recognizing equity in profit (loss) is categorized in the following three types and each entity should be noted according to its condition.
 - 1) Financial statements audited (reviewed) by international accounting firms that cooperate with the accounting firms in the ROC.
 - 2) Financial statements audited (reviewed) by the Taiwan-based parent company's CPA.
 - 3) Others.

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

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

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2020**

(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	\$ 27,479	Same as normal customers	-
		Chang Hua Commercial Bank, Ltd.	a.	Cash and cash equivalents	216,892	Same as normal customers	0.01
		Chang Hua Commercial Bank, Ltd.	a.	Other financial assets	4,251,000	Same as normal customers	0.19
		Chang Hua Commercial Bank, Ltd.	a.	Interest income	29,877	Same as normal customers	0.40
		Chang Hua Commercial Bank, Ltd.	a.	Receivables	34,178	Same as normal customers	-
		Chang Hwa Bank Venture Capital Co., Ltd.	a.	Deposits and remittances	536,036	Same as normal customers	0.02
		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	338	Same as normal customers	-
		Chang Hwa Bank Venture Capital Co., Ltd.	a.	Net non-interest income	330	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.

TABLE 5**CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS
FOR THE THREE MONTHS ENDED MARCH 31, 2020**

Name of Major Shareholders	Shares	
	Number of Shares (In Thousand)	Percentage of Ownership (%)
Taishin Financial Holding Co., Ltd.	2,251,307	22.54
Ministry of Finance	1,217,508	12.19
Chunghwa Post Co., Ltd.	597,795	5.98

Note: The main shareholder information in this table is calculated by the insurance company on the last business day at the end of the quarter, and the total number of ordinary shares and special shares held by the shareholders who have completed the delivery of the Company without physical registration (including treasury shares) is more than 5%. The share capital recorded in the Company's consolidated financial statement and the actual number of shares delivered without physical registration may be different due to the basis of preparation and calculation.