Chang Hwa Commercial Bank, Ltd. and Subsidiaries

Consolidated Financial Statements for the Nine Months Ended September 30, 2020 and 2019 and Independent Auditors' Review Report

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INDEPENDENT AUDITORS' REVIEW REPORT

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Chang Hwa Commercial Bank, Ltd. (the "Bank") and its subsidiaries (collectively referred to as the "Group") as of September 30, 2020 and 2019, the related consolidated statements of comprehensive income for the three months ended September 30, 2020 and 2019 and the nine months ended September 30, 2020 and 2019, the consolidated statements of changes in equity and cash flows for the nine months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and International Accounting Standards 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not give a true and fair view of the consolidated financial position of the Group as of September 30, 2020 and 2019 and of its consolidated financial performance for the three months ended September 30, 2020 and 2019, its consolidated financial performance and its consolidated cash flows for the nine months ended September 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.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

November 12, 2020

Notice to Readers

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

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

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	September 30, 2020 (Reviewed)		December 31, 2019 (Audited)		September 30, 2019 (Reviewed)	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Cash and cash equivalents (Notes 4, 6 and 36)	$ 27,320,897	1	$ 32,418,679	1	$ 32,586,660	1
Due from the Central Bank and call loans to banks (Notes 4, 6 and 36)	182,923,562	8	166,917,091	8	155,394,960	7
Financial assets at fair value through profit or loss (Notes 4, 7, 34 and 37)	22,100,432	1	11,483,389	1	11,113,959	-
Financial assets at fair value through other comprehensive income (Notes 4, 8, 34 and 37)	116,511,902	5	116,296,139	5	124,472,329	6
Financial assets for hedging (Notes 4, 13 and 34)	262,399	-	247,375	-	267,177	-
Investments in debt instruments at amortized cost (Notes 4, 5, 9, 34 and 37)	307,367,941	14	276,058,976	13	272,616,396	13
Receivables, net (Notes 4, 11 and 12)	22,373,312	1	23,201,037	1	35,176,730	2
Current tax assets (Notes 4 and 31)	408,715	-	207,520	-	1,040,261	-
Discounts and loans, net (Notes 4, 5, 12, 35 and 36)	1,463,346,239	66	1,427,350,947	67	1,422,234,702	67
Other financial assets, net (Notes 4, 14 and 37)	40,308,381	2	40,133,881	2	34,609,491	2
Property and equipment, net (Notes 4 and 16)	20,681,516	1	20,739,036	1	20,700,642	1
Right-of-use assets, net (Notes 4 and 17)	1,574,792	-	1,620,404	-	1,642,723	-
Investment property, net (Notes 4 and 18)	13,867,596	1	13,872,790	1	13,874,524	1
Intangible assets, net (Notes 4 and 19)	682,358	-	720,656	-	707,733	-
Deferred tax assets (Notes 4 and 31)	3,311,995	-	3,312,325	-	2,423,062	-
Other assets, net (Notes 20 and 37)	1,844,482	-	1,062,958	-	1,358,473	-
TOTAL	$ 2,224,886,519	100	$ 2,135,643,203	100	$ 2,130,219,822	100
LIABILITIES AND EQUITY						
Deposits from the Central Bank and banks (Notes 4, 21 and 36)	$ 102,809,584	5	$ 102,305,626	5	$ 104,986,342	5
Due to the Central Bank and banks (Note 6)	10,998,230	1	-	-	-	-
Financial liabilities at fair value through profit or loss (Notes 4, 7 and 34)	5,536,030	-	4,247,279	-	13,411,769	1
Securities sold under repurchase agreements (Note 4)	1,753,032	-	1,547,291	-	1,968,160	-
Payables (Notes 4, 22 and 29)	29,130,671	1	21,846,910	1	41,832,539	2
Current tax liabilities (Notes 4 and 31)	767,325	-	507,880	-	496,191	-
Deposits and remittances (Notes 4, 23 and 36)	1,836,093,649	83	1,765,948,203	83	1,730,495,263	81
Bank notes payable (Notes 4, 24 and 34)	54,579,773	3	55,521,014	3	55,538,898	3
Other financial liabilities (Notes 4 and 25)	2,313,623	-	4,274,900	-	4,451,948	-
Reserve for liabilities (Notes 4, 5 and 27)	5,158,767	-	5,340,555	-	5,148,583	-
Lease liabilities (Notes 4 and 17)	1,402,252	-	1,420,392	-	1,445,377	-
Deferred tax liabilities (Notes 4 and 31)	8,279,160	-	7,902,609	-	7,552,324	-
Other liabilities (Notes 4, 16 and 26)	2,481,193	-	2,543,349	-	2,979,922	-
Total liabilities	2,061,303,289	93	1,973,406,008	92	1,970,307,316	92
EQUITY (Notes 4, 29 and 31)						
Capital stock						
Common stock	103,847,236	5	99,853,111	5	99,853,111	5
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	1
Unappropriated earnings	5,774,474	-	11,458,160	-	9,009,288	-
Other equity	3,490,083	-	3,888,647	-	4,012,830	-
Total equity	163,583,230	7	162,237,195	8	159,912,506	8
TOTAL	$ 2,224,886,519	100	$ 2,135,643,203	100	$ 2,130,219,822	100

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

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
INTEREST INCOME (Notes 4, 30 and 36)	$ 6,832,461	105	$ 9,857,846	117	$ 23,005,776	110	$ 29,849,817	122
INTEREST EXPENSE (Notes 30 and 36)	(2,236,639)	(34)	(4,153,026)	(49)	(8,685,032)	(42)	(12,461,119)	(51)
NET INTEREST INCOME	4,595,822	71	5,704,820	68	14,320,744	68	17,388,698	71
NET NON-INTEREST INCOME								
Net service fee income (Notes 4 and 30)	1,104,379	17	1,150,515	14	3,392,564	16	3,447,497	14
Gain (loss) on financial assets or liabilities measured at fair value through profit or loss (Notes 4, 7 and 30)	261,665	4	387,424	4	1,427,225	7	1,187,780	5
Realized gain (loss) on financial assets at fair value through other comprehensive income (Notes 4 and 30)	366,025	6	724,523	9	1,203,276	6	1,189,495	5
Gain (loss) arising from derecognition of financial assets at amortized cost	36	-	-	-	52	-	-	-
Foreign exchange gain (loss) (Notes 4 and 34)	65,159	1	373,236	4	298,218	1	994,581	4
Net other non-interest income (loss) (Note 13)	94,384	1	73,985	1	332,075	2	205,187	1
Net non-interest income	1,891,648	29	2,709,683	32	6,653,410	32	7,024,540	29
NET REVENUE AND GAINS	6,487,470	100	8,414,503	100	20,974,154	100	24,413,238	100
BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION (Notes 4 and 12)	(969,783)	(15)	(709,814)	(8)	(2,386,914)	(12)	(1,704,933)	(7)
OPERATING EXPENSES								
Employee benefits expenses (Notes 4 and 30)	(2,650,414)	(41)	(2,787,120)	(33)	(7,855,392)	(37)	(8,056,211)	(33)
Depreciation and amortization expenses (Notes 4 and 30)	(351,859)	(5)	(365,306)	(4)	(1,056,129)	(5)	(1,082,884)	(5)
Other general and administrative expenses	(959,242)	(15)	(1,049,888)	(13)	(2,902,922)	(14)	(3,019,505)	(12)
Total operating expenses	(3,961,515)	(61)	(4,202,314)	(50)	(11,814,443)	(56)	(12,158,600)	(50)
INCOME BEFORE INCOME TAX	1,556,172	24	3,502,375	42	6,772,797	32	10,549,705	43
INCOME TAX EXPENSE (Notes 4 and 31)	(147,468)	(2)	(519,018)	(6)	(1,118,315)	(5)	(1,567,285)	(6)
NET INCOME	1,408,704	22	2,983,357	36	5,654,482	27	8,982,420	37

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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)
(Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 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	$ 35,074	-	$ (280,240)	(3)	$ 467,913	2	$ 1,065,688	4
Changes in fair value of financial liabilities attributable to changes in credit risk of liabilities	-	-	42	-	-	-	(876)	-
Items that will be reclassified to profit or loss, net of tax:								
Exchange differences on translation (Note 4)	32,511	1	(731,120)	(9)	(777,666)	(4)	(430,346)	(2)
Revaluation gains (losses) on investments in debt instruments measured at fair value through other comprehensive income	3,128	-	(465,212)	(6)	125,654	1	(68,410)	-
(Impairment loss) reversal of impairment loss on investments in debt instruments measured at fair value through other comprehensive income	609	-	(4,649)	-	(24,276)	-	10,292	-
Income tax related to items that will be reclassified to profit or loss (Notes 4 and 31)	22,175	-	139,185	2	(105,948)	(1)	57,400	-
Other comprehensive income (loss), net of income tax	93,497	1	(1,341,994)	(16)	(314,323)	(2)	633,748	2
TOTAL COMPREHENSIVE INCOME	$ 1,502,201	23	$ 1,641,363	20	$ 5,340,159	25	$ 9,616,168	39
NET PROFIT ATTRIBUTABLE TO:								
Owners of the Bank	$ 1,408,704	22	$ 2,983,357	35	$ 5,654,482	27	$ 8,982,420	37
Non-controlling interests	$ -	-	$ -	-	$ -	-	$ -	-
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owners of the Bank	$ 1,502,201	23	$ 1,641,363	20	$ 5,340,159	25	$ 9,616,168	39
Non-controlling interests	$ -	-	$ -	-	$ -	-	$ -	-
EARNINGS PER SHARE (Note 32)								
Basic	$ 0.14		$ 0.29		$ 0.54		$ 0.86	
Diluted	$ 0.14		$ 0.29		$ 0.54		$ 0.86	

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

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Bank								
	Capital Stock		Retained Earnings			Other Equity			
	Common stock (In Thousands)	Amount	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on 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, 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	195,790	1,957,904	-	-	(1,957,904)	-	-	-	-
Net income for the nine months ended September 30, 2019	-	-	-	-	8,982,420	-	-	-	8,982,420
Other comprehensive income (loss) for the nine months ended September 30, 2019, net of tax	-	-	-	-	-	(360,828)	995,452	(876)	633,748
Total comprehensive income (loss) for the nine months ended September 30, 2019	-	-	-	-	8,982,420	(360,828)	995,452	(876)	9,616,168
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	15,909	-	(15,909)	-	-
BALANCE, SEPTEMBER 30, 2019	9,985,311	$ 99,853,111	$ 34,832,629	$ 12,204,648	$ 9,009,288	$ (975,621)	$ 4,988,509	$ (58)	$ 159,912,506
BALANCE, 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	399,413	3,994,125	-	-	(3,994,125)	-	-	-	-
Net income for the nine months ended September 30, 2020	-	-	-	-	5,654,482	-	-	-	5,654,482
Other comprehensive income (loss) for the nine months ended September 30, 2020, net of tax	-	-	-	-	-	(929,634)	615,311	-	(314,323)
Total comprehensive income (loss) for the nine months ended September 30, 2020	-	-	-	-	5,654,482	(929,634)	615,311	-	5,340,159
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	84,241	-	(84,241)	-	-
BALANCE, SEPTEMBER 30, 2020	10,384,724	$ 103,847,236	$ 38,266,789	$ 12,204,648	$ 5,774,474	$ (2,572,237)	$ 6,062,320	$ -	$ 163,583,230

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

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

	For the Nine Months Ended September 30	
	2020	**2019**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before income tax	$ 6,772,797	$ 10,549,705
Non-cash (income and gains) or expenses and losses		
Expected credit loss recognized on trade receivables	2,386,914	1,704,933
Depreciation expense	873,878	919,349
Amortization expense	182,251	163,535
Interest income	(23,005,776)	(29,849,817)
Dividend income	(629,458)	(523,627)
Interest expense	8,685,032	12,461,119
Net gain on financial assets or liabilities at fair value through profit or loss	(1,500,909)	(181,274)
Gain on disposal of investments	(573,870)	(668,337)
Unrealized foreign exchange losses (gains)	73,684	(1,006,506)
Other adjustments	(218,930)	(604,515)
Changes in operating assets and liabilities		
(Increase) decrease in due from the Central Bank	(20,157,103)	9,555,373
(Increase) decrease in financial assets at fair value through profit or loss	(9,646,688)	832,647
Increase in receivables	(672,555)	(5,554,472)
Increase in discounts and loans	(38,503,790)	(87,336,872)
Decrease (increase) in financial assets at fair value through other comprehensive income	927,346	(30,858,223)
Increase in investments in debt instruments at amortized cost	(31,308,913)	(4,561,489)
(Increase) decrease in other financial assets	(79,565)	20,435,739
Increase in other assets	(775,988)	(546,099)
Decrease in deposits from the Central Bank and banks	(23,004)	(28,106,918)
Increase in deposits and remittances	70,145,446	40,914,151
Increase in payables	7,948,810	4,879,107
Increase in financial liabilities at fair value through profit or loss	1,683,731	2,474,834
Decrease in reserve for liabilities	(262,477)	(241,273)
(Decrease) increase in other financial liabilities	(1,961,277)	65,526
(Decrease) increase in other liabilities	(72,797)	106,787
Cash flows used in operations	(29,713,211)	(84,976,617)
Interest received	24,700,825	30,425,740
Dividends received	614,558	523,237
Interest paid	(9,355,899)	(12,161,431)
Income taxes paid	(587,937)	(357,330)
Net cash flows used in operating activities	(14,341,664)	(66,546,401)

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CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

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

	For the Nine Months Ended September 30	
	2020	**2019**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	$ (333,890)	$ (268,575)
Proceeds from disposal of property and equipment	-	146
Acquisition of intangible assets	(130,527)	(72,013)
Acquisition of right-of-use assets	-	(253,391)
Acquisition of investment properties	-	(1,203)
Net cash flows used in investing activities	(464,417)	(595,036)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in due to the Central Bank and banks	11,525,192	20,054,719
Proceeds from issuing bank notes	4,040,000	5,960,000
Repayments of bank notes	(5,000,000)	-
Cash dividends paid	(3,994,124)	(6,265,293)
Increase (decrease) in securities sold under repurchase agreement	205,741	(3,317,730)
Repayments of the principal portion of lease liabilities	(441,476)	(338,699)
Net cash flows generated from financing activities	6,335,333	16,092,997
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(777,666)	(430,346)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(9,248,414)	(51,478,786)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	135,910,391	179,641,968
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 126,661,977	$ 128,163,182

	September 30	
	2020	**2019**
Reconciliation of cash and cash equivalents		
Cash and cash equivalents in the consolidated balance sheets	$ 27,320,897	$ 32,586,660
Call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	99,341,080	95,576,522
Cash and cash equivalents at end of period	$ 126,661,977	$ 128,163,182

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

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)
(Reviewed, Not Audited)

1. ORGANIZATION AND BUSINESS SCOPE

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

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 November 12, 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 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform - Phase 2"	January 1, 2021
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 will be 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" will be 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" will be 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 statements 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 consolidated financial statements for the year ended December 31, 2019.

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

a. Cash and cash equivalents

	September 30, 2020	December 31, 2019	September 30, 2019
Cash on hand	$ 12,415,035	$ 18,315,646	$ 11,253,496
Checks for clearing	6,877,688	3,559,426	9,084,226
Due from banks	6,307,781	9,012,687	10,612,986
Foreign currencies on hand	1,720,393	1,530,920	1,635,952
	$ 27,320,897	$ 32,418,679	$ 32,586,660

Refer to the consolidated statements of cash flows for the information on reconciliation and of cash and cash equivalents as of September 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

	September 30, 2020	December 31, 2019	September 30, 2019
Call loans to banks	$ 99,341,080	$ 103,491,712	$ 95,576,522
Reserve for checking accounts	23,439,384	11,299,268	8,194,651
Reserve for demand accounts	47,726,778	44,349,154	45,022,187
Reserve for foreign deposits	544,905	469,765	484,660
Others	11,871,415	7,307,192	6,116,940
	$ 182,923,562	$ 166,917,091	$ 155,394,960

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 assessment is on a 12-month expected credit loss basis.

c. Due to the Central Bank and banks

	September 30, 2020	December 31, 2019	September 30, 2019
Other dues to the Central Bank	$ 10,998,230	$ -	$ -

The Group set aside $30,000,000 thousand for the reserves 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)

	September 30, 2020	December 31, 2019	September 30, 2019
Financial assets mandatorily classified at FVTPL			
Derivative financial assets (not under hedge accounting)			
Futures	$ 106,957	$ 114,919	$ 85,304
Forward exchange contracts	108,900	140,099	64,495
Interest rate swaps	511,436	468,855	900,351
Cross-currency swaps	-	21,671	42,122
Currency swaps	3,198,540	2,135,583	2,167,513
Currency call option premiums	97,500	59,098	38,921
Non-derivative financial assets			
Investment in bills	16,894,512	7,560,413	6,769,862
Domestic listed stock	-	75,046	83,130
Domestic unquoted stock	84,286	-	-
Mutual funds	55,500	-	-
Government bonds	5,719	5,678	5,689
Corporate bonds	1,037,082	902,027	956,572
	$ 22,100,432	$ 11,483,389	$ 11,113,959

The par value of notes provided for transactions with repurchase agreements was $377,600 thousand, $247,000 thousand and $277,000 thousand, as of September 30, 2020, December 31, 2019 and September 30, 2019, respectively.

Financial Liabilities at FVTPL

	September 30, 2020	December 31, 2019	September 30, 2019
Financial liabilities designated at FVTPL	$ -	$ -	$ 9,834,927
Financial liabilities held for trading			
Derivative financial liabilities (not applying hedge accounting)			
Forward contracts	65,015	32,285	36,503
Interest rate swaps	512,120	465,546	573,258
Cross-currency swaps	284,945	128,427	26,140
Currency swaps	4,576,441	3,561,915	2,902,000
Currency put option premiums	97,509	59,106	38,941
	5,536,030	4,247,279	3,576,842
	$ 5,536,030	$ 4,247,279	$ 13,411,769

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 date: December 17, 2034. 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 nine months ended September 30, 2020 and 2019 to manage exposures 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 September 30, 2020, December 31, 2019 and September 30, 2019 were as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
Currency swaps	$ 539,396,326	$ 544,771,238	$ 475,344,333
Currency options	20,729,754	18,546,651	22,723,098
Forward exchange contracts	17,154,887	13,833,533	13,941,417
Interest rate swaps	229,564,058	338,302,150	400,059,967
Cross-currency swaps	6,957,600	7,497,500	6,208,000

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	September 30, 2020	December 31, 2019	September 30, 2019
Investments in equity instruments at FVTOCI			
Domestic listed stock	$ 7,966,597	$ 6,400,568	$ 6,276,778
Domestic unquoted stock	9,200,090	8,050,548	7,862,724
	17,166,687	14,451,116	14,139,502
Investments in debt instruments at FVTOCI			
Government bonds	25,714,833	28,085,689	29,077,601
Corporate bonds	25,741,936	20,083,472	22,480,062
Bank notes	42,395,240	50,566,442	51,259,670
Bonds issued by international organizations	2,118,713	2,020,092	2,531,925
Beneficiary and asset-backed securities	2,444,062	-	2,933,198
Investments in bills	930,431	1,089,328	2,050,371
	99,345,215	101,845,023	110,332,827
	$ 116,511,902	$ 116,296,139	$ 124,472,329

A portion 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 value of bonds provided for transactions with repurchase agreements was $1,246,600 thousand, $1,178,600 thousand and $1,529,400 thousand as of September 30, 2020, December 31, 2019 and September 30, 2019, respectively.

c. Government bonds placed as deposits in the Court amounted to $275,900 thousand, $335,700 thousand and $351,200 thousand as of September 30, 2020, December 31, 2019 and September 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 amounted to $146,012 thousand, $152,304 thousand and $157,831 thousand as of September 30, 2020, December 31, 2019 and September 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

	September 30, 2020	December 31, 2019	September 30, 2019
Investments in bills	$ 299,605,397	$ 262,797,272	$ 258,589,336
Bank notes	3,333,550	6,710,913	7,148,536
Corporate bonds	-	2,943,223	4,524,506
Government bonds	4,428,994	3,607,568	2,354,018
	$ 307,367,941	$ 276,058,976	$ 272,616,396

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 $289,854 thousand, $89,970 thousand and $310,373 thousand as of September 30, 2020, December 31, 2019 and September 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 the Central Bank and pledged to secure call loans from banks amounted to $5,300,000 thousand as of September 30, 2020, December 31, 2019 and September 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 at amortized cost.

September 30, 2020

	At FVTOCI	At Amortized Cost	Total
Gross carrying amount	$ 99,005,712	$ 307,369,870	$ 406,375,582
Less: Allowance for impairment loss	(36,088)	(1,929)	(38,017)
Amortized cost	98,969,624	$ 307,367,941	406,337,565
Adjustment to fair value	375,591		375,591
	$ 99,345,215		$ 406,713,156

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

September 30, 2019

	At FVTOCI	At Amortized Cost	Total
Gross carrying amount	$ 110,232,343	$ 272,621,345	$ 382,853,688
Less: Allowance for impairment loss	(177,700)	(4,949)	(182,649)
Amortized cost	110,054,643	$ 272,616,396	382,671,039
Adjustment to fair value	278,184		278,184
	$ 110,332,827		$ 382,949,223

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:

September 30, 2020

Category	Expected Loss Rate	At FVTOCI	At Amortized Cost
Performing	0%-0.3365%	$ 99,005,712	$ 307,369,870

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

September 30, 2019

Category	Expected Loss Rate	At FVTOCI	At Amortized Cost
Performing	0%-0.3271%	$ 110,088,943	$ 272,621,345
Doubtful	100%	143,400	-
		$ 110,232,343	$ 272,621,345

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	9,656	-	-	9,656
Derecognition	(8,894)	-	-	(8,894)
Change in exchange rates or others	1,517	-	-	1,517
Balance at September 30, 2020	$ 36,088	$ -	$ -	$ 36,088
Balance at January 1, 2019	$ 25,422	$ -	$ 141,986	$ 167,408
Purchase of investments in debt instruments	21,155	-	-	21,155
Derecognition	(10,386)	-	-	(10,386)
Change in exchange rates or others	(1,891)	-	1,414	(477)
Balance at September 30, 2019	$ 34,300	$ -	$ 143,400	$ 177,700

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	(2,471)	-	-	(2,471)
Change in exchange rates or others	(1)	-	-	(1)
Balance at September 30, 2020	$ 1,929	$ -	$ -	$ 1,929
Balance at January 1, 2019	$ 6,615	$ -	$ -	$ 6,615
Purchase of investments in debt instruments	56	-	-	56
Derecognition	(1,351)	-	-	(1,351)
Change in exchange rates or others	(371)	-	-	(371)
Balance at September 30, 2019	$ 4,949	$ -	$ -	$ 4,949

11. RECEIVABLES, NET

a. Details of receivables

	September 30, 2020	December 31, 2019	September 30, 2019
Accounts receivable	$ 11,169,023	$ 10,707,132	$ 22,095,626
Accrued income	1,171	6,816	796
Interests receivable	3,225,313	4,847,831	4,952,926
Acceptances receivable	4,230,805	4,756,072	5,503,779
Credit card accounts receivable	2,458,931	2,225,416	2,479,145
Settlement price	286,064	340,835	431,768
Accounts receivable for settlement	266,832	305,067	362,616
Other receivables	1,049,368	451,350	75,490
	22,687,507	23,640,519	35,902,146
Less: Allowance for bad debts	(314,195)	(439,482)	(725,416)
	$ 22,373,312	$ 23,201,037	$ 35,176,730

b. Allowance for receivables

1) Movements in the allowance for receivables

	For the Nine Months Ended September 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	(60)	111	(34)	17	-	17
Transfers to credit-impaired financial assets	(8)	(4)	672	660	-	660
Transfers to 12-month expected credit losses	615	(72)	(238)	305	-	305
Financial assets derecognized for the period	(21,465)	(1,878)	(24,734)	(48,077)	-	(48,077)
Purchased or originated financial assets	21,398	2,580	56,221	80,199	-	80,199

(Continued)

	For the Nine Months Ended September 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	$ -	$ -	$ -	$ -	$ (142,093)	$ (142,093)
Doubtful debts written off	-	-	(16,259)	(16,259)	-	(16,259)
Changes in exchange rates or others	(25)	(8)	(6)	(39)	-	(39)
Ending balance	$ 23,396	$ 4,264	$ 60,517	$ 88,177	$ 226,018	$ 314,195

(Concluded)

	For the Nine Months Ended September 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	(33)	58	(28)	(3)	-	(3)
Transfers to credit-impaired financial assets	(3)	(40)	314	271	-	271
Transfers to 12-month expected credit losses	274	(112)	(17)	145	-	145
Financial assets derecognized for the period	(30,616)	(1,615)	(14,262)	(46,493)	-	(46,493)
Purchased or originated financial assets	26,720	4,235	118,825	149,780	-	149,780

(Continued)

	For the Nine Months Ended September 30, 2019					
	12-Month Expected Credit Losses	Lifetime Expected Credit Losses	Realized Credit Impairment	Loss Recognized Based on IFRS 9	Recognized Impairment Difference Based on Regulations of the Procedures For Banking Institutions to Evaluate Assets And Deal With Non-performing Loans and Bad Debts	Total
Recognized impairment difference based on the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts	$ -	$ -	$ -	$ -	$ (13,315)	$ (13,315)
Doubtful debts written off	-	-	(29,467)	(29,467)	-	(29,467)
Changes in exchange rates or others	8	2	29,467	29,477	-	29,477
Ending balance	$ 28,608	$ 5,206	$ 124,738	$ 158,552	$ 566,864	$ 725,416

2) Movements in the total carrying amount of receivables

	For the Nine Months Ended September 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	(44,343)	44,577	(283)	(49)
Transfers to credit-impaired financial assets	(10,807)	(398)	7,608	(3,597)
Transfers to 12-month expected credit losses	76,088	(8,906)	(762)	66,420
Purchased or originated financial assets	12,877,301	109,483	297,292	13,284,076
Derecognized	(13,912,552)	(142,918)	(217,549)	(14,273,019)
Doubtful debts written off	-	-	(16,259)	(16,259)
Change in exchange rates or others	(8,213)	(2,284)	(87)	(10,584)
Ending balance	$ 22,186,770	$ 162,343	$ 338,394	$ 22,687,507

	For the Nine Months Ended September 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	(32,970)	21,133	(206)	(12,043)
Transfers to credit-impaired financial assets	(7,530)	(909)	4,167	(4,272)
Transfers to 12-month expected credit losses	71,983	(12,027)	(116)	59,840
Purchased or originated financial assets	23,814,734	123,095	176,100	24,113,929
Derecognized	(18,691,784)	(96,231)	(9,064)	(18,797,079)
Doubtful debts written off	-	-	(29,467)	(29,467)
Change in exchange rates or others	2,013	218	1	2,232
Ending balance	$ 35,493,932	$ 194,962	$ 213,252	$ 35,902,146

12. DISCOUNTS AND LOANS, NET

a. Details of discounts and loans

	September 30, 2020	December 31, 2019	September 30, 2019
Negotiated and discounted	$ 2,225,866	$ 3,870,803	$ 3,491,515
Overdrafts	1,199,312	1,289,623	1,391,431
Short-term loans	396,051,651	413,838,056	426,061,642
Margin loans receivable	271,809	288,722	276,380
Medium-term loans	437,438,264	430,295,179	429,970,597
Long-term loans	639,326,507	590,558,692	573,684,483
Overdue loans	5,361,770	4,747,136	4,761,871
	1,481,875,179	1,444,888,211	1,439,637,919
Less: Allowance for loan losses	(18,528,940)	(17,537,264)	(17,403,217)
	$ 1,463,346,239	$ 1,427,350,947	$ 1,422,234,702

Loans of which the accrual of interest income had ceased internally as of September 30, 2020, December 31, 2019 and September 30, 2019 amounted to $5,361,770 thousand, $4,747,136 thousand and $4,761,871 thousand, respectively. The amounts of interest income that would have been accrued on these loans for the nine months ended September 30, 2020 and 2019 were $103,348 thousand and $95,356 thousand, respectively.

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

b. Allowance for discounts and loans

1) Movements in the allowance for discounts and loans

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	For the Nine Months Ended September 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	(32,486)	50,112	(12,332)	5,294	-	5,294
Transfers to credit impaired financial assets	(4,802)	(19,022)	27,669	3,845	-	3,845
Transfers to 12-month expected credit losses	264,005	(206,094)	(50,399)	7,512	-	7,512
Financial assets derecognized for the period	(1,147,783)	(736,088)	(1,813,644)	(3,697,515)	-	(3,697,515)
Purchased or originated financial assets	818,415	1,376,627	4,101,751	6,296,793	-	6,296,793
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	-	-	-	-	521,266	521,266
Doubtful debts written off	-	-	(2,128,867)	(2,128,867)	-	(2,128,867)
Change in exchange rates or others	(7,511)	(5,295)	(3,846)	(16,652)	-	(16,652)
Ending balance	$ 1,662,404	$ 2,380,615	$ 5,154,016	$ 9,197,035	$ 9,331,905	$ 18,528,940

	For the Nine Months Ended September 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	(43,317)	44,084	(2,569)	(1,802)	-	(1,802)
Transfers to credit impaired financial assets	(5,673)	(72,273)	77,452	(494)	-	(494)
Transfers to 12-month expected credit losses	160,962	(157,458)	(5,139)	(1,635)	-	(1,635)
Financial assets derecognized for the period	(1,145,215)	(843,856)	(1,539,726)	(3,528,797)	-	(3,528,797)
Purchased or originated financial assets	862,503	848,147	3,328,950	5,039,600	-	5,039,600
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	-	-	-	-	1,114,308	1,114,308
Doubtful debts written off	-	-	(1,794,529)	(1,794,529)	-	(1,794,529)
Change in exchange rates or others	1,634	1,802	495	3,931	-	3,931
Ending balance	$ 1,715,199	$ 1,664,769	$ 5,167,419	$ 8,547,387	$ 8,855,830	$ 17,403,217

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

	For the Nine Months Ended September 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	(18,737,229)	19,428,449	(63,427)	627,793
Transfers to credit-impaired financial assets	(2,223,560)	(1,396,374)	3,708,924	88,990
Transfers to 12-month expected credit losses	9,787,272	(7,035,007)	(100,013)	2,652,252
Derecognized	(587,494,796)	(34,036,558)	(7,526,519)	(629,057,873)
Purchased or originated financial assets	633,570,952	29,040,292	5,562,466	668,173,710
Doubtful debts written off	-	-	(2,128,867)	(2,128,867)
Others	(2,652,255)	(627,792)	(88,990)	(3,369,037)
Ending balance	$ 1,398,578,599	$ 69,780,077	$ 13,516,503	$ 1,481,875,179

	For the Nine Months Ended September 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	(15,167,559)	15,120,975	(26,354)	(72,938)
Transfers to credit-impaired financial assets	(1,222,617)	(1,142,833)	2,363,667	(1,783)
Transfers to 12-month expected credit losses	2,888,993	(3,502,727)	(37,092)	(650,826)
Derecognized	(523,947,313)	(23,351,142)	(5,412,599)	(552,711,054)
Purchased or originated financial assets	611,980,821	23,644,597	5,244,354	640,869,772
Doubtful debts written off	-	-	(1,794,529)	(1,794,529)
Others	650,826	72,938	1,783	725,547
Ending balance	$ 1,361,143,192	$ 64,583,343	$ 13,911,384	$ 1,439,637,919

c. Details of provision for bad debts expense, commitment and guarantee for the three months ended September 30, 2020 and 2019 and the nine months ended September 30, 2020 and 2019 were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Provision for receivables and loan (including overdue loan) losses	$ 938,370	$ 700,448	$ 2,306,226	$ 1,671,525
Provision (reversal) for loan commitment	27,083	(6,298)	7,165	(39,279)
Provision (reversal) for guarantee liability	6,086	(3,406)	72,659	43,684
(Reversal) provision for others	(1,756)	19,070	864	29,003
	$ 969,783	$ 709,814	$ 2,386,914	$ 1,704,933

13. FINANCIAL ASSETS FOR HEDGING

	September 30, 2020	December 31, 2019	September 30, 2019
Financial assets for hedging			
Fair value hedges - interest rate swaps	$ 262,399	$ 247,375	$ 267,177

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 September 30, 2020, December 31, 2019 and September 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 as fair value hedging instruments. During the nine months ended September 30, 2020 and 2019, the swaps were effective in hedging the fair value exposure to interest rate movements, and as a result, the carrying amounts of the fixed-rate borrowings were adjusted by $279,773 thousand, $261,014 thousand and $278,898 thousand as of September 30, 2020, December 31, 2019 and September 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: 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 (losses) from hedging instruments were $(4,583) thousand, $9,168 thousand, $71,326 thousand and $73,113 thousand for the three months ended September 30, 2020 and 2019, and the nine months ended September 30, 2020 and 2019, respectively, and the realized gains (losses) from fair value hedge were $23,733 thousand, $4,988 thousand, $(18,759) thousand and $(29,843) thousand, accounted for as net other non-interest income or loss, for the three months ended September 30, 2020 and 2019 and the nine months ended September 30, 2020 and 2019, respectively.

14. OTHER FINANCIAL ASSETS

	September 30, 2020	December 31, 2019	September 30, 2019
Time deposits with original maturities of more than 3 months	$ 40,105,500	$ 40,179,375	$ 34,523,200
Exchange bills negotiated	13,635	13,970	6,928
Overdue receivables	178,593	179,538	329,431
Call loan to security brokers	144,950	-	-
Less: Allowance for bad debts	(134,297)	(239,002)	(250,068)
	$ 40,308,381	$ 40,133,881	$ 34,609,491

The market rates of time deposits with original maturities of more than 3 months were 0.70%-3.12% and 2.28%-3.53% for the nine months ended September 30, 2020 and 2019, respectively.

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

15. SUBSIDIARIES

Subsidiaries Included in Consolidated Financial Statements

			% of Ownership		
Investor	Investee	Main Business	September 30, 2020	December 31, 2019	September 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

	September 30, 2020	December 31, 2019	September 30, 2019
Assets used by the Group	$ 20,488,314	$ 20,562,423	$ 20,534,701
Assets leased under operating leases	193,202	176,613	165,941
	$ 20,681,516	$ 20,739,036	$ 20,700,642

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	-	25,503	154,481	11,500	38,380	16,115	-	87,911	333,890
Disposals	-	-	(98,009)	(21,740)	(28,127)	(9,474)	-	-	(157,350)
Transfers to assets leased under operating leases	-	(32,537)	-	-	-	-	-	-	(32,537)
Reclassification	-	2,384	2,884	-	-	395	-	(19,565)	(13,902)
Effect of foreign currency exchange differences	-	(4,738)	(1,369)	(297)	(907)	(1,869)	-	(2,034)	(11,214)
Balance at September 30, 2020	$ 14,647,146	$ 9,099,174	$ 4,665,016	$ 722,334	$ 1,496,632	$ 973,710	$ -	$ 298,026	$ 31,902,038
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	-	-	(97,933)	(21,710)	(28,126)	(9,474)	-	-	(157,243)
Depreciation expense	-	136,448	149,109	24,379	33,706	21,071	-	-	364,713
Transfers to assets leased under operating leases	-	(10,660)	-	-	-	-	-	-	(10,660)
Effect of foreign currency exchange differences	-	(422)	(743)	(200)	(832)	(1,617)	-	-	(3,814)
Balance at September 30, 2020	$ -	$ 4,548,950	$ 3,999,404	$ 638,765	$ 1,341,240	$ 885,365	$ -	$ -	$ 11,413,724
Carrying amount at September 30, 2020	$ 14,647,146	$ 4,550,224	$ 665,612	$ 83,569	$ 155,392	$ 88,345	$ -	$ 298,026	$ 20,488,314
Carrying amount at December 31, 2019 and January 1, 2020	$ 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	-	25,995	135,476	18,423	29,160	8,440	-	51,081	268,575
Disposals	-	(26,065)	(86,445)	(14,714)	(6,663)	(4,185)	-	-	(138,072)
Transfers to assets leased under operating leases	-	11,557	-	-	-	-	-	-	11,557
Reclassification	(135,314)	278,921	50,406	6,459	1,933	6,997	-	(438,702)	(229,300)
Effect of foreign currency exchange differences	-	(6,768)	(1,222)	(31)	(146)	(524)	-	(15,277)	(23,968)
Balance at September 30, 2019	$ 14,542,146	$ 9,125,408	$ 4,691,930	$ 736,208	$ 1,483,153	$ 983,036	$ -	$ 226,601	$ 31,788,482
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	-	(25,881)	(86,076)	(14,644)	(6,582)	(4,185)	-	-	(137,368)
Depreciation expense	-	135,075	163,771	33,683	33,873	28,787	-	-	395,189
Transfers to assets leased under operating leases	-	(8,924)	-	-	-	-	-	-	(8,924)
Reclassification	-	(12,429)	-	-	-	-	-	-	(12,429)
Effect of foreign currency exchange differences	-	(1,236)	(962)	(70)	(151)	(375)	-	-	(2,794)
Balance at September 30, 2019	$ -	$ 4,387,513	$ 4,013,898	$ 636,127	$ 1,334,429	$ 881,814	$ -	$ -	$ 11,253,781
Carrying amount at September 30, 2019	$ 14,542,146	$ 4,737,895	$ 678,032	$ 100,081	$ 148,724	$ 101,222	$ -	$ 226,601	$ 20,534,701

b. Assets leased under operating leases

	Buildings
Cost	
Balance at January 1, 2020	$ 351,452
Transfers from assets used by the Group	32,537
Balance at September 30, 2020	$ 383,989
Accumulated depreciation and impairment	
Balance at January 1, 2020	$ 174,839
Depreciation expense	5,288
Transfers from assets used by the Group	10,660
Balance at September 30, 2020	$ 190,787
Carrying amount at September 30, 2020	$ 193,202
Carrying amount 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 from assets used by the Group	(11,557)
Balance at September 30, 2019	$ 329,865
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	4,533
Transfers from assets used by the Group	8,924
Balance at September 30, 2019	$ 163,924
Carrying amount at September 30, 2019	$ 165,941

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

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

	September 30, 2020	December 31, 2019	September 30, 2019
Year 1	$ 68,702	$ 23,081	$ 25,601
Year 2	66,950	19,160	21,152
Year 3	49,997	10,796	13,312
Year 4	25,175	1,883	3,201
Year 5	6,671	-	-
Year 6 onwards	28,397	-	-
	$ 245,892	$ 54,920	$ 63,266

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

	September 30, 2020	December 31, 2019	September 30, 2019
Carrying amount			
Land	$ 1,099	$ 1,636	$ 1,972
Buildings	1,493,998	1,535,387	1,547,206
Machinery equipment	45	289	408
Transportation equipment	64,491	69,160	77,674
Miscellaneous equipment	15,159	13,932	15,463
	$ 1,574,792	$ 1,620,404	$ 1,642,723

	For the Nine Months Ended September 30	
	2020	2019
Additions to right-of-use assets	$ 438,349	$ 253,391

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Depreciation charge for right-of-use assets				
Land	$ 255	$ 336	$ 770	$ 996
Buildings	153,126	163,950	462,669	477,547
Machinery equipment	11	116	103	348
Transportation equipment	9,244	9,285	27,813	28,057
Miscellaneous equipment	2,373	2,634	7,328	7,546
	$ 165,009	$ 176,321	$ 498,683	$ 514,494

In addition to the additions and recognition of depreciation expenses mentioned above, the Group's right-of-use assets did not have significant sublease and impairment as of September 30, 2020 and 2019.

b. Lease liabilities

	September 30, 2020	December 31, 2019	September 30, 2019
Carrying amount	$ 1,402,252	$ 1,420,392	$ 1,445,377

Range of discount rate for lease liabilities was as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
Land	0.91%	0.91%	0.91%
Buildings	0.20%-3.50%	0.20%-2.99%	0.20%-2.99%
Machinery equipment	0.20%-2.89%	0.20%-2.89%	0.20%-2.89%
Transportation equipment	0.53%-3.45%	2.12%-3.00%	2.12%-3.00%
Miscellaneous equipment	0.66%-3.45%	0.86%-2.89%	0.86%-2.89%

c. Material lease-in activities and terms

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

The Group did not have significant acquisition of lease contracts as of September 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.

2019

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	**2019**	**2020**	**2019**
Expenses relating to short-term leases	$ 15,372	$ 9,232	$ 26,804	$ 23,269
Expenses relating to low-value asset leases	$ 5,789	$ 8,055	$ 16,888	$ 24,057
Expenses relating to variable lease payments not included in the measurement of lease liabilities	$ 37,623	$ 36,031	$ 137,545	$ 131,762
Total cash outflow for leases			$ (181,237)	$ (179,088)

The Group's leases of certain land, buildings, transportation equipment and miscellaneous equipment qualify as short-term leases and leases of certain land, machinery equipment and miscellaneous equipment 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 nine months ended September 30, 2020, expenses relating to short-term leases also included expenses relating to leases for which the lease terms end on or before December 31, 2020 and for which the recognition exemption is applied. Just before the balance sheet date, the Group also entered into several lease arrangements for additional office equipment that qualified as short-term leases. The amount of lease commitments for short-term leases, for which the recognition exemption is applied was $7,500 thousand as of September 30, 2020.

18. INVESTMENT PROPERTY

	September 30, 2020	December 31, 2019	September 30, 2019
Completed investment property	$ 13,867,596	$ 13,872,790	$ 13,874,524

Except for depreciation recognized, the Group had no significant additions, disposals, and impairment of investment property during the nine months ended September 30, 2020 and 2019.

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 September 30, 2020, December 31, 2019 and September 30, 2019 was as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
Year 1	$ 133,521	$ 193,607	$ 205,369
Year 2	109,034	165,533	167,066
Year 3	75,995	120,884	124,502
Year 4	53,531	102,984	105,257
Year 5	43,628	98,343	99,353
Year 6 onwards	164,673	427,070	450,756
	$ 580,382	$ 1,108,421	$ 1,152,303

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's purpose, the Group periodically measures the fair value of investment properties in accordance with the Group's internal rules and procedures. The Group conducts valuation process regularly, which is measured by Level 3 inputs. The fair values were $27,303,772 thousand, $26,959,699 thousand and $26,959,699 thousand as of September 30, 2020, December 31, 2019 and September 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 September 30, 2020 and 2019 and the nine months ended September 30, 2020 and 2019 were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Rental incomes	$ 42,347	$ 45,103	$ 135,374	$ 130,763
Direct operating expenses	$ 25,376	$ 26,953	$ 76,168	$ 77,835

19. INTANGIBLE ASSETS

	Computer Software
Balance at January 1, 2020	$ 720,656
Additions	130,527
Amortization expense	(181,969)
Reclassification	13,902
Effect of foreign currency exchange differences and others	(758)
Balance at September 30, 2020	$ 682,358

(Continued)

	Computer Software
Balance at January 1, 2019	$ 731,364
Additions	72,013
Amortization expense	(163,277)
Reclassification	67,767
Effect of foreign currency exchange differences and others	(134)
Balance at September 30, 2019	$ 707,733

(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

	September 30, 2020	December 31, 2019	September 30, 2019
Refundable deposits	$ 931,227	$ 959,061	$ 1,005,860
Assumed collateral and residuals	23,462	23,462	23,462
Less: Accumulated impairment	(23,462)	(23,462)	(23,462)
Prepayments	912,052	102,413	343,471
Others	1,203	1,484	9,142
	$ 1,844,482	$ 1,062,958	$ 1,358,473

21. DEPOSITS FROM THE CENTRAL BANK AND BANKS

	September 30, 2020	December 31, 2019	September 30, 2019
Deposits from the Central Bank	$ 24,018	$ 26,128	$ 24,857
Deposits from banks	288,064	199,103	775,796
Overdrafts on banks	253,131	322,914	1,859,410
Call loans from banks	101,911,320	101,314,575	101,871,404
Deposits transferred from Chunghwa Post Co., Ltd.	333,051	442,906	454,875
	$ 102,809,584	$ 102,305,626	$ 104,986,342

22. PAYABLES

	September 30, 2020	December 31, 2019	September 30, 2019
Checks issued to payees for clearing	$ 10,422,545	$ 6,706,074	$ 11,596,466
Accounts payable	2,525,489	1,592,510	10,392,544
Accrued expenses	1,460,464	2,343,601	1,836,410
Accrued interests	1,977,859	2,642,908	2,999,060
Acceptances	4,260,135	4,863,813	5,602,619
Others	8,484,179	3,698,004	9,405,440
	$ 29,130,671	$ 21,846,910	$ 41,832,539

23. DEPOSITS AND REMITTANCES

	September 30, 2020	December 31, 2019	September 30, 2019
Checking account deposits	$ 36,149,509	$ 40,797,582	$ 34,794,433
Demand deposits	495,437,371	425,688,524	416,229,062
Time deposits	381,990,959	401,783,691	390,754,678
Negotiable certificates of deposit	2,948,136	6,186,997	5,437,264
Savings account deposits	918,291,118	890,034,856	881,642,094
Remittances	1,276,556	1,456,553	1,637,732
	$ 1,836,093,649	$ 1,765,948,203	$ 1,730,495,263

24. BANK NOTES PAYABLE

The Group has issued bank notes to enhance its capital adequacy ratio and raised 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 notes had been redeemed on June 29, 2020.

The Group issued $3,300 million subordinated bank notes 100-1 on March 11, 2011, divided into Financial Debenture A of $2,200 million with 7-year term and Financial Debenture B of $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	September 30, 2020	December 31, 2019	September 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	279,773	261,014	278,898
	8,479,773	8,461,014	8,478,898
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	September 30, 2020	December 31, 2019	September 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
	$ 54,579,773	$ 55,521,014	$ 55,538,898

(Concluded)

The Group engaged in derivative transactions as hedging instruments 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 for as hedging derivative financial assets (refer to Note 13).

25. OTHER FINANCIAL LIABILITIES

	September 30, 2020	December 31, 2019	September 30, 2019
Principal received on structured notes	$ 1,650,488	$ 3,495,607	$ 3,654,763
Appropriations for loans	663,135	779,293	797,185
	$ 2,313,623	$ 4,274,900	$ 4,451,948

The principals 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

	September 30, 2020	December 31, 2019	September 30, 2019
Advance receipts	$ 642,055	$ 672,643	$ 659,852
Guarantee deposits	1,823,325	1,857,871	2,026,288
Deferred revenue	15,813	12,835	19,359
Others	-	-	274,423
	$ 2,481,193	$ 2,543,349	$ 2,979,922

27. RESERVE FOR LIABILITIES

	September 30, 2020	December 31, 2019	September 30, 2019
Reserve for employee benefits (Note 28)	$ 3,980,961	$ 4,248,254	$ 4,102,841
Reserve for guarantee liabilities	698,807	626,383	601,188
Reserve for loan commitments	364,722	357,282	329,827
Reserve for decommissioning restoration and rehabilitation costs	61,013	55,603	58,491
Reserve for contingencies	641	-	281
Others	52,623	53,033	55,955
	$ 5,158,767	$ 5,340,555	$ 5,148,583

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

	For the Nine Months Ended September 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	(2,911)	3,299	-	388	-	388
Transfers to credit-impaired financial assets	(4)	(179)	189	6	-	6
Transfers to 12-month expected credit losses	22,614	(21,806)	-	808	-	808
Financial assets derecognized for the period	(291,491)	(14,396)	(6,250)	(312,137)	-	(312,137)
Purchased or originated financial assets	283,017	58,826	8,854	350,697	-	350,697
Recognized impairment difference based on the Laws	-	-	-	-	40,838	40,838
Changes in exchange rates or others	(753)	(387)	(6)	(1,146)	-	(1,146)
Ending balance	$ 470,411	$ 77,564	$ 30,918	$ 578,893	$ 537,259	$ 1,116,152

	For the Nine Months Ended September 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	(4,137)	4,028	-	(109)	-	(109)
Transfers to credit-impaired financial assets	(15)	(9)	25	1	-	1
Transfers to 12-month expected credit losses	2,875	(1,374)	(1,855)	(354)	-	(354)
Financial assets derecognized for the period	(301,432)	(3,736)	(16,150)	(321,318)	-	(321,318)
Purchased or originated financial assets	249,066	24,702	34,784	308,552	-	308,552
Recognized impairment difference based on the Laws	-	-	-	-	40,760	40,760
Changes in exchange rates or others	335	108	-	443	-	443
Ending balance	$ 404,869	$ 49,907	$ 57,986	$ 512,762	$ 474,208	$ 986,970

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 $79,222 thousand, $83,507 thousand, $253,747 thousand and $241,633 thousand for the three months ended September 30, 2020 and 2019, and for the nine months ended September 30, 2020 and 2019, respectively.

29. EQUITY

a. Capital

Common stock

	September 30, 2020	December 31, 2019	September 30, 2019
Shares authorized (in thousands)	11,000,000	11,000,000	11,000,000
Capital authorized	$ 110,000,000	$ 110,000,000	$ 110,000,000
Shares issued and fully paid (in thousands)	10,384,724	9,985,311	9,985,311
Capital stock issued	$ 103,847,236	$ 99,853,111	$ 99,853,111

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

As of January 1, 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 2020 and August 2019, the Bank resolved its capitalization of earnings and increased its paid-in capital by $3,994,125 thousand and $1,957,904 thousand, respectively. The amount of the Bank’s authorized and registered capital as at September 30, 2020 and 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 $103,847,236 thousand and $99,853,111 thousand divided into 10,384,724 thousand and 9,985,311 thousand outstanding shares at $10 par value, respectively.

b. Distribution of earnings and dividend policy

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

To ensure the Bank has sufficient cash for present and future expansion plans and to enhance the profitability, the Bank prefers to distribute more stock dividends, but cash dividends shall not be less than 10% of total dividends distributed. If the cash dividends are less than $0.1 per share, the Bank will not distribute any cash dividends, unless otherwise resolved 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% of 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 experienced any of the situations as 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 as cited in 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	3,994,125	1,957,904
Cash dividends per share (NT$)	0.40	0.64
Share dividends per share (NT$)	0.40	0.20

c. Special reserve

	September 30, 2020	December 31, 2019	September 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 interest income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Interest income				
Loans	$ 5,694,737	$ 7,367,447	$ 18,705,412	$ 22,048,905
Due from and call loans to banks	327,614	1,216,590	1,481,118	4,336,286
Investments in marketable securities	785,526	1,207,401	2,710,990	3,260,462
Others	24,584	66,408	108,256	204,164
	6,832,461	9,857,846	23,005,776	29,849,817
Interest expense				
Deposits	(1,875,001)	(3,201,420)	(7,082,566)	(9,554,675)
Due to the Central Bank and call loans from banks	(116,270)	(650,690)	(796,356)	(2,048,103)
Others	(245,368)	(300,916)	(806,110)	(858,341)
	(2,236,639)	(4,153,026)	(8,685,032)	(12,461,119)
Net interest income	$ 4,595,822	$ 5,704,820	$ 14,320,744	$ 17,388,698

b. Net service fee income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Service fee income				
Fees from import and export	$ 60,482	$ 77,424	$ 184,994	$ 233,999
Remittance fees	94,978	113,543	283,237	340,135
Loan fees	138,923	90,579	482,969	323,459
Fees from trust	265,996	211,008	772,134	560,141
Fees from trust business	103,600	88,425	289,648	239,568
Fees from insurance agency	370,376	568,742	1,271,412	1,701,732
Others	339,806	320,728	938,566	919,747
	1,374,161	1,470,449	4,222,960	4,318,781
Service charge				
Interbank fees	(40,172)	(40,094)	(117,823)	(120,072)
Charges from trust	(4,903)	(6,678)	(14,338)	(15,885)
Custodian fees	(28,113)	(31,822)	(85,248)	(83,262)
Charges from insurance agency	(36,488)	(75,051)	(149,646)	(196,115)
Others	(160,106)	(166,289)	(463,341)	(455,950)
	(269,782)	(319,934)	(830,396)	(871,284)
Net service fee income	$ 1,104,379	$ 1,150,515	$ 3,392,564	$ 3,447,497

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Realized gain (loss) on financial assets or liabilities measured at FVTPL				
Stock and mutual funds	$ 23,946	$ 11,015	$ (38,542)	$ 17,608
Bonds	1,273	14,148	127	26,961
Bills	653	(32)	653	(32)
Derivative financial instruments	530,467	401,068	1,743,762	1,603,787
Net interest (loss) gain	21,398	(82,569)	61,890	(251,705)
Stock dividends and bonus	-	1,269	-	2,469
	577,737	344,899	1,767,890	1,399,088
Valuation gain (loss) on financial assets or liabilities measured at FVTPL				
Stock and mutual funds	(11,577)	357	8,788	901
Bonds	(9,618)	10,219	(80,057)	(315,365)
Bills	(1,575)	(688)	(3,879)	(687)
Derivative financial instruments	(293,302)	32,637	(265,517)	103,843
	(316,072)	42,525	(340,665)	(211,308)
	$ 261,665	$ 387,424	$ 1,427,225	$ 1,187,780

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Stock dividends and bonus	$ 374,381	$ 266,616	$ 629,458	$ 521,158
Disposal gains				
Beneficiary securities	3,950	1,787	49,096	1,821
Bonds	(590)	459,988	547,774	671,680
Disposal losses				
Beneficiary securities	(1,741)	(122)	(2,012)	(255)
Bonds	(9,975)	(3,746)	(21,040)	(4,909)
	$ 366,025	$ 724,523	$ 1,203,276	$ 1,189,495

e. Depreciation and amortization expense

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Property and equipment	$ 121,341	$ 133,609	$ 370,001	$ 399,722
Investment property	1,725	1,742	5,194	5,133
Right-of-use assets	165,009	176,321	498,683	514,494
Intangible assets and other deferred assets	63,784	53,634	182,251	163,535
	$ 351,859	$ 365,306	$ 1,056,129	$ 1,082,884

f. Employee benefits expenses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Short-term employee benefits	$ 2,350,041	$ 2,514,791	$ 6,927,609	$ 7,254,587
Post-employment benefits				
Defined contribution plans	51,816	50,201	160,386	143,964
Defined benefit plans	79,222	83,507	253,747	241,633
High-yield savings account for employees	141,369	135,922	418,208	399,721
Other post-employment benefits	27,929	2,699	83,726	7,923
Termination benefits	37	-	11,716	8,383
	$ 2,650,414	$ 2,787,120	$ 7,855,392	$ 8,056,211

g. Employees' compensation and remuneration of directors

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

Accrual rate

	For the Nine Months Ended September 30	
	2020	**2019**
Employees' compensation	5.00%	5.00%
Remuneration of directors	0.40%	0.40%

Amount

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	**2019**	**2020**	**2019**
	Cash	**Cash**	**Cash**	**Cash**
Employees' compensation	$ 126,402	$ 193,050	$ 343,102	$ 579,150
Remuneration of directors	$ 5,000	$ 15,450	$ 26,700	$ 46,350

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

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

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

Information on the employees' compensation and remuneration of directors resolved by the Group's board of directors 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 September 30		**For the Nine Months Ended September 30**	
	2020	**2019**	**2020**	**2019**
Current income tax				
In respect of the current period	$ 200,729	$ 401,684	$ 876,255	$ 1,298,385
Income tax on unappropriated earnings	-	-	1,202	15,617
Deferred income tax				
In respect of the current period	(53,261)	117,334	240,858	253,283
Income tax expense recognized in profit or loss	$ 147,468	$ 519,018	$ 1,118,315	$ 1,567,285

b. Income tax recognized in other comprehensive income

	For the Three Months Ended September 30		**For the Nine Months Ended September 30**	
	2020	**2019**	**2020**	**2019**
Deferred tax				
In respect of the current year:				
Exchange differences on translation	$ (10,275)	$ (144,131)	$ 151,967	$ (69,518)
Unrealized (losses) gains on financial assets at FVTOCI	(11,900)	4,946	(46,019)	12,118
Total income tax benefit (loss) recognized in other comprehensive income	$ (22,175)	$ (139,185)	$ 105,948	$ (57,400)

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 issued on August 17, 2020. The basic and diluted after-tax earnings per stock for the three months ended September 30, 2019 and the nine months ended September 30, 2019 were adjusted retrospectively as follows:

Unit: NT$ Per Stock

	Before Adjusted Retrospectively		After Adjusted Retrospectively	
	For the Three Months Ended September 30, 2019	For the Nine Months Ended September 30, 2019	For the Three Months Ended September 30, 2019	For the Nine Months Ended September 30, 2019
Basic earnings per stock	$ 0.30	$ 0.90	$ 0.29	$ 0.86
Diluted earnings per stock	$ 0.30	$ 0.90	$ 0.29	$ 0.86

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Net profit for the period	$ 1,408,704	$ 2,983,357	$ 5,654,482	$ 8,982,420

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Weighted average number of common stock used in the computation of basic earnings per stock	10,384,724	10,384,724	10,384,724	10,384,724
Effect of potentially dilutive common stock:				
Employees' compensation issued	19,775	26,751	28,260	36,323
Weighted average number of common stock used in the computation of diluted earnings per stock	10,404,499	10,411,475	10,412,984	10,421,047

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

33. CAPITAL RISK MANAGEMENT

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

34. FINANCIAL INSTRUMENTS

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

Fair value of financial instruments not measured at fair value

September 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	$ 307,367,941	$ 3,599,608	$ 303,833,757	$ -	$ 307,433,365
Financial liabilities					
Bank notes payable	54,579,773	-	8,479,773	47,949,371	56,429,144

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

September 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	$ 272,616,396	$ 6,210,502	$ 266,446,869	$ -	$ 272,657,371
Financial liabilities					
Bank notes payable	55,538,898	-	8,478,898	48,192,975	56,671,873

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

1) Fair value hierarchy

September 30, 2020

Fair Value Measurement of Financial Instruments	Level 1	Level 2	Level 3	Total
Non-derivative financial products				
Assets				
Financial assets at FVTPL	$ 55,500	$ 17,945,074	$ 76,525	$ 18,077,099
Financial assets mandatorily measured at FVTPL				
Stock investments	-	7,761	76,525	84,286
Bond investments	-	1,042,801	-	1,042,801
Others	55,500	16,894,512	-	16,950,012
Financial assets at FVTOCI	77,684,789	29,657,323	9,169,790	116,511,902
Stock investments	7,966,597	30,300	9,169,790	17,166,687
Bond investments	66,343,699	29,627,023	-	95,970,722
Others	3,374,493	-	-	3,374,493
Derivative financial products				
Assets				
Financial assets at FVTPL	106,957	3,916,376	-	4,023,333
Other financial assets				
Financial assets for hedging	-	262,399	-	262,399
Liabilities				
Financial liabilities at FVTPL	-	5,536,030	-	5,536,030

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

September 30, 2019

Fair Value Measurement of Financial Instruments	Level 1	Level 2	Level 3	Total
Non-derivative financial products				
Assets				
Financial assets at FVTPL	$ 83,130	$ 7,732,123	$ -	$ 7,815,253
Financial assets mandatorily measured at FVTPL				
Stock investments	83,130	-	-	83,130
Bond investments	-	962,261	-	962,261
Others	-	6,769,862	-	6,769,862
Financial assets at FVTOCI	84,595,568	32,055,037	7,821,724	124,472,329
Stock investments	6,276,778	41,000	7,821,724	14,139,502
Bond investments	73,335,221	32,014,037	-	105,349,258
Others	4,983,569	-	-	4,983,569
Liabilities				
Financial liabilities at FVTPL	-	9,834,927	-	9,834,927
Derivative financial products				
Assets				
Financial assets at FVTPL	85,304	3,213,402	-	3,298,706
Other financial assets				
Financial assets for hedging	-	267,177	-	267,177
Liabilities				
Financial liabilities at FVTPL	-	3,576,842	-	3,576,842

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 nine months ended September 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)	-	1,153,072
Purchase	76,525	15,800
Ending balance	$ 76,525	$ 9,169,790

For the nine months ended September 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)	683,679
Ending balance	$ 7,821,724

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 Bank and its subsidiaries usually adopt the valuation techniques 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 Bank and its subsidiaries are as follows:

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

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

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

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

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

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

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

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

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

x. Derivatives:

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

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

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

   iv) Certain derivatives use the quoted price from counterparties.

xi. Mix tools: The price from the active market, deal brokers and evaluation models is used.

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

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

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

c. Financial risk management objectives and policies

1) Market risk

a) The source and definition of market risk

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

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

b) Market risk management policy

The Group classifies the financial instruments held by the Group as trading book and banking book, and determines the market risk as interest rate risk, exchange rate risk, and equity security price risk. The Group establishes "Market Risk Management Regulation", "Derivative Financial Trading Process" and various financial instruments 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, and report the result of market risk monitoring to risk management committee periodically and the board of directors 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 its effectiveness.

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 instruments related regulations as the important management rules of trading book.

iii. Valuation policy

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

iv. Risk measuring methods

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

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

iii) The Group performs the stress test quarterly and report the result to risk management committee periodically.

e) Trading book interest rate risk management

i. Definition of interest rate risk

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

ii. Management procedures on trading book interest rate risk

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

iii. Measuring methods

The interest rate factor sensitivity of debt securities and interest rate derivatives is measured by DVO1. With regard to the Group’s Value at Risk assumptions and calculation methods, please 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 revenue and costs or assets and liabilities and causes a decrease in 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 controls such risks.

g) Exchange rate risk management

i. Definition of exchange rate risk

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

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

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

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

h) Equity security price risk management

i. Definition of equity security price risk

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

ii. Equity security price risk management purpose

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

iii. Equity security price risk management procedures

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

iv. Measuring methods

The equity security price risk of trading book is monitored and controlled by VaR, please refer to item i.

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

i) Market risk measuring method

i. Value at Risk, "VaR"

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

The Group 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 September 30, 2020 and 2019, the Bank's VaR factors based on historical simulation method were as follows:

	For the Nine Months Ended September 30, 2020			
	Average	**Highest**	**Lowest**	**Ending Balance**
Exchange rate VaR	$ 197,456	$ 245,617	$ 152,931	$ 174,143
Interest rate VaR	14,381	17,791	11,412	11,412
Equity securities VaR	11,499	13,951	2,419	2,476
Value at risk	$ 223,336	$ 277,359	$ 166,762	$ 188,031

	For the Nine Months Ended September 30, 2019			
	Average	**Highest**	**Lowest**	**Ending Balance**
Exchange rate VaR	$ 82,917	$ 112,663	$ 57,223	$ 84,916
Interest rate VaR	4,275	6,860	2,070	3,884
Equity securities VaR	4,143	6,559	985	4,451
Value at risk	$ 91,335	$ 126,082	$ 60,278	$ 93,251

2) Primary foreign currencies

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

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	September 30, 2020		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
Monetary items			
USD	$ 7,206,428	28.9900	$ 208,914,348
GBP	76,252	37.3100	2,844,962
AUD	1,129,428	20.6950	23,373,512
HKD	782,406	3.7400	2,926,198
CAD	87,411	21.6700	1,894,196
ZAR	4,261,368	1.7120	7,295,462
JPY	52,653,802	0.2744	14,448,203
EUR	695,362	34.0600	23,684,030
RMB	11,898,353	4.2540	50,615,594
Financial liabilities			
Monetary items			
USD	11,600,618	28.9900	336,301,916
GBP	70,243	37.3100	2,620,766
AUD	897,356	20.6950	18,570,782

(Continued)

	September 30, 2020		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
HKD	$ 702,595	3.7400	$ 2,627,705
CAD	85,766	21.6700	1,858,549
ZAR	3,984,364	1.7120	6,821,231
JPY	51,044,093	0.2744	14,006,499
EUR	607,223	34.0600	20,682,015
NZD	54,636	19.1600	1,046,826
RMB	12,751,271	4.2540	54,243,907
Non-monetary items			
USD	3,523	28.9900	102,132

(Concluded)

(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)

	September 30, 2019		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 8,091,444	31.0400	$ 251,158,422
GBP	57,277	38.1700	2,186,263
AUD	1,365,634	20.9950	28,671,486
HKD	722,312	3.9580	2,858,911
CAD	115,052	23.4500	2,697,969
ZAR	3,353,011	2.0500	6,873,673
JPY	43,071,959	0.2876	12,387,495
EUR	415,000	33.9500	14,089,250
RMB	10,219,018	4.3540	44,493,604
Financial liabilities			
Monetary items			
USD	9,667,106	31.0400	300,066,970
GBP	50,664	38.1700	1,933,845
AUD	1,213,066	20.9950	25,468,321
HKD	446,954	3.9580	1,769,044
CAD	112,389	23.4500	2,635,522
ZAR	3,152,527	2.0500	6,462,680
JPY	43,598,394	0.2876	12,538,898
EUR	480,670	33.9500	16,318,747
NZD	64,128	19.4700	1,248,572
RMB	12,326,258	4.3540	53,668,527
Non-monetary items			
USD	319,115	31.0400	9,905,330

For the three months ended September 30, 2020 and 2019, net foreign exchange gains were $65,159 thousand and $373,236 thousand, respectively. For the nine months ended September 30, 2020 and 2019, net foreign exchange gains were $298,218 thousand and $994,581 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

The related mechanism and procedures for monitoring credit risk includes:

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 Bank in order to enhance the credit risk's identification, measurement and monitoring and improve the quality of risk management.

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

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

v. The Group is 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 operations are described as follows:

i. Credit business (including loan commitments and guarantees)

i) A determined significant 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 score 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 debtor's industry and organization size:

Business	Combination
Corporate banking loans	Government
	Large enterprise
	Small enterprise
	legal person/group
	Overseas credit account
	Other groups
Individual banking loans	Individual-residential loan group
	Individual-other groups (unsecured)
	Individual-other groups (secured)

The Group measures the expected credit loss as follows:

- Stage 1, no significant increase in credit risk

  The Group measures the loss allowance for Stage 1 financial instruments at an amount equal to the 12-month ECL based on past loss experience. The ECL is the difference between the respective asset's EAD carrying amount and the present value of its estimated future cash flows, estimated at the forward-looking adjusted PD and discounted at the effective interest rate.

- Stage 2, significant increase in credit risk

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

- Stage 3, credit impairment

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

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

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

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

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

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

iv) Forward-looking information

The Group classifies credit assets as either corporate banking - domestic, corporate banking - overseas, corporate banking - Singapore branch or individual banking business. Macroeconomic indicators for each the above categories 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:

	September 30	
	2020	**2019**
Discounts and loans	$ 5,562,466	$ 5,244,354

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:

September 30, 2020

		Maximum Exposure to Credit Risk Mitigated by			
	Carrying Amount	**Collateral**	**Master Netting Arrangement**	**Other Credit Enhancements**	**Total**
Discounts and loans	$ 1,481,875,179	$ 1,026,360,645	$ -	$ -	$ 1,026,360,645
Financial assets at FVTPL	22,100,432	7,715,793	-	-	7,715,793
Investments in debt instruments at FVTOCI	99,345,215	2,158,485	-	-	2,158,485
Investments in debt instruments at amortized cost	307,367,941	-	-	-	-

December 31, 2019

	Carrying Amount	Maximum Exposure to Credit Risk Mitigated by 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

September 30, 2019

	Carrying Amount	Maximum Exposure to Credit Risk Mitigated by Collateral	Master Netting Arrangement	Other Credit Enhancements	Total
Discounts and loans	$ 1,439,637,919	$ 936,628,666	$ -	$ -	$ 936,628,666
Financial assets at FVTPL	11,113,959	3,316,667	-	-	3,316,667
Investments in debt instruments at FVTOCI	110,332,827	2,502,573	-	-	2,502,573
Investments in debt instruments at amortized cost	272,616,396	405,115	-	-	405,115

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

	Discounts and Loans September 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	$ 824,485,355	$ 4,101,858	$ -	$ 828,587,213
Levels 16-18	-	63,921,805	1,639,624	65,561,429
Levels 19-21	-	-	10,491,320	10,491,320
No rating	574,093,244	1,756,414	1,385,559	577,235,217
Total carrying amount	$ 1,398,578,599	$ 69,780,077	$ 13,516,503	$ 1,481,875,179
Expected credit losses	$ 1,662,404	$ 2,380,615	$ 5,154,016	$ 9,197,035
Recognized impairment based on the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts				9,331,905
				$ 18,528,940

	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			
	September 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	$ 843,154,363	$ 3,828,277	$ 4,530	$ 846,987,170
Levels 16-18	-	58,413,359	3,486,500	61,899,859
Levels 19-21	-	-	8,739,530	8,739,530
No rating	517,988,829	2,341,707	1,680,824	522,011,360
Total carrying amount	$ 1,361,143,192	$ 64,583,343	$ 13,911,384	$ 1,439,637,919
Expected credit losses	$ 1,715,199	$ 1,664,769	$ 5,167,419	$ 8,547,387
Recognized impairment based on the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans and Bad Debts				8,855,830
				$ 17,403,217

	Guarantee Payments			
	September 30, 2020			
	Stage 1 12-month Expected Credit Losses	**Stage 2 Lifetime Expected Credit Losses**	**Stage 3 Lifetime Expected Credit Losses**	**Total**
Carrying amount	$ 60,212,723	$ 501,807	$ 100,843	$ 60,815,373
Expected credit losses	170,876	11,519	22,605	205,000

	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			
	September 30, 2019			
	Stage 1 12-month Expected Credit Losses	**Stage 2 Lifetime Expected Credit Losses**	**Stage 3 Lifetime Expected Credit Losses**	**Total**
Carrying amount	$ 50,960,815	$ 533,256	$ 101,029	$ 51,595,100
Expected credit losses	104,085	11,133	22,734	137,952

	Loan Commitments			
	September 30, 2020			
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total
Carrying amount - non-cancellable	$ 70,888,116	$ 4,839,418	$ 24,432	$ 75,751,966
Carrying amount - cancellable	575,991,178	12,186,481	187,321	588,364,980
	$ 646,879,294	$ 17,025,899	$ 211,753	$ 664,116,946
Expected credit losses - non-cancellable	$ 62,747	$ 64,520	$ 5,008	$ 132,275
Expected credit losses - cancellable	228,651	364	132	229,147
	$ 291,398	$ 64,884	$ 5,140	$ 361,422

	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
Carrying amount - non-cancellable	$ 68,073,103	$ 4,280,634	$ 7	$ 72,353,744
Carrying 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			
	September 30, 2019			
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Stage 3 Lifetime Expected Credit Losses	Total
Carrying amount - non-cancellable	$ 66,948,122	$ 4,629,806	$ -	$ 71,577,928
Carrying amount - cancellable	536,631,942	9,329,657	119,948	546,081,547
	$ 603,580,064	$ 13,959,463	$ 119,948	$ 617,659,475
Expected credit losses - non-cancellable	$ 69,610	$ 37,027	$ -	$ 106,637
Expected credit losses - cancellable	219,925	370	1,278	221,573
	$ 289,535	$ 37,397	$ 1,278	$ 328,210

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

Financial Instrument Type	September 30, 2020	December 31, 2019	September 30, 2019
Unused loan commitments (excluding credit card)	$ 75,751,966	$ 72,353,744	$ 71,577,928
Credit card commitments	461,720	322,128	391,126
Unused issued letters of credit	20,835,094	21,538,830	25,757,139
Guarantees in guarantee business	60,815,373	53,750,110	51,595,100

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:

	September 30, 2020	
Industry Type	Carrying Amount	Percentage of Item (%)
Financial and insurance	$ 53,921,386	4
Manufacturing	379,192,967	26
Wholesale and retail	126,404,085	9
Real estate and leasing	113,385,573	7
Service	49,836,563	3
Individuals	527,588,299	36
Others	231,546,306	15
	$ 1,481,875,179	

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

Industry Type	September 30, 2019	
	Carrying Amount	Percentage of Item (%)
Financial and insurance	$ 59,082,041	4
Manufacturing	371,675,251	26
Wholesale and retail	122,679,195	8
Real estate and leasing	111,146,360	8
Service	42,744,767	3
Individuals	461,605,972	32
Others	270,704,333	19
	$ 1,439,637,919	

Geographic Location	September 30, 2020	
	Carrying Amount	Percentage of Item (%)
Asia	$ 1,381,344,571	93
America	71,755,583	5
Europe	18,466,464	1
Others	10,308,561	1
	$ 1,481,875,179	

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	September 30, 2019	
	Carrying Amount	Percentage of Item (%)
Asia	$ 1,325,495,489	92
America	82,967,721	6
Europe	17,483,579	1
Others	13,691,130	1
	$ 1,439,637,919	

Securities Type	September 30, 2020 Carrying Amount	Percentage of Item (%)
Unsecured	$ 455,514,535	31
Secured		
Properties	873,631,388	59
Others	152,729,256	10
	$ 1,481,875,179	

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

Securities Type	September 30, 2019 Carrying Amount	Percentage of Item (%)
Unsecured	$ 503,009,253	35
Secured		
Properties	798,097,562	55
Others	138,531,104	10
	$ 1,439,637,919	

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

A portion 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, refundable deposits, 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 September 30, 2020 and 2019, the ratio of the liquidity reserve was 21.80% and 18.93%, 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 perform maturity analysis in order to assess liquidity. The maturity analysis is presented as follows:

(In Thousands of New Taiwan Dollars)

Item	September 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	$ 19,452,411	$ -	$ -	$ -	$ -	$ 19,452,411
Due from the Central Bank and call loans to banks	47,961,668	4,211,088	5,038,099	6,050,339	28,873,090	92,134,284
Financial assets at FVTPL	17,089,345	-	-	-	-	17,089,345
Receivables	15,716,388	858,465	1,474,588	297,853	319,525	18,666,819
Discounts and loans	79,858,611	140,673,969	124,731,167	221,919,251	697,183,823	1,264,366,821
Investments in equity instruments designated at FVTOCI	-	-	-	-	17,166,686	17,166,686
Investments in debt instruments at FVTOCI	-	-	201,092	225,827	33,885,921	34,312,840
Investments in debt instruments at amortized cost	175,575,000	18,040,000	22,860,000	26,205,000	18,358,994	261,038,994
Other maturity funds inflow items	-	-	-	-	14,115,008	14,115,008
	355,653,423	163,783,522	154,304,946	254,698,270	809,903,047	1,738,343,208
Major maturity fund outflows						
Deposits from the Central Bank and banks	136,496	111,732	6,361	211,500	-	466,089
Due to the Central Bank and banks	7,010,000	15,000	9,462,050	1,536,180	-	18,023,230
Securities sold under repurchase agreements	615,350	1,127,483	10,199	-	-	1,753,032
Payables	27,878,511	1,337,769	269,650	1,134,185	1,216,325	31,836,440
Deposits and remittances	104,858,540	123,160,815	147,674,981	177,585,585	847,110,232	1,400,390,153
Bank notes payable	-	-	1,100,000	8,900,000	44,300,000	54,300,000
Other maturity fund outflow items	46,292	53,953	71,925	329,899	5,602,447	6,104,516
	140,545,189	125,806,752	158,595,166	189,697,349	898,229,004	1,512,873,460
Gap	$ 215,108,234	$ 37,976,770	$ (4,290,220)	$ 65,000,921	$ (88,325,957)	$ 225,469,748

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	September 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	$ 21,202,753	$ -	$ -	$ -	$ -	$ 21,202,753
Due from the Central Bank and call loans to banks	13,578,250	4,104,601	5,039,378	6,109,028	30,279,462	59,110,719
Financial assets at FVTPL	6,945,804	-	-	-	-	6,945,804
Receivables	22,929,698	982,519	856,605	359,858	280,189	25,408,869
Discounts and loans	86,949,395	166,350,757	127,670,802	181,318,101	639,985,278	1,202,274,333
Investments in equity instruments designated at FVTOCI	-	-	-	-	14,098,501	14,098,501
Investments in debt instruments at FVTOCI	2,000,613	-	97,013	1,023,805	37,340,039	40,461,470
Investments in debt instruments at amortized cost	150,000,000	11,649,636	5,250,000	40,639,401	12,934,018	220,473,055
Other maturity funds inflow items	-	-	-	-	27,259,422	27,259,422
	303,606,513	183,087,513	138,913,798	229,450,193	762,176,909	1,617,234,926
Major maturity fund outflows						
Deposits from the Central Bank and banks	746,927	113,750	36,747	291,094	-	1,188,518
Due to the Central Bank and banks	705,000	15,000	-	-	-	720,000
Securities sold under repurchase agreements	645,020	1,323,140	-	-	-	1,968,160
Payables	33,293,136	1,737,891	246,839	1,698,753	896,609	37,873,228
Deposits and remittances	104,258,682	120,834,450	148,897,289	180,501,977	775,767,316	1,330,259,714
Bank notes payable	-	-	-	5,000,000	50,260,000	55,260,000
Other maturity fund outflow items	69,487	90,263	119,336	310,467	5,770,706	6,360,259
	139,718,252	124,114,494	149,300,211	187,802,291	832,694,631	1,433,629,879
Gap	$ 163,888,261	$ 58,973,019	$ (10,386,413)	$ 41,647,902	$ (70,517,722)	$ 183,605,047

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

(In Thousands of United States Dollars)

Item	September 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	$ 318,951	$ 200,000	$ -	$ -	$ -	$ 518,951
Due from the Central Bank and call loans to banks	1,640,594	828,982	92,737	42,392	5,055	2,609,760
Financial assets at FVTPL	34,072	-	-	-	-	34,072
Receivables	486,800	131,018	218,584	15,421	2,657	854,480
Discounts and loans	923,955	722,292	530,330	269,560	3,257,673	5,703,810
Investments in debt instruments at FVTOCI	3,000	15,004	23,068	36,764	954,002	1,031,838
Investments in debt instruments at amortized cost	4,998	-	10,502	-	94,942	110,442
Other maturity fund inflow items	5,000	-	150,000	600,000	22,796	777,796
	3,417,370	1,897,296	1,025,221	964,137	4,337,125	11,641,149
Major maturity fund outflows						
Deposits from the Central Bank and banks	8,840	1,013	1,520	3,040	85	14,498
Due to the Central Bank and banks	2,333,431	372,000	10,000	-	-	2,715,431
Payables	543,460	47,581	7,845	5,005	1,246	605,137
Deposits and remittances	1,791,597	2,286,251	2,158,255	1,885,661	3,959,027	12,080,791
Other maturity fund outflow items	52,612	17,029	7,471	520	10,064	87,696
	4,729,940	2,723,874	2,185,091	1,894,226	3,970,422	15,503,553
Gap	$ (1,312,570)	$ (826,578)	$ (1,159,870)	$ (930,089)	$ 366,703	$ (3,862,404)

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	September 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	$ 209,789	$ 300,000	$ -	$ -	$ -	$ 509,789
Due from the Central Bank and call loans to banks	1,982,020	733,567	66,990	1,908	3,496	2,787,981
Financial assets at FVTPL	28,011	-	-	-	-	28,011
Receivables	378,951	112,223	211,609	45,732	16,155	764,670
Discounts and loans	700,147	753,510	504,101	398,061	3,383,427	5,739,246
Investments in debt instruments at FVTOCI	3,202	45,012	12,981	49,532	869,408	980,135
Investments in debt instruments at amortized cost	2,999	-	7,997	32,464	239,424	282,884
Other maturity fund inflow items	-	-	400,000	200,000	24,875	624,875
	3,305,119	1,944,312	1,203,678	727,697	4,536,785	11,717,591
Major maturity fund outflows						
Deposits from the Central Bank and banks	25,625	271	407	814	85	27,202
Due to the Central Bank and banks	2,051,362	338,000	-	-	-	2,389,362
Financial liabilities at FVTPL	-	316,847	-	-	-	316,847
Payables	456,090	35,385	7,756	5,620	832	505,683
Deposits and remittances	1,940,367	1,983,833	1,596,719	1,520,525	2,866,230	9,907,674
Other maturity fund outflow items	54,761	8,072	131	3,288	69,533	135,785
	4,528,205	2,682,408	1,605,013	1,530,247	2,936,680	13,282,553
Gap	$ (1,223,086)	$ (738,096)	$ (401,335)	$ (802,550)	$ 1,600,105	$ (1,564,962)

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 at reasonable prices in the market, and thus have very low liquidity risks.

(In Thousands of New Taiwan Dollars and Foreign Currencies)

Item	September 30, 2020					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Foreign currency derivative instruments						
Outflows	$ 108,130,881	$ 266,973,326	$ 104,813,242	$ 80,750,050	$ -	$ 560,667,499
Inflows	107,712,264	266,157,269	104,736,477	80,793,844	-	559,399,854
Interest rate derivative instruments						
Outflows	127	3,946,840	3,303,180	-	20,900	7,271,047
Inflows	76,201	3,768,700	3,188,900	4,042	-	7,037,843
Others						
Outflows	-	-	-	-	-	-
Inflows	30,744	-	-	-	-	30,744
Total outflows	$ 108,131,008	$ 270,920,166	$ 108,116,422	$ 80,750,050	$ 20,900	$ 567,938,546
Total inflows	$ 107,819,209	$ 269,925,969	$ 107,925,377	$ 80,797,886	$ -	$ 566,468,441

(In Thousands of New Taiwan Dollars and Foreign Currencies)

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

(In Thousands of New Taiwan Dollars and Foreign Currencies)

Item	September 30, 2019					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Foreign currency derivative instruments						
Outflows	$ 145,016,753	$ 248,900,087	$ 66,041,870	$ 32,554,484	$ 310,400	$ 492,823,594
Inflows	144,840,717	248,666,422	66,101,032	32,319,032	312,944	492,240,147
Interest rate derivative instruments						
Outflows	-	2,468,650	620,800	3,119,000	10,872	6,219,322
Inflows	59,676	2,785,251	620,400	3,104,160	-	6,569,487
Others						
Outflows	-	-	-	-	-	-
Inflows	28,741	-	-	-	-	28,741
Total outflows	$ 145,016,753	$ 251,368,737	$ 66,662,670	$ 35,673,484	$ 321,272	$ 499,042,916
Total inflows	$ 144,929,134	$ 251,451,673	$ 66,721,432	$ 35,423,192	$ 312,944	$ 498,838,375

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	September 30, 2020					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	$ 62,942,713	$ 44,667	$ 739,418	$ 2,508,494	$ 9,516,674	$ 75,751,966
Credit card commitments	1,570	3,294	7,792	34,479	414,585	461,720
Letters of credit issued yet unused	20,727,612	89,031	18,451	-	-	20,835,094
Guarantees	59,804,162	475,573	244,262	227,799	63,577	60,815,373
	$ 143,476,057	$ 612,565	$ 1,009,923	$ 2,770,772	$ 9,994,836	$ 157,864,153

(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	September 30, 2019					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	$ 54,738,961	$ 1,046,085	$ 1,366,030	$ 3,146,240	$ 11,280,612	$ 71,577,928
Credit card commitments	470	2,829	7,432	27,224	353,171	391,126
Letters of credit issued yet unused	25,655,308	76,701	25,130	-	-	25,757,139
Guarantees	50,434,360	429,740	363,083	280,294	87,623	51,595,100
	$ 130,829,099	$ 1,555,355	$ 1,761,675	$ 3,453,758	$ 11,721,406	$ 149,321,293

35. OTHER DISCLOSURES OF FINANCIAL INSTITUTION

a. Asset quality

Business Type \ Item			September 30, 2020 Non-performing Loans (Note a)	September 30, 2020 Loans	September 30, 2020 Non-performing Loans Ratio (Note b)	September 30, 2020 Allowance for Loan Losses	September 30, 2020 Coverage Ratio (Note c)	September 30, 2019 Non-performing Loans (Note a)	September 30, 2019 Loans	September 30, 2019 Non-performing Loans Ratio (Note b)	September 30, 2019 Allowance for Loan Losses	September 30, 2019 Coverage Ratio (Note c)
Corporate finance	Secured		$ 3,584,400	$ 497,620,451	0.72%	$ 5,874,891	163.90%	$ 3,368,860	$ 474,616,129	0.71%	$ 5,531,161	164.18%
	Unsecured		921,454	441,194,255	0.21%	5,444,061	590.81%	212,761	487,217,751	0.04%	5,515,126	2,592.17%
Consumer finance	Mortgage loans (Note d)		450,811	316,680,501	0.14%	4,784,727	1,061.36%	781,654	272,818,429	0.29%	4,145,096	530.30%
	Cash cards (Note h)		-	-	-	-	-	-	-	-	-	-
	Credit loans (Note e)		6,590	2,142,386	0.31%	24,444	370.93%	3,746	1,643,328	0.23%	18,590	496.26%
	Others (Note f)	Secured	844,545	207,472,078	0.41%	2,136,454	252.97%	696,360	185,995,404	0.37%	1,916,598	275.23%
		Unsecured	2,756	1,293,334	0.21%	15,312	555.59%	2,950	1,148,811	0.26%	12,934	438.44%
Total			5,810,556	1,466,403,005	0.40%	18,279,889	314.60%	5,066,331	1,423,439,852	0.36%	17,139,505	338.30%

Business Type \ Item	September 30, 2020 Non-performing Loans (Note a)	September 30, 2020 Loans	September 30, 2020 Non-performing Loans Ratio (Note b)	September 30, 2020 Allowance for Loan Losses	September 30, 2020 Coverage Ratio (Note c)	September 30, 2019 Non-performing Loans (Note a)	September 30, 2019 Loans	September 30, 2019 Non-performing Loans Ratio (Note b)	September 30, 2019 Allowance for Loan Losses	September 30, 2019 Coverage Ratio (Note c)
Credit card	$ 2,773	$ 2,139,987	0.13%	$ 18,522	667.94%	$ 4,809	$ 2,317,011	0.21%	$ 20,553	427.39%
Non-recourse receivable factoring (Note g)	-	9,974,671	-	149,799	-	-	11,811,706	-	168,117	-

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

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

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

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

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

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

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

Note h: The Bank does not engage in cash card business.

Item / Business Type	September 30, 2020		September 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)	$ -	$ 750	$ -	$ 1,053
Negotiated accounts receivable transacted in accordance with the agreement and exempted from reporting as non-performing receivables (Note b)	433	20,467	503	18,894
Total	433	21,217	503	19,947

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

September 30, 2020			
Rank (Note a)	Transaction Party (Note b)	Loans (Note c)	As Proportion of Net Equity (%) (Note d)
1	A Group (airline industry)	$ 25,733,311	15.73
2	B Corporation (railway transportation industry)	24,052,321	14.70
3	C Group (synthesis construction industry)	17,320,000	10.59
4	D Group (concrete manufacturing industry)	12,330,366	7.54
5	E Group (enterprise general management agency)	10,675,339	6.53
6	F Group (steel smelting industry)	8,767,002	5.36
7	G Group (other computer peripheral equipment manufacturing industry)	7,324,677	4.48
8	H Group (steel manufacturing industry)	7,229,385	4.42
9	I Group (computer manufacturing industry)	6,252,461	3.82
10	J Group (real estate development industry)	6,180,654	3.78

September 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)	$ 25,823,864	16.15
2	A Group (airline industry)	25,362,186	15.86
3	C Group (synthesis construction industry)	18,351,000	11.48
4	D Group (concrete manufacturing industry)	14,304,796	8.95
5	F Group (steel smelting industry)	14,149,536	8.85
6	G Group (other computer peripheral equipment manufacturing industry)	8,316,349	5.20
7	H Group (steel manufacturing industry)	7,584,208	4.74
8	K Group (steel manufacturing industry)	6,531,391	4.08
9	L Group (wire and cable manufacturing industry)	6,262,842	3.92
10	M Group (semiconductor packaging and testing industry)	6,064,220	3.79

Note a: Sorted by the balance of loans on September 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, 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's 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	September 30, 2020				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	$ 1,435,549,885	$ 64,168,891	$ 52,173,497	$ 124,091,586	$ 1,675,983,859
Interest-sensitive liabilities	308,665,753	992,538,743	89,290,308	49,840,921	1,440,335,725
Interest sensitivity gap	1,126,884,132	(928,369,852)	(37,116,811)	74,250,665	235,648,134
Net equity					142,217,631
Ratio of interest-sensitive assets to liabilities					116.36%
Ratio of interest sensitivity gap to net equity					165.70%

(In Thousands of New Taiwan Dollars)

Item	September 30, 2019				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	$ 1,338,004,219	$ 50,569,991	$ 55,315,672	$ 111,615,320	$ 1,555,505,202
Interest-sensitive liabilities	313,106,047	900,048,731	85,901,536	54,390,612	1,353,446,926
Interest sensitivity gap	1,024,898,172	(849,478,740)	(30,585,864)	57,224,708	202,058,276
Net equity					139,212,700
Ratio of interest-sensitive assets to liabilities					114.93%
Ratio of interest sensitivity gap to net equity					145.14%

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	September 30, 2020				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	$ 11,144,737	$ 883,134	$ 715,114	$ 347,455	$ 13,090,440
Interest-sensitive liabilities	13,626,768	1,923,191	1,488,272	59	17,038,290
Interest sensitivity gap	(2,482,031)	(1,040,057)	(773,158)	347,396	(3,947,850)
Net equity					542,827
Ratio of interest-sensitive assets to liabilities					76.83%
Ratio of interest sensitivity gap to net equity					(727.28%)

(In Thousands of U.S. Dollars)

Item	September 30, 2019				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	$ 12,864,906	$ 1,275,418	$ 356,239	$ 173,395	$ 14,669,958
Interest-sensitive liabilities	13,307,618	1,493,853	1,255,355	149	16,056,975
Interest sensitivity gap	(442,712)	(218,435)	(899,116)	173,246	(1,387,017)
Net equity					482,278
Ratio of interest-sensitive assets to liabilities					91.36%
Ratio of interest sensitivity gap to net equity					(287.60%)

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		September 30, 2020	September 30, 2019
Return on total assets	Pretax	0.31%	0.50%
	After tax	0.26%	0.43%
Return on net equity	Pretax	4.16%	6.67%
	After tax	3.47%	5.68%
Profit margin		26.96%	36.79%

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

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

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

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

e. Maturity analysis of assets and liabilities

(In Thousands of New Taiwan Dollars)

	Total	September 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	$ 1,989,555,494	$ 175,705,287	$ 207,384,009	$ 284,172,160	$ 189,883,163	$ 288,799,100	$ 843,611,775
Major maturity cash outflows	2,542,081,749	99,090,891	143,473,947	415,546,629	340,517,680	477,182,816	1,066,269,786
Gap	(552,526,255)	76,614,396	63,910,062	(131,374,469)	(150,634,517)	(188,383,716)	(222,658,011)

(In Thousands of New Taiwan Dollars)

	Total	September 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	$ 1,845,388,491	$ 165,978,992	$ 167,824,834	$ 333,556,327	$ 158,492,280	$ 235,643,559	$ 783,892,499
Major maturity cash outflows	2,338,401,858	127,809,948	136,386,429	382,570,435	281,544,707	414,850,453	995,239,886
Gap	(493,013,367)	38,169,044	31,438,405	(49,014,108)	(123,052,427)	(179,206,894)	(211,347,387)

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	September 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	$ 24,313,242	$ 7,771,053	$ 6,363,475	$ 3,134,774	$ 2,352,701	$ 4,691,239
Major maturity cash outflows	28,464,885	8,084,557	4,935,587	4,458,265	4,791,307	6,195,169
Gap	(4,151,643)	(313,504)	1,427,888	(1,323,491)	(2,438,606)	(1,503,930)

(In Thousands of U.S. Dollars)

	Total	September 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	$ 22,783,429	$ 9,768,748	$ 4,548,252	$ 2,325,602	$ 1,596,368	$ 4,544,459
Major maturity cash outflows	27,041,841	9,582,417	5,164,881	3,419,597	4,047,336	4,827,610
Gap	(4,258,412)	186,331	(616,629)	(1,093,995)	(2,450,968)	(283,151)

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 September 30, 2020 and 2019 were as follows:

	September 30	
	2020	2019
Special purpose trust accounts - domestic	$ 30,531,525	$ 32,184,108
Special purpose trust accounts - foreign	71,769,563	75,510,368
Insurance trust	10,795	10,744
Retirement and breeds trust	443,928	443,475
Umbilical-cord-blood trust	12,362,734	12,004,515
Money claim and guarantee trust	56,800	61,800
Marketable securities trust	886,497	753,320
Real estate trust	18,019,895	21,989,595
Securities under custody	242,765,166	203,299,840
Other money trust	3,382,172	1,929,083
	$ 380,229,075	$ 348,186,848

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 (as the Bank's corporate director before June 19, 2020)
Taishin International Bank	The subsidiary of Bank's related party in substance (owned by the same parent company before June 19, 2020)
Chunghwa Post Co., Ltd.	The Bank's corporate director (as the Bank's related party since June 19, 2020)
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	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
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
China Airlines, Ltd.	Its director is the Bank's corporate director
Taichung Commercial Bank Co., Ltd.	Its director is the spouse of the Bank's manager
Others	Other related parties (IAS 24 "Related Party Disclosures)

b. Significant transactions with related parties

1) Loans

	Balance	Percentage of Loans (%)
Balance as of September 30, 2020	$ 30,958,455	2.12
Balance as of December 31, 2019	31,515,937	2.21
Balance as of September 30, 2019	30,342,093	2.13

For the nine months ended September 30, 2020 and 2019, interest rates ranged from 0.00% to 3.58% and from 0.63% to 3.82%, respectively, and interest income amounted to $408,806 thousand and $453,180 thousand, respectively. For the three months ended September 30, 2020 and 2019, interest income amounted to $126,547 thousand and $155,802 thousand, respectively.

	September 30, 2020					
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral	Difference in Terms Between Related Parties and Non-related Parties
Consumer loans						
49 accounts	$ 30,279	$ 32,547	$ 30,279	$ -	Credit	None
Self-use residential mortgage loans						
240 accounts	1,530,155	1,574,413	1,530,155	-	Real estate	None
Others						
Taiwan High Speed Rail Corporation	23,969,493	24,978,096	23,969,493	-	Credit and station equipment	None
Yang Ming Marine Transport Corporation	2,894,500	3,434,500	2,894,500	-	Credit and ship	None
Unity Opto Technology Co., Ltd.	631,674	1,138,481	631,674	-	Credit and real estate and equipment	None
China Airlines, Ltd.	550,000	550,000	550,000	-	Credit and fund guarantee	None
Powtec Electrochemical Corporation	466,027	668,002	-	466,027	Credit and plant	None
United Renewable Energy Co., Ltd.	357,355	518,402	357,355	-	Credit	None
EirGenix, Inc.	103,365	103,365	103,365	-	Plant	None
Other - 11 corporation accounts (Note 1)	423,869	2,799,387	423,869	-	Credit and fund guarantee and real estate	None
Other - 4 individual accounts (Note 2)	1,737	1,740	1,737	-	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 - 10 corporation accounts (Note 1)	452,092	929,683	452,092	-	Credit and fund guarantee and real estate	None
Other - 6 individual accounts (Note 2)	823	1,633	823	-	Foreign currency or deposit	None

	September 30, 2019					
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral	Difference in Terms Between Related Parties and Non-related Parties
Consumer loans						
34 accounts	$ 17,230	$ 18,141	$ 17,230	$ -	Credit	None
Self-use residential mortgage loans						
219 accounts	1,391,084	1,429,519	1,391,084	-	Real estate	None
Others						
Taiwan High Speed Rail Corporation	25,678,075	25,880,962	25,678,075	-	Credit and station equipment	None
Yang Ming Marine Transport Corporation	1,719,000	2,259,000	1,719,000	-	Credit and ship	None
Powtec Electrochemical Corporation	666,383	687,675	666,383	-	Credit and plant	None
United Renewable Energy Co., Ltd.	390,000	680,000	390,000	-	Credit and land and plant	None
Other - 8 corporation accounts (Note 1)	477,333	757,062	477,333	-	Credit and fund guarantee and real estate	None
Other - 2 individual accounts (Note 2)	2,987	4,373	2,987	-	Deposit	None

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

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

Mortgage loans to managers within $8,000 thousand and credit loans within $800 thousand per person bore interests at 0.51%, 1.26% and 1.26% on September 30, 2020, December 31, 2019 and September 30, 2019, respectively. The interest rates and other terms provided to other related parties are the same as those offered to the public.

2) Guaranteed loans

	September 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

	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

	September 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	21,327	213	0.50	None
Adimmune Corporation	18,771	18,771	188	1.80	Pledged demand deposit

3) Deposits

	Balance	Percentage of Loans (%)
Balance as of September 30, 2020	$ 9,862,783	0.54
Balance as of December 31, 2019	9,078,174	0.51
Balance as of September 30, 2019	4,378,215	0.25

For the nine months ended September 30, 2020 and 2019, the interest rate intervals were between 0.00% and 13.00%, the interest expense amounted to $85,755 thousand and $38,079 thousand, respectively, for the three months ended September 30, 2020 and 2019, the interest expense amounted to $16,620 thousand and $11,909 thousand, respectively.

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

4) Transactions of derivative financial products

(In Thousands of New Taiwan Dollars)

	September 30, 2020					
					Balance Sheet	
Name	**Contract**	**Duration**	**Nominal Principle Amount**	**Current Valuation Gain (Loss)**	**Subject**	**Amount**
Chunghwa Post Co	Currency swaps	2020.7.24-2021.5.10	$ 12,320,750	$ (181,535)	Financial liabilities at fair value through profit or loss	$ 181,535

5) Call loans to banks and call loans from banks

Call loans to banks

(In Thousands of Original Currencies)

	September 30, 2020					
Name	**Department**	**Currency**	**Ending Balance**	**Interest Rate (Per Annum %)**	**Interest Income for the Three Months Ended September 30, 2020**	**Interest Income for the Nine Months Ended September 30, 2020**
Chunghwa Post Co.	DBU	NTD	$ 15,000	0.08-0.77	$ 23	$ 364
Land Bank	DBU	NTD	5,000	0.07-0.67	314	2,369
	OBU	USD	190,000	0.08-2.35	115	1,306
	OBU	AUD	81,000	0.22-0.38	27	35
	Hong Kong Branch	USD	50,000	0.10-2.38	53	725
Taiwan Business Bank	OBU	RMB	70,000	0.75-3.15	6	18
	Tokyo Branch	USD	15,000	0.18-0.23	4	4
Taichung Commercial Bank	DBU	NTD	500,000	0.24-0.43	194	731

	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

	September 30, 2019					
Name	**Department**	**Currency**	**Ending Balance**	**Interest Rate (Per Annum %)**	**Interest Income for the Three Months Ended September 30, 2019**	**Interest Income for the Nine Months Ended September 30, 2019**
Land Bank	DBU	NTD	$ 5,000	0.17-0.66	$ 233	$ 548
	OBU	USD	152,000	2.15-3.28	1,123	4,208
	Hong Kong Branch	USD	65,000	2.41-3.32	686	2,156
Taiwan Business Bank	OBU	USD	30,000	1.95-3.25	283	1,092
	Hong Kong Branch	USD	10,000	2.25-3.25	195	491

Call loans from banks

(In Thousands of Original Currencies)

			September 30, 2020			
Name	**Department**	**Currency**	**Ending Balance**	**Interest Rate (Per Annum %)**	**Interest Expense for the Three Months Ended September 30, 2020**	**Interest Expense for the Nine Months Ended September 30, 2020**
Land Bank	DBU	NTD	$ 5,000	0.18-0.66	$ 10	$ 174
	New York Branch	USD	20,000	0.14-2.00	5	165

			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

			September 30, 2019			
Name	**Department**	**Currency**	**Ending Balance**	**Interest Rate (Per Annum %)**	**Interest Expense for the Three Months Ended September 30, 2019**	**Interest Expense for the Nine Months Ended September 30, 2019**
Land Bank	Singapore Branch	USD	$ 20,000	2.40-2.71	$ 114	$ 185
	New York Branch	USD	10,000	2.05-3.30	21	265
	London Branch	USD	68,000	2.06-2.90	39	55
Taiwan Business Bank	Singapore Branch	AUD	20,000	1.37-1.43	12	12
	Singapore Branch	GBP	6,000	1.05	7	7
	Singapore Branch	SGD	4,000	1.40-2.55	19	44

6) Due from banks and deposits from banks

Due from banks

(In Thousands of New Taiwan Dollars)

			September 30, 2020	December 31, 2019	September 30, 2019
Name	**Department**	**Currency**	**Ending Balance**	**Ending Balance**	**Ending Balance**
Land Bank	DBU	NTD	$ 4	$ 2	$ 2
Taiwan Business Bank	DBU	NTD	291	819	475
Chunghwa Post Co	DBU	NTD	155	-	-

Deposits from banks

(In Thousands of Original Currencies)

			September 30, 2020	December 31, 2019	September 30, 2019
Name	**Department**	**Currency**	**Ending Balance**	**Ending Balance**	**Ending Balance**
Land Bank	DBU	NTD	$ 277	$ 277	$ 277
The Export-Import Bank	DBU	NTD	386	3,536	700
Taishin International Bank	New York Branch	USD	69	67	66
Chunghwa Post Co	DBU	NTD	343,192	-	-

c. Compensation of directors and management personnel

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Short-term employee benefits	$ 10,229	$ 10,972	$ 32,644	$ 34,126
Post-employment benefits	268	409	21,094	10,421
	$ 10,497	$ 11,381	$ 53,738	$ 44,547

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 in the amounts 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 Bank's pledged assets as of September 30, 2020, December 31, 2019 and September 30, 2019 is as follows:

Pledged Assets	Description	September 30, 2020	December 31, 2019	September 30, 2019
Investments in debt instruments at FVTOCI	Bonds	$ 971,912	$ 988,004	$ 1,009,031
Investments in debt instruments at amortized cost	Bonds and certificates of deposit	41,589,854	41,389,970	41,610,373
Time deposits with original maturities of more than 3 months	Time deposits	2,765,100	2,577,000	2,612,400
Refundable deposits	Cash	931,227	959,061	1,005,860
Reserves Account B	Cash	30,000,000	-	-

38. CONTINGENT LIABILITIES AND COMMITMENTS

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

	September 30, 2020	December 31, 2019	September 30, 2019
Trust liabilities	$ 380,229,075	$ 363,432,974	$ 348,186,848
Unused loan commitments (excluding credit cards)	75,751,966	72,353,744	71,577,928
Credit card commitments	461,720	322,128	391,126
Unused issued letters of credit	20,835,094	21,538,830	25,757,139
Guarantees issued in guarantee business	60,815,373	53,750,110	51,595,100
Repayment notes and time deposits held for custody	12,541,833	13,910,771	14,714,768
Liabilities on joint loans	669,227	915,013	883,681

The unrecognized commitments for the acquisition of equipment and intangible assets, as well as the commitments for construction, appointment and security service as of September 30, 2020 were in the amounts of $394,952 thousand, $43,109 thousand, $521,789 thousand and $34,395 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. The Supreme Court held a another hearing on September 30, 2020. Then, the court date of judgement procedure would be held on November 25, 2020.

c. The Bank’s of North Taichung branch was fined due to the misappropriation of customers’ deposits. The Bank has negotiated with its customers and confirmed the amount of misappropriated deposits.

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 nine months ended September 30, 2020	None
2	Acquisition of fixed assets over NT$300 million or 10% of outstanding capital for the nine months ended September 30, 2020	None
3	Disposal of fixed assets over NT$300 million or 10% of outstanding capital for the nine months ended September 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 September 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 September 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 nine months ended September 30, 2020	None
6	Acquisition of property, plant and equipment over NT$300 million or 10% of outstanding capital for the nine months ended September 30, 2020	None
7	Disposal of property, plant and equipment over NT$300 million or 10% of outstanding capital for the nine months ended September 30, 2020	None
8	Receivables from related parties over NT$300 million or 10% of outstanding capital as of September 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. 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 Nine Months Ended September 30, 2020						
	Loans	Deposits and Remittances	Financial Instruments and Investments	Wealth Management	Overseas Branches and Subsidiaries	Others	Total
Net interest income	$ 9,516,297	$ 3,461,013	$ (938,587)	$ -	$ 2,296,133	$ (14,112)	$ 14,320,744
Net service fee income	1,114,994	169,602	(23,041)	2,044,943	86,066	-	3,392,564
Net income on financial instrument	-	-	2,897,551	-	109,913	-	3,007,464
Others	9,910	-	3,247	-	44,698	195,527	253,382
Net revenue and gains	10,641,201	3,630,615	1,939,170	2,044,943	2,536,810	181,415	20,974,154
Bad debts expense, commitment and guarantee liability provision	(505,698)	-	217	-	(1,881,433)	-	(2,386,914)
Operating expenses	-	-	-	-	-	-	(11,814,443)
Income before income tax	$ 10,135,503	$ 3,630,615	$ 1,939,387	$ 2,044,943	$ 655,377	$ 181,415	$ 6,772,797

	For the Nine Months Ended September 30, 2019						
	Loans	Deposits and Remittances	Financial Instruments and Investments	Wealth Management	Overseas Branches and Subsidiaries	Others	Total
Net interest income	$ 9,684,300	$ 4,652,484	$ 282,463	$ -	$ 2,785,118	$ (15,667)	$ 17,388,698
Net service fee income	881,134	195,640	(25,183)	2,296,446	99,460	-	3,447,497
Net income on financial instrument	-	-	3,417,575	-	(13,882)	-	3,403,693
Others	9,543	-	6,911	-	3,230	153,666	173,350
Net revenue and gains	10,574,977	4,848,124	3,681,766	2,296,446	2,873,926	137,999	24,413,238
Bad debts expense, commitment and guarantee liability provision	(1,562,311)	-	(55)	-	(142,567)	-	(1,704,933)
Operating expenses	-	-	-	-	-	-	(12,158,600)
Income before income tax	$ 9,012,666	$ 4,848,124	$ 3,681,711	$ 2,296,446	$ 2,731,359	$ 137,999	$ 10,549,705

The revenue and results on the reported segment information did not include inter-segment revenue for the nine months ended September 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

	September 30, 2020						
	Loans	Deposits and Remittances	Financial Instruments and Investments	Wealth Management	Overseas Branches and Subsidiaries	Others	Total
Assets	$ 1,368,992,986	$ -	$ 597,542,356	$ -	$ 173,917,395	$ 84,433,782	$ 2,224,886,519
Liabilities	$ 2,142,480	$ 1,795,414,088	$ 85,866,103	$ -	$ 121,825,585	$ 56,055,033	$ 2,061,303,289

	December 31, 2019						
	Loans	Deposits and Remittances	Financial Instruments and Investments	Wealth Management	Overseas Branches 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

	September 30, 2019						
	Loans	Deposits and Remittances	Financial Instruments and Investments	Wealth Management	Overseas Branches and Subsidiaries	Others	Total
Assets	$ 1,314,559,589	$ (222,031)	$ 530,364,083	$ -	$ 190,029,785	$ 95,488,396	$ 2,130,219,822
Liabilities	$ 2,471,437	$ 1,687,601,620	$ 92,422,911	$ -	$ 131,440,031	$ 56,371,317	$ 1,970,307,316

CHANG HWA COMMERCIAL BANK, LTD.

INFORMATION ON INVESTEES' NAMES AND LOCATIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 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 September 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	$ 12,613,704	$ 373,036	$ 373,036	
	Chang Hwa Bank Venture Capital Co., Ltd.	Taiwan	Venture capital	600,000	600,000	60,000,000	100	584,537	619	619	

Note: Limited company organization.

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
SEPTEMBER 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	September 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	$ 30,300	0.5	$ 30,300	
	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	2.6	10,000	
	Enimmune Corporation	-	Financial assets at fair value through profit or loss	80,000	4,168	0.1	4,168	
	Acer E-enabling Service Business Inc.	-	Financial assets at fair value through profit or loss	405,813	17,450	1.1	17,450	
	Advanced Wireless & Antenna Inc.	-	Financial assets at fair value through profit or loss	500,000	12,500	2.0	12,500	
	Hong-Wei Electrical Industry & Co., Ltd.	-	Financial assets at fair value through profit or loss	71,000	3,593	0.2	3,593	
	Huang Chieh Metal Composite Material Tech. Co., Ltd.	-	Financial assets at fair value through profit or loss	350,000	36,575	0.6	36,575	

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 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 NINE MONTHS ENDED SEPTEMBER 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 September 30, 2020	Net Income (Loss) of the Investee (Note 2)	% of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of September 30, 2020	Accumulated Repatriation of Investment Income as of September 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)	$ 373,036	100	$ 373,036	$ 12,613,704	$ -	

2.

Accumulated Outward Remittance for Investment in Mainland China September 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)	$ 24,537,485

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 into 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 "Regulations Governing Investments by Bank, Financial Holding Companies and their Affiliated Enterprises in Mainland China" announced by the FSC, the accumulated outflow of operating funds and investment from the following parties may not exceed 15% of net assets in the most recent financial statements:

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

TABLE 4

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 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	$ 29,144	Same as normal customers	-
		Chang Hua Commercial Bank, Ltd.	a.	Cash and cash equivalents	295,852	Same as normal customers	0.01
		Chang Hua Commercial Bank, Ltd.	a.	Receivables	93,669	Same as normal customers	-
		Chang Hua Commercial Bank, Ltd.	a.	Other financial assets	4,254,000	Same as normal customers	0.19
		Chang Hua Commercial Bank, Ltd.	a.	Interest income	88,823	Same as normal customers	0.42
		Chang Hua Commercial Bank, Ltd.	a.	Net non-interest income	1,191	Same as normal customers	0.01
		Chang Hwa Bank Venture Capital Co., Ltd.	a.	Deposits and remittances	454,854	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	1,145	Same as normal customers	0.01
		Chang Hwa Bank Venture Capital Co., Ltd.	a.	Net non-interest income	1,205	Same as normal customers	0.01

Note 1: Transaction details and methods of numbering are as follows:

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

Note 2: Relationships are as follows:

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

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

TABLE 5

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

INFORMATION OF MAJOR SHAREHOLDERS
SEPTEMBER 30, 2020

Name of Major Shareholders	Shares	
	Number of Shares	Percentage of Ownership (%)
Taishin Financial Holding Co., Ltd.	2,341,359,234	22.54
Ministry of Finance	1,266,207,840	12.19
Chunghwa Post Co., Ltd.	623,127,589	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 without physical registration (including treasury shares) is more than 5%. The share capital recorded in the Bank's consolidated financial statement and the actual number of shares delivered without physical registration may be different due to the basis of preparation and calculation.