Chang Hwa Commercial Bank, Ltd. and Subsidiaries

Consolidated Financial Statements for the Six Months Ended June 30, 2020 and 2019 and Independent Auditors' Report

Deloitte.

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Chang Hwa Commercial Bank, Ltd. (the "Bank") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of June 30, 2020, December 31, 2019 and June 30, 2019, the consolidated statements of comprehensive income for the three months ended June 30, 2020 and 2019 and for the six months ended June 30, 2020 and 2019, the consolidated statements of changes in equity and cash flows for the six months ended June 30, 2020 and 2019, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of June 30, 2020, December 31, 2019 and June 30, 2019, and its consolidated financial performance for the three months ended June 30, 2020 and 2019 and for the six months ended June 30, 2020 and 2019, and its consolidated cash flows for the six months ended June 30, 2020 and 2019 in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and International Accounting Standards 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the six months ended June 30, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The following is the description of the key audit matter in the audit of the consolidated financial statements of the Group for the six months ended June 30, 2020.

Impairment Assessment of Loans

Loans are the most important assets of the Group. As of June 30, 2020, the balance of the Group's loans totaled $1,491,585,277 thousand, accounting for 68% of the Group's total consolidated assets. The Group assessed the impairment on loans in accordance with IFRS 9 and complied with relevant regulations in recognizing allowance for loans. As the assessment of the impairment on the aforementioned assets involves the management's critical judgments, estimations and assumptions, we considered the impairment assessment on loans as a key audit matter. Refer to Notes 4, 5 and 12 to the Group's consolidated financial statements for related information.

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

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

Other Matter

We have also audited the financial statements of Chang Hwa Commercial Bank, Ltd. as of and for the six months ended June 30, 2020 and 2019 on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the six months ended June 30, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

August 27, 2020

<u>*Notice to Readers*</u>

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

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

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	June 30, 2020		December 31, 2019		June 30, 2019	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Cash and cash equivalents (Notes 4, 6 and 36)	$ 24,856,067	1	$ 32,418,679	1	$ 36,726,593	2
Due from the Central Bank and call loans to banks (Notes 4, 6 and 36)	163,425,448	7	166,917,091	8	192,584,090	9
Financial assets at fair value through profit or loss (Notes 4, 7, 34 and 37)	15,475,352	1	11,483,389	1	9,090,275	-
Financial assets at fair value through other comprehensive income (Notes 4, 8, 34 and 37)	112,222,291	5	116,296,139	5	119,838,867	6
Financial assets for hedging (Notes 4 and 13)	287,633	-	247,375	-	274,930	-
Investments in debt instruments at amortized cost (Notes 4, 5, 9, 34 and 37)	310,472,192	14	276,058,976	13	270,058,863	13
Receivables, net (Notes 4, 11 and 12)	19,294,449	1	23,201,037	1	26,581,243	1
Current tax assets (Notes 4 and 31)	421,689	-	207,520	-	428,800	-
Discounts and loans, net (Notes 4, 5, 12, 35 and 36)	1,491,585,277	68	1,427,350,947	67	1,383,680,944	65
Other financial assets, net (Notes 4, 14 and 37)	29,651,778	1	40,133,881	2	44,118,016	2
Property and equipment, net (Notes 4 and 16)	20,658,287	1	20,739,036	1	20,826,641	1
Right-of-use assets, net (Notes 4 and 17)	1,616,428	-	1,620,404	-	1,683,998	-
Investment property, net (Notes 4 and 18)	13,869,321	1	13,872,790	1	13,876,266	1
Intangible assets, net (Notes 4 and 19)	696,655	-	720,656	-	686,740	-
Deferred tax assets (Notes 4 and 31)	3,512,935	-	3,312,325	-	2,991,120	-
Other assets, net (Notes 20 and 37)	1,464,966	-	1,062,958	-	723,066	-
TOTAL	$ 2,209,510,768	100	$ 2,135,643,203	100	$ 2,124,170,452	100
LIABILITIES AND EQUITY						
Deposits from the Central Bank and banks (Notes 4, 21 and 36)	$ 128,866,444	6	$ 102,305,626	5	$ 132,528,924	6
Due to the Central Bank and banks (Note 6)	4,104,720	-	-	-	-	-
Financial liabilities at fair value through profit or loss (Notes 4 and 7)	5,100,749	-	4,247,279	-	12,143,306	1
Securities sold under repurchase agreements (Note 4)	1,847,351	-	1,547,291	-	2,181,233	-
Payables (Notes 4, 22 and 29)	30,982,452	2	21,846,910	1	39,781,092	2
Current tax liabilities (Notes 4 and 31)	748,731	-	507,880	-	839,995	-
Deposits and remittances (Notes 4, 23 and 36)	1,800,588,160	82	1,765,948,203	83	1,700,423,094	80
Bank notes payable (Notes 4, 24 and 34)	54,603,505	3	55,521,014	3	55,543,886	3
Other financial liabilities (Notes 4 and 25)	2,994,609	-	4,274,900	-	4,988,942	-
Reserve for liabilities (Notes 4, 5 and 27)	5,189,304	-	5,340,555	-	5,135,825	-
Lease liabilities (Notes 4 and 17)	1,426,202	-	1,420,392	-	1,475,283	-
Deferred tax liabilities (Notes 4 and 31)	8,535,529	-	7,902,609	-	7,482,402	1
Other liabilities (Notes 4, 16 and 26)	2,441,983	-	2,543,349	-	3,375,327	-
Total liabilities	2,047,429,739	93	1,973,406,008	92	1,965,899,309	93
EQUITY (Notes 4, 29 and 31)						
Capital stock						
Common stock	99,853,111	5	99,853,111	5	97,895,207	5
Reserve for capitalization	3,994,124	-	-	-	1,957,904	-
Retained earnings						
Legal reserve	38,266,789	2	34,832,629	2	34,832,629	2
Special reserve	12,204,648	-	12,204,648	1	12,204,648	-
Unappropriated earnings	4,286,190	-	11,458,160	-	6,029,219	-
Other equity	3,476,167	-	3,888,647	-	5,351,536	-
Total equity	162,081,029	7	162,237,195	8	158,271,143	7
TOTAL	$ 2,209,510,768	100	$ 2,135,643,203	100	$ 2,124,170,452	100

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

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
INTEREST INCOME (Notes 4, 30 and 36)	$ 7,376,742	105	$ 10,121,734	127	$ 16,173,315	112	$ 19,991,971	125
INTEREST EXPENSE (Notes 30 and 36)	(2,788,943)	(40)	(4,168,845)	(52)	(6,448,393)	(45)	(8,308,093)	(52)
NET INCOME OF INTEREST	4,587,799	65	5,952,889	75	9,724,922	67	11,683,878	73
NET NON-INTEREST INCOME (LOSS)								
Net service fee income (Notes 4 and 30)	1,064,739	15	1,132,370	14	2,288,185	16	2,296,982	14
Gain (loss) on financial assets or liabilities measured at fair value through profit or loss (Notes 4, 7 and 30)	842,495	12	233,595	3	1,165,560	8	800,356	5
Realized gain (loss) on financial assets at fair value through other comprehensive income (Notes 4 and 30)	451,539	7	270,873	3	837,251	6	464,972	3
Gain (loss) arising from derecognition of financial assets at amortized cost	16	-	-	-	16	-	-	-
Foreign exchange gain (loss) (Notes 4 and 34)	(1,564)	-	290,906	4	233,059	1	621,345	4
Net other non-interest income (loss) (Note 13)	87,348	1	65,355	1	237,691	2	131,202	1
Net non-interest income (loss)	2,444,573	35	1,993,099	25	4,761,762	33	4,314,857	27
NET REVENUE AND GAINS	7,032,372	100	7,945,988	100	14,486,684	100	15,998,735	100
BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION (Notes 4 and 12)	(845,009)	(12)	(621,107)	(8)	(1,417,131)	(10)	(995,119)	(6)
OPERATING EXPENSES								
Employee benefits expense (Notes 4 and 30)	(2,699,536)	(38)	(2,654,236)	(33)	(5,204,978)	(36)	(5,269,091)	(33)
Depreciation and amortization expenses (Notes 4 and 30)	(350,043)	(5)	(356,203)	(5)	(704,270)	(5)	(717,578)	(5)
Other general and administrative expenses	(1,020,828)	(15)	(1,043,905)	(13)	(1,943,680)	(13)	(1,969,617)	(12)
Total operating expenses	(4,070,407)	(58)	(4,054,344)	(51)	(7,852,928)	(54)	(7,956,286)	(50)
INCOME BEFORE INCOME TAX	2,116,956	30	3,270,537	41	5,216,625	36	7,047,330	44
INCOME TAX EXPENSE (Notes 4 and 31)	(363,962)	(5)	(407,755)	(5)	(970,847)	(7)	(1,048,267)	(6)
NET INCOME	1,752,994	25	2,862,782	36	4,245,778	29	5,999,063	38

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CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX								
Items that will not be reclassified to profit or loss, net of tax:								
Revaluation gains (losses) on investments in equity instruments measured at fair value through other comprehensive income	$ 2,226,700	32	$ 609,601	8	$ 432,839	3	$ 1,345,928	8
Changes in fair value of financial liabilities attributable to changes in credit risk of liabilities	-	-	(154)	-	-	-	(918)	-
Items that will be reclassified to profit or loss, net of tax:								
Exchange differences on translation (Note 4)	(730,104)	(10)	49,095	1	(810,177)	(6)	300,774	2
Revaluation gains (losses) on investments in debt instruments measured at fair value through other comprehensive income	669,411	9	237,979	3	122,526	1	396,802	2
(Impairment loss) reversal of impairment loss on investments in debt instruments measured at fair value through other comprehensive income	4,455	-	8,558	-	(24,885)	-	14,941	-
Income tax related to items that will be reclassified to profit or loss (Notes 4 and 31)	10,422	-	(33,818)	(1)	(128,123)	(1)	(81,785)	-
Other comprehensive income (loss), net of tax	2,180,884	31	871,261	11	(407,820)	(3)	1,975,742	12
TOTAL COMPREHENSIVE INCOME	$ 3,933,878	56	$ 3,734,043	47	$ 3,837,958	26	$ 7,974,805	50
NET PROFIT ATTRIBUTABLE TO:								
Owners of the Parent	$ 1,752,994	25	$ 2,862,782	36	$ 4,245,778	29	$ 5,999,063	38
Non-controlling interests	$ -	-	$ -	-	$ -	-	$ -	-
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owners of the Parent	$ 3,933,878	56	$ 3,734,043	47	$ 3,837,958	26	$ 7,974,805	50
Non-controlling interests	$ -	-	$ -	-	$ -	-	$ -	-
EARNINGS PER SHARE (Note 32)								
Basic	$ 0.17		$ 0.28		$ 0.41		$ 0.58	
Diluted	$ 0.17		$ 0.28		$ 0.41		$ 0.58	

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

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars, Except Shares of Capital Stock)

	Equity Attributable to Owners of the Bank									
	Capital Stock			Retained Earnings			Other Equity			
	Common Stock (In Thousand)	Amount	Reserve for Capitalization	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Financial Statements	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 Liability	Total Equity
BALANCE AT JANUARY 1, 2019	9,789,521	$ 97,895,207	$ -	$ 31,038,668	$ 12,141,416	$ 12,091,349	$ (614,793)	$ 4,008,966	$ 818	$ 156,561,631
Appropriation of 2018 earnings										
Legal reserve appropriated	-	-	-	3,793,961	-	(3,793,961)	-	-	-	-
Special reserve appropriated	-	-	-	-	63,232	(63,232)	-	-	-	-
Cash dividends	-	-	-	-	-	(6,265,293)	-	-	-	(6,265,293)
Stock dividends	-	-	1,957,904	-	-	(1,957,904)	-	-	-	-
Net income for the six months ended June 30, 2019	-	-	-	-	-	5,999,063	-	-	-	5,999,063
Other comprehensive income (loss) for the six months ended June 30, 2019, net of tax	-	-	-	-	-	-	226,160	1,750,500	(918)	1,975,742
Total comprehensive income (loss) for the six months ended June 30, 2019	-	-	-	-	-	5,999,063	226,160	1,750,500	(918)	7,974,805
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	-	19,197	-	(19,197)	-	-
BALANCE AT JUNE 30, 2019	9,789,521	$ 97,895,207	$ 1,957,904	$ 34,832,629	$ 12,204,648	$ 6,029,219	$ (388,633)	$ 5,740,269	$ (100)	$ 158,271,143
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
Appropriation of 2019 earnings										
Legal reserve appropriated	-	-	-	3,434,160	-	(3,434,160)	-	-	-	-
Cash dividends	-	-	-	-	-	(3,994,124)	-	-	-	(3,994,124)
Stock dividends	-	-	3,994,124	-	-	(3,994,124)	-	-	-	-
Net income for the six months ended June 30, 2020	-	-	-	-	-	4,245,778	-	-	-	4,245,778
Other comprehensive income (loss) for the six months ended June 30, 2020, net of tax	-	-	-	-	-	-	(972,420)	564,600	-	(407,820)
Total comprehensive income (loss) for the six months ended June 30, 2020	-	-	-	-	-	4,245,778	(972,420)	564,600	-	3,837,958
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	-	4,660	-	(4,660)	-	-
BALANCE AT JUNE 30, 2020	9,985,311	$ 99,853,111	$ 3,994,124	$ 38,266,789	$ 12,204,648	$ 4,286,190	$ (2,615,023)	$ 6,091,190	$ -	$ 162,081,029

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

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

	For the Six Months Ended June 30	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before income tax	$ 5,216,625	$ 7,047,330
Non-cash (income and gains) or expenses and losses		
Expected credit loss recognized on trade receivables	1,417,131	995,119
Depreciation expense	585,803	607,677
Amortization expense	118,467	109,901
Interest income	(16,173,315)	(19,991,971)
Dividend income	(255,077)	(255,742)
Interest expense	6,448,393	8,308,093
Net gain on financial assets or liabilities at fair value through profit or loss	(276,414)	(887,414)
Gain on disposal of investments	(582,174)	(210,430)
Unrealized foreign exchange (gains) losses	(889,146)	87,060
Other adjustments	(171,792)	(30,028)
Changes in operating assets and liabilities		
(Increase) decrease in due from the Central Bank	(13,710,332)	13,704,855
Increase in financial assets at fair value through profit or loss	(4,088,148)	(2,093,826)
Decrease in receivables	2,950,718	3,559,393
Increase in discounts and loans	(65,859,504)	(48,059,019)
Decrease (increase) in financial assets at fair value through other comprehensive income	5,186,502	(25,932,567)
Increase in investments in debt instruments at amortized cost	(34,413,216)	(2,002,585)
Decrease in other financial assets	10,559,500	10,927,214
(Increase) decrease in other assets	(394,900)	91,903
Decrease in deposits from the Central Bank and banks	(16,114)	(28,515,493)
Increase in deposits and remittances	34,639,957	10,841,982
Increase (decrease) in payables	5,643,442	(3,187,797)
Increase in financial liabilities at fair value through profit or loss	2,074,724	5,787,616
Decrease in reserve for liabilities	(200,525)	(244,666)
(Decrease) increase in other financial liabilities	(1,280,291)	602,520
(Decrease) increase in other liabilities	(94,625)	575,673
Cash flows used in operations	(63,564,311)	(68,165,202)
Interest received	17,489,046	20,080,954
Dividends received	108,887	106,863
Interest paid	(6,957,713)	(8,260,267)
Income taxes paid	(425,809)	(271,675)
Net cash flows used in operating activities	(53,349,900)	(56,509,327)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(189,884)	(169,180)
Proceeds from disposal of property and equipment	-	10
Acquisition of intangible assets	(96,323)	(57,600)

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CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

	For the Six Months Ended June 30 2020	For the Six Months Ended June 30 2019
Acquisition of right-of-use assets	$ -	$ (116,141)
Acquisition of investment properties	-	(1,203)
Net cash flows used in investing activities	(286,207)	(344,114)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in due to the Central Bank and banks	30,681,652	48,005,876
Proceeds from issuing bank notes	4,040,000	5,960,000
Repayments of bank notes	(5,000,000)	-
Increase (decrease) in securities sold under repurchase agreement	300,060	(3,104,657)
Repayments of the principal portion of lease liabilities	(340,015)	(308,793)
Net cash flows generated from financing activities	29,681,697	50,552,426
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(810,177)	300,774
NET DECREASE IN CASH AND CASH EQUIVALENTS	(24,764,587)	(6,000,241)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	135,910,391	179,641,968
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 111,145,804	$ 173,641,727

	June 30 2020	June 30 2019
Reconciliation of cash and cash equivalents		
Cash and cash equivalents in the balance sheets	$ 24,856,067	$ 36,726,593
Call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	86,289,737	136,915,134
Cash and cash equivalents at end of period	$ 111,145,804	$ 173,641,727

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

1. ORGANIZATION AND BUSINESS SCOPE

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

The Bank mainly engages in the following business:

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

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

2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Bank's board of directors on August 27, 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.

   1) 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.

2) Amendment to IFRS 16 “Covid-19-Related Rent Concessions”

The Group elected to apply the practical expedient provided in the amendment to IFRS 16 with respect to rent concessions negotiated with the lessor as a direct consequence of the COVID-19. Related accounting policies are stated in Note 4. Before the application of the amendment, the Group was required to determine whether the abovementioned rent concessions are lease modifications and thus have to be accounted for as lease modifications.

The Group applied the amendment from January 1, 2020. Retrospective application of the amendment has no impact on the retained earnings as of January 1, 2020.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
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, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts–Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

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

Note 2: The amendments to IFRS 9 are applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” are applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” are applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

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 and IAS 34 as endorsed and issued into effect by the FSC. Disclosure information included in these consolidated financial statements is less than the disclosure information required in a complete set of annual consolidated financial statements.

Basis of Preparation

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

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

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

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

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

Basis of Consolidation

The consolidated financial statements incorporate the financial statement of the Bank and the entities controlled by the Bank (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 Bank.

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.

c. Leases

The Group negotiates with the lessor for rent concessions as a direct consequence of the Covid-19 to change the lease payments originally due by June 30, 2021, that results in the revised consideration for the lease less than the consideration for the lease immediately preceding the change. There is no substantive change to other terms and conditions. The Group elects to apply the practical expedient to all of these rent concessions, and therefore, does not assess whether the rent concessions are lease modifications. Instead, the Group recognizes the reduction in lease payment in profit or loss in the period in which the events or conditions that trigger the concession occurs, and makes a corresponding adjustment to the lease liability.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The Group considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods. Refer to the summary of critical accounting judgement and key sources of estimation uncertainty in the Group's financial statements for the year ended December 31, 2019.

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

a. Cash and cash equivalents

	June 30, 2020	December 31, 2019	June 30, 2019
Cash on hand	$ 12,059,063	$ 18,315,646	$ 11,308,494
Checks for clearing	2,996,457	3,559,426	16,948,213
Due from banks	8,011,350	9,012,687	6,793,484
Foreign currencies on hand	1,789,197	1,530,920	1,676,402
	$ 24,856,067	$ 32,418,679	$ 36,726,593

Refer to the consolidated statement of cash flows for the cash and cash equivalents reconciliation information as of June 30, 2020 and 2019. Cash and cash equivalents as of December 31, 2019 as shown in the 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	103,491,712
	$ 135,910,391

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

	June 30, 2020	December 31, 2019	June 30, 2019
Call loans to banks	$ 86,289,737	$ 103,491,712	$ 136,915,134
Reserve for checking accounts	25,096,191	11,299,268	5,726,829
Reserve for demand accounts	46,030,245	44,349,154	43,495,453
Reserve for foreign deposits	505,910	469,765	487,720
Others	5,503,365	7,307,192	5,958,954
	$ 163,425,448	$ 166,917,091	$ 192,584,090

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.

c. Due to the Central Bank and banks

	June 30, 2020	December 31, 2019	June 30, 2019
Other dues to the Central Bank	$ 4,104,720	$ -	$ -

The Group set aside $30,000,000 thousand in the reserve account B in accordance with the Central Bank's regulations on capital requirements as a response to the COVID-19.

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	June 30, 2020	December 31, 2019	June 30, 2019
Financial assets mandatorily classified at FVTPL			
Derivative financial assets (not under hedge accounting)			
Futures	$ 130,418	$ 114,919	$ 273,613
Forward exchange contracts	103,129	140,099	37,566
Interest rate swaps	662,702	468,855	869,442
Cross-currency swaps	26,538	21,671	42,142
Currency swaps	1,944,850	2,135,583	1,986,474
Currency call option premiums	78,287	59,098	47,877
Non-derivative financial assets			
Investment in bills	11,136,737	7,560,413	4,826,489
Domestic listed stock	38,330	75,046	36,844
Mutual funds	265,750	-	-
Government bonds	5,713	5,678	5,709
Corporate bonds	1,082,898	902,027	964,119
	$ 15,475,352	$ 11,483,389	$ 9,090,275

The par values of notes provided for transactions with repurchase agreements were $447,700 thousand, $247,000 thousand and $534,100 thousand, as of June 30, 2020, December 31, 2019 and June 30, 2019, respectively.

Financial Liabilities at FVTPL

	June 30, 2020	December 31, 2019	June 30, 2019
Financial liabilities designated at FVTPL	$ -	$ -	$ 9,757,742
Financial liabilities held for trading			
Derivative financial liabilities (not applying hedge accounting)			
Forward contracts	39,661	32,285	76,071
Interest rate swaps	664,016	465,546	615,408
Cross-currency swaps	304,123	128,427	17,472
Currency swaps	4,014,647	3,561,915	1,628,706
Currency put option premiums	78,302	59,106	47,907
	5,100,749	4,247,279	2,385,564
	$ 5,100,749	$ 4,247,279	$ 12,143,306

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 bank notes as financial liabilities at FVTPL to reduce the inconsistency of measurement or recognition.

The Group entered into derivative contracts during the six months ended June 30, 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 June 30, 2020, December 31, 2019 and June 30, 2019 were as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Currency swaps	$ 594,762,172	$ 544,771,238	$ 393,209,920
Currency options	20,086,775	18,546,651	23,984,631
Forward exchange contracts	14,186,967	13,833,533	14,601,122
Interest rate swaps	260,674,599	338,302,150	414,339,160
Cross-currency swaps	10,013,000	7,497,500	3,727,200

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	June 30, 2020	December 31, 2019	June 30, 2019
Investments in equity instruments at FVTOCI			
Domestic listed stock	$ 7,595,554	$ 6,400,568	$ 6,877,964
Domestic unquoted stock	8,760,787	8,050,548	7,489,414
	16,356,341	14,451,116	14,367,378
Investments in debt instruments at FVTOCI			
Government bonds	20,653,738	28,085,689	16,569,521
Corporate bonds	25,586,513	20,083,472	27,499,056
Bank notes	42,454,854	50,566,442	52,176,803
Bonds issued by international organizations	2,662,346	2,020,092	3,581,973
Beneficiary and asset-based securities	3,453,079	-	3,045,293
Investments in bills	1,055,420	1,089,328	2,598,843
	95,865,950	101,845,023	105,471,489
	$ 112,222,291	$ 116,296,139	$ 119,838,867

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

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

b. The par values of bonds provided for transactions with repurchase agreements were $1,268,900 thousand, $1,178,600 thousand and $1,490,700 thousand as of June 30, 2020, December 31, 2019 and June 30, 2019, respectively.

c. Government bonds placed as deposits in courts amounted to $301,100 thousand, $335,700 thousand and $333,200 thousand as of June 30, 2020, December 31, 2019 and June 30, 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 $148,783 thousand, $152,304 thousand and $158,260 thousand as of June 30, 2020, December 31, 2019 and June 30, 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

	June 30, 2020	December 31, 2019	June 30, 2019
Investments in bills	$ 302,030,771	$ 262,797,272	$ 254,316,814
Bank notes	3,852,685	6,710,913	7,171,382
Corporate bonds	147,171	2,943,223	6,207,479
Government bonds	4,441,565	3,607,568	2,363,188
	$ 310,472,192	$ 276,058,976	$ 270,058,863

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 $235,550 thousand, $89,970 thousand and $310,484 thousand as of June 30, 2020, December 31, 2019 and June 30, 2019, respectively.

c. Certificates of deposit placed as reserves for clearing at the Central Bank amounted to $36,000,000 thousand; certificates of deposit which were issued by Central Bank and pledged for call loans from banks amounted to $5,300,000 thousand as of June 30, 2020, December 31, 2019 and June 30, 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.

June 30, 2020

	At FVTOCI	At Amortized Cost	Total
Gross carrying amount	$ 95,529,575	$ 310,474,600	$ 406,004,175
Less: Allowance for impairment loss	(35,479)	(2,408)	(37,887)
Amortized cost	95,494,096	$ 310,472,192	405,966,288
Adjustment to fair value	371,854		371,854
	$ 95,865,950		$ 406,338,142

December 31, 2019

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

June 30, 2019

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

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
Performing	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows.	12-month ECLs
Doubtful	There has been a significant increase in credit risk since initial recognition.	Lifetime ECLs - not credit impaired
Defaulted	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:

June 30, 2020

Category	Expected Loss Rate	At FVTOCI	At Amortized Cost
Performing	0%-0.3365%	$ 95,529,575	$ 310,474,600

December 31, 2019

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

June 30, 2019

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

At FVTOCI

Allowance for Impairment Loss	Credit Rating: Performing (12-month ECLs)	Doubtful (Lifetime ECLs - Not Credit-impaired)	Defaulted (Lifetime ECLs - Credit-impaired)	Total
Balance at January 1, 2020	$ 33,713	$ 26,651	$ -	$ 60,364
Transfers from doubtful to performing	96	(26,651)	-	(26,555)
Purchase of investments in debt instruments	7,667	-	-	7,667
Derecognition	(7,080)	-	-	(7,080)
Change in exchange rates or others	1,083	-	-	1,083
Balance at June 30, 2020	$ 35,479	$ -	$ -	$ 35,479
Balance at January 1, 2019	$ 25,422	$ -	$ 141,986	$ 167,408
Purchase of investments in debt instruments	18,338	-	-	18,338
Derecognition	(3,371)	-	-	(3,371)
Change in exchange rates or others	(1,536)	-	1,509	(27)
Balance at June 30, 2019	$ 38,853	$ -	$ 143,495	$ 182,348

At amortized cost

Allowance for Impairment Loss	Credit Rating: Performing (12-month ECLs)	Doubtful (Lifetime ECLs - Not Credit-impaired)	Defaulted (Lifetime ECLs - Credit-impaired)	Total
Balance at January 1, 2020	$ 4,366	$ -	$ -	$ 4,366
Purchase of investments in debt instruments	35	-	-	35
Derecognition	(2,086)	-	-	(2,086)
Change in exchange rates or others	93	-	-	93
Balance at June 30, 2020	$ 2,408	$ -	$ -	$ 2,408

(Continued)

Allowance for Impairment Loss	Credit Rating: Performing (12-month ECLs)	Doubtful (Lifetime ECLs - Not Credit-impaired)	Defaulted (Lifetime ECLs - Credit-impaired)	Total
Balance at January 1, 2019	$ 6,615	$ -	$ -	$ 6,615
Purchase of investments in debt instruments	56	-	-	56
Derecognition	(795)	-	-	(795)
Change in exchange rates or others	(362)	-	-	(362)
Balance at June 30, 2019	$ 5,514	$ -	$ -	$ 5,514

(Concluded)

11. RECEIVABLES, NET

a. Details of receivables

	June 30, 2020	December 31, 2019	June 30, 2019
Accounts receivable	$ 7,854,780	$ 10,707,132	$ 12,522,909
Accrued incomes	1,376	6,816	2,136
Interests receivable	3,565,851	4,847,831	5,347,832
Acceptances receivable	3,466,734	4,756,072	5,209,109
Credit cards accounts receivable	1,928,103	2,225,416	3,038,914
Settlement price	470,084	340,835	388,965
Accounts receivable for settlement	511,069	305,067	210,594
Other receivables	1,758,725	451,350	515,195
	19,556,722	23,640,519	27,235,654
Less: Allowance for bad debts, receivables	(262,273)	(439,482)	(654,411)
	$ 19,294,449	$ 23,201,037	$ 26,581,243

b. Allowance for receivables

1) Movements in the allowance for receivables

	For the Six Months Ended June 30, 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	(23)	79	(44)	12	-	12
Transfers to credit-impaired financial assets	(12)	(44)	529	473	-	473
Transfers to 12-month expected credit losses	344	(44)	(248)	52	-	52
Financial assets derecognized for the period	(21,081)	(1,572)	32,682	(55,335)	-	(55,335)
Purchase or originated financial assets	13,788	2,251	43,062	59,101	-	59,101
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	-	-	-	-	(173,508)	(173,508)
Doubtful debts written off	-	-	(7,969)	(7,969)	-	(7,969)
Changes in exchange rates or others	(27)	(4)	(4)	(35)	-	(35)
Ending balance	$ 15,930	$ 4,201	$ 47,539	$ 67,670	$ 194,603	$ 262,273

	For the Six Months Ended June 30, 2019					
	12-month Expected Credit Losses	**Lifetime Expected Credit Losses**	**Realized Credit Impairment**	**Loss Recognized Based on IFRS 9**	**Recognized Impairment Difference Based on Regulations of the Procedures For Banking Institutions to Evaluate Assets And Deal With Non-Performing Loans and Bad Debts**	**Total**
Receivables						
Beginning balance	$ 32,258	$ 2,678	$ 19,906	$ 54,842	$ 580,179	$ 635,021
Changes from financial instruments recognized at the beginning of the period:						
Transfers to lifetime expected credit losses	(11)	33	(25)	(3)	-	(3)
Transfers to credit-impaired financial assets	(3)	(26)	272	243	-	243
Transfers to 12-month expected credit losses	175	(17)	(28)	130	-	130
Financial assets derecognized for the period	(30,262)	(1,525)	13,102	(18,685)	-	(18,685)
Purchase or originated financial assets	26,930	4,698	9,508	41,136	-	41,136
Recognized impairment difference based on the Regulations of the Procedures for Banking Institutions To Evaluate Assets and Deal with Non-performing Loans and Bad Debts	-	-	-	-	20,996	20,996
Doubtful debts written off	-	-	(24,460)	(24,460)	-	(24,460)
Changes in exchange rates or others	15	3	15	33	-	33
Ending balance	$ 29,102	$ 5,844	$ 18,290	$ 53,236	$ 601,175	$ 654,411

2) Movements in the total carrying amount of receivables

	For the Six Months Ended June 30, 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	(21,340)	18,200	(182)	(3,322)
Transfers to credit-impaired financial assets	(12,579)	(6,616)	14,047	(5,148)
Transfers to 12-month expected credit losses	28,214	(5,091)	(614)	22,509
Purchase or originated financial assets	9,987,354	76,510	123,877	10,187,741
Derecognized	(13,937,447)	(102,453)	(225,105)	(14,265,005)
Doubtful debts written off	-	-	(7,969)	(7,969)
Changes in exchange rates or others	(11,257)	(1,188)	(158)	(12,603)
Ending balance	$ 19,242,241	$ 142,151	$ 172,330	$ 19,556,722

	For the Six Months Ended June 30, 2019			
	12-Month Expected Credit Losses	Significant Increase in Risk Due to Lifetime Expected Credit Losses	Credit Impairment Due to Lifetime Expected Credit Losses	Total
Beginning balance	$ 30,337,486	$ 159,683	$ 71,837	$ 30,569,006
Changes from financial instruments recognized at the beginning of the period:				
Transfers to lifetime expected credit loss	(14,807)	10,708	(345)	(4,444)
Transfers to credit-impaired financial assets	(5,465)	(3,148)	3,802	(4,811)
Transfers to 12-month expected credit losses	25,994	(946)	(146)	24,902
Purchase or originated financial assets	15,071,008	201,972	28,380	15,301,360
Derecognized	(18,543,906)	(83,914)	(4,482)	(18,632,302)
Doubtful debts written off	-	-	(24,460)	(24,460)
Changes in exchange rates or others	5,818	554	31	6,403
Ending balance	$ 26,876,128	$ 284,909	$ 74,617	$ 27,235,654

12. DISCOUNTS AND LOANS, NET

a. Details of discounts and loans

	June 30, 2020	December 31, 2019	June 30, 2019
Negotiated and discounted	$ 2,539,625	$ 3,870,803	$ 3,681,747
Overdrafts	1,199,136	1,289,623	1,345,687
Short-term loans	443,405,211	413,838,056	403,523,721
Margin loans receivable	236,431	288,722	242,449
Medium-term loans	435,641,110	430,295,179	424,700,985
Long-term loans	622,341,311	590,558,692	563,181,551
Overdue loans	4,597,996	4,747,136	4,065,639
	1,509,960,820	1,444,888,211	1,400,741,779
Less: Allowance for loan losses	(18,375,543)	(17,537,264)	(17,060,835)
	$ 1,491,585,277	$ 1,427,350,947	$ 1,383,680,944

Loans of which the accrual of interest income was ceased internally as of June 30, 2020, December 31, 2019 and June 30, 2019 were $4,597,996 thousand, $4,747,136 thousand and $4,065,639 thousand, respectively. The amounts of interest income that would have been accrued on these loans for the six months ended June 30, 2020 and 2019 were $59,084 thousand and 54,480 thousand, respectively.

The Group did not write off any loans without legal claims process during the six months ended June 30, 2020 and 2019.

b. Allowance for discounts and loans

1) Movements in the allowance for discounts and loans

	For the Six Months Ended June 30, 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	(11,596)	58,829	(44,161)	3,072	-	3,072
Transfers to credit impaired financial assets	(6,167)	(44,000)	57,569	7,402	-	7,402
Transfers to 12-month expected credit losses	164,122	(108,032)	(50,481)	5,609	-	5,609
Financial assets derecognized for the period	(938,791)	(582,412)	(2,102,194)	(3,623,397)	-	(3,623,397)
Purchased or originated financial assets	709,399	1,662,562	4,414,406	6,786,367	-	6,786,367

(Continued)

	For the Six Months Ended June 30, 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	$ -	$ -	$ -	$ -	$ (1,130,456)	$ (1,130,456)
Doubtful debts written off	-	-	(1,194,236)	(1,194,236)	-	(1,194,236)
Change in exchange rates or others	(5,609)	(3,072)	(7,401)	(16,082)	-	(16,082)
Ending balance	$ 1,683,924	$ 2,904,250	$ 6,107,186	$ 10,695,360	$ 7,680,183	$ 18,375,543

(Concluded)

	For the Six Months Ended June 30, 2019					
	12-month Expected Credit Losses	**Lifetime Expected Credit Losses**	**Realized Credit Impairment**	**Loss Recognized Based on IFRS 9**	**Recognized Impairment Difference Based on Regulations of the Procedures For Banking Institutions to Evaluate Assets And Deal With Non-performing Loans and Bad Debts**	**Total**
Loans						
Beginning balance	$ 1,884,305	$ 1,844,323	$ 5,102,485	$ 8,831,113	$ 7,741,522	$ 16,572,635
Changes from financial instruments recognized at the beginning of the period:						
Transfers to lifetime expected credit losses	(5,559)	5,234	(2,173)	(2,498)	-	(2,498)
Transfers to credit impaired financial assets	(5,134)	(27,027)	30,544	(1,617)	-	(1,617)
Transfers to 12-month expected credit losses	24,948	(22,880)	(5,127)	(3,059)	-	(3,059)
Financial assets derecognized for the period	(877,565)	(806,073)	(1,551,335)	(3,234,973)	-	(3,234,973)
Purchased or originated financial assets	766,050	530,953	2,908,398	4,205,401	-	4,205,401
Recognized impairment difference based on the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts	-	-	-	-	749,054	749,054
Doubtful debts written off	-	-	(1,231,280)	(1,231,280)	-	(1,231,280)
Change in exchange rates or others	3,059	2,498	1,615	7,172	-	7,172
Ending balance	$ 1,790,104	$ 1,527,028	$ 5,253,127	$ 8,570,259	$ 8,490,576	$ 17,060,835

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

	For the Six Months Ended June 30, 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	(7,122,972)	7,542,679	(153,288)	266,419
Transfers to credit-impaired financial assets	(2,600,362)	(2,033,997)	4,703,361	69,002
Transfers to 12-month expected credit losses	6,154,172	(3,711,151)	(98,896)	2,344,125
Financial assets derecognized for the period	(476,217,793)	(28,850,392)	(6,628,813)	(511,696,998)
Purchase or originated financial assets	548,415,264	24,861,009	4,687,569	577,963,842
Doubtful debts written off	-	-	(1,194,236)	(1,194,236)
Changes in exchange rates or others	(2,344,125)	(266,419)	(69,001)	(2,679,545)
Ending balance	$ 1,432,612,399	$ 61,948,796	$ 15,399,625	$ 1,509,960,820

	For the Six Months Ended June 30, 2019			
	12-month Expected Credit Losses	Significant Increase in Risk Due to Lifetime Expected Credit Losses	Credit Impairment Due to Lifetime Expected Credit Losses	Total
Beginning balance	$ 1,285,960,041	$ 53,741,535	$ 13,572,154	$ 1,353,273,730
Changes from financial instruments recognized at the beginning of the period:				
Transfers to lifetime expected credit losses	(5,324,937)	5,231,711	(21,920)	(115,146)
Transfers to credit-impaired financial assets	(727,304)	(874,938)	1,598,421	(3,821)
Transfers to 12-month expected credit losses	(697,423)	(893,247)	(36,979)	(1,627,649)
Financial assets derecognized for the period	(432,739,472)	(20,526,064)	(4,539,914)	(457,805,450)
Purchase or originated financial assets	482,785,176	19,300,449	4,419,156	506,504,781
Doubtful debts written off	-	-	(1,231,280)	(1,231,280)
Changes in exchange rates or others	1,627,647	115,146	3,821	1,746,614
Ending balance	$ 1,330,883,728	$ 56,094,592	$ 13,763,459	$ 1,400,741,779

c. Details of provision for bad debts expense, commitment and guarantee for the three months and the six months ended June 30, 2020 and 2019

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	**2019**	**2020**	**2019**
Provision for receivable and loan (including overdue loan) losses	$ 834,968	$ 547,745	$ 1,367,856	$ 971,077
(Reversal) provision for loan commitment	(11,953)	17,782	(19,918)	(32,981)
Provision for guarantee liability	28,796	45,385	66,573	47,090
(Reversal) provision for others	(6,802)	10,195	2,620	9,933
	$ 845,009	$ 621,107	$ 1,417,131	$ 995,119

13. FINANCIAL ASSETS FOR HEDGING

	June 30, 2020	**December 31, 2019**	**June 30, 2019**
Financial assets for hedging			
Fair value hedges - interest rate swaps	$ 287,633	$ 247,375	$ 274,930

The Group used interest rate swaps to minimize its exposure to the fair value fluctuations of its fixed-rate borrowings by entering into fixed-to-floating interest rate swap contracts. The interest swaps and the corresponding borrowings have the same terms, and management believes that the interest rate swaps are highly effective hedging instruments. The respective, nominal principal amount of the Bank's outstanding interest rate swaps as of June 30, 2020, December 31, 2019 and June 30, 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 six months ended June 30, 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 was adjusted by $303,505 thousand, $261,014 thousand and $283,886 thousand, as of June 30, 2020, December 31, 2019 and June 30, 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: 0.4797%-0.4798%) 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 $4,379 thousand and $29,897 thousand, respectively, for the three months ended June 30, 2020 and 2019, and $75,909 thousand and $63,945 thousand for the six months ended June 30, 2020 and 2019, respectively, and the realized gains or losses from fair-value hedging were $13,834 thousand and $(15,327) thousand, accounted for as net other non-interest income or loss, for the three months ended June 30, 2020 and 2019, respectively, and the realized gains or losses from fair value hedging were $(42,492) thousand and $(34,830) thousand, accounted for as net other non-interest income or loss, for the six months ended June 30, 2020 and 2019, respectively.

14. OTHER FINANCIAL ASSETS

	June 30, 2020	December 31, 2019	June 30, 2019
Time deposits with original maturities of more than 3 months	$ 29,568,700	$ 40,179,375	$ 43,974,500
Exchange bills negotiated	38,545	13,970	9,006
Overdue receivables	183,813	179,538	334,995
Call loan to security brokers	-	-	155,300
Less: Allowance for bad debts	(139,280)	(239,002)	(355,785)
	$ 29,651,778	$ 40,133,881	$ 44,118,016

The market rates of time deposits with original maturities of more than 3 months were ranging from 1.72%-3.25% and 2.72%-4.55%, for the six months ended June 30, 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

			% of Ownership		
Investor	Investee	Main Business	June 30, 2020	December 31, 2019	June 30, 2019
The Bank	Chang Hua Commercial Bank, Ltd.	Banking	100	100	100
The Bank	Chang Hwa Bank Venture Capital Co., Ltd.	Investing	100	100	100

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

16. PROPERTY AND EQUIPMENT

	June 30, 2020	December 31, 2019	June 30, 2019
Assets used by the Group	$ 20,463,362	$ 20,562,423	$ 20,652,591
Assets leased under operating leases	194,925	176,613	174,050
	$ 20,658,287	$ 20,739,036	$ 20,826,641

a. Asset used by the Group

	Freehold Land	Buildings	Machinery Equipment	Transportation Equipment	Miscellaneous Equipment	Leasehold Improvement	Leased Assets	Construction in Progress and Prepayment for Building and Equipment	Total
Cost									
Balance at January 1, 2020	$ 14,647,146	$ 9,108,562	$ 4,607,029	$ 732,871	$ 1,487,286	$ 968,543	$ -	$ 231,714	$ 31,783,151
Additions	-	20,819	62,263	6,883	32,608	14,955	-	52,356	189,884
Disposals	-	-	(18,002)	(12,836)	(13,244)	(9,474)	-	-	(53,556)
Transfers to assets leased under operating leases	-	(32,497)	-	-	-	-	-	-	(32,497)
Reclassification	-	2,383	602	-	-	395	-	(3,380)	-
Effect of foreign currency exchange differences	-	(14,565)	(3,235)	(500)	(1,042)	(2,297)	-	(6,323)	(27,962)
Balance at June 30, 2020	$ 14,647,146	$ 9,084,702	$ 4,648,657	$ 726,418	$ 1,505,608	$ 972,122	$ -	$ 274,367	$ 31,859,020
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	-	-	(17,981)	(12,805)	(13,244)	(9,474)	-	-	(53,504)
Depreciation expense	-	91,020	100,628	17,148	22,197	14,142	-	-	245,135
Transfers to assets leased under operating leases	-	(10,660)	-	-	-	-	-	-	(10,660)
Effect of foreign currency exchange differences	-	(1,488)	(1,685)	(286)	(916)	(1,666)	-	-	(6,041)
Balance at June 30, 2020	$ -	$ 4,502,456	$ 4,029,933	$ 640,353	$ 1,344,529	$ 878,387	$ -	$ -	$ 11,395,658
Carrying amounts at June 30, 2020	$ 14,647,146	$ 4,582,246	$ 618,724	$ 86,065	$ 161,079	$ 93,735	$ -	$ 274,367	$ 20,463,362
Carrying amounts at December 31, 2019 and January 1, 2019	$ 14,647,146	$ 4,684,978	$ 658,058	$ 96,575	$ 150,794	$ 93,158	$ -	$ 231,714	$ 20,562,423
Cost									
Balance at January 1, 2019	$ 14,677,460	$ 8,841,768	$ 4,593,715	$ 726,071	$ 1,458,869	$ 972,308	$ 908	$ 629,499	$ 31,900,598
Adjustments on initial application of IFRS 16	-	-	-	-	-	-	(908)	-	(908)
Balance at January 1, 2019 (restated)	14,677,460	8,841,768	4,593,715	726,071	1,458,869	972,308	-	629,499	31,899,690
Additions	-	16,370	64,985	13,767	20,733	5,888	-	47,437	169,180
Disposals	-	(26,066)	(61,437)	(7,437)	(4,600)	(4,185)	-	-	(103,725)
Transfers to assets leased under operating leases	-	132	-	-	-	-	-	-	132
Reclassification	(135,313)	288,102	19,077	4,026	1,534	5,951	-	(352,616)	(169,239)
Effect of foreign currency exchange differences	-	2,765	1,198	340	592	1,460	-	6,281	12,636
Balance at June 30, 2019	$ 14,542,147	$ 9,123,071	$ 4,617,538	$ 736,767	$ 1,477,128	$ 981,422	$ -	$ 330,601	$ 31,808,674
Accumulated depreciation and impairment									
Balance at January 1, 2019	$ -	$ 4,300,908	$ 3,937,165	$ 617,158	$ 1,307,289	$ 857,587	$ 148	$ -	$ 11,020,255
Adjustments on initial application of IFRS 16	-	-	-	-	-	-	(148)	-	(148)
Balance at January 1, 2019 (restated)	-	4,300,908	3,937,165	617,158	1,307,289	857,587	-	-	11,020,107
Disposals	-	(25,882)	(61,281)	(7,415)	(4,524)	(4,185)	-	-	(103,287)
Depreciation expense	-	88,689	109,894	22,633	22,650	19,134	-	-	263,000
Transfers to assets leased under operating leases	-	(13,660)	-	-	-	-	-	-	(13,660)
Reclassification	-	(12,429)	-	-	-	-	-	-	(12,429)
Effect of foreign currency exchange differences	-	357	579	135	456	825	-	-	2,352
Balance at June 30, 2019	$ -	$ 4,337,983	$ 3,986,357	$ 632,511	$ 1,325,871	$ 873,361	$ -	$ -	$ 11,156,083
Carrying amounts at June 30, 2019	$ 14,542,147	$ 4,785,088	$ 631,181	$ 104,256	$ 151,257	$ 108,061	$ -	$ 330,601	$ 20,652,591

b. Assets leased under operating leases

	Buildings
Cost	
Balance at January 1, 2020	$ 351,452
Transfers from assets used by the Group	32,497
Balance at June 30, 2020	$ 383,949

(Continued)

	Buildings
Accumulated depreciation and impairment	
Balance at January 1, 2020	$ 174,839
Depreciation expense	3,525
Transfers from assets used by the Group	10,660
Balance at June 30, 2020	$ 189,024
Carrying amounts at June 30, 2020	$ 194,925
Carrying amounts at December 31, 2019 and January 1, 2020	$ 176,613
Cost	
Balance at January 1, 2019	$ 341,422
Adjustments on initial application of IFRS 16	-
Balance at January 1, 2019 (restated)	341,422
Transfers to assets used by the Group	(132)
Balance at June 30, 2019	$ 341,290
Accumulated depreciation and impairment	
Balance at January 1, 2019	$ 150,467
Adjustments on initial application of IFRS 16	-
Balance at January 1, 2019 (restated)	150,467
Depreciation expense	3,113
Transfers from assets used by the Group	13,660
Balance at June 30, 2019	$ 167,240
Carrying amounts at June 30, 2019	$ 174,050

(Concluded)

Operating leases relate to buildings owned by the Group with lease terms between 1 and 20 years with an option to extend lease terms. All operating lease contracts contain market review clauses in the event that the lessees exercise their options to extend. The lessees do not have bargain purchase options to acquire the assets at the expiry of the lease periods.

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

	June 30, 2020	December 31, 2019	June 30, 2019
Year 1	$ 52,714	$ 23,081	$ 25,872
Year 2	51,332	19,160	20,804
Year 3	38,255	10,796	12,964
Year 4	19,488	1,883	3,781
Year 5	251	-	1,566
Year 6 onwards	105	-	-
	$ 162,145	$ 54,920	$ 64,987

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

	June 30, 2020	December 31, 2019	June 30, 2019
Carrying amounts			
Land	$ 1,355	$ 1,636	$ 2,308
Buildings	1,532,621	1,535,387	1,581,553
Machinery equipment	57	289	525
Transportation equipment	67,533	69,160	83,674
Miscellaneous equipment	14,862	13,932	15,938
	$ 1,616,428	$ 1,620,404	$ 1,683,998

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Additions to right-of-use assets			$ 337,256	$ 116,141
Depreciation charge for right-of-use assets				
Land	$ 255	$ 331	$ 515	$ 660
Buildings	153,931	157,424	309,543	313,597
Machinery equipment	(23)	116	92	232
Transportation equipment	9,340	9,537	18,569	18,772
Miscellaneous equipment	2,470	2,422	4,955	4,912
	$ 165,973	$ 169,830	$ 333,674	$ 338,173

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 June 30, 2020 and 2019.

b. Lease liabilities

	June 30, 2020	December 31, 2019	June 30, 2019
Carrying amounts	$ 1,426,202	$ 1,420,392	$ 1,475,283

Range of discount rate for lease liabilities was as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Land	0.91%	0.91%	0.91%
Buildings	0.20%-3.53%	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%-3.53%	2.12%-3.00%	2.12%-3.00%
Miscellaneous equipment	0.86%-3.35%	0.86%-2.89%	1.05%-2.82%

c. Material lease-in activities and terms

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

The Group did not have significant acquisition of lease contracts as of June 30, 2020 and 2019.

d. Other lease information

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Expenses relating to short-term leases	$ 4,686	$ 8,040	$ 11,432	$ 14,037
Expenses relating to low-value asset leases	$ 6,311	$ 8,197	$ 11,099	$ 16,002
Expenses relating to variable lease payments not included in the measurement of lease liabilities	$ 53,115	$ 55,182	$ 99,922	$ 95,731
Total cash outflow for leases			$ (122,453)	$ (125,770)

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

For the three months ended June 30, 2020, expenses relating to short-term leases also include expenses relating to leases for which the lease terms end on or before June 30, 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 $12,890 thousand as of June 30, 2020.

18. INVESTMENT PROPERTY

	Completed Investment Property
Cost	
Balance at January 1 and June 30, 2020	$ 14,247,470
Accumulated depreciation and impairment	
Balance at January 1, 2020	$ 374,680
Depreciation expense	3,469
Balance at June 30, 2020	$ 378,149
Carrying amounts at June 30, 2020	$ 13,869,321
Carrying amounts at December 31, 2019 and January 1, 2020	$ 13,872,790
Cost	
Balance at January 1, 2019	$ 14,097,759
Additions	1,203
Reclassification	148,508
Balance at June 30, 2019	$ 14,247,470
Accumulated depreciation and impairment	
Balance at January 1, 2019	$ 355,383
Depreciation expense	3,391
Reclassification	12,430
Balance at June 30, 2019	$ 371,204
Carrying amounts at June 30, 2019	$ 13,876,266

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

The maturity analysis of lease payments receivable under operating leases of investment properties as of June 30, 2020, December 31, 2019 and June 30, 2019 was as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Year 1	$ 147,876	$ 193,607	$ 213,840
Year 2	108,631	165,533	159,004
Year 3	74,259	120,884	131,581
Year 4	55,701	102,984	102,116
Year 5	42,719	98,343	94,743
Year 6 onwards	176,013	427,070	94,743
	$ 605,199	$ 1,108,421	$ 796,027

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

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

The investment properties are measured and stated at cost in the 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 $26,832,174 thousand as of June 30, 2020, December 31, 2019 and June 30, 2019, respectively.

All investment properties are own right and interest.

Rental income and direct operating expenses generated by the investment property for the three months ended June 30, 2020 and 2019 and for the six months ended June 30, 2020 and 2019 were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Rental income	$ 44,953	$ 42,311	$ 93,027	$ 85,660
Direct operating expenses	$ 25,258	$ 24,932	$ 50,792	$ 50,882

19. INTANGIBLE ASSETS

	Computer Software
Cost	
Balance at January 1, 2020	$ 720,656
Additions	96,323
Amortization expense	(118,278)
Effect of foreign currency exchange differences and others	(2,046)
Balance at June 30, 2020	$ 696,655

(Continued)

	Computer Software
Cost	
Balance at January 1, 2019	$ 731,364
Additions	57,600
Amortization expense	(109,753)
Reclassification	7,248
Effect of foreign currency exchange differences and others	281
Balance at June 30, 2019	$ 686,740

(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

	June 30, 2020	December 31, 2019	June 30, 2019
Refundable deposits	$ 1,216,016	$ 959,061	$ 576,875
Assumed collateral and residuals	23,462	23,462	23,462
Less: Accumulated impairment	(23,462)	(23,462)	(23,462)
Prepayments	247,653	102,413	144,487
Others	1,297	1,484	1,704
	$ 1,464,966	$ 1,062,958	$ 723,066

21. DEPOSITS FROM THE CENTRAL BANK AND BANKS

	June 30, 2020	December 31, 2019	June 30, 2019
Deposits from the Central Bank	$ 24,639	$ 26,128	$ 24,389
Deposits from banks	254,008	199,103	217,805
Overdrafts on banks	224,064	322,914	548,035
Call loans from banks	127,990,357	101,314,575	131,133,936
Deposits transferred from Chunghwa Post Co., Ltd.	373,376	442,906	604,759
	$ 128,866,444	$ 102,305,626	$ 132,528,924

22. PAYABLES

	June 30, 2020	December 31, 2019	June 30, 2019
Checks issued to payees for clearing	$ 6,384,718	$ 6,706,074	$ 17,303,772
Accounts payable	3,495,412	1,592,510	1,410,423
Accrued expenses	1,734,764	2,343,601	2,116,387
Accrued interests	2,140,884	2,642,908	2,749,683
Acceptances	3,493,240	4,863,813	5,232,430
Others	13,733,434	3,698,004	10,968,397
	$ 30,982,452	$ 21,846,910	$ 39,781,092

23. DEPOSITS AND REMITTANCES

	June 30, 2020	December 31, 2019	June 30, 2019
Checking account deposits	$ 37,245,361	$ 40,797,582	$ 36,669,689
Demand deposits	472,643,069	425,688,524	406,369,250
Time deposits	385,254,116	401,783,691	386,439,761
Negotiable certificates of deposit	3,041,865	6,186,997	5,859,648
Savings account deposits	901,123,504	890,034,856	863,792,345
Remittances	1,280,245	1,456,553	1,292,401
	$ 1,800,588,160	$ 1,765,948,203	$ 1,700,423,094

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 bank note has been redeemed on June 29, 2020.

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 Group issued $4,040 million perpetual subordinated bank notes 109-1 on May 27, 2020. 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	**June 30, 2020**	**December 31, 2019**	**June 30, 2019**
Hedged financial liabilities at fair value			
103-1 Note A, 7-year term, interest payable annually, interest rate 1.70%, maturity date: April 16, 2021	$ 2,200,000	$ 2,200,000	$ 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	303,505	261,014	283,886
	8,503,505	8,461,014	8,483,886
Non-hedged bank notes payable			
99-1, No maturity date, interest payable annually, interest rate from first to tenth year is 3.15%, after tenth year is 4.15%	-	5,000,000	5,000,000
100-1 Note B, 10-year term, interest payable annually, interest rate 1.72%, maturity date: March 11, 2021	1,100,000	1,100,000	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

(Continued)

Bank Note, Interest Rate and Maturity Date	June 30, 2020	December 31, 2019	June 30, 2019
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
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%	5,960,000	5,960,000	5,960,000
109-1, no maturity date, interest payable annually, interest rate 1.40%	4,040,000	-	-
	46,100,000	47,060,000	47,060,000
	$ 54,603,505	$ 55,521,014	$ 55,543,886

(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

	June 30, 2020	December 31, 2019	June 30, 2019
Principal received on structured notes	$ 2,310,059	$ 3,495,607	$ 4,143,094
Appropriations for loans	684,550	779,293	845,848
	$ 2,994,609	$ 4,274,900	$ 4,988,942

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

	June 30, 2020	December 31, 2019	June 30, 2019
Advance receipts	$ 702,841	$ 672,643	$ 715,655
Guarantee deposits	1,724,937	1,857,871	2,640,984
Deferred revenue	14,205	12,835	18,688
	$ 2,441,983	$ 2,543,349	$ 3,375,327

27. RESERVE FOR LIABILITIES

	June 30, 2020	December 31, 2019	June 30, 2019
Reserve for employee benefits (Note 28)	$ 4,047,283	$ 4,248,254	$ 4,105,033
Reserve for guarantee liabilities	692,496	626,383	605,240
Reserve for loan commitments	349,402	357,282	336,398
Reserve for decommissioning restoration and rehabilitation costs	60,063	55,603	57,729
Others	40,060	53,033	31,425
	$ 5,189,304	$ 5,340,555	$ 5,135,825

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

	For the Six Months Ended June 30, 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	(1,203)	1,410	-	207	-	207
Transfers to credit-impaired financial assets	-	(179)	182	3	-	3
Transfers to 12-month expected credit losses	14,829	(13,892)	-	937	-	937
Financial assets derecognize for the period	(215,845)	(10,427)	(6,320)	(232,592)	-	(232,592)
Purchase or originated financial assets	190,377	26,839	38,559	255,775	-	255,775
Recognized impairment difference based on the Laws	-	-	-	-	22,078	22,078
Changes in exchange rates or others	(937)	(206)	(5)	(1,148)	-	(1,148)
Ending balance	$ 447,160	$ 55,752	$ 60,547	$ 563,459	$ 518,499	$ 1,081,958

	For the Six Months Ended June 30, 2019					
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on IFRS 9	Recognized Impairment Difference Based on the Laws	Total
Beginning balance	$ 458,177	$ 26,188	$ 41,182	$ 525,547	$ 433,448	$ 958,995
Changes from financial instruments recognized at the beginning of the period:						
Transfers to lifetime expected credit losses	(1,841)	1,739	-	(102)	-	(102)
Transfers to credit-impaired financial assets	(65)	-	65	-	-	-
Transfers to 12-month expected credit losses	646	(1,377)	-	(731)	-	(731)
Financial assets derecognize for the period	(212,619)	(3,956)	(16,109)	(232,684)	-	(232,684)
Purchase or originated financial assets	179,057	9,899	796	189,752	-	189,752
Recognized impairment difference based on the Laws	-	-	-	-	57,018	57,018
Changes in exchange rates or others	713	102	-	815	-	815
Ending balance	$ 424,068	$ 32,595	$ 25,934	$ 482,597	$ 490,466	$ 973,063

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 $75,862 thousand, $78,470 thousand, $174,525 thousand and $158,126 thousand for the three months ended and for the six months ended June 30, 2020 and 2019, respectively.

29. EQUITY

a. Capital

Common stock

	June 30, 2020	December 31, 2019	June 30, 2019
Shares granted (in thousands)	11,000,000	11,000,000	11,000,000
Capital stock granted	$ 110,000,000	$ 110,000,000	$ 110,000,000
Shares issued and fully paid (in thousands)	9,985,311	9,985,311	9,789,521
Capital stock issued	$ 99,853,111	$ 99,853,111	$ 97,895,207

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

The Bank approved of capitalization of earnings as new stocks be issued in the stockholders' meeting. Capitalization of earnings in the amounts of NT$3,994,124 thousand and NT$1,957,904 thousand, divided into 399,412 thousand shares and 195,790 thousand shares on June 19, 2020 and June 14, 2019, respectively.

b. Distribution of earnings and dividend policy

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

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

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

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

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

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

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

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

The appropriations of earnings for 2019 and 2018 were approved in the stockholders' meetings on June 19, 2020 and June 14, 2019, respectively. The appropriations of earnings and dividends per stock were as follows:

	Appropriation of Earnings	
	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

c. Special reserve

	June 30, 2020	December 31, 2019	June 30, 2019
Initial application of IFRSs	$ 11,778,829	$ 11,778,829	$ 11,778,829
Others	425,819	425,819	425,819
	$ 12,204,648	$ 12,204,648	$ 12,204,648

30. NET INCOME

a. Net income of interest

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Interest income				
Loans	$ 6,047,454	$ 7,382,359	$ 13,010,675	$ 14,681,458
Due from and call loans to banks	419,526	1,563,950	1,153,504	3,119,696
Investments in marketable securities	876,843	1,114,456	1,925,464	2,053,061
Others	32,919	60,969	83,672	137,756
	7,376,742	10,121,734	16,173,315	19,991,971
Interest expense				
Deposits	(2,242,433)	(3,203,459)	(5,207,565)	(6,353,255)
Due to Central Bank and call loans from banks	(270,985)	(689,193)	(680,086)	(1,397,413)
Others	(275,525)	(276,193)	(560,742)	(557,425)
	(2,788,943)	(4,168,845)	(6,448,393)	(8,308,093)
Net income of interest	$ 4,587,799	$ 5,952,889	$ 9,724,922	$ 11,683,878

b. Net service fee income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Service fee income				
Fees from import and export	$ 61,184	$ 78,183	$ 124,512	$ 156,575
Remittance fees	89,312	112,430	188,259	226,592
Loan fees	209,989	118,032	344,046	232,880
Fees from trust	224,665	192,530	506,138	349,133
Fees from trust business	95,255	79,512	186,048	151,143
Fees from insurance agency	369,778	535,142	901,036	1,132,990
Others	291,913	305,655	598,760	599,019
	1,342,096	1,421,484	2,848,799	2,848,332
Service charge				
Interbank fees	(38,425)	(39,389)	(77,651)	(79,978)
Fees from trust	(5,720)	(4,797)	(9,435)	(9,207)
Custodian fees	(24,495)	(30,437)	(57,135)	(51,440)
Charges from insurance agency	(62,500)	(59,266)	(113,158)	(121,064)
Others	(146,217)	(155,225)	(303,235)	(289,661)
	(277,357)	(289,114)	(560,614)	(551,350)
Net service fee income	$ 1,064,739	$ 1,132,370	$ 2,288,185	$ 2,296,982

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Realized gain (loss) on financial assets or liabilities measured at FVTPL				
Stock	$ -	$ 119	$ (62,488)	$ 6,593
Bonds	1,883	10,707	(1,146)	12,813
Derivative financial instruments	550,547	409,384	1,213,295	1,202,719
Net interest (loss) gain	25,567	(91,192)	40,492	(169,136)
Stock dividends and bonus	-	1,200	-	1,200
	577,997	330,218	1,190,153	1,054,189
Valuation gain (loss) on financial assets or liabilities measured at FVTPL				
Stock and mutual funds	19,909	874	20,365	544
Bonds	(58,824)	(71,260)	(70,439)	(325,584)
Bills	(730)	776	(2,304)	1
Derivative financial instruments	304,143	(27,013)	27,785	71,206
	264,498	(96,623)	(24,593)	(253,833)
	$ 842,495	$ 233,595	$ 1,165,560	$ 800,356

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Stock dividends and bonus	$ 253,252	$ 252,933	$ 255,077	$ 254,542
Disposal gains				
Beneficiary securities	45,123	34	45,146	34
Bonds	164,229	18,363	548,364	211,692
Disposal losses				
Beneficiary securities	(228)	(90)	(271)	(133)
Bonds	(10,837)	(367)	(11,065)	(1,163)
	$ 451,539	$ 270,873	$ 837,251	$ 464,972

e. Depreciation and amortization expense

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Property and equipment	$ 121,908	$ 133,606	$ 248,660	$ 266,113
Investment property	1,734	1,703	3,469	3,391
Right-of-use assets	165,973	169,830	333,674	338,173
Intangible assets and other deferred assets	60,428	51,064	118,467	109,901
	$ 350,043	$ 356,203	$ 704,270	$ 717,578

f. Employee benefits expenses

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Short-term employee benefits	$ 2,403,145	$ 2,389,781	$ 4,577,568	$ 4,739,796
Post-employment benefits				
Defined contribution plans	52,283	46,964	108,570	93,763
Defined benefit plans	75,862	78,470	174,525	158,126
High-yield savings account for employees	140,334	134,191	276,839	263,799
Other post-employment benefits	27,887	2,720	55,797	5,224
Termination benefits	25	2,110	11,679	8,383
	$ 2,699,536	$ 2,654,236	$ 5,204,978	$ 5,269,091

g. Employees' compensation and remuneration of directors

The Bank accrued employees' compensation and remuneration of directors at the rates of 1%-6% and no higher than 0.8%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the three months and the six months ended June 30, 2020 and 2019 are as follows:

Accrual rate

	For the Six Months Ended June 30	
	2020	2019
Employees' compensation	4.00%	5.00%
Remuneration of directors	0.40%	0.40%

Amount

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
	Cash	Cash	Cash	Cash
Employees' compensation	$ 71,700	$ 193,050	$ 216,700	$ 386,100
Remuneration of directors	$ 10,300	$ 15,450	$ 21,700	$ 30,900

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 consolidation financial statements for 2018. The difference was adjusted to profit and loss for 2019.

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

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 June 30		For the Six Months Ended June 30	
	2020	**2019**	**2020**	**2019**
Current income tax				
In respect of the current period	$ 283,513	$ 388,050	$ 675,526	$ 896,701
Income tax on unappropriated earnings	-	15,617	1,202	15,617
Deferred income tax				
In respect of the current period	80,449	4,088	294,119	135,949
Income tax expense recognized in profit or loss	$ 363,962	$ 407,755	$ 970,847	$ 1,048,267

b. Income tax recognized in other comprehensive income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	**2019**	**2020**	**2019**
Deferred tax				
In respect of the current year:				
Exchange differences on translation	$ (44,849)	$ 34,513	$ 162,242	$ 74,613
Unrealized (losses) gains of financial assets at FVTOCI	34,427	(695)	(34,119)	7,172
Total income tax benefit (loss) recognized in other comprehensive income	$ (10,422)	$ 33,818	$ 128,123	$ 81,785

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 17, 2020. The basic and diluted after-tax earnings per share of the three months and the six months ended June 30, 2019 were adjusted retrospectively as follows:

Unit: NT$ Per Share

	Before Adjusted Retrospectively		After Adjusted Retrospectively	
	For the Three Months Ended June 30, 2019	For the Six Months Ended June 30, 2019	For the Three Months Ended June 30, 2019	For the Six Months Ended June 30, 2019
Basic earnings per stock	$ 0.29	$ 0.60	$ 0.28	$ 0.58
Diluted earnings per stock	$ 0.29	$ 0.60	$ 0.28	$ 0.58

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 June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Net profit for the period	$ 1,752,994	$ 2,862,782	$ 4,245,778	$ 5,999,063

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Weighted average number of common stock in computation of basic earnings per share	10,384,724	10,384,724	10,384,724	10,384,724
Effect of potentially dilutive common stock:				
Employees' compensation issued	11,199	18,429	23,926	32,788
Weighted average number of common stock used in the computation of diluted earnings per share	10,395,923	10,403,153	10,408,650	10,417,512

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.

The following table illustrates the Group's self-owned capital, risk-weighted assets and calculated capital adequacy. The Group has conformed to the capital management regulation in the local authority for the six months ended June 30, 2020 and 2019.

Item		Period (Note 2)	June 30, 2020	December 31, 2019	June 30, 2019
Self-owned capital	Common equity Tier I		$ 142,699,963	$ 140,790,667	$ 136,519,729
	Other Tier I capital		19,615,700	16,874,772	16,869,782
	Tier II capital		48,174,527	54,231,213	54,862,919
	Self-owned capital		210,490,190	211,896,652	208,252,430
Risk-weighted assets	Credit risk	Standardized approach	1,386,709,004	1,360,106,227	1,343,277,348
		IRB	-	-	-
		Securitization	690,616	-	609,059
	Operation risk	Basic indicator approach	-	-	-
		Standardized approach/optional standard	57,821,706	57,819,213	57,297,063
		Advanced internal rating based approach	-	-	-
	Market price risk	Standardized approach	19,139,632	22,515,159	21,046,700
		Internal model approach	-	-	-
	Total		1,464,360,958	1,440,440,599	1,422,230,170
Capital adequacy ratio			14.37%	14.71%	14.64%
Common equity Tier I to risk-weighted assets ratio			9.74%	9.77%	9.60%
Tier I capital to risk-weighted assets ratio			11.08%	10.95%	10.79%
Leverage ratio			6.87%	6.90%	6.73%

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

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

Note 3: Formula:

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

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

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

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

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

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

34. FINANCIAL INSTRUMENTS

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

Fair value of financial instruments not measured at fair value

June 30, 2020

	Carrying Amount	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3	Fair Value Total
Financial assets					
Financial assets at amortized cost	$ 310,472,192	$ 5,000,231	$ 305,535,225	$ -	$ 310,535,456
Financial liabilities					
Bank notes payable	54,603,505	-	8,503,505	48,020,954	56,524,459

December 31, 2019

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

June 30, 2019

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

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

1) Fair value hierarchy

June 30, 2020

Fair Value Measurement of Financial Instruments	Level 1	Level 2	Level 3	Total
Non-derivative financial products				
Assets				
Financial assets at FVTPL	$ 284,480	$ 12,234,948	$ 10,000	$ 12,529,428
Financial assets mandatorily measured at FVTPL				
Stock investments	18,730	9,600	10,000	38,330
Bond investments	-	1,088,611	-	1,088,611
Others	265,750	11,136,737	-	11,402,487
Financial assets at FVTOCI	71,974,169	31,522,635	8,725,487	112,222,291
Stock investments	7,595,554	35,300	8,725,487	16,356,341
Bond investments	59,870,116	31,487,335	-	91,357,451
Others	4,508,499	-	-	4,508,499
Derivative financial products				
Assets				
Financial assets at FVTPL	130,418	2,815,506	-	2,945,924
Other financial assets				
Financial assets for hedging	-	287,633	-	287,633
Liabilities				
Financial liabilities at FVTPL	-	5,100,749	-	5,100,749

December 31, 2019

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

June 30, 2019

Fair Value Measurement of Financial Instruments	Level 1	Level 2	Level 3	Total
Non-derivative financial products				
Assets				
Financial assets at FVTPL	$ 36,844	$ 5,796,317	$ -	$ 5,833,161
Financial assets mandatorily measured at FVTPL				
Stock investments	36,844	-	-	36,844
Bond investments	-	969,828	-	969,828
Others	-	4,826,489	-	4,826,489
Financial assets at FVTOCI	85,636,374	26,713,079	7,489,414	119,838,867
Stock investments	6,877,964	-	7,489,414	14,367,378
Bond investments	73,114,274	26,713,079	-	99,827,353
Others	5,644,136	-	-	5,644,136
Liabilities				
Financial liabilities at FVTPL	-	9,757,742	-	9,757,742
Derivative financial products				
Assets				
Financial assets at FVTPL	273,613	2,983,501	-	3,257,114
Other financial assets				
Financial assets for hedging	-	274,930	-	274,930
Liabilities				
Financial liabilities at FVTPL	-	2,385,564	-	2,385,564

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

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

For the six months ended June 30, 2020

Financial Assets	Financial Assets at FVTPL Equity Instrument	Financial Assets at FVTOCI Equity Instrument
Beginning balance	$ -	$ 8,000,918
Recognized in other comprehensive income (unrealized gain on financial assets at FVTOCI)	-	708,769
Purchase	10,000	15,800
Ending balance	$ 10,000	$ 8,725,487

For the six months ended June 30, 2019

Financial Assets	Financial Assets at FVTOCI
	Equity Instrument
Beginning balance	$ 7,138,045
Recognized in other comprehensive income (unrealized gain on financial assets at FVTOCI	351,369
Ending balance	$ 7,489,414

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 stock, beneficiary certificates, on-the-run Taiwan central government bonds and derivative instruments with quoted market prices are included in Level 1.

b) Level 2

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

c) Level 3

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

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

a) Determination of fair value

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

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

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

When a financial instrument has no standardized valuation and has a greater level of complexity, such as interest rate swaps, currency swaps and options, the Group 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 need to make appropriate estimates based on assumptions.

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

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

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

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

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

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

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

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

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

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

x. Derivatives:

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

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

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

iv) Certain derivatives use the quoted price from counterparties.

xi. Mixing Tools: The price from the active market, deal brokers and 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 of should a counterparty default and the possibility of not collecting the derivative's full market value.

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

c. Financial risk management objectives and policies

1) Market risk

a) The source and definition of market risk

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

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

b) Market risk management policy

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

The market risk management regulations are as follows:

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

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

iii. Follow the regulations of Basel Accord.

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

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

c) Market risk management procedures

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

i. Identifying and measuring

The effective market risk management process begins with identifying the inherent risk of operating activities and financial instruments. The Group reviews the risk identifying method timely when the market environment changes and makes necessary adjustment to ensure the effective operation of the market risk management process. The Group’s risk management department identifies market risk factors and measures the market risk. The market risk factors refer to the factors which affect the interest rate, exchange rate or the fair value of equity instruments. The market risk factors include the position, profits and loss, loss from stress testing, PVO1, Delta, VaR, etc.

ii. Monitoring and reporting

The Group controls market risk by managing risk limits. The risk management department sets various trading limits, such as position limits, stop-loss limits, and maximum potential loss. The trading limits are implemented only after they are reported to and approved by the board of directors.

The risk management department calculates exposures and estimated gains and losses on positions daily to make sure that the positions held and losses do not exceed the limits approved by the board of directors and prepares reports to the high-level management and the board of directors periodically for their sufficient understanding of the implementation of the market risk management and, if necessary, issuance of additional guidance.

The risk management department reports important market risk issues, such as discovery of possible loss on positions in each trading book or identification of weakness in the market risk management system, to the Risk Management Committee in order to improve the effectiveness of the market risk management.

iii. Stress testing

The stress testing is one of the important tools for risk management. It is used for verifying effects on the investment portfolio due to some extremely disadvantageous but possible stressful events and for analyzing exposure level and risk tolerance in such situations and furthermore evaluating the portfolio loss or the impact on the capital. Chang Hwa Bank performs stress testing for forecasting risk and for assessment and reinforcement of statistical models or historical data limitations.

d) Trading book market risk management

The trading book refers to the position of financial instruments held for trading or hedging. The position of financial instruments held for trading refers to the position which earns profits from actual or expected short-term price fluctuations.

i. Strategy

The Group determines the risk limitation of the investment portfolio of trading book by evaluating trading strategy, trading category, and annual performance.

ii. Management policy and procedures

The Group follows “Market Risk Management Rules”, “Derivative Financial Trading Process” and various financial instrument related regulations as the important management rules of trading book.

iii. Valuation policy

The trading positions are valued real time or daily. The hedging derivatives are valued at least twice a month. The resources of fair value of financial instruments are categorized as: (1) those derived from quoted prices in active markets; (2) the latest price without active market; (3) valuation without active market.

iv. Risk measuring methods

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

ii) With regard to the Group’s Value at Risk assumptions and calculation methods, refer to item i.

iii) The Group performs the stress test quarterly and report the result to Risk Management Committee periodically.

e) Trading book interest rate risk management

i. Definition of interest rate risk

Interest rate risk is fair value changes in interest rate risk position held by the Group due to interest rate changes. The risks are mainly in debt securities and interest rate derivatives.

ii. Management procedures on trading book interest rate risk

The Group defines the trading limit of trading book and the stop-loss limit of different financial instruments by assessing the credit and the financial position of the issuers.

iii. Measuring methods

The interest rate factor sensitivity of debt securities and interest rate derivatives is measured by DVO1. With regard to the Group's Value at Risk assumptions and calculation methods, refer to item i.

f) Banking book interest rate risk management

i. Definition of banking book interest rate risk

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

ii. Management strategy on banking book interest rate risk

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

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

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

g) Exchange rate risk management

i. Definition of exchange rate risk

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

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

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

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

h) Equity security price risk management

i. Definition of equity security price risk

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

ii. Equity security price risk management purpose

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

iii. Equity security price risk management procedures

The Group sets restrictions on credit extensions with the same person, the same concerned party or the same affiliate to control the risk concentration. Risk Management Department monitors unrealized gain or loss of the holding position daily. If unrealized loss is over the stop-loss threshold, Risk Management Department would notice the department who 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 since January 27, 2014. The historical simulation method is based on historical data to estimate the future cash flow and assess the market risk of financial instrument. There are more and more financial institutions using the historical simulation method. However, there are some limitations for using the method. One of the limitations is that the assumption used in the method may not reflect the real situation. Besides, the simulation result may not be representative if the historical data used are too small. The Group would use proxy to respond to the limitations mentioned above.

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

ii. As of June 30, 2020 and 2019, the Bank’s VaR factors based on historical simulation method were as follows:

	For the Six Months Ended June 30, 2020			
	Average	**Highest**	**Lowest**	**Ending Balance**
Exchange rate VaR	$ 269,638	$ 306,766	$ 233,373	$ 240,624
Interest rate VaR	16,800	18,575	16,006	17,867
Equity securities VaR	11,738	13,327	11,104	13,188
Value at risk	$ 298,176	$ 338,668	$ 260,483	$ 271,679

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

2) Primary foreign currencies

The significant foreign-currency financial assets and liabilities as of June 30, 2020, December 31, 2019 and June 30, 2019 were as follows:

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	June 30, 2020		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
Monetary items			
USD	$ 6,449,476	29.4500	$ 189,937,068
GBP	45,454	36.2600	1,648,162
AUD	802,921	20.2550	16,263,165
HKD	647,439	3.7990	2,459,621
CAD	69,123	21.5600	1,490,292
ZAR	4,537,212	1.7060	7,740,484
JPY	45,907,508	0.2735	12,555,703
EUR	610,527	33.1300	20,226,760
NZD	64,933	18.9200	1,228,532
RMB	12,141,895	4.1690	50,619,560
Financial liabilities			
Monetary items			
USD	11,284,604	29.4500	332,331,588
GBP	55,742	36.2600	2,021,205
AUD	848,718	20.2550	17,190,783
HKD	612,973	3.7990	2,328,684
CAD	68,215	21.5600	1,470,715
ZAR	4,207,093	1.7060	7,177,301
JPY	50,205,956	0.2735	13,731,329
EUR	607,325	33.1300	20,210,677
NZD	75,119	18.9200	1,421,251
RMB	12,821,950	4.1690	53,454,710
Non-monetary items			
USD	2,839	29.4500	83,609

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	December 31, 2019		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 7,581,239	29.9900	$ 227,361,358
GBP	22,106	39.3800	870,534
AUD	1,271,932	21.0150	26,729,651
HKD	2,260,263	3.8510	8,704,273
CAD	65,033	22.9800	1,494,458
ZAR	4,284,442	2.1200	9,083,017
JPY	48,671,485	0.2761	13,438,197
EUR	608,363	33.6400	20,465,331
NZD	71,076	20.2000	1,435,735
RMB	11,512,518	4.2950	49,446,265
Financial liabilities			
Monetary items			
USD	10,592,236	29.9900	317,661,158
GBP	28,742	39.3800	1,131,860
AUD	1,088,236	21.0150	22,869,280
HKD	1,525,516	3.8510	5,874,762
CAD	69,717	22.9800	1,602,097
ZAR	4,014,991	2.1200	8,511,781
JPY	49,659,212	0.2761	13,710,908
EUR	598,533	33.6400	20,134,650
NZD	84,477	20.2000	1,706,435
RMB	12,053,236	4.2950	51,768,649
Non-monetary items			
USD	2,593	29.9900	77,764

(In Thousands of Foreign Currencies/New Taiwan Dollars)

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

(Continued)

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

(Concluded)

For the three months ended June 30, 2020 and 2019, net foreign exchange (losses) gains were $(1,564) thousand and $290,906 thousand, respectively. For the six months ended June 30, 2020 and 2019, net foreign exchange gains were $233,059 thousand and $621,345 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 Bank and entities under its control.

3) Credit risk

a) Credit risk source and definition

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

b) Credit risk management policy

i. The 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.

vi. Information on credit risk would be presented to the high-level management periodically.

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

i. Credit business (including loan commitments and guarantees)

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

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

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

  - Quantitative indicators

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

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

  - Qualitative indicators

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

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

  ii) Definition of the credit-impaired financial assets

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

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

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

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

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

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

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

- The case is declared bankrupt by the court.

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

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

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

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

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

iii) Expected credit loss measurement

The Group 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:

	June 30	
	2020	**2019**
Discounts and loans	$ 4,687,569	$ 4,419,156

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.

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

c) Credit risk hedging or mitigation policies

i. Collateral

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

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

To avoid the concentration of credit risks, the Group has included credit limits for a single counterparty and for a single group in its credit-related guidelines. The Group has also included credit limits for an individual (entity) and for related enterprises (group) in the guidelines for investment and regulations for risk control on equity investments. To manage the concentration risk on the assets, the Group has set credit limits by industry, conglomerate, transactions collateralized by stock, and other categories and integrated within one system to supervise concentration of credit risk in these categories. Various credit limits are regularly evaluated and revised in a timely manner based on the economic circumstances, financial environment and business development strategies, etc.

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:

June 30, 2020

		Maximum Exposure to Credit Risk Mitigated by			
	Carrying Amount	Collateral	Master Netting Arrangement	Other Credit Enhancements	Total
Discounts and loans	$ 1,509,960,820	$ 1,001,939,375	$ -	$ -	$ 1,001,939,375
Financial assets at FVTPL	15,475,352	8,044,314	-	-	8,044,314
Investments in debt instruments at FVTOCI	95,865,950	2,755,492	-	-	2,755,492
Investments in debt instruments at amortized cost	310,472,192	397,231	-	-	397,231

December 31, 2019

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

June 30, 2019

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

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

	Discounts and Loans			
	June 30, 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	$ 852,826,334	$ 1,542,453	$ 56,304	$ 854,425,091
Levels 16-18	-	58,704,716	1,938,097	60,642,813
Levels 19-21	-	-	11,843,949	11,843,949
No rating	579,786,065	1,701,627	1,561,275	583,048,967
Total carrying amount	$ 1,432,612,399	$ 61,948,796	$ 15,399,625	$ 1,509,960,820
Expected credit losses	$ 1,683,924	$ 2,904,250	$ 6,107,186	$ 10,695,360
Recognized impairment based on the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts				7,680,183
				$ 18,375,543

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

	Discounts and Loans			
	June 30, 2019			
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total
Credit rating				
Levels 1-15	$ 836,628,732	$ 1,811,404	$ -	$ 838,440,136
Levels 16-18	-	52,093,136	3,743,834	55,836,970
Levels 19-21	-	-	8,376,456	8,376,456
No rating	494,254,996	2,190,052	1,643,169	498,088,217
Total carrying amount	$ 1,330,883,728	$ 56,094,592	$ 13,763,459	$ 1,400,741,779
Expected credit losses	$ 1,790,104	$ 1,527,028	$ 5,253,127	$ 8,570,259
Recognized impairment based on the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts				8,490,576
				$ 17,060,835

	Guarantee Payments June 30, 2020			
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total
Carrying amount	$ 59,910,014	$ 675,873	$ 93,012	$ 60,678,899
Expected credit losses	165,104	19,287	21,810	206,201

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

	Loan Commitments June 30, 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	$ 64,815,579	$ 3,215,002	$ 113,752	$ 68,144,333
Carry amount - cancellable	568,770,047	12,443,250	68,037	581,281,334
	$ 633,585,626	$ 15,658,252	$ 181,789	$ 649,425,667
Expected credit losses - non-cancellable	$ 55,786	$ 34,785	$ 25,023	$ 115,594
Expected credit losses - cancellable	218,352	324	150	218,826
	$ 274,138	$ 35,109	$ 25,173	$ 334,420

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

	Loan Commitments			
	June 30, 2019			
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total
Carry amount - non-cancellable	$ 78,928,027	$ 3,762,521	$ -	$ 82,690,548
Carry amount - cancellable	596,558,809	10,920,322	427,790	607,906,921
	$ 675,486,836	$ 14,682,843	$ 427,790	$ 690,597,469
Expected credit losses - non-cancellable	$ 80,136	$ 22,059	$ -	$ 102,195
Expected credit losses - cancellable	231,025	83	1,412	232,520
	$ 311,161	$ 22,142	$ 1,412	$ 334,715

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 June 30, 2020, December 31, 2019 and June 30, 2019, the maximum exposures to credit risk (before deducting the guarantees or other credit enhancement instruments and the irrepealably maximum amount of exposure) were as follows:

Financial Instrument Type	June 30, 2020	December 31, 2019	June 30, 2019
Unused loan commitments (excluding credit card)	$ 68,144,333	$ 72,353,744	$ 82,690,548
Credit card commitments	363,000	322,128	346,164
Unused issued letters of credit	20,575,669	21,538,830	26,633,493
Guarantees in guarantee business	60,678,899	53,750,110	51,872,978

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	June 30, 2020 Carrying Amount	June 30, 2020 Percentage of Item (%)
Financial and insurance	$ 59,377,229	4
Manufacturing	379,136,305	25
Wholesale and retail	125,366,686	8
Real estate and leasing	115,972,758	8
Service	50,256,337	3
Individuals	506,723,287	34
Others	273,128,218	18
	$ 1,509,960,820	

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

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

Geographic Location	June 30, 2020	
	Carrying Amount	Percentage of Item (%)
Asia	$ 1,405,467,318	93
America	75,601,905	5
Europe	18,099,462	1
Others	10,792,135	1
	$ 1,509,960,820	

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

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

Securities Type	June 30, 2020	
	Carrying Amount	Percentage of Item (%)
Unsecured	$ 508,021,445	33
Secured		
Properties	854,587,956	57
Others	147,351,419	10
	$ 1,509,960,820	

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

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

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

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

4) Liquidity risk management

a) The definition of liquidity risk

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

b) Liquidity risk management procedures

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

As of June 30, 2020 and 2019, the ratios of the liquidity reserve were 21.73% and 17.01%, respectively. Since the capital and working funds are deemed sufficient to meet the cash flow needs for performance of all contracted obligations, liquidity risk is not considered to be significant.

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

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

(In Thousands of New Taiwan Dollars)

Item	June 30, 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	$ 15,198,327	$ -	$ -	$ -	$ -	$ 15,198,327
Due from the Central Bank and call loans to banks	31,636,758	4,081,171	4,768,646	6,237,279	27,489,815	74,213,669
Financial assets at FVTPL	11,515,898	-	-	-	-	11,515,898
Receivables	28,184,050	1,048,164	464,218	1,198,027	299,742	31,194,201
Discounts and loans	105,414,568	137,760,300	143,504,113	222,366,582	670,002,214	1,279,047,777
Investments in equity instruments designated at FVTOCI	-	-	-	-	16,356,341	16,356,341
Investments in debt instruments at FVTOCI	600,346	150,293	-	402,561	32,112,894	33,266,094
Investments in debt instruments at amortized cost	163,200,000	29,435,000	24,815,000	26,760,000	19,376,565	263,586,565
Other maturity funds inflow items	-	-	-	-	14,121,933	14,121,933
	355,749,947	172,474,928	173,551,977	256,964,449	779,759,504	1,738,500,805
Major maturity fund outflows						
Deposits from the Central Bank and banks	102,461	154,237	122,395	110,270	-	489,363
Due to the Central Bank and banks	8,110,000	15,000	-	4,104,720	-	12,229,720
Securities sold under repurchase agreements	775,468	1,061,690	10,193	-	-	1,847,351
Payables	30,264,262	5,176,351	703,511	524,504	1,333,112	38,001,740
Deposits and remittances	103,127,010	120,848,322	141,726,167	185,374,541	816,443,610	1,367,519,650
Bank notes payable	-	-	-	10,000,000	44,300,000	54,300,000
Other maturity fund outflow items	59,412	64,546	69,985	284,928	5,691,709	6,170,580
	142,438,613	127,320,146	142,632,251	200,398,963	867,768,431	1,480,558,404
Gap	$ 213,311,334	$ 45,154,782	$ 30,919,726	$ 56,565,486	$ (88,008,927)	$ 257,942,401

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
	320,705,702	146,353,471	146,765,219	264,304,066	764,255,265	1,642,383,723
Major maturity fund outflows						
Deposits from the Central Bank and banks	141,895	146,204	16,352	263,105	-	567,556
Due to the Central Bank and banks	9,610,000	10,000	-	-	-	9,620,000
Securities sold under repurchase agreements	510,935	1,036,356	-	-	-	1,547,291
Payables	22,431,702	645,811	1,459,879	1,493,074	967,276	26,997,742
Deposits and remittances	107,916,729	124,678,010	130,074,293	194,398,694	785,039,524	1,342,107,250
Bank notes payable	-	-	-	5,000,000	50,260,000	55,260,000
Other maturity fund outflow items	80,115	91,720	113,601	289,441	5,911,293	6,486,170
	140,691,376	126,608,101	131,664,125	201,444,314	842,178,093	1,442,586,009
Gap	$ 180,014,326	$ 19,745,370	$ 15,101,094	$ 62,859,752	$ (77,922,828)	$ 199,797,714

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

(In Thousands of New Taiwan Dollars)

Item	June 30, 2019					
	0-30 Days	**31-90 Days**	**91-180 Days**	**181 Days-1 Year**	**Over 1 Year**	**Total**
Major maturity fund inflows						
Cash and cash equivalents	$ 28,457,422	$ -	$ -	$ -	$ -	$ 28,457,422
Due from the Central Bank and call loans to banks	9,238,196	4,005,934	4,615,209	6,144,383	29,289,660	53,293,382
Financial assets at FVTPL	4,956,426	-	-	-	-	4,956,426
Receivables	21,789,974	1,022,977	905,390	313,094	266,718	24,298,153
Discounts and loans	94,858,821	153,425,234	117,812,694	171,183,702	632,388,885	1,169,669,336
Investments in equity instruments designated at FVTOCI	-	-	-	-	14,367,378	14,367,378
Investments in debt instruments at FVTOCI	-	200,345	2,004,479	499,763	23,122,850	25,827,437
Investments in debt instruments at amortized cost	141,200,000	27,249,662	18,949,661	15,604,354	14,273,188	217,276,865
Other maturity funds inflow items	-	-	-	-	27,600,598	27,600,598
	300,500,839	185,904,152	144,287,433	193,745,296	741,309,277	1,565,746,997
Major maturity fund outflows						
Deposits from the Central Bank and banks	147,112	304,022	134,327	179,800	-	765,261
Due to the Central Bank and banks	8,010,000	10,000	-	-	-	8,020,000
Securities sold under repurchase agreements	899,358	1,262,466	19,409	-	-	2,181,233
Payables	38,903,558	1,846,923	677,300	657,317	1,255,562	43,340,660
Deposits and remittances	104,911,275	119,729,952	138,285,282	184,103,833	756,221,638	1,303,251,980
Bank notes payable	-	-	-	5,000,000	50,260,000	55,260,000
Other maturity fund outflow items	46,540	86,944	92,887	354,155	5,834,493	6,415,019
	152,917,843	123,240,307	139,209,205	190,295,105	813,571,693	1,419,234,153
Gap	$ 147,582,996	$ 62,663,845	$ 5,078,228	$ 3,450,191	$ (72,262,416)	$ 146,512,844

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

(In Thousands of United States Dollars)

Item	June 30, 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	$ 112,345	$ 220,000	$ -	$ -	$ -	$ 332,345
Due from the Central Bank and call loans to banks	2,265,516	197,404	47,394	2,569	4,465	2,517,348
Financial assets at FVTPL	34,415	-	-	-	-	34,415
Receivables	618,304	70,642	110,204	23,905	3,052	826,107
Discounts and loans	1,170,017	805,056	502,877	328,985	3,245,750	6,052,685
Investments in debt instruments at FVTOCI	1,001	-	21,025	51,726	944,954	1,018,706
Investments in debt instruments at amortized cost	4,999	17,983	4,998	10,505	92,943	131,428
Other maturity fund inflow items	-	-	450,000	150,000	32,086	632,086
	4,206,597	1,311,085	1,136,498	567,690	4,323,250	11,545,120
Major maturity fund outflows						
Deposits from the Central Bank and banks	10,450	903	1,354	2,709	85	15,501
Due to the Central Bank and banks	2,004,208	1,280,000	20,000	-	-	3,304,208
Payables	905,942	42,183	8,172	6,874	1,004	964,175
Deposits and remittances	1,832,106	1,979,023	1,990,674	2,165,232	3,784,024	11,751,059
Other maturity fund outflow items	49,124	2,262	4,135	8,952	28,430	92,903
	4,801,830	3,304,371	2,024,355	2,183,767	3,813,543	16,127,846
Gap	$ (595,233)	$ (1,993,286)	$ (887,837)	$ (1,616,077)	$ 509,707	$ (4,582,726)

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
	3,721,386	1,922,348	883,408	1,008,765	4,164,501	11,700,408
Major maturity fund outflows						
Deposits from the Central Bank and banks	16,819	523	784	1,568	85	19,779
Due to the Central Bank and banks	1,817,252	732,000	-	-	-	2,549,252
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
	5,051,380	3,005,991	1,561,944	1,720,033	3,259,899	14,599,247
Gap	$ (1,329,994)	$ (1,083,643)	$ (678,536)	$ (711,268)	$ 904,602	$ (2,898,839)

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

(In Thousands of United States Dollars)

Item	June 30, 2019					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Major maturity fund inflows						
Cash and cash equivalents	$ 111,001	$ 225,001	$ -	$ -	$ -	$ 336,002
Due from the Central Bank and call loans to banks	2,812,196	1,035,848	211,418	42,285	3,460	4,105,207
Financial assets at FVTPL	28,227	-	-	-	-	28,227
Receivables	573,796	80,493	229,979	44,059	14,619	942,946
Discounts and loans	759,236	459,366	542,810	377,604	3,364,420	5,503,436
Investments in debt instruments at FVTOCI	2,192	22,030	48,051	37,539	1,389,249	1,499,061
Investments in debt instruments at amortized cost	-	-	2,996	17,485	262,399	282,880
Other maturity fund inflow items	5,000	-	400,000	500,000	14,881	919,881
	4,291,648	1,822,738	1,435,254	1,018,972	5,049,028	13,617,640
Major maturity fund outflows						
Deposits from the Central Bank and banks	16,803	365	547	1,095	85	18,895
Due to the Central Bank and banks	2,213,568	866,000	-	-	-	3,079,568
Financial liabilities at FVTPL	-	-	314,158	-	-	314,158
Payables	774,452	33,553	6,034	7,388	538	821,965
Deposits and remittances	2,215,730	1,781,666	1,158,402	1,809,778	2,797,247	9,762,823
Other maturity fund outflow items	44,427	1,082	11,022	1,230	94,877	152,638
	5,264,980	2,682,666	1,490,163	1,819,491	2,892,747	14,150,047
Gap	$ (973,332)	$ (859,928)	$ (54,909)	$ (800,519)	$ 2,156,281	$ (532,407)

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

d) Maturity analysis of derivative financial assets and liabilities

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

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

Item	June 30, 2020					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Foreign currency derivative instruments						
Outflows	$ 154,077,891	$ 365,110,168	$ 100,104,625	$ 47,558,858	$ 1,178,000	$ 668,029,542
Inflows	152,951,897	364,205,487	100,249,187	47,563,772	1,185,802	666,156,145
Interest rate derivative instruments						
Outflows	1,210,247	1,877,240	3,946,840	3,303,180	19,142	10,356,649
Inflows	1,286,523	1,767,000	3,828,500	3,243,508	-	10,125,531
Others						
Outflows	-	-	-	-	-	-
Inflows	28,750	-	-	-	-	28,750
Total outflows	$ 155,288,138	$ 366,987,408	$ 104,051,465	$ 50,862,038	$ 1,197,142	$ 678,386,191
Total inflows	$ 154,267,170	$ 365,972,487	$ 104,077,687	$ 50,807,280	$ 1,185,802	$ 676,310,426

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

e) Maturity analysis of off-balance-sheet items

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

(In Thousands of New Taiwan Dollars)

Item	June 30, 2020					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	$ 55,603,295	$ 589,480	$ 529,711	$ 2,923,105	$ 8,498,742	$ 68,144,333
Credit card commitments	-	2,981	11,032	23,720	325,267	363,000
Letters of credit issued yet unused	20,434,004	112,760	28,905	-	-	20,575,669
Guarantees	59,637,133	104,456	518,426	367,436	51,448	60,678,899
	$ 135,674,432	$ 809,677	$ 1,088,074	$ 3,314,261	$ 8,875,457	$ 149,761,901

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

35. OTHER DISCLOSURES OF FINANCIAL INSTITUTION

a. Asset quality

Item / Business Type			June 30, 2020					June 30, 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		$ 3,891,084	$ 494,733,680	0.79%	$ 5,878,167	151.07%	$ 2,684,327	$ 468,883,131	0.57%	$ 5,510,029	205.27%
	Unsecured		1,100,445	494,755,969	0.22%	5,612,273	510.00%	174,517	465,210,000	0.04%	5,344,549	3,062.48%
Consumer finance	Mortgage loans (Note d)		546,403	301,163,353	0.18%	4,551,568	833.01%	678,188	266,763,162	0.25%	4,053,845	597.75%
	Cash cards (Note h)		-	-	-	-	-	-	-	-	-	-
	Credit loans (Note e)		6,954	2,027,432	0.34%	22,538	324.08%	3,060	1,567,467	0.20%	18,288	597.65%
	Others (Note f)	Secured	856,880	202,207,541	0.42%	2,070,579	241.64%	646,224	180,715,182	0.36%	1,861,482	288.06%
		Unsecured	2,888	1,324,961	0.22%	14,875	515.03%	5,963	1,269,907	0.47%	14,653	245.73%
Total			6,404,654	1,496,212,936	0.43%	18,150,000	283.39%	4,192,279	1,384,408,849	0.30%	16,802,846	400.80%

Item / Business Type	June 30, 2020					June 30, 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	$ 4,256	$ 1,732,050	0.25%	$ 20,251	475.82%	$ 3,096	$ 2,806,725	0.11%	$ 20,315	656.17%
No recourse receivable factoring (Note g)	-	5,920,062		109,313		-	11,428,531	-	164,285	-

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

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

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

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

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

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

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

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

Business Type \ Item	June 30, 2020		June 30, 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)	$ -	$ 813	$ -	$ 1,126
Negotiated accounts receivable transacted in accordance with the agreement and exempted from reporting as non-performing receivables (Note b)	451	20,400	520	18,271
Total	451	21,213	520	19,397

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

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

b. Concentration of credit risk

June 30, 2020			
Rank (Note a)	**Transaction Party (Note b)**	**Loans (Note c)**	**As Proportion of Net Equity (%) (Note d)**
1	A Group (airline industry)	$ 26,188,158	16.16
2	B Corporation (railway transportation industry)	25,025,385	15.44
3	C Group (synthesis construction industry)	19,990,285	12.33
4	D Group (concrete manufacturing industry)	13,018,603	8.03
5	E Group (enterprise general management agency)	12,749,611	7.87
6	F Group (steel smelting industry)	10,604,910	6.54
7	G Group (steel manufacturing industry)	7,258,408	4.48
8	H Group (liquid crystal panel and components manufacturing industry)	6,433,697	3.97
9	I Group (computer manufacturing industry)	6,120,606	3.78
10	J Group (real estate development industry)	6,085,637	3.75

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

Note a: Sorted by the balance of loans on June 30, 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	**June 30, 2020**				
	1-90 Days	**91-180 Days**	**181 Days-1 Year**	**More Than 1 Year**	**Total**
Interest-sensitive assets	$ 1,429,794,040	$ 57,132,319	$ 57,055,798	$ 127,527,985	$ 1,671,510,142
Interest-sensitive liabilities	312,352,211	946,034,588	94,206,884	48,148,614	1,400,742,297
Interest sensitivity gap	1,117,441,829	(888,902,269)	(37,151,086)	79,379,371	270,767,845
Net equity					140,383,547
Ratio of interest-sensitive assets to liabilities					119.33%
Ratio of interest sensitivity gap to net equity					192.88%

(In Thousands of New Taiwan Dollars; %)

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

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

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

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

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

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

Item	June 30, 2020				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	$ 11,051,060	$ 1,086,618	$ 228,424	$ 307,930	$ 12,674,032
Interest-sensitive liabilities	13,551,780	1,778,612	1,797,253	63	17,127,708
Interest sensitivity gap	(2,500,720)	(691,994)	(1,568,829)	307,867	(4,453,676)
Net equity					536,034
Ratio of interest-sensitive assets to liabilities					74.00%
Ratio of interest sensitivity gap to net equity					(830.86%)

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

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

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

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

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

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

d. Profitability

Item		June 30, 2020	June 30, 2019
Return on total assets	Pretax	0.24%	0.34%
	After tax	0.20%	0.29%
Return on net equity	Pretax	3.22%	4.48%
	After tax	2.62%	3.81%
Profit margin		29.31%	37.50%

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

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

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

Note d: Profitability presented above is cumulative from January 1 to June 30 of 2020 and 2019, respectively.

e. Maturity analysis of assets and liabilities

(In Thousands of New Taiwan Dollars)

	Total	June 30, 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	$ 2,055,142,314	$ 200,641,597	$ 183,388,048	$ 380,947,354	$ 203,978,533	$ 272,256,840	$ 813,929,942
Major maturity cash outflows	2,585,857,861	139,323,984	151,859,665	506,639,623	298,474,433	456,456,916	1,033,103,240
Gap	(530,715,547)	61,317,613	31,528,383	(125,692,269)	(94,495,900)	(184,200,076)	(219,173,298)

(In Thousands of New Taiwan Dollars)

	Total	June 30, 2019					
		Period Remaining until Due Date and Amount Due					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year
Major maturity cash inflows	$ 1,763,299,064	$ 195,990,426	$ 130,794,210	$ 308,537,758	$ 163,991,400	$ 200,918,139	$ 763,067,131
Major maturity cash outflows	2,306,958,591	128,488,745	122,921,638	350,706,994	283,352,190	450,737,333	970,751,691
Gap	(543,659,527)	67,501,681	7,872,572	(42,169,236)	(119,360,790)	(249,819,194)	(207,684,560)

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

(In Thousands of U.S. Dollars)

	Total	June 30, 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	$ 24,679,923	$ 9,733,984	$ 5,951,725	$ 2,951,890	$ 1,367,000	$ 4,675,324
Major maturity cash outflows	28,990,068	8,106,120	5,648,116	4,487,126	4,676,855	6,071,851
Gap	(4,310,145)	1,627,864	303,609	(1,535,236)	(3,309,855)	(1,396,527)

(In Thousands of U.S. Dollars)

	Total	June 30, 2019				
		Period Remaining until Due Date and Amount Due				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year
Major maturity cash inflows	$ 23,873,488	$ 10,507,726	$ 3,896,538	$ 2,230,357	$ 2,191,197	$ 5,047,670
Major maturity cash outflows	28,846,623	10,862,758	4,719,108	3,366,792	4,769,894	5,128,071
Gap	(4,973,135)	(355,032)	(822,570)	(1,136,435)	(2,578,697)	(80,401)

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

f. Trust accounts

Under Article 3 of the Trust Law, the Bank can offer trust services. The items and amounts of trust accounts as of June 30, 2020 and 2019 were as follows:

	June 30	
	2020	**2019**
Special purpose trust accounts - domestic	$ 31,277,413	$ 32,633,241
Special purpose trust accounts - foreign	73,372,438	75,612,933
Insurance trust	10,786	10,729
Retirement and breeds trust	399,409	357,197
Umbilical cord blood trust	11,928,665	11,692,699
Money claim and guarantee trust	57,800	61,800
Marketable securities trust	1,002,116	751,456
Real estate trust	18,412,350	20,272,793
Securities under custody	242,055,003	171,803,878
Other money trust	2,860,952	1,687,138
	$ 380,376,932	$ 314,883,864

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

Balance Sheet of Trust

	June 30			June 30	
Trust Assets	**2020**	**2019**	**Trust Liabilities**	**2020**	**2019**
Bank deposits	$ 4,325,793	$ 4,153,820	Trust capital		
Insurance claims	57,800	61,800	Money trust	$ 118,644,967	$ 121,585,924
Financial assets			Insurance claims	57,800	61,800
Common stock	2,818,780	1,756,780	Marketable securities trust	993,366	749,182
Mutual funds	110,788,126	117,217,575	Real estate trust	18,412,949	20,273,438
Bonds	2,693,467	3,335,163	Securities under custody payable	242,055,003	171,803,878
Interest receivable	-	4,350	With holdings	-	284
Land	12,787,022	8,422,388	Profit and loss	(97,483)	96,123
Buildings	570,605	599,045	Unappropriated retained earnings - realized capital gain/loss	61,446	55,224
Construction in progress	4,280,336	7,529,065	Unappropriated retained earnings - gain on revenue/expense investment	1,167,259	1,047,583
Securities under custody	242,055,003	171,803,878	Unappropriated retained earnings	(918,375)	(789,572)
Total trust assets	$ 380,376,932	$ 314,883,864	Total trust liabilities	$ 380,376,932	$ 314,883,864

Trust Assets Register

Investments	June 30 2020	June 30 2019
Bank deposits	$ 4,325,793	$ 4,153,820
Insurance claims	57,800	61,800
Financial assets		
Common stock	2,818,780	1,756,780
Mutual funds	110,788,126	117,217,575
Bonds	2,693,467	3,335,163
Land	12,787,022	8,422,388
Buildings	570,605	599,045
Construction in progress	4,280,336	7,529,065
Others	-	4,350
Securities under custody	242,055,003	171,803,878
Total trust assets	$ 380,376,932	$ 314,883,864

Income Statement of Trust

Investments	For the Six Months Ended June 30 2020	For the Six Months Ended June 30 2019
Revenue		
Interest income	$ 42,717	$ 43,503
Dividends	29,007	31,209
Gain on mutual funds	8,708	3,356
Foreign exchange gains	970,553	832,953
Realized capital gain - mutual funds	7	2,131
Realized capital gain - bonds	24,075	4,680
Realized capital gain - common stock	24,613	11,486
	1,099,680	929,318
Expense		
Maintenance	(1,177)	(828)
Tax expense	(1,748)	(1,200)
Others	(52)	(29)
Foreign exchange losses	(925,971)	(797,570)
Realized capital loss - bonds	(3,376)	(1,801)
Realized capital loss - mutual funds	(415)	(19,656)
Realized capital losses - quoted stock	(264,424)	(12,111)
	(1,197,163)	(833,195)
	$ (97,483)	$ 96,123

36. RELATED-PARTY TRANSACTIONS

a. Related parties and their relationships with the Bank

Name	Relationship
Director and managers	The Bank's director and managers
Taishin Financial Holding	The Bank's related party in substance (the Bank's corporate director before June 19, 2020)
Taishin International Bank	The Bank's subsidiary of related party in substance (owned by the same parent company before June 19, 2020)
Chunghwa Post Co., Ltd. (as the Bank's related party since June 19, 2020)	The Bank's corporate director
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
Taiwan Biotech Co., Ltd.	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
Quaser Machine Tools, Inc.	Its director is the Bank's corporate director
EirGenix, Inc.	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 June 30, 2020	$ 31,346,647	2.10
Balance as of December 31, 2019	31,515,937	2.21
Balance as of June 30, 2019	30,014,290	2.17

For the six months ended June 30, 2020 and 2019, interest rates ranged from 0.00% to 6.20% and from 0.63% to 4.35%, and interest income was $282,259 thousand and $297,378 thousand, respectively.

For the three months ended June 30, 2020 and 2019, interest income was $126,684 thousand and $149,804 thousand, respectively.

	June 30, 2020								
	Ending Balance		Highest Amount		Normal Loans		Non-performing Loans	Collateral	Difference in Terms Between Related Parties and Non-related Parties
Consumer loans									
44 accounts	$	26,976	$	27,724	$	26,976	$ -	Credit	None
Self-use residential mortgage loans									
242 accounts		1,499,643		1,540,946		1,499,643	-	Real estate	None
Others									
Taiwan High Speed Rail Corporation		24,942,116		25,020,737		24,942,116	-	Credit and station equipment	None
Yang Ming Marine Transport Corporation		2,497,000		2,497,000		2,497,000	-	Credit and Ship	None
Unity Opto Technology		741,394		756,046		741,394	-	Credit and real estate and equipment	None
Powertec Energy Corporation		466,027		668,002		-	466,027	Credit and plant	None
CSBC Corporation		318,726		2,190,745		318,726	-	Credit	None
United Renewable Energy Co., Ltd		306,837		407,817		306,837	-	Credit	None
Quaser Machine Tools		150,000		260,000		150,000	-	Credit	None
EirGenis		103,365		192,122		103,365	-	Plant	None
Other - corporation 10 accounts (Note 1)		293,195		887,433		293,195	-	Credit and fund guarantee and real estate	None
Other - individual 5 accounts (Note 2)		1,370		1,594		1,370	-	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
Consumer loans									
37 accounts	$	18,234	$	19,552	$	18,234	$ -	Credit	None
Self-use residential mortgage loans									
222 accounts		1,480,928		1,524,348		1,480,928	-	Real estate	None
Others									
Taiwan High Speed Rail Corporation		25,674,629		25,683,510		25,674,629	-	Credit and station equipment	None
Yang Ming Marine Transport Corporation		1,878,000		2,378,000		1,878,000	-	Credit and ship	None
Unity Opto Technology Co., Ltd.		744,849		1,142,872		744,849	-	Credit and land and plant	None
Powertec Electronical Corporation		666,383		666,383		666,383	-	Credit and plant	None
CSBC Corporation		500,000		672,483		500,000	-	Credit	None
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

	June 30, 2019					
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral	Difference in Terms Between Related Parties and Non-related Parties
Consumer loans						
30 accounts	$ 14,974	$ 15,754	$ 14,974	$ -	Credit	None
Self-use residential mortgage loans						
207 accounts	1,214,949	1,262,267	1,214,949	-	Real estate	None
Others						
Taiwan High Speed Rail Corporation	25,820,881	25,928,892	25,820,881	-	Credit and station equipment	None
Yang Ming Marine Transport Corporation	1,759,000	1,759,000	1,759,000	-	Ship	None
Powertec Energy Corporation	687,675	687,675	687,675	-	Credit and plant	None
Taiwan Biotech Corporation Ltd.	122,786	256,214	122,786	-	Credit	None
Ritdisplay Corporation	100,000	100,000	100,000	-	Land and plant	None
Other - corporation 6 accounts (Note 1)	292,442	569,033	292,442	-	Credit and fund guarantee and real estate	None
Other - individual 4 accounts (Note 2)	1,583	1,615	1,583	-	Foreign currency or deposit	None

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

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

Loans to managers for mortgage within $8,000 thousand and credit loans within $800 thousand per person all bore interests at 0.51%, 1.26% and 1.26% on June 30, 2020, December 31, 2019 and June 30, 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

	June 30, 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
Kaohsiung Rapid Transit Corporation	6,000	6,000	60	0.50	None
Adimmune Corporation	6,649	18,367	66	1.80	Pledged demand deposit

	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

	June 30, 2019				
	Ending Balance	Highest Amount	Reserve for Guarantee Liabilities	Interest Rate (Per Annum %)	Collateral
Yang Ming Marine Transport Corporation	$ 500,000	$ 500,000	$ 5,000	0.80	None
Kaohsiung Rapid Transit Corporation	21,327	27,716	213	0.50	None
Adimmune Corporation	18,771	19,236	188	1.80	Pledged demand deposit

3) Deposits

	Balance	Percentage of Loans (%)
Balance as of June 30, 2020	$ 9,889,171	0.55
Balance as of December 31, 2019	9,078,174	0.51
Balance as of June 30, 2019	5,099,840	0.30

For the six months ended June 30, 2020 and 2019, the interest rate intervals were between 0.00% and 13.00%, the interest expense was $69,135 thousand and $26,170 thousand, respectively. For the three months ended June 30, 2020 and 2019, the interest expense was $24,240 thousand and $12,668 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) Transactions of derivative financial products

(In Thousands of New Taiwan Dollars)

	June 30, 2020					
					Balance Sheet	
Name	Contract	Duration	Nominal Principal Amount	Current Valuation Gain (Loss)	Subject	Amount
Chunghwa Post Co	Currency swaps	2019.07.23-2020.09.30	$12,516,250	$ (207,505)	Financial liabilities at fair value through profit or loss	$ 223,468
Quaser Machine Tools	Forward exchange contracts and currency swaps	2020.02.13-2020.09.28	78,617	(550)	Financial liabilities at fair value through profit or loss	550

5) Call loans to banks and call loans from banks

Call loans to banks

(In Thousands of Original Currencies)

	June 30, 2020					
Name	**Department**	**Currency**	**Ending Balance**	**Interest Rate (Per Annum %)**	**For the Three Months Ended June 30, 2020 Interest Income**	**For the Six Months Ended June 30, 2020 Interest Income**
Chunghwa Post Co	DBU	NTD	$ 15,000	0.08-0.77	$ 35	$ 340
Land Bank	DBU	NTD	5,000	0.07-0.67	1,153	2,055
	OBU	USD	50,000	0.08-2.35	156	1,190
	OBU	AUD	45,000	0.38	8	8
	Hong Kong Branch	USD	47,000	0.15-2.38	246	672
Taiwan Business Bank	OBU	USD	50,000	0.10-2.30	16	122
	Hong Kong Branch	USD	25,000	0.17-2.37	43	147

	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

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

Call loans from banks

(In Thousands of Original Currencies)

	June 30, 2020					
Name	**Department**	**Currency**	**Ending Balance**	**Interest Rate (Per Annum %)**	**For the Three Months Ended June 30, 2020 Interest Expense**	**For the Six Months Ended June 30, 2020 Interest Expense**
Land Bank	DBU	NTD	$ 5,000	0.18-0.66	$ 1	$ 164
Taiwan Business Bank	OBU	RMB	80,000	2.45-3.70	87	104
	London Branch	GBP	6,000	0.54-1.05	4	17

	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

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

6) Due from banks and deposits from banks

Due from banks

(In Thousands of New Taiwan Dollars)

Name	Department	Currency	June 30, 2020 Ending Balance	December 31, 2019 Ending Balance	June 30, 2019 Ending Balance
Land Bank	DBU	NTD	$ 801	$ 2	$ 222
Taiwan Business Bank	DBU	NTD	642	819	17
Chunghwa Post Co	DBU	NTD	243	-	-

Deposits from banks

(In Thousands of Original Currencies)

Name	Department	Currency	June 30, 2020 Ending Balance	December 31, 2019 Ending Balance	June 30, 2019 Ending Balance
Land Bank	DBU	NTD	$ 277	$ 277	$ 277
The Export-Import Bank	DBU	NTD	2,911	3,536	1,355
Taishin International Bank	New York Branch	USD	69	67	64
Chunghwa Post Co	DBU	NTD	383,448	-	-

c. Compensation of directors and management personnel

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Short-term employee benefits	$ 9,699	$ 10,882	$ 22,415	$ 23,154
Post-employment benefits	20,420	9,609	20,826	10,012
	$ 30,119	$ 20,491	$ 43,241	$ 33,166

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 each 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 June 30, 2020, December 31, 2019 and June 30, 2019 is as follows:

Pledged Assets	Description	June 30, 2020	December 31, 2019	June 30, 2019
Investments in debt instruments at FVTOCI	Bonds	$ 999,883	$ 988,004	$ 991,460
Investments in debt instruments at amortized cost	Bonds and certificates of deposit	41,535,550	41,389,970	41,610,484
Time deposits with original maturities of more than 3 months	Time deposits	2,709,850	2,577,000	2,709,600
Refundable deposits	Cash	1,216,016	959,061	576,875
Reserve account B	Cash	3,000,000	-	-

38. CONTINGENT LIABILITIES AND COMMITMENTS

a. In addition to those mentioned in Note 7, the Group had the following contingent liabilities and commitments as of June 30, 2020, December 31, 2019 and June 30, 2019:

	June 30, 2020	December 31, 2019	June 30, 2019
Trust liabilities	$ 380,376,932	$ 363,432,974	$ 314,883,864
Unused loan commitments (excluding credit cards)	68,144,333	72,353,744	82,690,548
Credit card commitments	363,000	322,128	346,164
Unused issued letters of credit	20,575,669	21,538,830	26,633,493
Guarantees issued in guarantee business	60,678,899	53,750,110	51,872,978
Repayment notes and times deposit held for custody	13,124,744	13,910,771	13,839,993
Liabilities on joint loans	695,998	915,013	851,595

The unrecognized commitments for the acquisition of equipment and intangible assets, as well as the commitments for construction, appointment and security as of June 30, 2020 were $371,292 thousand, $32,119 thousand, $521,789 thousand and $67,509 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. The Court held a hearing for oral argument on July 16, 2020, and ruled that both parties should submit an appeal, in which the court date would be set separately.

39. OTHER ITEMS

The outbreak of the COVID-19 has had a significant global impact since the beginning of this year, and the operations of the Group have also been affected considerably. The decrease in the Group's earnings was in accordance with the government's policies for the relief package and reduction of interest rate. In addition, due to an increase in non-performing loans, it is necessary to increase the amount of bad debts, which led to an increase in the non-performing loans ratio. The income from credit card and insurance fees also decreased relatively because of the epidemic. However, the above effects are still within the acceptable range and they have no impact on the Group's ability to continue as a going concern.

40. DISCLOSURES UNDER STATUTORY REQUIREMENTS

a. Material transactions

No.	Item	Explanation
1	Accumulated purchases and sales balance of specific investees' marketable security over NT$300 million or 10% of outstanding capital for the six months ended June 30, 2020	None
2	Acquisition of fixed assets over NT$300 million or 10% of outstanding capital for the six months ended June 30, 2020	None
3	Disposal of fixed assets over NT$300 million or 10% of outstanding capital for the six months ended June 30, 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 June 30, 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 June 30, 2020	Table 2
5	Accumulated purchases and sales balance of specific marketable security over NT$300 million or 10% of outstanding capital for the six months ended June 30, 2020	None
6	Acquisition of property, plant and equipment over NT$300 million or 10% of outstanding capital for the six months ended June 30, 2020	None
7	Disposal of property, plant and equipment over NT$300 million or 10% of outstanding capital for the six months ended June 30, 2020	None
8	Receivables from related parties over NT$300 million or 10% of outstanding capital as of June 30, 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)

41. INFORMATION ON THE BANK'S INVESTEES

Investees' Names (Note a)	Investees' Location	Principal Business Activities	Ownership Interest (%) at Ending Balance	Investment Carrying Amount	Recognized Investment Income (Loss) of Current Period	Sum of Ownership (Note a)			
						Current Stock	Imputed Stock (Note b)	Stock	Ownership Interest (%)
Shin Kong Financial Holding Co., Ltd.	Taipei City	Financial holding company	0.40	$ 436,417	$ -	$ 50,746,125	$ -	$ 50,746,125	0.40
Asia Pacific Broadband Telecom Co.	Taipei City	Type I & type II telecommunications business	0.26	77,570	-	9,831,471	-	9,831,471	0.26
Taiwan High Speed Rail Corporation	Taipei City	High speed rail road	0.79	1,624,250	-	44,500,000	-	44,500,000	0.79
Taiwan Stock Exchange Co.	Taipei City	Securities brokerage, margin lending, and underwriting financial products	3.00	2,181,568	-	21,859,396	-	21,859,396	3.00
Taiwan Sugar Co.	Tainan City	Manufacture correlative products of sugar and crop	0.41	1,312,246	-	23,246,159	-	23,246,159	0.41
Taiwan Power Co.	Taipei City	Generate electric power, power distribution, and cable assemble	0.71	2,352,551	-	235,726,532	-	235,726,532	0.71
Taipei Foreign Exchange Inc.	Taipei City	Exchange trading, DEPOS, and Swap	3.53	30,604	-	700,000	-	700,000	3.53
Lieu-An Service Co., Ltd.	Taipei City	ATM purchase, rental, and repair or maintenance	5.00	1,696	-	125,000	-	125,000	5.00
CDIB & Partners Investment Holding Co.	Taipei City	Investment	4.95	675,540	-	54,000,000	-	54,000,000	4.95
Nomura Asset Management Taiwan Ltd.	Taipei City	Securities investment trust	4.09	58,882	-	1,413,725	-	1,413,725	4.09
Financial Information Service Co., Ltd.	Taipei City	Type II telecommunications business	1.19	142,102	-	6,229,800	-	6,229,800	1.19
Taiwan Futures Exchange	Taipei City	Futures exchange	1.00	311,073	-	3,541,364	-	3,541,364	1.00
Taiwan Assets Management Co., Ltd.	Taipei City	Acquisition of delinquent loans, evaluation, auction, and management	11.35	1,537,200	-	120,000,000	-	120,000,000	11.35
Taiwan Financial Asset Service Co.	Taipei City	Auction assets of the recognition of an impartial third party	2.94	48,100	-	5,000,000	-	5,000,000	2.94
Financial Esolution Co., Ltd.	Taipei City	Financial information systems development	4.12	8,711	-	905,475	-	905,475	4.12
Taiwan Depository & Clearing Corporation	Taipei City	Provide book-entry of securities transactions	0.08	19,088	-	314,988	-	314,988	0.08
Sunlight Assets Management Co., Ltd.	Taipei City	Acquisition of delinquent loans, evaluation, auction, and management	0.70	540	-	41,768	-	41,768	0.70
Taiwan Mobile Payment Corporation	Taipei City	Electronic Information provider	3.00	10,062	-	1,800,000	-	1,800,000	3.00
Taiwan Urban Regeneration & Financial Services Co., Ltd.	Taipei City	Urban renewal and reconstruction industry	5.00	19,725	-	2,500,000	-	2,500,000	5.00
Tai Yu Products Corporation	Taichung City	Frozen agricultural products	4.77	(Note 3)	-	5,748,382	-	5,748,382	4.77
Chi-Yi Construction Management Company	New Taipei City	Residential development and lease	1.47	(Note 3)	-	410,395	-	410,395	1.47

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

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

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

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

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

42. SEGMENT INFORMATION

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

a. Segment revenue and results

	For the Six Months Ended June 30, 2020						
	Loans	Deposits and Remittances	Financial Instruments and Investments	Wealth Management	Oversea Branch and Subsidiaries	Others	Total
Net income of interest	$ 6,344,390	$ 2,402,966	$ (600,192)	$ -	$ 1,587,378	$ (9,620)	$ 9,724,922
Net service fee income	748,514	109,303	(15,653)	1,383,836	62,185	-	2,288,185
Net income on financial instrument	-	-	2,177,829	-	117,695	-	2,295,524
Others	6,624	-	1,866	-	40,348	129,215	178,053
Net revenue and gains	7,099,528	2,512,269	1,563,850	1,383,836	1,807,606	119,595	14,486,684
Bad debts expense and commitment and guarantee liability provision	(413,527)	-	213	-	(1,003,817)	-	(1,417,131)
Operating expense	-	-	-	-	-	-	(7,852,928)
Income before income tax	$ 6,686,001	$ 2,512,269	$ 1,564,063	$ 1,383,836	$ 803,789	$ 119,595	$ 5,216,625

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

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

	June 30, 2020						
	Loans	Deposits and Remittances	Financial Instruments and Investments	Wealth Management	Overseas Branches and Subsidiary	Others	Total
Assets	$ 1,388,369,944	$ -	$ 564,895,194	$ -	$ 175,055,518	$ 81,190,112	$ 2,209,510,768
Liabilities	$ 2,238,597	$ 1,760,211,047	$ 115,344,446	$ -	$ 118,801,868	$ 50,833,781	$ 2,047,429,739

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

	June 30, 2019						
	Loans	Deposits and Remittances	Financial Instruments and Investments	Wealth Management	Overseas Branches and Subsidiary	Others	Total
Assets	$ 1,276,286,715	$ -	$ 552,632,153	$ -	$ 201,074,716	$ 94,176,868	$ 2,124,170,452
Liabilities	$ 2,572,999	$ 1,657,945,166	$ 101,788,096	$ -	$ 148,498,535	$ 55,094,513	$ 1,965,899,309

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES' NAMES AND LOCATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 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 June 30, 2020	End of December 31, 2019	Stock	Ownership Interest (%)	Book Value			
Chang Hwa Bank	Chang Hua Commercial Bank, Ltd.	China	Banking	$ 12,117,288	$ 12,117,288	Note	100	$ 12,351,255	$ 256,126	$ 256,126	
	Chang Hwa Bank Venture Capital Co., Ltd.	Taiwan	Venture capital	600,000	600,000	60,000,000	100	588,507	(411)	(411)	

Note: Limited company organization.

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
FOR THE SIX MONTHS ENDED JUNE 30, 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	June 30, 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	$ 35,300	0.5	$ 35,300	
	Cheng Mei Instrument Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income	790,000	15,800	3.0	15,800	
	Yuh Shan Environmental Engineering Co., Ltd.	-	Financial assets at fair value through profit or loss	500,000	10,000	3.3	10,000	
	Enimmune Corporation	-	Financial assets at fair value through profit or loss	200,000	9,600	0.3	9,600	

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 SIX MONTHS ENDED JUNE 30, 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 June 30, 2020	Net Income (Loss) of the Investee (Note 2)	% of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of June 30, 2020	Accumulated Repatriation of Investment Income as of June 30, 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)	$ 256,126	100	$ 256,126	$ 12,351,255	$ -	

2.

Accumulated Outward Remittance for Investment in Mainland China June 30, 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)	$ 24,312,154

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 SIX MONTHS ENDED JUNE 30, 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	$ 23,320	Same as normal customers	-
		Chang Hua Commercial Bank, Ltd.	a.	Cash and cash equivalents	302,383	Same as normal customers	0.01
		Chang Hua Commercial Bank, Ltd.	a.	Other financial assets	4,169,000	Same as normal customers	0.19
		Chang Hua Commercial Bank, Ltd.	a.	Interest income	59,012	Same as normal customers	0.41
		Chang Hua Commercial Bank, Ltd.	a.	Receivables	62,499	Same as normal customers	-
		Chang Hwa Bank Venture Capital Co., Ltd.	a.	Deposits and remittances	518,564	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	876	Same as normal customers	0.01
		Chang Hwa Bank Venture Capital Co., Ltd.	a.	Net non-interest income	714	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.

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

INFORMATION OF MAJOR SHAREHOLDERS
FOR THE SIX MONTHS ENDED JUNE 30, 2020

Name of Major Shareholders	Shares	
	Number of Shares	Percentage of Ownership (%)
Taishin Financial Holding Co., Ltd.	2,251,306,956	22.54
Ministry of Finance	1,217,507,539	12.19
Chunghwa Post Co., Ltd.	599,161,144	6.00

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 Bank without physical registration (including treasury shares) is more than 5%. The share capital recorded in the Bank's consolidated financial statements and the actual number of shares delivered without physical registration may be different due to the basis of preparation and calculation.