Taichung Commercial Bank Co., Ltd.

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Taichung Commercial Bank Co., Ltd.

Opinion

We have audited the accompanying financial statements of Taichung Commercial Bank Co., Ltd. (the "Bank"), which comprise the balance sheets as of December 31, 2019 and 2018, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks.

Basis for Opinion

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

Key Audit Matters

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

The following were the descriptions of the key audit matter in the audit of the financial statements of the Bank for the year ended December 31, 2019:

<u>Expected Credit Losses of Notes Discounted and Loans, Net</u>

As described in Notes 13 and 29 to the financial statements, notes discounted and loans amounted to $434,469,364 thousand, which accounted for 64% of total assets at December 31, 2019 and the expected credit losses of notes discounted and loans amounted to $509,127 thousand, which accounted for 5% of total net revenue for the year ended December 31, 2019. Due to the large amount, such accounts have a significant effect on the financial statements of the Bank. As discussed in Note 5 to the financial statements, the measurement of expected credit losses of notes discounted and loans involved various financial factors, such as probability of default and loss given default, which required compliance with relevant laws and regulations. Therefore, the expected credit loss of notes discounted and loans was identified as a key audit matter.

The relevant accounting policies, estimate, assumptions and other information are referred to in Notes 4, 5, 13 and 29 to the financial statements.

The main audit procedures performed for the expected credit losses of notes discounted and loans were as follows:

- We understood and tested the internal controls for the expected credit losses of notes discounted and loans of the Bank.

- We selected samples from schedule of expected credit losses of notes discounted and loans assessed by the Bank, and evaluated the value of collateral and feasibility of the expected credit losses.

- We understood and tested the key parameters (such as probability of default and loss given default) for the expected credit losses of notes discounted and loans assessed by the Bank to evaluate the reasonableness of expected credit losses in accordance with the current experience and economic situation in the Republic of China.

- We checked the Bank’s compliance with relevant regulations issued by authorities on assessment of the expected credit losses.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors’ Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Wen-Yea Shyu and Kwan-Chung Lai.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 25, 2020

Notice to Readers

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

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

TAICHUNG COMMERCIAL BANK CO., LTD.

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

	2019		2018	
ASSETS	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS (Notes 4 and 6)	$ 10,256,669	1	$ 14,971,054	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS (Notes 4 and 7)	33,876,974	5	31,768,897	5
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4 and 8)	24,017,638	4	26,136,939	4
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4 and 9)	30,947,973	5	28,197,495	4
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST (Notes 4, 10 and 33)	108,124,373	16	100,462,761	15
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 4 and 11)	10,256,716	1	9,094,151	1
RECEIVABLES, NET (Notes 4, 12 and 32)	4,063,748	1	5,028,141	1
NOTES DISCOUNTED AND LOANS, NET (Notes 4, 13 and 32)	434,469,364	64	451,728,578	66
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET (Notes 4 and 14)	5,490,801	1	5,224,701	1
OTHER FINANCIAL ASSETS, NET (Notes 4 and 15)	2,246	-	1,111	-
PROPERTIES AND EQUIPMENT, NET (Notes 4 and 16)	10,619,585	2	9,368,329	1
RIGHT-OF-USE ASSETS, NET (Notes 3, 4 and 17)	680,152	-	-	-
INVESTMENT PROPERTIES, NET (Notes 4 and 18)	18,103	-	22,660	-
INTANGIBLE ASSETS, NET (Notes 4 and 19)	117,987	-	125,025	-
DEFERRED TAX ASSETS (Notes 4 and 30)	739,372	-	732,826	-
OTHER ASSETS (Notes 20 and 33)	1,341,294	-	1,295,939	-
TOTAL	$ 675,022,995	100	$ 684,158,607	100
LIABILITIES AND EQUITY				
DUE TO THE CENTRAL BANK AND OTHER BANKS (Note 21)	$ 6,527,060	1	$ 3,378,752	1
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4 and 8)	225,402	-	162,127	-
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Notes 4 and 22)	10,369,025	1	9,904,467	1
PAYABLES (Note 23)	4,902,015	1	11,342,864	2
CURRENT TAX LIABILITIES (Notes 4 and 30)	276,191	-	296,788	-
DEPOSITS AND REMITTANCES (Notes 24 and 32)	584,866,484	87	589,242,889	86
BANK DEBENTURES (Notes 25 and 32)	14,000,000	2	20,000,000	3
OTHER FINANCIAL LIABILITIES	-	-	2,127	-
PROVISIONS (Notes 4 and 26)	1,383,470	-	1,421,814	-
LEASE LIABILITIES (Notes 3, 4 and 17)	692,171	-	-	-
DEFERRED TAX LIABILITIES (Notes 4 and 30)	111,021	-	111,021	-
OTHER LIABILITIES (Notes 27 and 32)	360,950	-	472,105	-
Total liabilities	623,713,789	92	636,334,954	93
EQUITY (Note 28)				
Ordinary shares	37,088,349	6	35,255,084	5
Capital surplus	726,981	-	726,981	-
Retained earnings				
Legal reserve	8,188,237	1	6,985,726	1
Special reserve	150,243	-	110,159	-
Unappropriated earnings	4,302,204	1	4,093,133	1
Other equity	853,192	-	652,570	-
Total equity	51,309,206	8	47,823,653	7
TOTAL	$ 675,022,995	100	$ 684,158,607	100

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

TAICHUNG COMMERCIAL BANK CO., LTD.

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

	2019		2018		Percentage Increase (Decrease)
	Amount	**%**	**Amount**	**%**	**%**
INTEREST REVENUE (Notes 4, 29 and 32)	$ 12,827,343	115	$ 12,453,151	117	3
INTEREST EXPENSE (Notes 29 and 32)	(4,925,783)	(44)	(4,462,015)	(42)	10
NET INTEREST	7,901,560	71	7,991,136	75	(1)
NET INCOME AND LOSS OTHER THAN INTEREST					
Service fee income, net (Notes 4, 29 and 32)	1,925,674	18	1,792,954	17	7
Gains on financial assets and liabilities at fair value through profit or loss (Note 29)	412,975	4	146,351	1	182
Realized gains on financial assets at fair value through other comprehensive income (Notes 4 and 29)	36,341	-	54,017	1	(33)
Foreign exchange gains, net (Note 4)	248,903	2	254,894	2	(2)
Reversal of (impairment losses) on assets (Notes 4, 9, 10 and 29)	6,451	-	(17,488)	-	137
Share of profit of subsidiaries and associates for using the equity method (Notes 4 and 14)	563,897	5	435,743	4	29
Net gain (loss) on disposal of property (Note 4)	998	-	(2,689)	-	137
Other non-interest gains, net (Notes 26 and 29)	14,525	-	20,105	-	(28)
TOTAL NET REVENUE	11,111,324	100	10,675,023	100	4
BAD-DEBT EXPENSES AND PROVISION FOR LOSSES ON COMMITMENTS AND GUARANTEES (Notes 4, 12, 13, 26 and 29)	(477,441)	(4)	(410,947)	(4)	16

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TAICHUNG COMMERCIAL BANK CO., LTD.

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

	2019		2018		Percentage Increase (Decrease)
	Amount	**%**	**Amount**	**%**	**%**
OPERATING EXPENSES					
Employee benefits expenses (Notes 4, 26 and 29)	$ (3,406,053)	(31)	$ (3,343,879)	(31)	2
Depreciation and amortization expenses (Notes 4 and 29)	(363,440)	(3)	(235,924)	(2)	54
Other selling and administrative expenses (Notes 29 and 32)	(1,797,086)	(16)	(2,046,101)	(19)	(12)
Total operating expenses	(5,566,579)	(50)	(5,625,904)	(52)	(1)
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	5,067,304	46	4,638,172	44	9
INCOME TAX EXPENSE (Notes 4 and 30)	(747,421)	(7)	(629,803)	(6)	19
NET PROFIT FOR THE YEAR	4,319,883	39	4,008,369	38	8
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit plans (Notes 4 and 26)	(147,657)	(1)	(69,552)	(1)	112
Unrealized gains on investments in equity instruments at fair value through other comprehensive income (Note 4)	243,824	2	50,761	1	380
Share of the other comprehensive income of associates accounted for using the equity method	55,863	-	36,287	-	54
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 30)	11,805	-	29,425	-	(60)
Items that will not be reclassified subsequently to profit or loss, net of income tax	163,835	1	46,921	-	249

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TAICHUNG COMMERCIAL BANK CO., LTD.

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

	2019		2018		Percentage Increase (Decrease)
	Amount	**%**	**Amount**	**%**	**%**
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on the translation of financial statements of foreign operations (Note 4)	$ (28,707)	-	$ 13,818	-	(308)
Share of the other comprehensive loss of associates accounted for using the equity method	(29,282)	-	(13,638)	-	115
Unrealized gains (losses) on investments in debt instruments designated as at fair value through other comprehensive income (Note 4)	50,117	-	(13,948)	-	459
Income tax relating to items that may be reclassified subsequently to profit (loss) (Notes 4 and 30)	(3,151)	-	-	-	-
Items that may be reclassified subsequently to profit or loss, net of income tax	(11,023)	-	(13,768)	-	(20)
Other comprehensive income for the year, net of income tax	152,812	1	33,153	-	361
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 4,472,695	40	$ 4,041,522	38	11
EARNINGS PER SHARE (Note 31)					
Basic	$1.16		$1.12		
Diluted	$1.16		$1.12		

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

TAICHUNG COMMERCIAL BANK CO., LTD.

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

			Retained Earnings			Other Equity			
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on the Translation of Financial Statements of Foreign Operations	Unrealized Gain on Financial Assets at Fair Value Through Other Comprehensive Income	Unrealized Gain on Available-for-sale Financial Assets	Total Equity
BALANCE AT JANUARY 1, 2018	$ 32,931,789	$ 684,156	$ 5,896,530	$ 73,833	$ 3,630,655	$ (38,507)	$ -	$ 223,484	$ 43,401,940
Effect of retrospective application and retrospective restatement	-	-	-	-	(80,676)	-	623,457	(223,484)	319,297
BALANCE AT JANUARY 1, 2018 AS RETROSPECTIVE	32,931,789	684,156	5,896,530	73,833	3,549,979	(38,507)	623,457	-	43,721,237
Appropriation of 2017 earnings									
Legal reserve	-	-	1,089,196	-	(1,089,196)	-	-	-	-
Special reserve	-	-	-	36,326	(36,326)	-	-	-	-
Cash dividends	-	-	-	-	(1,481,931)	-	-	-	(1,481,931)
Share dividends	823,295	-	-	-	(823,295)	-	-	-	-
Net profit for the year ended December 31, 2018	-	-	-	-	4,008,369	-	-	-	4,008,369
Other comprehensive (loss) income for the year ended December 31, 2018, net of income tax	-	-	-	-	(29,117)	180	62,090	-	33,153
Total comprehensive income for the year ended December 31, 2018	-	-	-	-	3,979,252	180	62,090	-	4,041,522
Issuance of ordinary shares for cash	1,500,000	30,000	-	-	-	-	-	-	1,530,000
Compensation costs of employee share options	-	12,825	-	-	-	-	-	-	12,825
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	(5,350)	-	5,350	-	-
BALANCE AT DECEMBER 31, 2018	35,255,084	726,981	6,985,726	110,159	4,093,133	(38,327)	690,897	-	47,823,653
Appropriation of 2018 earnings									
Legal reserve	-	-	1,202,511	-	(1,202,511)	-	-	-	-
Special reserve	-	-	-	40,084	(40,084)	-	-	-	-
Cash dividends	-	-	-	-	(987,142)	-	-	-	(987,142)
Share dividends	1,833,265	-	-	-	(1,833,265)	-	-	-	-
Net profit for the year ended December 31, 2019	-	-	-	-	4,319,883	-	-	-	4,319,883
Other comprehensive (loss) income for the year ended December 31, 2019, net of income tax	-	-	-	-	(117,889)	(57,989)	328,690	-	152,812
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	4,201,994	(57,989)	328,690	-	4,472,695
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	70,079	-	(70,079)	-	-
BALANCE AT DECEMBER 31, 2019	$ 37,088,349	$ 726,981	$ 8,188,237	$ 150,243	$ 4,302,204	$ (96,316)	$ 949,508	$ -	$ 51,309,206

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

TAICHUNG COMMERCIAL BANK CO., LTD.

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

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 5,067,304	$ 4,638,172
Adjustments for:		
Depreciation expenses	316,406	189,733
Amortization expenses	47,034	46,191
Bad-debt expenses and provision for losses on commitments and guarantees	477,441	410,947
Gains on financial assets and liabilities at fair value through profit or loss	(412,975)	(146,351)
(Gains) losses on disposal of properties and equipment	(998)	2,689
Interest expense	4,925,783	4,462,015
Interest revenue	(12,827,343)	(12,453,151)
Dividend income	(28,735)	(27,230)
Provision for losses on others	(12,000)	(2,437)
Compensation costs of employee share options	-	12,825
Share of profit of subsidiaries and associates	(563,897)	(435,743)
Gains on disposal of investments in debt instruments at fair value through other comprehensive income	(7,606)	(26,787)
(Reversal of) impairment losses on financial assets	(6,451)	17,488
Unrealized loss (gain) on foreign currency exchange	535,108	(356,756)
Gain on lease suspension	(1,131)	-
Total adjustment	(7,559,364)	(8,306,567)
Net changes in operating assets and liabilities		
Due from the central bank and call loans to other banks	132,740	(746,918)
Financial assets at fair value through profit or loss	3,107,856	5,834,931
Receivables	824,495	1,491,373
Notes discounted and loans	16,766,237	(22,586,332)
Other financial assets	837	38,085
Other assets	(23,626)	(24,203)
Due to the central Bank and other banks	3,148,308	(6,140,120)
Financial liabilities at fair value through profit or loss	(512,305)	(4,770)
Securities sold under repurchase agreements	464,558	5,596,657
Payables	(6,359,193)	(954,873)
Deposits and remittances	(4,376,405)	21,987,298
Other financial liabilities	(2,127)	(41,307)
Provision for employee benefits	(158,109)	(45,369)
Other liabilities	(111,155)	136,994
Changes in operating assets and liabilities	12,902,111	4,541,446
Cash generated from operations	10,410,051	873,051
Interest received	13,183,372	12,515,028
Dividend received	352,738	28,096
Interest paid	(5,007,439)	(4,360,020)
Income tax paid	(765,910)	(623,696)
Net cash generated from operating activities	18,172,812	8,432,459

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TAICHUNG COMMERCIAL BANK CO., LTD.

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

	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	$ (7,184,780)	$ -
Proceeds from disposal of financial assets at fair value through other comprehensive income	4,644,563	4,297,417
Purchase of financial assets at amortized cost	(753,231,971)	(761,952,805)
Proceeds from sale of financial assets at amortized cost	-	45,650
Proceeds from repayments sale of financial assets at amortized cost	744,915,247	746,586,250
Payments for properties and equipment	(1,436,689)	(265,369)
Proceeds from disposal of properties and equipment	1,691	967
(Increase) decrease in refundable deposits	(21,829)	87,287
Payments for intangible assets	(40,066)	(55,611)
Net cash used in investing activities	(12,353,834)	(11,256,214)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of bank debentures	-	2,500,000
Repayment of bank debentures	(6,000,000)	-
Repayment of the principal portion of lease liabilities	(114,132)	-
Cash dividends distributed	(987,142)	(1,481,931)
Proceeds from issuance of ordinary shares	-	1,530,000
Net cash (used in) generated from financing activities	(7,101,274)	2,548,069
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	(28,707)	13,818
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,311,003)	(261,868)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	38,549,470	38,811,338
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	$ 37,238,467	$ 38,549,470

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TAICHUNG COMMERCIAL BANK CO., LTD.

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

	December 31	
	2019	**2018**
RECONCILIATIONS OF THE AMOUNTS IN THE STATEMENTS OF CASH FLOWS WITH THE EQUIVALENT ITEMS REPORTED IN THE BALANCE SHEETS AT DECEMBER 31, 2019 AND 2018		
Cash and cash equivalents in the balance sheets	$ 10,256,669	$ 14,971,054
Due from the central bank and call loans to other banks in accordance with cash and cash equivalents under IAS 7 “Statement of Cash Flows”	16,725,082	14,484,265
Securities purchased under resell agreements in accordance with cash and cash equivalents under IAS 7 “Statement of Cash Flows”	10,256,716	9,094,151
Cash and cash equivalents at the end of the year	$ 37,238,467	$ 38,549,470

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

TAICHUNG COMMERCIAL BANK CO., LTD.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Taichung Commercial Bank Co., Ltd. (the “Bank”), formerly known as Taichung District Association Saving Co., Ltd. (Taichung District Association) was established on September 27, 1952 by the Taiwan Provincial Government. It was incorporated in April of 1953 and opened in August of the same year. In July of 1975, the Banking Law was revised and implemented. On January 1, 1978, the Taichung District Association Saving Co., Ltd. (Taichung District Association) was restructured into Taichung SME Bank Co., Ltd. (Taichung SME Bank) and the shares were listed on May 15, 1984.

In line with the national financial policy to provide public and social financial services and support the economic construction as well as the development of industrial and commercial, Taichung SME Bank was renamed as Taichung Commercial Bank Co., Ltd. in December 1998. As of December 31, 2019, the Bank had a business department, a trust department, a foreign exchange transaction department, 81 domestic branches, a Malaysia Labuan branch and an offshore banking unit (OBU). The operations of the Bank consist of planning, managing, operating a trust business and overseas financial business. These operations are regulated under the Bank Law of the Republic of China (“ROC”).

At the time of the establishment, the amount of capital invested by the Bank was $500 thousand. In order to improve the capital structure and cooperate with the government decree, the Bank has successively applied for increase and decrease of capital. As of December 31, 2019, the Bank’s capital amount was $37,088,349 thousand.

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

2. APPROVAL OF FINANCIAL STATEMENTS

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

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

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Public Banks, and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRIC (IFRIC), and Interpretations of SIC (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 Regulations Governing the Preparation of Financial Reports by Public Banks and the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Bank’s accounting policies:

   - IFRS 16 “Leases”

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

Definition of a lease

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

The Bank as lessee

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

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

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities. The Bank applies IAS 36 to all right-of-use assets.

The Bank also applies the following practical expedients:

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

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

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

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

The lessee's weighted average incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 was 4.14%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	$ 358,224
Less: Recognition exemption for short-term leases	(1,916)
Less: Recognition exemption for leases of low-value assets	(7,399)
Undiscounted amounts on January 1, 2019	$ 348,909
Discounted amounts using the incremental borrowing rate on January 1, 2019	$ 324,634
Add: Adjustments as a result of a different treatment of extension and termination options	496,945
Lease liabilities recognized on January 1, 2019	$ 821,579

The Bank as lessor

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

The impact on assets, liabilities and equity as January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
Right-of-use assets	$ -	$ 821,579	$ 821,579
Total effect on assets	$ -	$ 821,579	$ 821,579
Lease liabilities	$ -	$ 821,579	$ 821,579
Total effect on liabilities	$ -	$ 821,579	$ 821,579

Except for the above impact, as of the date the financial statements were authorized for issue, the Bank assessed the application of the standards above would not have any material impact on the Bank's financial position and financial performance.

b. The IFRSs endorsed by the FSC for application starting from 2020

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

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

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

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

Amendments to IFRS 3 "Definition of a Business"

The amendments clarify that, to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process applied to the input that together significantly contribute to the ability to create outputs. The amendments narrow the definitions of outputs by focusing on goods and services provided to customers, and the reference to an ability to reduce costs is removed. Moreover, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether or not an acquired set of activities and assets is a business.

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

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

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value 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:

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

2) 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

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

c. Classification of current and non-current assets and liabilities

Accounts included in the Bank's financial statements are not classified as current or non-current but are stated in the order of their liquidity. Refer to Note 36 for the maturity analysis of assets and liabilities.

d. Foreign currencies

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

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

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

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

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

e. Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits, time deposits that can be readily terminated without the deduction of principal, and highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. For the statements of cash flows, cash and cash equivalents include cash and cash equivalents on the balance sheets, due from the Central Bank and call loans to other banks and securities purchased under resell agreements that are in conformity with the definition of cash and cash equivalents in IAS 7 "Statement of Cash Flows", as endorsed and issued into effect by the FSC.

f. Bonds purchased under resell/notes issued under repurchase agreements

A bond purchased under resell/a note issued under repurchase agreements is considered as a financing transaction if the risk and reward are attributed to the dealer. When a bond is purchased under a resell agreement, its purchase price is listed as “bonds purchased under resell agreements”, an asset account. For a note issued under repurchase agreement, the selling price is listed as “notes issued under repurchase agreements”, a liability account. The difference between purchase (sale) price under the agreement and actual sale (purchase) price is recorded as interest income (expense).

g. Investments in subsidiaries

The Bank uses the equity method to account for its investments in subsidiaries. A subsidiary is an entity (including a structured entity) that is controlled by the Bank.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Bank’s share of the profit or loss and other comprehensive income of the subsidiary. The Bank also recognizes the changes in the Bank’s share of equity of subsidiaries.

The Bank assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee’s financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Bank recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years.

Profits or losses resulting from downstream transactions are eliminated in full in the Bank’s financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized in the Bank’s financial statements only to the extent of interests in the subsidiaries that are not related to the Bank.

h. Investments in associates

An associate is an entity over which the Bank has significant influence and which is neither a subsidiary nor an interest in a joint venture.

The Bank uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Bank’s share of the profit or loss and other comprehensive income of the associate. The Bank also recognizes the changes in the Bank’s share of the equity of associates attributable to the Bank.

The entire carrying amount of an investment is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

When the Bank transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Bank’s financial statements only to the extent that interests in the associate are not related to the Bank.

i. Property and equipment

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment loss.

Depreciation of property and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

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

j. Investment properties

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

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

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

k. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

l. Impairment of tangible and intangible assets other than goodwill

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the assets may be impaired.

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

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

m. Financial instruments

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

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

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

a) Measurement categories

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

i. Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, and any dividends, interest earned and remeasurement gains or losses on such financial assets are recognized in gains on financial assets and liabilities at fair value through profit or loss. Fair value is determined in the manner described in Note 35.

ii. Financial assets at amortized cost

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

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

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, due from the central bank and call loans to other banks, securities purchased under resell agreements, notes discounted and loans, trade receivables at amortized cost, other financial assets and refundable deposits, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

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

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

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

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

ii) Breach of contract, such as a default;

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

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

iii. Investments in debt instruments at FVTOCI

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

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

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

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

iv. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

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

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

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

For internal credit risk management purposes, the Bank determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Bank):

i. Internal or external information show that the debtor is unlikely to pay its creditors.

ii. When a financial asset is more than 90 days past due unless the Bank has reasonable and corroborative information to support a more lagged default criterion.

According to the Regulations, the Bank determines the allowance for credit losses by evaluating the recoverability of the outstanding balances of various loans at the balance sheet date. The allowances for doubtful accounts are determined based on management's evaluation of the collectability of individual accounts, the borrowers'/clients' financial condition and payment history. Such doubtful accounts are categorized into: Normal loans, need attention, less likely to be collectible in full, difficult to collect, and uncollectible accounts; and the allowance should be provided at 1%, 2%, 10%, 50%, and 100%, respectively, of the loan amount to meet the minimum requirement for each category. Under the rule No. 10010006830 issued by the Banking Bureau of the FSC, additional allowance for doubtful accounts should be provided at 1% of the total loans. Under the rule No. 10300329440 issued by the Banking Bureau of the FSC, allowance for doubtful accounts should be provided at 1.5% or more of the loans for real estate.

The Bank recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of such a financial asset.

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

3) Financial liabilities

a) Subsequent measurement

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

i. Financial liabilities at FVTPL

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

Financial liabilities at fair value through profit or loss are stated at fair value, and any dividends, interest earned and remeasurement gains or losses on such financial assets are recognized in gains on financial assets and liabilities at fair value through profit or loss. Fair value is determined in the manner described in Note 35.

ii. Financial guarantee contracts

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

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

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

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

The Bank enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, cross-currency swap contracts, cross-currency option contracts, interest structured instrument contracts, non-deliverable forward contracts and asset swap contracts.

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

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

n. Provisions (excluding amounts in provision for employee benefits)

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

o. Revenue recognition

The Bank identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

1) Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Bank and the amount of income can be measured reliably.

2) Service fee and commissions income

Service fee income and expenses are recognized when loans or other services are provided, the Bank allocates the transaction price to each performance obligation after the customer contract recognizes the performance obligation, and recognizes the income when the performance obligation is fulfilled. The contract between the labor service and the collection of consideration is within one year, the major financial components of the contract will not be adjusted.

3) Dividend income

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

p. Leases

2019

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

1) The Bank as lessor

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

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

When a lease includes both land and building elements, the Bank assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the lessee. The lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of a contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

2) The Bank as lessee

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

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

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Bank uses the lessee's incremental borrowing rate.

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

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

2018

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

1) The Bank as lessor

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

2) The Bank as lessee

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

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

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

q. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

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

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

3) Employee benefit - employees' preferential deposits

The Bank has granted a preferential interest rate to its current employees and retired employees for their deposits within a prescribed amount. The preferential interest rate in excess of market interest rate is considered employee benefits.

Under Article 30 of the "Regulations Governing the Preparation of Financial Reports by Public Bank", if the Bank's preferential deposit interest rate for an employee as stated in the employment contract exceeds the market interest rate, the excess will be subject to IAS 19 "Employee Benefits" upon the employee's retirement. The actuarial valuation assumptions and parameters are based on the guidelines announced by authority.

4) Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plans except that remeasurement is recognized in profit or loss.

r. Taxation

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

1) Current tax

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

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforwards to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

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

3) Current and deferred taxes for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical Accounting Judgments

Business model assessment for financial assets

The Bank determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment about all relevant evidence including how the performance of the assets is evaluated, the risks that affect the performance of the assets and how these are managed, and how the managers of the assets are compensated. The Bank monitors financial assets measured at amortized cost or at fair value through other comprehensive income, and when assets are derecognized prior to their maturity, the Bank understands the reasons for its disposal and whether the reasons are consistent with the objective of the business for which the assets were held. Monitoring is part of the Bank's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and, if it is not appropriate, whether there has been a change in the business model such that a prospective change to the classification of those assets is proper.

Key Sources of Estimation Uncertainty

Estimated impairment of financial assets

The provision for impairment of loans, notes discounted, trade receivables, investments in debt instruments, and financial guarantee contracts is based on assumptions about risk of default and expected loss rates. The Bank uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Bank's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Notes 35 and 36. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2019	2018
Cash on hand	$ 4,553,156	$ 4,330,449
Checks for clearing	1,007,649	5,715,927
Due from banks	4,695,864	4,924,678
	$ 10,256,669	$ 14,971,054

a. The loss allowance are measured at an amount equal to 12-month ECLs per historical experience and forward-looking information; there was no loss allowance on cash and cash equivalents as of December 31, 2019 and 2018.

b. Reconciliations of cash and cash equivalents between the statements of cash flows and the balance sheets as of December 31, 2019 and 2018 were shown in the statements of cash flows.

7. DUE FROM THE CENTRAL BANK AND CALL LOANS TO OTHER BANKS

	December 31	
	2019	2018
Deposit reserves		
Deposit reserves for checking accounts	$ 14,879,013	$ 12,624,827
Deposit reserves for demand accounts	16,997,138	17,001,032
Inter-bank clearing account	1,512,809	1,798,018
Deposit reserves for foreign currency deposits	60,000	61,420
Due from banks	368,014	223,600
Deposit reserves for trust compensation	60,000	60,000
	$ 33,876,974	$ 31,768,897

a. The loss allowance are measured at an amount equal to 12-month ECLs per historical experience and forward-looking information; there was no loss allowance on due from the Central Bank and call loans to banks as of December 31, 2019 and 2018.

b. The monthly depositary reserves to be deposited in the central bank of the Republic of China are calculated by applying the legally required reserve ratio to the monthly average balance of the reserve accounts. These reserve accounts can be used any time but the demand accounts can only be used for monthly deposit reserve adjustments.

c. The Bank deposited the reserves for trust compensation on government bonds measured at amortized cost on December 31, 2019 and 2018, with a nominal amount of $60,000 thousand. Refer to Note 33.

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2019	2018
Financial assets at FVTPL		
Commercial paper	$ 20,074,138	$ 22,044,240
Domestic listed shares	515,102	852,977
PEM group policy assets	1,029,839	998,147
Beneficiary certificate	314,607	172,843
Asset swap contracts	1,812,530	1,911,673
Cross-currency swap contracts	71,394	29,105
Foreign exchange forward contracts	82,809	49,726
Cross-currency option contracts	112,417	78,217
Non-deliverable forward contracts	4,802	-
Interest structured instrument contracts	-	11
	$ 24,017,638	$ 26,136,939
Financial liabilities at FVTPL		
Cross-currency swap contracts	$ 88,092	$ 55,386
Foreign exchange forward contracts	18,767	27,744
Cross-currency option contracts	113,590	78,986
Non-deliverable forward contracts	4,953	-
Interest structured instrument contracts	-	11
	$ 225,402	$ 162,127

a. The Bank engages in exchange rate related derivative financial contracts, mainly to provide customers with hedging instruments for foreign exchange positions arising from transactions such as import/export and currency exchange, to avoid the risks arising from the business and to flatten the demand for foreign exchange funds arising from non-transactional operations.

b. As of December 31, 2019 and 2018, the outstanding cross-currency swap contracts were as follows:

December 31							
2019				2018			
Contract Amounts (In Thousands)			Maturity Date	Contract Amounts (In Thousands)			Maturity Date
Sell	CNY	310,034	2020/01/13-2020/09/18	Sell	CNY	121,693	2019/01/11-2019/11/13
	HKD	223,175	2020/05/26-2020/06/12		HKD	162,378	2019/01/22-2019/03/05
	USD	20,152	2020/01/03-2020/12/10		EUR	3,000	2019/01/09
	GBP	4,500	2020/01/06		USD	42,219	2019/01/07-2019/12/04
	EUR	4,600	2020/01/06		JPY	3,671,053	2019/01/04-2019/01/07
	NZD	3,000	2020/01/03	Buy	CNY	28,799	2019/01/28-2019/12/04
	ZAR	206,055	2020/01/10-2020/03/10		NZD	7,000	2019/01/11
	TWD	335,433	2020/03/06-2020/09/11		ZAR	316,333	2019/01/11-2019/01/22
Buy	CNY	30,388	2020/02/11-2020/12/10		AUD	15,000	2019/01/07-2019/01/22
	NZD	7,500	2020/01/03		GBP	13,500	2019/01/04-2019/01/07
	ZAR	174,963	2020/01/03-2020/03/10		USD	58,134	2019/01/04-2019/11/13
	AUD	8,445	2020/01/06				
	CAD	3,376	2020/01/06-2020/05/26				
	USD	96,741	2020/01/03-2020/09/18				
	JPY	486,180	2020/01/06				

c. As of December 31, 2019 and 2018, the outstanding foreign exchange forward contracts were as follows (including non-deliverable forward contracts):

	Currency	Expiration Date	Contract Amounts (In Thousands of New Taiwan Dollars)
December 31, 2019			
Sell forward exchange	USD/NTD	2020/01/02-2020/12/09	USD52,017/NTD1,587,474
Sell forward exchange	EUR/NTD	2020/01/03-2020/03/27	EUR1,840/NTD62,316
Sell forward exchange	CNY/NTD	2020/02/10-2020/12/24	CNY5,370/NTD23,208
Sell forward exchange	JPY/NTD	2020/01/09-2020/11/19	JPY198,000/NTD55,703
Sell forward exchange	AUD/NTD	2020/04/23-2020/09/30	AUD1,550/NTD32,371
Sell forward exchange	HKD/NTD	2020/02/14-2020/04/01	HKD2,731/NTD10,603
Buy forward exchange	NTD/USD	2020/01/17-2020/06/11	NTD422,335/USD14,000
Buy forward exchange	JPY/GBP	2020/01/15-2020/02/27	JPY829,400/GBP6,000
Buy forward exchange	USD/CNY	2020/01/10-2020/04/14	USD4,850/CNY34,318
Buy forward exchange	USD/EUR	2020/01/16-2020/07/02	USD13,386/EUR12,000
Buy forward exchange	USD/GBP	2020/02/18-2020/07/02	USD11,786/GBP9,200
Buy forward exchange	USD/NZD	2020/03/06	USD1,302/NZD2,000
Buy forward exchange	CNY/USD	2020/01/10-2020/12/10	CNY55,696/USD7,904
Buy forward exchange	EUR/USD	2020/01/17	EUR1,000/USD1,145
Buy forward exchange	GBP/USD	2020/01/13-2020/03/27	GBP7,500/USD9,902
Buy forward exchange	JPY/USD	2020/01/07-2020/04/17	JPY2,277,230/USD21,000
Buy forward exchange	EUR/JPY	2020/03/09	EUR600/JPY72,444
Buy forward exchange	USD/ZAR	2020/02/14-2020/03/19	USD9,000/ZAR133,478
Buy forward exchange	USD/AUD	2020/03/30-2020/06/12	USD3,474/AUD5,000
December 31, 2018			
Sell forward exchange	USD/NTD	2019/01/02-2019/11/08	USD53,603/NTD1,620,267
Sell forward exchange	EUR/NTD	2019/02/12-2019/10/30	EUR3,215/NTD113,526
Sell forward exchange	CNY/NTD	2019/01/24	CNY1,000/NTD4,428
Sell forward exchange	JPY/NTD	2019/03/05-2019/12/04	JPY211,000/NTD57,484
Buy forward exchange	NTD/USD	2019/02/15	NTD57,030/USD2,000
Buy forward exchange	EUR/USD	2019/01/12-2019/06/21	EUR17,700/USD20,771
Buy forward exchange	GBP/USD	2019/01/15-2019/05/17	GBP11,700/USD15,167
Buy forward exchange	JPY/USD	2019/01/23-2019/01/28	JPY441,740/USD4,000
Buy forward exchange	CNY/USD	2019/01/09-2019/12/04	CNY27,128/USD3,982
Buy forward exchange	USD/EUR	2019/02/21-2019/06/24	USD22,660/EUR19,600
Buy forward exchange	USD/GBP	2019/03/12-2019/05/07	USD2,413/GBP1,900
Buy forward exchange	GBP/JPY	2019/02/15-2019/03/22	GBP7,600/JPY1,097,730
Buy forward exchange	USD/JPY	2019/03/20-2019/06/28	USD17,000/JPY1,880,498
Buy forward exchange	EUR/JPY	2019/06/25	EUR1,000/JPY125,910

d. As of December 31, 2019 and 2018, the outstanding asset swap contracts of the Bank amounted to \$1,811,600 thousand and \$1,911,400 thousand, respectively, with both interest rate ranges from 0.90% to 1.35%.

e. As of December 31, 2019 and 2018, the outstanding cross-currency option contracts of the Bank amounted to \$12,000,872 thousand (US\$400,029 thousand) and \$6,233,293 thousand (US\$202,973 thousand), respectively.

f. As of December 31, 2018, the interest structured instrument contracts of the Bank amounted to $14,889 thousand, with interest rate of 6.50%. As of December 31, 2019, all of the interest structured instrument contracts of the Bank were matured.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2019	**2018**
Investments in equity instruments at FVTOCI	$ 947,629	$ 705,301
Investments in debt instruments at FVTOCI	30,000,344	27,492,194
	$ 30,947,973	$ 28,197,495

a. Investments in equity instruments at FVTOCI

	December 31	
	2019	**2018**
Domestic unlisted shares	$ 664,957	$ 510,523
Foreign listed shares	282,672	194,778
	$ 947,629	$ 705,301

These investments in equity instruments are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Bank's strategy of holding these investments for long-term purposes.

Dividends income of $28,735 thousand and $27,230 thousand were recognized in profit or loss for the years ended December 31, 2019 and 2018, respectively. Those were related to investments held at December 31, 2019 and 2018, respectively.

b. Investments in debt instruments at FVTOCI

	December 31	
	2019	**2018**
Corporate bonds	$ 21,503,613	$ 20,730,435
Government bonds	5,997,423	5,976,359
Foreign bonds	799,314	785,400
Bank debentures	1,699,994	-
	$ 30,000,344	$ 27,492,194

1) The Bank recognized gain on reversal of impairment loss of $113 thousand and $3,820 thousand in 2019 and 2018, respectively, after assessing the expected credit losses of the investments in debt instruments at FVTOCI.

2) Refer to Note 36 for information relating to their credit risk management and impairment.

10. INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST

	December 31	
	2019	**2018**
Foreign bonds	$ 23,806,064	$ 21,361,293
Government bonds	14,246,649	13,123,603
NCDs issued by the CBC	59,535,000	55,500,000
Corporate bonds	11,413,931	11,418,483
Credit certificate	9,291	9,511
	109,010,935	101,412,890
Less: Allowance for impairment loss	(41,662)	(105,129)
Less: Withdrawal of reserves for trust compensation and refundable deposits	(844,900)	(845,000)
	$ 108,124,373	$ 100,462,761

a. The foreign bonds denominated in foreign currencies were as follows:

	December 31	
	2019	**2018**
USD	$ 638,859	$ 571,613
CNY	550,000	510,000
AUD	61,000	61,000
ZAR	450,000	70,000

b. As of December 31, 2019 and 2018, the government bonds and the foreign bonds at amortized cost amounted to $2,000,000 thousand and $8,850,000 thousand (US$295,000 thousand), $1,200,000 thousand and $9,642,940 thousand (US$314,000 thousand), respectively, which had been sold under repurchase agreements. Refer to Note 37 for information relating to their carrying amount.

c. The Bank recognized gain on reversal of impairment loss of $6,338 thousand and the impairment loss of $21,308 thousand in 2019 and 2018, respectively, after assessing the expected credit losses of the investments in debt instruments at amortized cost.

d. Refer to Note 36 for information relating to their credit risk management and impairment.

11. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

Securities purchased amounted to $10,256,716 thousand and $9,094,151 thousand under repurchase agreements as of December 31, 2019 and 2018, respectively, would subsequently be sold for $10,258,145 thousand and $9,095,775 thousand, respectively, with interest rate ranges from 0.54% to 0.56% and 0.54% to 0.65%, respectively.

12. RECEIVABLES, NET

	December 31 2019	December 31 2018
Receivables on credit cards	$ 785,636	$ 748,384
Accounts receivable factored without recourse	649,997	133,277
Acceptances	505,650	836,196
Interest receivables	1,196,510	1,294,953
Receivables on foreign currency settlement	870,200	1,909,476
Receivables on sale of securities	-	119,576
Other receivables	183,564	137,664
	4,191,557	5,179,526
Less: Allowance for doubtful accounts	(127,809)	(151,385)
	$ 4,063,748	$ 5,028,141

a. Movements in the total carrying amount of receivables for the years ended December 31, 2019 and 2018 were as follows:

2019

	12-month ECLs	Lifetime ECL	Credit-impaired Financial Assets	Total
Balance at January 1, 2019	$ 50,102,235	$ 41,261	$ 122,335	$ 50,265,831
Transfers to lifetime ECL	(13,807)	14,695	(888)	-
Transfers to credit-impaired financial assets	(6,736)	(6,189)	12,925	-
Transfers to 12-month ECLs	8,704	(8,339)	(365)	-
New receivables purchased or originated	4,784,584	6,425	62,349	4,853,358
Write-offs	-	-	(81,898)	(81,898)
Derecognition	(1,259,806)	(14,845)	(25,336)	(1,299,987)
Change in exchange influence or others	(386,541)	3,872	25,223	(357,446)
Balance at December 31, 2019	$ 53,228,633	$ 36,880	$ 114,345	$ 53,379,858

2018

	12-month ECLs	Lifetime ECL	Credit-impaired Financial Assets	Total
Balance at January 1, 2018	$ 51,287,061	$ 261,946	$ 155,793	$ 51,704,800
Transfers to lifetime ECL	(14,154)	14,204	(50)	-
Transfers to credit-impaired financial assets	(8,074)	(12,217)	20,291	-
Transfers to 12-month ECLs	14,106	(13,764)	(342)	-
New receivables purchased or originated	1,445,585	12,086	4,071	1,461,742
Write-offs	-	-	(43,353)	(43,353)
Derecognition	(3,574,029)	(226,240)	(52,082)	(3,852,351)
Change in exchange influence or others	951,740	5,246	38,007	994,993
Balance at December 31, 2018	$ 50,102,235	$ 41,261	$ 122,335	$ 50,265,831

The above-mentioned carrying amount of receivables include due from banks, due from the central banks and call loans to other banks, securities purchased under resell agreements, receivables on credit cards, accounts receivable factored without recourse, interest receivables, acceptances, receivables on securities settlement, other receivables, delinquent receivables not arising from loans and refundable deposits.

b. Movements in the allowance for doubtful accounts of receivables for the years ended December 31, 2019 and 2018 were as follows:

2019

	12-month ECLs	Lifetime ECL	Credit-impaired Financial Assets	Impairment Loss Assessed under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2019	$ 19,743	$ 3,905	$ 82,827	$ 106,475	$ 49,142	$ 155,617
Reconciliation arising from financial instruments recognized at the beginning of the year:						
Transfers to lifetime ECL	(42)	376	(334)	-	-	-
Transfers to credit-impaired financial assets	(23)	(360)	383	-	-	-
Transfers to 12-month ECLs	1,564	(1,335)	(229)	-	-	-
Derecognition of financial assets in current period	(15,513)	(1,600)	(6,843)	(23,956)	-	(23,956)
New financial assets purchased or originated	19,522	777	60,039	80,338	-	80,338
Difference of impairment loss under regulations	-	-	-	-	(38,185)	(38,185)
Write-offs	-	-	(78,185)	(78,185)	(3,713)	(81,898)
Recovery of written-offs	-	-	-	-	16,492	16,492
Change in exchange influence or others	(2,068)	2,046	21,683	21,661	-	21,661
Balance at December 31, 2019	$ 23,183	$ 3,809	$ 79,341	$ 106,333	$ 23,736	$ 130,069

2018

	12-month ECLs	Lifetime ECL	Credit-impaired Financial Assets	Impairment Loss Assessed under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2018	$ 40,814	$ 47,733	$ 92,916	$ 181,463	$ 28,056	$ 209,519
Reconciliation arising from financial instruments recognized at the beginning of the year:						
Transfers to lifetime ECL	(47)	66	(19)	-	-	-
Transfers to credit-impaired financial assets	(29)	(1,109)	1,138	-	-	-
Transfers to 12-month ECLs	2,169	(1,889)	(280)	-	-	-
Derecognition of financial assets in current period	(37,279)	(44,177)	(10,204)	(91,660)	-	(91,660)
New financial assets purchased or originated	16,395	1,416	1,154	18,965	-	18,965
Difference of impairment loss under regulations	-	-	-	-	12,241	12,241
Write-offs	-	-	(34,971)	(34,971)	(8,382)	(43,353)
Recovery of written-offs	-	-	-	-	17,227	17,227
Change in exchange influence or others	(2,280)	1,865	33,093	32,678	-	32,678
Balance at December 31, 2018	$ 19,743	$ 3,905	$ 82,827	$ 106,475	$ 49,142	$ 155,617

The allowance for doubtful accounts of the abovementioned receivables includes allowances for delinquent receivables not arising from loans, refer to Note 15.

13. NOTES DISCOUNTED AND LOANS, NET

	December 31	
	2019	2018
Bills negotiated	$ 393,291	$ 475,822
Overdrafts	1,404	1,061
Secured overdrafts	38,166	10,031
Accounts receivable financing	51,595	80,862
Short-term unsecured loans	39,586,875	43,046,052
Short-term secured loans	100,653,393	103,198,900
Medium-term unsecured loans	49,151,361	49,659,266
Medium-term secured loans	103,127,599	109,958,945
Long-term unsecured loans	5,210,470	4,499,987
Long-term secured loans	141,838,997	145,623,202
Delinquent loans	963,045	1,662,082
	441,016,196	458,216,210
Add: Adjustment of premium or discount	26,487	44,071
Less: Allowance for doubtful accounts	(6,573,319)	(6,531,703)
	$ 434,469,364	$ 451,728,578

a. As of December 31, 2019 and 2018, the delinquent loans on which interest ceased to accrue amounted to $949,601 thousand and $1,640,185 thousand, respectively. The unrecognized interest revenues on these loans were $22,534 thousand and $34,228 thousand for the years ended December 31, 2019 and 2018, respectively.

b. There was no credit loan written off without a lawsuit in 2019 and 2018.

c. Movements in the total carrying amount of notes discounted and loans for the years ended December 31, 2019 and 2018 were as follows:

2019

	12-month ECLs	Lifetime ECL	Credit-impaired Financial Assets	Total
Balance at January 1, 2019	$ 435,002,129	$ 15,341,731	$ 7,916,421	$ 458,260,281
Transfers to lifetime ECL	(7,768,850)	7,849,116	(80,266)	-
Transfers to credit-impaired financial assets	(3,018,334)	(1,694,994)	4,713,328	-
Transfers to 12-month ECLs	2,487,600	(2,417,603)	(69,997)	-
New notes discounted and loans purchased or originated	217,445,398	2,752,410	593,167	220,790,975
Write-offs	(41,246)	(366,663)	(927,477)	(1,335,386)
Derecognition	(210,078,061)	(4,281,192)	(2,954,801)	(217,314,054)
Change in exchange influence or others	(19,414,260)	(308,940)	364,067	(19,359,133)
Balance at December 31, 2019	$ 414,614,376	$ 16,873,865	$ 9,554,442	$ 441,042,683

2018

	12-month ECLs	Lifetime ECL	Credit-impaired Financial Assets	Total
Balance at January 1, 2018	$ 401,603,091	$ 32,188,249	$ 2,209,702	$ 436,001,042
Transfers to lifetime ECL	(7,160,622)	7,163,352	(2,730)	-
Transfers to credit-impaired financial assets	(1,835,301)	(4,787,508)	6,622,809	-
Transfers to 12-month ECLs	7,142,086	(7,141,465)	(621)	-
New notes discounted and loans purchased or originated	251,247,141	3,555,867	1,327,498	256,130,506
Write-offs	(20,366)	(306,169)	(707,249)	(1,033,784)
Derecognition	(195,245,211)	(14,245,972)	(875,437)	(210,366,620)
Change in exchange influence or others	(20,728,689)	(1,084,623)	(657,551)	(22,470,863)
Balance at December 31, 2018	$ 435,002,129	$ 15,341,731	$ 7,916,421	$ 458,260,281

d. Movements in the allowance for doubtful accounts of notes discounted and loans for the years ended December 31, 2019 and 2018 were as follows:

2019

	12-month ECLs	Lifetime ECL	Credit-impaired Financial Assets	Impairment Loss Assessed under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2019	$ 1,767,936	$ 661,840	$ 2,035,208	$ 4,464,984	$ 2,066,719	$ 6,531,703
Reconciliation arising from financial instruments recognized at the beginning of the year:						
Transfers to lifetime ECL	(20,881)	31,563	(10,682)	-	-	-
Transfers to credit-impaired financial assets	(8,619)	(99,038)	107,657	-	-	-
Transfers to 12-month ECLs	133,519	(128,814)	(4,705)	-	-	-
Derecognition of financial assets in current period	(1,053,833)	(155,288)	(632,674)	(1,841,795)	-	(1,841,795)
New financial assets purchased or originated	1,127,791	112,374	192,290	1,432,455	-	1,432,455
Difference of impairment loss under regulations	-	-	-	-	(559,801)	(559,801)
Write-offs	(118)	(50,704)	(370,099)	(420,921)	(914,465)	(1,335,386)
Recovery of written-offs	-	-	-	-	884,025	884,025
Change in exchange influence or others	(169,565)	480,421	1,151,262	1,462,118	-	1,462,118
Balance at December 31, 2019	$ 1,776,230	$ 852,354	$ 2,468,257	$ 5,096,841	$ 1,476,478	$ 6,573,319

2018

	12-month ECLs	Lifetime ECL	Credit-impaired Financial Assets	Impairment Loss Assessed Provisions under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2018	$ 1,644,957	$ 2,624,516	$ 490,440	$ 4,759,913	$ 1,584,897	$ 6,344,810
Reconciliation arising from financial instruments recognized at the beginning of the year:						
Transfers to lifetime ECL	(15,810)	16,855	(1,045)	-	-	-
Transfers to credit-impaired financial assets	(6,279)	(442,489)	448,768	-	-	-
Transfers to 12-month ECLs	376,160	(376,096)	(64)	-	-	-
Derecognition of financial assets in current period	(1,035,356)	(1,590,753)	(172,658)	(2,798,767)	-	(2,798,767)
New financial assets purchased or originated	1,277,130	200,940	421,442	1,899,512	-	1,899,512
Difference of impairment loss under regulations	-	-	-	-	550,859	550,859
Write-offs	(3)	(15,876)	(242,177)	(258,056)	(775,728)	(1,033,784)
Recovery of written-offs	-	-	-	-	706,691	706,691
Change in exchange influence or others	(472,863)	244,743	1,090,502	862,382	-	862,382
Balance at December 31, 2018	$ 1,767,936	$ 661,840	$ 2,035,208	$ 4,464,984	$ 2,066,719	$ 6,531,703

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2019	2018
Investments in subsidiaries	$ 5,334,013	$ 5,071,278
Investments in associates	156,788	153,423
	$ 5,490,801	$ 5,224,701

a. Investments in subsidiaries

The following table shows the Bank's proportion of ownership and voting right of subsidiaries at the end of reporting date:

	December 31			
	2019		2018	
	Amount	Proportion of Ownership (%)	Amount	Proportion of Ownership (%)
Domestic non-listed (cabinet) companies				
Taichung Bank Leasing Co., Ltd.	$ 1,904,602	100.00	$ 1,858,956	100.00
Taichung Bank Insurance Brokers Co., Ltd.	2,024,588	100.00	1,828,479	100.00
Taichung Bank Securities Co., Ltd.	1,404,823	100.00	1,383,843	100.00
	$ 5,334,013		$ 5,071,278	

Detail of share of profit of subsidiaries for using the equity method was as follows:

	For the Year Ended December 31	
Investee Company	2019	2018
Taichung Bank Leasing Co., Ltd.	$ 74,928	$ 81,821
Taichung Bank Insurance Brokers Co., Ltd.	471,300	360,419
Taichung Bank Securities Co., Ltd.	20,671	219
	$ 566,899	$ 442,459

b. Investments in associates

The following table shows the Bank's proportion of ownership and voting right of associates at the end of reporting date:

	December 31			
	2019		2018	
	Amount	Proportion of Ownership (%)	Amount	Proportion of Ownership (%)
Associates that are not individually material				
Reliance Securities Investment Trust Co., Ltd.	$ 156,788	38.46	$ 153,423	38.46

Detail of share of loss of associates for using the equity method was as follows:

	For the Year Ended December 31	
Investee Company	2019	2018
Reliance Securities Investment Trust Co., Ltd.	$ (3,002)	$ (6,716)

Investment was accounted for using the equity method and the share of profit (loss) of the investment was calculated based on financial statements which have been audited.

15. OTHER FINANCIAL ASSETS, NET

	December 31	
	2019	2018
Other delinquent receivables, net	$ 2,246	$ 1,111

Other delinquent receivables, net were as follows:

	December 31	
	2019	2018
Delinquent receivables not arising from loans	$ 4,506	$ 5,343
Less: Allowance for doubtful accounts (Note 12)	(2,260)	(4,232)
	$ 2,246	$ 1,111

16. PROPERTIES AND EQUIPMENT, NET

	2019					
	Land	Building and Structures	Transportation Equipment	Miscellaneous Equipment	Construction in Progress	Total
Cost						
Balance, beginning of year	$ 7,843,120	$ 2,086,402	$ 40,814	$ 1,635,455	$ 202,835	$ 11,808,626
Addition	-	8,525	11,496	92,467	1,324,201	1,436,689
Disposals	-	-	(5,493)	(16,849)	-	(22,342)
Reclassifications	4,468	6,603	-	800	(800)	11,071
Exchange influence	-	-	(6)	(169)	-	(175)
Balance, end of year	7,847,588	2,101,530	46,811	1,711,704	1,526,236	13,233,869
Accumulated depreciation						
Balance, beginning of year	-	1,145,069	23,950	1,194,278	-	2,363,297
Addition	-	39,809	5,103	144,123	-	189,035
Disposals	-	-	(4,826)	(16,823)	-	(21,649)
Reclassifications	-	6,603	-	-	-	6,603
Exchange influence	-	-	-	(2)	-	(2)
Balance, end of year	-	1,191,481	24,227	1,321,576	-	2,537,284
Impairment						
Balance, beginning of year	77,000	-	-	-	-	77,000
Addition	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-
Balance, end of year	77,000	-	-	-	-	77,000
Balance, end of year, net	$ 7,770,588	$ 910,049	$ 22,584	$ 390,128	$ 1,526,236	$ 10,619,585

	2018					
	Land	Building and Structures	Transportation Equipment	Miscellaneous Equipment	Construction in Progress	Total
Cost						
Balance, beginning of year	$ 7,843,120	$ 2,086,402	$ 34,554	$ 1,498,222	$ 143,380	$ 11,605,678
Addition	-	-	8,763	194,571	62,035	265,369
Disposals	-	-	(2,503)	(59,918)	-	(62,421)
Reclassifications	-	-	-	2,580	(2,580)	-
Balance, end of year	7,843,120	2,086,402	40,814	1,635,455	202,835	11,808,626
Accumulated depreciation						
Balance, beginning of year	-	1,105,281	21,524	1,105,614	-	2,232,419
Addition	-	39,788	3,858	145,997	-	189,643
Disposals	-	-	(1,432)	(57,333)	-	(58,765)
Balance, end of year	-	1,145,069	23,950	1,194,278	-	2,363,297
Impairment						
Balance, beginning of year	77,000	-	-	-	-	77,000
Addition	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-
Balance, end of year	77,000	-	-	-	-	77,000
Balance, end of year, net	$ 7,766,120	$ 941,333	$ 16,864	$ 441,177	$ 202,835	$ 9,368,329

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

Building and structures	
Building	30 to 60 years
Renovation	10 to 29 years
Transportation equipment	3 to 5 years
Miscellaneous equipment	2 to 15 years

17. LEASE ARRANGEMENTS

a. Right-of-use assets, net - 2019

	December 31, 2019
Carrying amounts	
Land and buildings	$ 633,218
Transportation equipment	46,934
	$ 680,152

	For the Year Ended December 31, 2019
Additions to right-of-use assets	$ 238,810
Depreciation charge for right-of-use assets	
Land and buildings	$ 111,446
Transportation equipment	15,836
	$ 127,282
Income from the subleasing of right-of-use assets (presented in other income)	$ 660

b. Lease liabilities - 2019

	December 31, 2019
Carrying amounts	$ 692,171

Range of discount rate for lease liabilities was as follows:

	December 31, 2019
Land	4.14%
Buildings	4.14%
Transportation equipment	4.14%

c. Material lease-in activities and terms

The Bank leases domestic offices, ATM sites and business cars with lease terms of 1 to 15 years. The lease contract specifies that lease payments will be adjusted on the basis of changes in market rental rates. The Bank does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms.

d. Other lease information

Lease arrangements under operating leases for the leasing out of freehold properties are set out in Note 18.

2019

	For the Year Ended December 31, 2019
Expenses relating to short-term leases	$ 4,114
Expenses relating to low-value asset leases	$ 2,791
Expenses relating to variable lease payments not included in the measurement of lease liabilities	$ -
Total cash outflow for leases	$ (149,429)

The Bank leases certain office equipment which qualify as short-term leases and certain computer equipment which qualify as low-value asset leases. The Bank has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

2018

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

	December 31, 2018
Not later than 1 year	$ 128,095
Later than 1 year and not later than 5 years	229,589
Later than 5 years	540
	$ 358,224

18. INVESTMENT PROPERTIES, NET

	2019		
	Land	Structures	Total
Cost			
Balance, beginning of year	$ 20,269	$ 12,575	$ 32,844
Additions	-	-	-
Reclassifications	(4,468)	(6,603)	(11,071)
Balance, end of year	15,801	5,972	21,773
Accumulated depreciation			
Balance, beginning of year	-	10,184	10,184
Additions	-	89	89
Reclassifications	-	(6,603)	(6,603)
Balance, end of year	-	3,670	3,670
Balance, end of year, net	$ 15,801	$ 2,302	$ 18,103

	2018		
	Land	**Structures**	**Total**
Cost			
Balance, beginning of year	$ 20,269	$ 12,575	$ 32,844
Additions	-	-	-
Balance, end of year	20,269	12,575	32,844
Accumulated depreciation			
Balance, beginning of year	-	10,094	10,094
Additions	-	90	90
Balance, end of year	-	10,184	10,184
Balance, end of year, net	$ 20,269	$ 2,391	$ 22,660

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

Building and structures	
Building	60 years
Renovation	10 to 25 years

b. The fair value of the investment properties of the Bank on December 31, 2019 and 2018 were $53,847 thousand and $63,122 thousand, respectively. The fair value was not evaluated by independent qualified professional valuers. The valuation was arrived at by reference to the market evidence of transaction price for similar properties, and the fair value was measured by using Level 3 inputs.

c. The abovementioned investment properties were leased out for 5 years. The lessees do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods.

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

	December 31, 2019
Not later than 1 year	$ 5,835
Later than 1 year and not later than 5 years	8,007
	$ 13,842

The future minimum lease payments of non-cancellable operating lease commitments as of December 31, 2018 are as follows:

	December 31, 2018
Not later than 1 year	$ 6,053
Later than 1 year and not later than 5 years	13,844
	$ 19,897

19. INTANGIBLE ASSETS, NET

	For the Year Ended December 31	
	2019	2018
Balance, beginning of year	$ 125,025	$ 115,605
Additions	40,066	55,611
Amortization	(47,034)	(46,191)
Exchange influence	(70)	-
Balance, ending of year	$ 117,987	$ 125,025

Computer software is amortized on a straight-line basis over its estimated useful lives as follows:

Computer software	5 years

20. OTHER ASSETS, NET

	December 31	
	2019	2018
Refundable deposits	$ 1,224,441	$ 1,202,712
Prepayments	116,853	93,227
	$ 1,341,294	$ 1,295,939

As of December 31, 2019 and 2018, the government bonds at amortized cost amounted to $784,900 thousand and $785,000 thousand, respectively, were pledged to district court for litigation, as a collateral for the overdraft of the U.S. dollar clearing account and the provision of guarantee deposit for business operations, which were stated as refundable deposits. Refer to Note 33.

21. DUE TO THE CENTRAL BANK AND OTHER BANKS

	December 31	
	2019	2018
Call loans from banks	$ 6,200,860	$ 2,874,850
Due to Chunghwa Post Co., Ltd.	326,187	503,276
Due to banks	13	626
	$ 6,527,060	$ 3,378,752

22. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

	December 31	
	2019	2018
Government bonds	$ 2,002,755	$ 1,200,036
Foreign bonds	8,366,270	8,704,431
	$ 10,369,025	$ 9,904,467

The post-year repurchase price and rate were as follows:

	December 31	
	2019	2018
Government bonds	$ 2,003,566	$ 1,200,797
Foreign bonds	8,415,535	8,768,302
	$ 10,419,101	$ 9,969,099
Government bonds	0.50%-0.54%	0.42%-0.52%
Foreign bonds	2.18%-2.45%	2.69%-2.90%

The foreign bonds denominated in foreign currencies were as follows:

	December 31	
	2019	2018
USD	$ 278,876	$ 283,440

23. PAYABLES

	December 31	
	2019	2018
Accrued expenses	$ 1,362,966	$ 1,361,270
Notes and checks in clearing	1,007,649	5,715,927
Foreign currency settlement payable	870,282	1,912,669
Acceptances	514,383	845,279
Interest payable	450,880	532,536
Factored accounts payable	49,615	33,552
Collections payable	34,172	25,981
Securities settlement payable	-	438,763
Other payables	612,068	476,887
	$ 4,902,015	$ 11,342,864

24. DEPOSITS AND REMITTANCES

	December 31	
	2019	2018
Deposits		
Checking	$ 8,067,443	$ 9,766,073
Demand	139,366,362	130,125,733
Demand savings	134,211,159	126,189,743
Time	144,034,144	165,278,089
Time savings	159,025,088	157,855,126
Remittances	162,288	28,125
	$ 584,866,484	$ 589,242,889

25. BANK DEBENTURES

	December 31	
	2019	2018
Subordinated financial debenture	$ 14,000,000	$ 20,000,000

a. The Bank issued first subordinated financial debenture on November 13, 2012, which was approved under ruling reference No. 10100305900 issued by the Banking Bureau of the FSC on September 24, 2012. Detail of the subordinated financial debenture issuance is summarized as follows:

   1) Total approved principal: $3,000,000 thousand.
   2) Principal issued: $3,000,000 thousand.
   3) Denomination: $1,000 thousand, issued at par.
   4) Period: 7 years with maturities on November 13, 2019.
   5) Nominal interest rate: Fixed interest rate, 2.1%.
   6) Repayment: The subordinated financial debenture will be paid on the maturity date.
   7) The interest will be paid semi-annually from the issuance date.

b. The Bank issued first subordinated financial debenture and second subordinated financial debenture on June 25, 2013 and December 16, 2013, respectively, which were approved under ruling reference No. 10200089330 issued by the Banking Bureau of the FSC on April 8, 2013. Details of the financial subordinated debenture issuance are summarized as follows:

   1) Total approved principal: $6,000,000 thousand.

   2) Principal issued:

      a) Debenture I on 2013: $2,500,000 thousand.
      b) Debenture II on 2013: $3,000,000 thousand.

   3) Denomination:

      a) Debenture I on 2013: $500 thousand, issued at par.
      b) Debenture II on 2013: $500 thousand, issued at par.

   4) Period:

      a) Debenture I on 2013: 7 years with maturities on June 25, 2020.
      b) Debenture II on 2013: 6 years with maturities on December 16, 2019.

   5) Nominal interest rate:

      a) Debenture I on 2013: Fixed interest rate, 2.1%.
      b) Debenture II on 2013: Fixed interest rate, 2.1%.

   6) Repayment: The subordinated financial debenture will be paid on the maturity date.

   7) The interest will be paid semi-annually from the issuance date.

c. The Bank issued first subordinated financial debenture on December 28, 2015, which was approved under ruling reference No. 10400200460 issued by the Banking Bureau of the FSC on August 26, 2015. Detail of the subordinated financial debenture issuance is summarized as follows:

   1) Total approved principal: $1,500,000 thousand.

2) Principal issued: $1,500,000 thousand.

3) Denomination: $10,000 thousand, issued at par.

4) Period: No due date.

5) Nominal interest rate: According to the one-year time savings deposit interest rate of Chunghwa Post Co., Ltd., plus 3.08%.

6) Repayment: To be executed according to the issuance.

7) The interest will be paid annually from the issuance date.

d. The Bank issued first no due date non-cumulative subordinated financial debenture, second no due date non-cumulative subordinated financial debenture, third no due date non-cumulative subordinated financial debenture and first no due date non-cumulative subordinated financial debenture on March 28, 2017, May 18, 2017, August 28, 2017 and December 28, 2016, respectively, which were approved under ruling reference No. 10500210950 issued by the Banking Bureau of the FSC on September 2, 2016. Details of the subordinated financial debenture issuance are summarized as follows:

1) Total approved principal: $3,500,000 thousand.

2) Principal issued:

a) Debenture I on 2016: $1,500,000 thousand.
b) Debenture I on 2017: $1,000,000 thousand.
c) Debenture II on 2017: $500,000 thousand.
d) Debenture III on 2017: $500,000 thousand.

3) Denomination:

a) Debenture I on 2016: $10,000 thousand, issued at par.
b) Debenture I on 2017: $10,000 thousand, issued at par.
c) Debenture II on 2017: $10,000 thousand, issued at par.
d) Debenture III on 2017: $10,000 thousand, issued at par.

4) Period: No due date.

5) Nominal interest rate: According to the one-year time savings deposit interest rate of Chunghwa Post Co., Ltd., plus 3.08%.

6) Repayment: To be executed according to the issuance.

7) The interest will be paid annually from the issuance date.

e. The Bank issued first no due date non-cumulative subordinated financial debenture, fourth no due date non-cumulative subordinated financial debenture and fifth no due date non-cumulative subordinated financial debenture on April 25 2018, December 5, 2017 and December 27, 2017, respectively, which were approved under ruling reference No. 10600229120 issued by the Banking Bureau of the FSC on September 22, 2017. Details of the subordinated financial debenture issuance are summarized as follows:

1) Total approved principal: $5,000,000 thousand.

2) Principal issued:

   a) Debenture IV on 2017: $1,350,000 thousand.
   b) Debenture V on 2017: $2,650,000 thousand.
   c) Debenture I on 2018: $1,000,000 thousand.

3) Denomination:

   a) Debenture IV on 2017: $10,000 thousand, issued at par.
   b) Debenture V on 2017: $10,000 thousand, issued at par.
   c) Debenture I on 2018: $10,000 thousand, issued at par.

4) Period: No due date.

5) Nominal interest rate: According to the one-year time savings deposit interest rate of Chunghwa Post Co., Ltd., plus 3.08%.

6) Repayment: To be executed according to the issuance.

7) The interest will be paid annually from the issuance date.

f. The Bank issued second no due date non-cumulative subordinated financial debenture on December 18, 2018, which was approved under ruling reference No. 10702156550 issued by the Banking Bureau of the FSC on August 23, 2018. Detail of the subordinated financial debenture issuance is summarized as follows:

1) Total approved principal: $1,500,000 thousand.

2) Principal issued: $1,500,000 thousand.

3) Denomination: $10,000 thousand, issued at par.

4) Period: No due date.

5) Nominal interest rate: According to the one-year time savings deposit interest rate of Chunghwa Post Co., Ltd., plus 3.08%.

6) Repayment: To be executed according to the issuance.

7) The interest will be paid annually from the issuance date.

26. PROVISIONS

	December 31	
	2019	**2018**
Provision for employee benefits	$ 1,133,772	$ 1,144,224
Provision for losses on guarantees	174,463	189,848
Provision for accidental losses	11,878	23,933
Provision for loan commitments	63,357	63,809
	$ 1,383,470	$ 1,421,814

a. Details of provision for employee benefits were as follows:

	December 31	
	2019	**2018**
Benefit plans	$ 972,820	$ 1,000,467
Preferential interest on employees' deposits	131,433	120,769
Other long-term employee benefit liabilities	29,519	22,988
	$ 1,133,772	$ 1,144,224

1) Defined contribution plans

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

The amount paid by the Bank in 2019 and 2018 in accordance with the defined contribution plan had been recognized in the statements of comprehensive income as total amounts of $85,112 thousand and $75,505 thousand, respectively.

2) Defined benefit plans

The defined benefit plan adopted by the Bank in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Bank contributes amounts equal to 3% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Bank assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Bank is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Bank has no right to influence the investment policy and strategy.

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

	December 31	
	2019	**2018**
Present value of defined benefit obligation	$ 1,817,070	$ 1,719,860
Fair value of plan assets	(844,250)	(719,393)
Deficit	972,820	1,000,467
Net defined benefit liabilities	$ 972,820	$ 1,000,467

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2018	$ 1,693,578	$ (700,762)	$ 992,816
Service cost			
Current service cost	19,029	-	19,029
Net interest expense (income)	21,170	(8,921)	12,249
Recognized in profit or loss	40,199	(8,921)	31,278
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(20,491)	(20,491)
Actuarial loss - changes in financial assumptions	24,335	-	24,335
Actuarial loss - experience adjustments	39,459	-	39,459
Recognized in other comprehensive income	63,794	(20,491)	43,303
Contributions from the employer	-	(56,895)	(56,895)
Benefits paid	(67,676)	67,676	-
Company paid	(10,035)	-	(10,035)
Balance at December 31, 2018	1,719,860	(719,393)	1,000,467
Service cost			
Current service cost	14,250	-	14,250
Net interest expense (income)	19,348	(10,365)	8,983
Recognized in profit or loss	33,598	(10,365)	23,233
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(21,788)	(21,788)
Actuarial loss - changes in financial assumptions	73,096	-	73,096
Actuarial loss - experience adjustments	68,402	-	68,402
Recognized in other comprehensive income	141,498	(21,788)	119,710
Contributions from the employer	-	(151,850)	(151,850)
Benefits paid	(59,146)	59,146	-
Company paid	(18,740)	-	(18,740)
Balance at December 31, 2019	$ 1,817,070	$ (844,250)	$ 972,820

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans was as follows:

	For The Year Ended December 31	
	2019	2018
Operating expenses	$ 23,233	$ 31,278

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

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

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

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

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

	December 31	
	2019	**2018**
Discount rate(s)	0.750%	1.125%
Expected rate(s) of salary increase	1.500%	1.500%

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

	December 31	
	2019	**2018**
Discount rate(s)		
0.25% increase	$ (49,168)	$ (48,217)
0.25% decrease	$ 50,983	$ 50,072
Expected rate(s) of salary increase		
0.25% increase	$ 49,708	$ 48,981
0.25% decrease	$ (48,188)	$ (47,405)

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

	December 31	
	2019	**2018**
Expected contributions to the plan for the next year	$ 127,438	$ 26,277
Average duration of the defined benefit obligation	11years	11.4 years

3) Preferential interest on employees' deposits

The Bank had revised the interest rate of the employees' savings deposit since December 21, 2014, in accordance with the regulations of the Financial Management Law No. 10110000850 and the Regulations Governing the Preparation of Financial Reports by Public Banks, and the preferential interest on employee's deposit liabilities were carried out by qualified actuaries.

The amounts included in the balance sheets in respect of the preferential interest on employee's deposit plan were as follows:

	December 31	
	2019	**2018**
Present value of the preferential interest on deposits	$ 131,433	$ 120,769
Fair value of plan assets	-	-
Deficit	131,433	120,769
Provision for preferential interest on deposits	$ 131,433	$ 120,769

Movements in preferential interest on employees' deposits obligation were as follows:

	Present Value of the Preferential Interest on Employees' Deposits Obligation	**Fair Value of the Plan Assets**	**Net Preferential Interest on Employees' Deposits Liabilities**
Balance at January 1, 2018	$ 108,779	$ -	$ 108,779
Service cost			
Current service cost	9,112	-	9,112
Net interest expense	3,855	-	3,855
Recognized in profit or loss	12,967	-	12,967
Remeasurement			
Actuarial loss - changes in demographic assumptions	6,076	-	6,076
Actuarial loss - experience adjustments	20,173	-	20,173
Recognized in other comprehensive income	26,249	-	26,249
Company paid	(27,226)	-	(27,226)
Balance at December 31, 2018	120,769	-	120,769
Service cost			
Current service cost	6,700	-	6,700
Net interest expense	4,286	-	4,286
Recognized in profit or loss	10,986	-	10,986
Remeasurement			
Actuarial loss - changes in demographic assumptions	6,770	-	6,770
Actuarial loss - experience adjustments	21,177	-	21,177
Recognized in other comprehensive income	27,947	-	27,947
Company paid	(28,269)	-	(28,269)
Balance at December 31, 2019	$ 131,433	$ -	$ 131,433

An analysis by function of the amounts recognized in profit or loss in respect of the preferential interest on employees' deposits plan was as follows:

	For The Year Ended December 31	
	2019	2018
Operating expenses	$ 10,986	$ 12,967

The actuarial valuations of the present value of preferential interest on employees' deposits obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2019	2018
Discount rate(s)	4.00%	4.00%
Expected return on employees' deposits	2.00%	2.00%
Excess interest rate	2.00%	2.00%
Preferential deposit withdrawal rate	3.50%	4.00%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of preferential interest on employees' deposits obligation would increase (decrease) as follows:

	December 31	
	2019	2018
Discount rate(s)		
0.25% increase	$ (3,202)	$ (2,858)
0.25% decrease	$ 3,343	$ 2,982
Preferential deposit withdrawal rate		
0.25% increase	$ 3,454	$ 3,099
0.25% decrease	$ (3,599)	$ (3,227)

The sensitivity analysis presented above may not be representative of the actual change in the present value of preferential interest on employees' deposits obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2019	2018
Expected contributions to the plan for the next year	$ -	$ -
Average duration of preferential interest on employees' deposits obligation	10.4 years	10.1 years

4) Other long-term employee benefit liabilities

Other long-term employee benefits of the Bank are long-term disability benefits. If the employee does not encounter any casualty due to occupational disaster or accidental death, the Bank will pay the pension according to the seniority.

The Bank recognized total expenses (interests) related to the long-term employee benefits in the statements of comprehensive income in 2019 and 2018 were $6,531 thousand and $4,542 thousand, respectively. As of December 31, 2019 and 2018, other long-term employee benefit liabilities were $29,519 thousand and $22,988 thousand, respectively.

b. Movements in provision for losses on guarantees were as follows:

2019

	12-month ECLs	**Lifetime ECL**	**Credit-impaired Financial Assets**	**Impairment Loss Assessed under IFRS 9**	**Difference of Impairment Loss under Regulations**	**Total**
Balance at January 1, 2019	$ 121,061	$ 1,751	$ 55,221	$ 178,033	$ 11,815	$ 189,848
Reconciliation arising from financial instruments recognized at the beginning of the year:						
Transfers to lifetime ECL	(3)	3	-	-	-	-
Transfers to credit-impaired financial assets	(434)	-	434	-	-	-
Transfers to 12-month ECLs	11,027	(292)	(10,735)	-	-	-
Derecognition of financial assets in current period	(86,834)	(1,458)	(7,647)	(95,939)	-	(95,939)
New financial assets purchased or originated	80,868	1,720	4,221	86,809	-	86,809
Difference of impairment loss under regulations	-	-	-	-	(7,471)	(7,471)
Write-offs	-	-	-	-	-	-
Recovery of written-offs	-	-	-	-	-	-
Change in exchange influence or others	(15,965)	54	17,127	1,216	-	1,216
Balance at December 31, 2019	$ 109,720	$ 1,778	$ 58,621	$ 170,119	$ 4,344	$ 174,463

2018

	12-month ECLs	Lifetime ECL	Credit-impaired Financial Assets	Impairment Loss Assessed under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2018	$ 161,287	$ 78,453	$ 112	$ 239,852	$ 3,785	$ 243,637
Reconciliation arising from financial instruments recognized at the beginning of the year:						
Transfers to lifetime ECL	(82)	82	-	-	-	-
Transfers to credit-impaired financial assets	(1,071)	(10)	1,081	-	-	-
Transfers to 12-month ECLs	2,682	(2,682)	-	-	-	-
Derecognition of financial assets in current period	(127,962)	(75,721)	(6)	(203,689)	-	(203,689)
New financial assets purchased or originated	91,123	592	8,075	99,790	-	99,790
Difference of impairment loss under regulations	-	-	-	-	8,030	8,030
Write-offs	-	-	-	-	-	-
Recovery of written-offs	-	-	-	-	-	-
Change in exchange influence or others	(4,916)	1,037	45,959	42,080	-	42,080
Balance at December 31, 2018	$ 121,061	$ 1,751	$ 55,221	$ 178,033	$ 11,815	$ 189,848

The provisions in 2019 and 2018 were comprised of bad-debt expenses and provision for losses on commitments and guarantees.

c. Movements in provision for losses on accidental were as follows:

2019

	12-month ECLs	Lifetime ECL	Credit-impaired Financial Assets	Impairment Loss Assessed under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2019	$ 12,108	$ -	$ -	$ 12,108	$ 11,825	$ 23,933
Reconciliation arising from financial instruments recognized at the beginning of the year:						
Transfers to lifetime ECL	-	-	-	-	-	-
Transfers to credit-impaired financial assets	-	-	-	-	-	-
Transfers to 12-month ECLs	-	-	-	-	-	-
Derecognition of financial assets in current period	(12,073)	-	-	(12,073)	-	(12,073)
New financial assets purchased or originated	9,628	-	7	9,635	-	9,635
Difference of impairment loss under regulations	-	-	-	-	(9,592)	(9,592)
Write-offs	-	-	-	-	-	-
Recovery of written-offs	-	-	-	-	-	-
Change in exchange influence or others	(25)	-	-	(25)	-	(25)
Balance at December 31, 2019	$ 9,638	$ -	$ 7	$ 9,645	$ 2,233	$ 11,878

2018

	12-month ECLs	Lifetime ECL	Credit-impaired Financial Assets	Impairment Loss Assessed under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2018	$ 11,240	$ 8,802	$ 3,086	$ 23,128	$ 3,172	$ 26,300
Reconciliation arising from financial instruments recognized at the beginning of the year:						
Transfers to lifetime ECL	-	-	-	-	-	-
Transfers to credit-impaired financial assets	-	-	-	-	-	-
Transfers to 12-month ECLs	-	-	-	-	-	-
Derecognition of financial assets in current period	(11,240)	(8,802)	(3,086)	(23,128)	-	(23,128)
New financial assets purchased or originated	12,108	-	-	12,108	-	12,108
Difference of impairment loss under regulations	-	-	-	-	8,653	8,653
Write-offs	-	-	-	-	-	-
Recovery of written-offs	-	-	-	-	-	-
Change in exchange influence or others	-	-	-	-	-	-
Balance at December 31, 2018	$ 12,108	$ -	$ -	$ 12,108	$ 11,825	$ 23,933

The provisions in 2019 and 2018 were comprised of net income and loss other than interest.

d. Movements in loan commitments were as follows:

2019

	12-month ECLs	Lifetime ECL	Credit-impaired Financial Assets	Impairment Loss Assessed under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2019	$ 61,769	$ 2,040	$ -	$ 63,809	$ -	$ 63,809
Reconciliation arising from financial instruments recognized at the beginning of the year:						
Transfers to lifetime ECL	(4)	4	-	-	-	-
Transfers to credit-impaired financial assets	(4)	(4,032)	4,036	-	-	-
Transfers to 12-month ECLs	1,177	(1,177)	-	-	-	-
Derecognition of financial assets in current period	(9,439)	(791)	-	(10,230)	-	(10,230)
New financial assets purchased or originated	21,880	1,041	-	22,921	-	22,921
Difference of impairment loss under regulations	-	-	-	-	-	-
Write-offs	-	-	-	-	-	-
Recovery of written-offs	-	-	-	-	-	-
Change in exchange influence or others	(17,895)	4,763	(11)	(13,143)	-	(13,143)
Balance at December 31, 2019	$ 57,484	$ 1,848	$ 4,025	$ 63,357	$ -	$ 63,357

2018

	12-month ECLs	Lifetime ECL	Credit-impaired Financial Assets	Impairment Loss Assessed under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2018	$ 45,440	$ 9,183	$ 2,150	$ 56,773	$ -	$ 56,773
Reconciliation arising from financial instruments recognized at the beginning of the year:						
Transfers to lifetime ECL	1,703	(1,703)	-	-	-	-
Transfers to credit-impaired financial assets	(6)	(20)	26	-	-	-
Transfers to 12-month ECLs	2,532	(2,532)	-	-	-	-
Derecognition of financial assets in current period	(20,131)	(4,757)	(2,150)	(27,038)	-	(27,038)
New financial assets purchased or originated	21,975	1,655	-	23,630	-	23,630
Difference of impairment loss under regulations	-	-	-	-	-	-
Write-offs	-	-	-	-	-	-
Recovery of written-offs	-	-	-	-	-	-
Change in exchange influence or others	10,256	214	(26)	10,444	-	10,444
Balance at December 31, 2018	$ 61,769	$ 2,040	$ -	$ 63,809	$ -	$ 63,809

The provisions in 2019 and 2018 were comprised of bad-debt expenses and provision for losses on commitments and guarantees.

27. OTHER LIABILITIES

	December 31	
	2019	2018
Guarantee deposit received	$ 122,812	$ 235,618
Advance receipts	237,720	236,487
Others	418	-
	$ 360,950	$ 472,105

28. EQUITY

a. Share capital

Ordinary shares

	December 31 2019	December 31 2018
Number of shares authorized (in thousands)	4,320,000	4,320,000
Shares authorized	$ 43,200,000	$ 43,200,000
Number of shares issued and fully paid (in thousands)	3,708,835	3,525,508
Shares issued	$ 37,088,349	$ 35,255,084

Ordinary shares issued at a $10 par value per share. Each share has one voting right and the right to receive dividends.

As of January 1, 2018, the Bank had issued ordinary shares totaling $32,931,789 thousand, divided into 3,293,179 thousand ordinary shares at $10 par value per share. In August 2018, the Bank transferred unappropriated earnings to ordinary shares of $823,295 thousand. In October 2018, the board of directors of the Bank resolved to issue 150,000 thousand shares, with a par value of $10, for a consideration of $10.2 per share. The above transaction was approved under ruling reference No. 1070334491 issued by the Banking Bureau of the FSC, and the subscription base date was determined as at November 30, 2018. As of December 31, 2018, the Bank had increased ordinary shares to $35,255,084 thousand, divided into 3,525,508 thousand ordinary shares at $10 par value per share.

In September 2019, the Bank transferred $1,833,265 thousand of unappropriated earnings to ordinary shares, divided into 183,327 thousand ordinary shares at $10 par value per share. As of December 31, 2019, the Bank had increased ordinary shares to $37,088,349 thousand, divided into 3,708,835 thousand ordinary shares at $10 par value per share.

b. Employee share options

On October 2, 2018, the Bank retained 22,500 thousand shares of ordinary shares subscribed by employees when issuance of ordinary shares for cash was approved by the board of directors. Using the Black-Scholes pricing model, the compensation cost of employee share options recognized was $12,825 thousand in 2018. The inputs to the model are as follows:

Grant-date share price	$10.75
Exercise price	$10.20
Volatility	9.79%
Duration	56 days
Risk-free interest rate	0.11%

The expected volatility is the average annual standard deviation of the rate of the Bank in the last year.

c. Capital surplus

	December 31	
	2019	**2018**
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital*		
Issuance of ordinary shares	$ 663,633	$ 663,633
May be used to offset a deficit only		
Issuance of ordinary shares - employee share options	32,124	32,124
Expired employee share options	6,682	6,682
Share of changes in capital surplus of associates or joint ventures	16,813	16,813
Conversion of bank debentures components	7,729	7,729
	$ 726,981	$ 726,981

* Such capital surplus may be used to offset a deficit; in addition, when the Bank has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Bank's capital surplus and to once a year).

d. Appropriation of earnings and dividend policy

Under the Bank' s dividends policy as set forth in the Articles, where the Bank made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve of 30% of the remaining profit, setting aside or reversing a 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 a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to employees' compensation and remuneration of directors and supervisors in Note 29.

The appropriation of earnings mentioned above shall be retained by the board of directors in accordance with the changing operating environment, operating and investment needs. When dividends are declared, cash dividends must be at least 10% of total dividends declared.

An appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Bank's paid-in capital. The legal reserve may be used to offset deficits. 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.

In addition, the Banking Law limits the appropriation of cash dividends to 15% of the Bank's paid-in capital. But when the legal reserve equals the Bank's paid-in capital, this 15% limit may be waived. If the ratio of own capital to risky assets does not meet the standards set by the business authority, the appropriation of earnings in cash or other properties should be subject to the restrictions or prohibitions of the relevant provisions of the business authority.

Under related regulations, a special reserve is appropriated from the balance of the retained earnings at an amount from the net income and unappropriated earnings that is equal to the debit balance of accounts in the shareholders' equity section. Afterward, if there is any reversal of the decrease in shareholders' equity, the Bank is allowed to appropriating retained earnings from the reversal amount.

According to Order No. 1010012865 issued by the FSC, Order No. 1010047490 issued by the FSC and International Financial Reporting Standards and "Q&A on the application of the reference to the special reserve following adoption of IFRSs", retained earnings should be appropriated to or reversed from a special reserve by the Bank. Afterward, if there is any reversal of the decrease in other shareholders' equity, the Bank is allowed to appropriating retained earnings from the reversal amount. According to Order No. 10510001510 issued by the FSC, a special reserve should be appropriated between 0.5% and 1% of net income after tax when banks appropriate earnings of 2016 through 2018. After that, under No. 10802714560 issued by the FSC, the Public Bank no longer to use special reserve to protect the right of bank employee in response to the developments of financial technology since 2019. From the fiscal year of 2019, the Bank can reverse the amount of expenditure of employees' transfer arising from financial technology development within the amount of the abovementioned special reserve through 2016 to 2018.

The appropriations of earnings for 2018 and 2017 were approved in the shareholders' meetings on June 28, 2019 and June 5, 2018, respectively, as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	2018	**2017**	**2018**	**2017**
Legal reserve	$ 1,202,511	$ 1,089,196	$ -	$ -
Special reserve	40,084	36,326	-	-
Cash dividends	987,142	1,481,931	0.28	0.45
Share dividends	1,833,265	823,295	0.52	0.25

The appropriations of earnings for 2019 had been proposed by the Bank's board of directors on February 25, 2020 were as follows:

	Appropriation of Earnings	**Dividends Per Share (NT$)**
Legal reserve	$ 1,281,622	$ -
Special reserve	-	-
Cash dividends	1,038,474	0.28
Share dividends	1,928,594	0.52

The appropriations of earnings for 2019 are subject to the resolution of the shareholders' meeting to be held on June11, 2020.

e. Other equity items

	Exchange Differences on Translating the Financial Statements of Foreign Operations	**Unrealized Gain on Available-for-sale Financial Assets**	**Unrealized Gain on Financial Assets at FVTOCI**	**Total**
Balance at January 1, 2019	$ (38,327)	$ -	$ 690,897	$ 652,570
Recognized for the year				
Unrealized gains				
Equity instruments	-	-	243,824	243,824
Debt instruments	-	-	50,230	50,230
Net remeasurement of loss allowance - debt instruments	-	-	(113)	(113)

(Continued)

	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain on Available-for-sale Financial Assets	Unrealized Gain on Financial Assets at FVTOCI	Total
Share from subsidiaries and associates accounted for using the equity method	$ (29,282)	$ -	$ 55,626	$ 26,344
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	-	-	(70,079)	(70,079)
Cumulative translation adjustment				
Exchange differences for current period	(28,707)	-	-	(28,707)
Income tax related to other comprehensive income	-	-	(20,877)	(20,877)
Balance at December 31, 2019	$ (96,316)	$ -	$ 949,508	$ 853,192
Balance at January 1, 2018 per IAS 39	$ (38,507)	$ 223,484	$ -	$ 184,977
Adjustment on initial application of IFRS 9	-	(223,484)	623,457	399,973
Balance at January 1, 2018 per IFRS 9	(38,507)	-	623,457	584,950
Effect of change in tax rate	-	-	(3,836)	(3,836)
Recognized for the year				
Unrealized gains (losses)				
Equity instruments	-	-	50,761	50,761
Debt instruments	-	-	(10,128)	(10,128)
Net remeasurement of loss allowance - debt instruments	-	-	(3,820)	(3,820)
Share from subsidiaries and associates accounted for using the equity method	(13,638)	-	36,107	22,469
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	-	-	5,350	5,350
Cumulative translation adjustment				
Exchange differences for current period	13,818	-	-	13,818
Income tax related to other comprehensive income	-	-	(6,994)	(6,994)
Balance at December 31, 2018	$ (38,327)	$ -	$ 690,897	$ 652,570

(Concluded)

29. NET PROFIT FROM CONTINUING OPERATIONS

Net profit from continuing operations was attributable to:

a. Net interest

	For the Year Ended December 31	
	2019	2018
Interest revenue		
Notes discounted and loans	$ 10,997,189	$ 10,725,813
Due from banks and call loans to the other banks	132,515	131,709
Investment in securities	1,589,724	1,517,886
Revolving interests of credit cards	41,679	41,377
Accounts receivable factoring without recourse	6,536	5,670
Securities purchased under resell agreements	58,767	29,921
Others	933	775
	12,827,343	12,453,151
Interest expense		
Deposits	(3,953,514)	(3,629,376)
Due to the central bank and other banks	(4,908)	(5,552)
Funds borrowed from the central bank and other banks	(54,937)	(92,509)
Securities sold under repurchase agreements	(240,500)	(150,165)
Financial debentures	(643,380)	(581,800)
Structured instruments	(98)	(2,601)
Lease liabilities	(28,392)	-
Others	(54)	(12)
	(4,925,783)	(4,462,015)
	$ 7,901,560	$ 7,991,136

b. Service fee income, net

	For the Year Ended December 31	
	2019	2018
Service fee income		
Loans	$ 466,542	$ 461,478
Trust business	901,283	809,086
Guarantee	152,298	159,332
Others	544,225	505,561
	2,064,348	1,935,457
Service fee expense		
Cross-bank transactions	(35,904)	(35,082)
Others	(102,770)	(107,421)
	(138,674)	(142,503)
	$ 1,925,674	$ 1,792,954

The Bank provides custody, trust, investment management and consultancy services to third parties, so the Bank's activities involve the planning, management and trading decisions of financial instruments. For the trust funds or investment portfolios that are managed and used on behalf of the trustee, the independent accounting reports and preparation of financial statements for internal management purposes are not included in the Bank's financial statements.

c. Gain on financial assets and liabilities at fair value through profit or loss

	For the Year Ended December 31	
	2019	2018
Realized profit and loss		
Commercial papers	$ 132,342	$ 146,516
Shares	290,686	(24,126)
Beneficiary certificates	(5,220)	(77,102)
Derivative financial instruments	9,206	18,344
	427,014	63,632
Valuation		
Commercial papers	(1,507)	3,046
Shares	(153,131)	100,112
Beneficiary certificates	30,547	(12,799)
Derivative financial instruments	58,703	(22,096)
PEM Group policy assets	51,349	14,456
	(14,039)	82,719
	$ 412,975	$ 146,351

1) Realized profit and loss of gain on financial assets and liabilities at fair value through profit or loss include disposal profit (loss) in 2019 and 2018 amounted to $264,212 thousand and $(134,284) thousand, dividend revenue amounted to $12,411 thousand and $32,232 thousand and interest revenue amounted to $150,391 thousand and $165,684 thousand, respectively.

2) Net income from exchange rate commodities includes realized and unrealized gains and losses on exchange forward contracts, cross-currency options and cross-currency swap. The translation gains or losses included net income from exchange rate commodities when significant assets and liabilities denominated in foreign currencies classified as at FVTPL, which are not designated for hedging relationship.

d. Realized gains on financial assets at fair value through other comprehensive income

	For the Year Ended December 31	
	2019	2018
Dividend income	$ 28,735	$ 27,230
Gain on disposal of bonds	7,606	26,787
	$ 36,341	$ 54,017

e. Reversal of (impairment losses) on financial assets

	For the Year Ended December 31	
	2019	2018
Investments in debt instruments at FVTOCI	$ 113	$ 3,820
Financial assets at amortized cost	6,338	(21,308)
	$ 6,451	$ (17,488)

f. Other non-interest gains (losses), net

	For the Year Ended December 31	
	2019	2018
Reversal of other provisions	$ 12,000	$ 2,437
Others	2,525	17,668
	$ 14,525	$ 20,105

g. Bad-debt expenses and provision for losses on commitment and guarantees

	For the Year Ended December 31	
	2019	2018
Reversal of bad-debt for receivables	$ (16,486)	$ (28,953)
Bad-debt for notes discounted and loans	509,127	487,296
Reversal of provision for losses on guarantees	(15,226)	(54,000)
Loan commitment	26	6,604
	$ 477,441	$ 410,947

h. Employee benefits expenses

	For the Year Ended December 31	
	2019	2018
Salaries	$ 2,800,248	$ 2,772,154
Labor and health insurance	185,725	171,580
Pension expense	108,345	106,783
Remuneration of directors and supervisors	104,811	107,829
Other employee expenses	206,924	185,533
	$ 3,406,053	$ 3,343,879

i. Employees' compensation and remuneration of directors and supervisors

According to the Articles of Incorporation of the Bank, the Bank accrued employees' compensation and remuneration of directors and supervisors at rates of 0.5%-3% and no higher than 1.5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. The employees' compensation and the remuneration of directors and supervisors for the years ended December 31, 2019 and 2018 which were approved by the Bank's board of directors on February 25, 2020 and March 14, 2019, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2019	**2018**
Employees' compensation	0.75%	0.70%
Remuneration of directors and supervisors	1.50%	1.50%

Amount

	For the Year Ended December 31	
	2019	**2018**
Employees' compensation	$ 38,880	$ 33,198
Remuneration of directors and supervisors	$ 77,759	$ 71,138

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

There was no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the financial statements for the years ended December 31, 2018 and 2017.

Information on the employees' compensation and remuneration of directors and supervisions resolved by the Bank's board of directors in 2020 and 2019 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

j. Depreciation and amortization expenses

	For the Year Ended December 31	
	2019	**2018**
Properties and equipment	$ 189,035	$ 189,643
Investment properties	89	90
Right-of-use assets	127,282	-
Intangible assets	47,034	46,191
	$ 363,440	$ 235,924

k. Other selling and administrative expenses

	For the Year Ended December 31	
	2019	2018
Taxes	$ 673,558	$ 671,174
Professional service	170,534	195,266
Advertisement	86,915	72,505
Insurance	172,403	182,143
Rental	6,706	139,260
Entertainment	77,224	125,925
Donation	121,368	81,532
Postage	59,592	64,211
Others	428,786	514,085
	$ 1,797,086	$ 2,046,101

30. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

Major components of income tax expense were as follows:

	For the Year Ended December 31	
	2019	2018
Current tax		
In respect of the current period	$ 742,944	$ 676,838
Income tax on unappropriated earnings	1,507	19,879
Adjustments for prior periods	862	532
Deferred tax		
In respect of the current period	2,108	22,272
Adjustments to deferred tax attributable to changes in tax rates and laws	-	(89,718)
Income tax expense recognized in profit or loss	$ 747,421	$ 629,803

A reconciliation of accounting profit and income tax expense was as follows:

	For the Year Ended December 31	
	2019	2018
Profit before tax from continuing operations	$ 5,067,304	$ 4,638,172
Income tax expense calculated at the statutory rate	$ 1,013,461	$ 927,634
Non-deductible expenses in determining taxable income	1,247	7,597
Tax-exempt income	(269,656)	(227,945)
Unrecognized temporary differences	-	(8,176)
Income tax on unappropriated earnings	1,507	19,879
Effect of tax rate changes	-	(89,718)
Adjustments for prior years' tax	862	532
Income tax expense recognized in profit or loss	$ 747,421	$ 629,803

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. The effect of the change in tax rate on deferred tax income to be recognized in profit or loss in full is recognized in the period in which the change in tax rate occurs. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings was reduced from 10% to 5%.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2019	2018
Deferred tax		
In respect of the current period		
Fair value changes of financial assets at FVTOCI	$ (20,877)	$ (6,994)
Remeasurement of defined benefit plans	29,531	13,910
Effect of change in tax rate	-	22,509
Total income tax benefit recognized in other comprehensive income	$ 8,654	$ 29,425

c. Current tax liabilities

	December 31	
	2019	2018
Current tax liabilities		
Income tax payable	$ 276,191	$ 296,788

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Property, plant and equipment	$ 3,644	$ -	$ -	$ 3,644
Unrealized losses on structure notes payment	223,761	(10,270)	-	213,491
Defined benefit obligations	228,845	(31,622)	29,531	226,754
Allowance for doubtful accounts	286,247	33,806	-	320,053
Others	(9,671)	5,978	(20,877)	(24,570)
	$ 732,826	$ (2,108)	$ 8,654	$ 739,372
Deferred tax liabilities				
Temporary differences				
Provision for land value increment tax	$ 111,021	$ -	$ -	$ 111,021

For the year ended December 31, 2018

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
Property, plant and equipment	$ 3,097	$ 547	$ -	$ 3,644
Unrealized losses on structure notes payment	192,655	31,106	-	223,761
Defined benefit obligations	190,407	(1,817)	40,255	228,845
Allowance for doubtful accounts	262,087	24,160	-	286,247
Others	(12,291)	13,450	(10,830)	(9,671)
	$ 635,955	$ 67,446	$ 29,425	$ 732,826
Deferred tax liabilities				
Temporary differences				
Provision for land value increment tax	$ 111,021	$ -	$ -	$ 111,021

e. Income tax assessments

The income tax returns of the Bank through 2017 have been assessed by the tax authority.

31. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31 2019	2018
Basic earnings per share	$ 1.16	$ 1.12
Diluted earnings per share	$ 1.16	$ 1.12

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares. The basic and diluted earnings per share adjusted retrospectively for the year ended December 31, 2018 are as follows:

Unit: NT$ Per Share

	Before Retrospective Adjustment	After Retrospective Adjustment
Basic earnings per share	$ 1.18	$ 1.12
Diluted earnings per share	$ 1.18	$ 1.12

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share were as follows:

Net profit for the year

	For the Year Ended December 31	
	2019	2018
Earnings used in the computation of basic earnings per share	$ 4,319,883	$ 4,008,369
Earnings used in the computation of diluted earnings per share	$ 4,319,883	$ 4,008,369

The weighted average number of ordinary shares outstanding (in thousands of shares) was as follows:

	For the Year Ended December 31	
	2019	2018
Weighted average number of ordinary shares used in the computation of basic earnings per share	3,708,835	3,564,869
Effect of potentially dilutive ordinary shares		
Employees' compensation or bonuses issued to employees	3,852	3,961
Weighted average number of ordinary shares used in the computation of diluted earnings per share	3,712,687	3,568,830

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

32. RELATED-PARTY TRANSACTIONS

Related Party	Relationship with the Bank
China Man-Made Fiber Corporation	Parent company of the Bank
Kuei-Fong Wang (Legal representative of Hsu Tian Investment Co., Ltd.) (Note 1)	Key management personnel
Hsu Tian Investment Co., Ltd., Pan Asia Chemical Co., Ltd. and Ho Yang Management Consultant Co., Ltd.	Legal entity as director of the Bank
Jin-Yi Lee, Hsin-Chang Tsai, Li-Woon Lim	Independent directors of the Bank
Ming-Shan Chuang, Hsin-Ching Chang, Kuei-Fong Wang, Wei-Liang Lin, Chien-Hui Huang, Ming-Hsiung Huang, Te-Wei Chia, Lai-Hsing Tsai, Siou-Huei Ye (Note 2)	Representative of the Bank's legal entity as director
25 persons including the Chairman's spouse	The Chairman and general manager's spouse and second-degree relatives, etc.
52 persons including the director of the Board's spouse	Director of the board's spouse and children of the Bank
7 persons including Yi-Yuan Tung	Key management personnel
22 persons including associate general manager's spouse	Associate general manager's spouse and children of the Bank
111 persons including Chien-Hung Lin	Manager of the Bank

(Continued)

Related Party	Relationship with the Bank
11 persons including Kuei - Hsien Wang	Representative and general manager of the parent company of the Bank's spouse and children
Reliance Securities Investment Trust Co., Ltd.	Associates accounted for using the equity method
Taichung Bank Insurance Brokers Co., Ltd.	Subsidiary
Taichung Bank Leasing Co., Ltd.	Subsidiary
Taichung Bank Securities Co., Ltd.	Subsidiary
TCCBL Co., Ltd.	Sub-subsidiary
Taichung Bank Financial Leasing (Suzhou) Co., Ltd.	Sub-subsidiary
China Fiber Investment Co., Ltd.	Related parties in substance
Pan Asia Investment Co., Ltd.	Related parties in substance
Taichung Commercial Bank Cultural and Educational Foundation, Taichung Commercial Bank Workers' Welfare Commission	Related parties in substance
Deh Hsing Investment Co., Ltd.	Related parties in substance
Iolite Company Limited	Related parties in substance
Hammock (Hong Kong) Company Limited	Related parties in substance
Hebei Hanoshi Contact Lens Co., Ltd.	Related parties in substance
Chou Chin Industrial Co., Ltd.	Related parties in substance
Chou Chang Co., Ltd.	Related parties in substance
Pan Feng Enterprise Co., Ltd.	Related parties in substance
Greenworld Food Co., Ltd.	Related parties in substance
Nan Chung Petrochemical Corporation	Related parties in substance
Je Mi Fang Corporation	Related parties in substance
Rai Chia Investment Co., Ltd.	Related parties in substance
Xiang Fong Development Co., Ltd.	Related parties in substance
Reliance Securities Co., Ltd.	Related parties in substance
Sheen Ren Knitting Factory Co., Ltd.	Related parties in substance
Ta Fa Investment Co., Ltd.	Related parties in substance
Tai Yi Investment Co., Ltd.	Related parties in substance
Formosa Imperial Wineseller Corp.	Related parties in substance
Tou Ming Industry Limited Company	Related parties in substance
Jin Bang Ge Industrial Company Limited.	Related parties in substance
Ta Yi Development Co., Ltd.	Related parties in substance
Yu Hui Limited	Related parties in substance
Formosawine Vintners Corporation	Related parties in substance
Bomi International Co., Ltd.	Related parties in substance
Shanghai Bomi Food Co., Ltd.	Related parties in substance
Noble House Global Limited	Related parties in substance
Noble House Glory Corporation	Related parties in substance
Wang Wanjin Culture and Education Foundation	Related parties in substance
Chaoqing Investment Co., Ltd.	Related parties in substance
Sheng Yuan Ze Investment Limited Company	Related parties in substance
Pan Hsu Investment Co., Ltd.	Related parties in substance
Precious Wealth International Limited	Related parties in substance
STORM MODEL MANAGEMENT CO., LTD.	Related parties in substance
BONWELL PRAISE Co., LTD	Related parties in substance
Chen Teng Public Relations (Shanghai) Company	Related parties in substance
Shanghai Bomi Consulting management Limited Company	Related parties in substance

(Concluded)

Note 1: Chairman of board of directors of Taichung Bank, Jin-Yuan Lai, resigned on June 26, 2018. After June 27, 2018, the board of directors elected Ming-Hsiung Huang as the new chairman. Later, Chairman Ming-Hsiung Huang resigned due to physical condition on July 12, 2018. The standing board of directors appointed Kuei-Fong Wang as the new chairman on the same day.

Note 2: Ching-Tai Huang, the legal representative of the legal director of Hsu Tian Investment Co., Ltd., resigned on April 20, 2018. The legal director of Hsu Tian Investment Co., Ltd. reassigned his representative to Lai-Hsing Tsai on April 27, 2018; the legal director of Hsu Tian Investment Chin-Yuan Lai, who was the legal representative of the company limited by shares, resigned on June 26, 2018. The legal director of Hsu Tian Investment Co., Ltd. reassigned his representative to Siou-Huei Ye on May 28, 2019.

Significant transactions between the Bank and related parties:

a. Receivables

	For the Year Ended December 31	
	2019	**2018**
Taichung Bank Insurance Brokers Co., Ltd.	$ 20,837	$ 16,663

As of December 31, 2019 and 2018, the receivables from Taichung Bank Insurance Brokers Co., Ltd. were receivables on service fee income.

b. Loans

For the year ended December 31, 2019

	Numbers/ Name	Highest Balance	Balance, End of the Year	Compliance: Performing Loans	Compliance: Overdue Loans	Interest Revenue	Collaterals	The Difference Between Related and Non-related Party
Employees consumption loans	11	$ 4,772	$ 3,223	$ 3,223	$ -	$ 67	Credit loans	None
Loans on mortgage	37	187,417	115,535	115,535	-	1,585	Real estate	〃
Other loans	Lee OO	2,685	2,552	2,552	-	41	〃	〃
	Chen OO	4,000	-	-	-	17	〃	〃
	Liu OO	2,044	1,911	1,911	-	29	〃	〃
	Yang OO	846	-	-	-	4	〃	〃
	Zhong OO	12,230	-	-	-	154	〃	〃
	Fang OO	4,432	1,916	1,916	-	34	〃	〃
	Lin OO	38,000	18,800	18,800	-	354	〃	〃
	Liang OO	1,002	886	886	-	14	〃	〃
	Ye OO	33,000	11,000	11,000	-	166	〃	〃
	Huang OO	1,701	1,570	1,570	-	27	〃	〃
	Chiu OO	3,534	3,238	3,238	-	49	〃	〃
	Tsai OO	1,529	-	-	-	29	〃	〃
	Chen OO	1,600	-	-	-	5	〃	〃

For the year ended December 31, 2018

	Numbers/ Name	Highest Balance	Balance, End of the Year	Compliance Performing Loans	Compliance Overdue Loans	Interest Revenue	Collaterals	The Difference Between Related and Non-related Party
Employees consumption loans	9	$ 4,317	$ 2,911	$ 2,911	$ -	$ 44	Credit loans	None
Loans on mortgage	27	109,451	83,660	83,660	-	1,032	Real estate	〃
Other loans	Lee OO	2,817	2,685	2,685	-	43	〃	〃
	Ni OO	1,500	-	-	-	8	〃	〃
	Zhu OO	4,500	-	-	-	31	〃	〃
	You OO	4,300	-	-	-	15	〃	〃
	Chen OO	7,000	4,000	4,000	-	54	〃	〃
	Liu OO	2,176	2,044	2,044	-	31	〃	〃
	Yang OO	1,298	846	846	-	16	〃	〃
	Zhong OO	14,387	12,230	12,230	-	206	〃	〃
	Lin OO	38,000	19,000	19,000	-	337	〃	〃
	Liang OO	3,053	1,002	1,002	-	23	〃	〃
	Chen OO	4,000	-	-	-	54	〃	〃
	Huang OO	1,830	1,701	1,701	-	30	〃	〃
	Zhuang OO	1,487	-	-	-	24	〃	〃
	Zhuang OO	1,769	1,620	1,620	-	22	〃	〃
	Chiu OO	3,826	3,534	3,534	-	53	〃	〃
	Tsai OO	3,642	1,529	1,529	-	43	〃	〃
	Huang OO	2,500	-	-	-	26	〃	〃
	Lee OO	3,600	-	-	-	17	〃	〃
	Lin OO	1,500	-	-	-	2	〃	〃

According to Articles 32 and 33 of the Banking Law, credit loans cannot be made to related parties except loans to government and consumers; secured loans to related parties shall be provided with adequate collateral, and the terms of credits to related parties should be similar to those for third parties.

c. Deposits

	For the Year Ended December 31, 2019		
	Ending Balance	Interest Ratio	Interest Expense
Taichung Bank Insurance Brokers Co., Ltd.	$ 1,452,291	0.01-1.07	$ 2,401
Reliance Securities Investment Trust Co., Ltd.	176,452	0.00-1.05	1,280
Taichung Commercial Bank Workers' Welfare Commission	139,771	0.01-5.09	7,258
Taichung Bank Leasing Co., Ltd.	68,474	0.00-0.48	112
China Man-Made Fiber Corporation	67,328	0.01-0.48	45
Reliance Securities Co., Ltd.	13,652	0.08-0.80	104
Taichung Commercial Bank Cultural and Educational Foundation	8,223	0.01-1.09	88
Formosa Imperial Wineseller Corp.	206	0.08	1
Greenworld Food Co., Ltd.	3,897	0.08	1
Pan Asia Chemical Corporation	38,487	0.01-0.08	14
Chou Chin Industrial Co., Ltd.	5,639	0.01-0.08	2
Chou Chang Co., Ltd.	4,728	0.01	-
Taichung Bank Securities Co., Ltd.	22,915	0.01-0.33	31
Pan Hsu Investment Co., Ltd.	3	0.01	-
TCCBL Co., Ltd.	846	0.33-0.48	4

(Continued)

	For the Year Ended December 31, 2019		
	Ending Balance	Interest Ratio	Interest Expense
Je Mi Fang Corporation	$ 14,799	0.08	$ 12
Yu Hui Limited	4	0.01	-
Hsu Tian Investment Co., Ltd.	46,712	0.01-0.48	13
Pan Feng Enterprise Co., Ltd.	248	0.08	-
Deh Hsing Investment Co., Ltd.	6,830	0.08	1
Pan Asia Investment Co., Ltd.	6	0.01	-
Others	321,852	0.00-5.09	4,180
	$ 2,393,363		$ 15,547

(Concluded)

	For the Year Ended December 31, 2018		
	Ending Balance	Interest Ratio	Interest Expense
Taichung Bank Insurance Brokers Co., Ltd.	$ 1,124,787	0.01-1.07	$ 2,174
Reliance Securities Investment Trust Co., Ltd.	166,258	0.00-1.05	1,128
Taichung Commercial Bank Workers' Welfare Commission	141,566	0.01-5.09	7,367
Taichung Bank Leasing Co., Ltd.	139,351	0.00-0.43	158
China Man-Made Fiber Corporation	47,135	0.01-0.43	71
Taichung Commercial Bank Cultural and Educational Foundation	8,232	0.01-1.09	88
Formosa Imperial Wineseller Corp.	2,393	0.08	-
Greenworld Food Co., Ltd.	474	0.08	1
Pan Asia Chemical Corporation	22,189	0.01-0.08	11
Chou Chin Industrial Co., Ltd.	20,778	0.01-0.08	2
Chou Chang Co., Ltd.	479	0.01	-
Taichung Bank Securities Co., Ltd.	10,231	0.01-0.23	32
TCCBL Co., Ltd.	863	0.33-0.43	3
Je Mi Fang Corporation	14,190	0.08	9
Yu Hui Limited	4	0.01	-
Hsu Tian Investment Co., Ltd.	11,888	0.01-0.43	86
Pan Feng Enterprise Co., Ltd.	291	0.08	-
Ho Yang Management Consultant Co., Ltd.	34,828	0.01	1
Others	242,116	0.00-5.09	3,847
	$ 1,988,053		$ 14,978

The transaction terms with related parties do not significantly differ from those with ordinary customers except for the 5.09% interest rate on the Bank's employee deposits for both years of 2019 and 2018.

d. Financial debenture

The Bank issued second no due date non-cumulative subordinated financial debenture on 2013, first no due date non-cumulative subordinated financial debenture on 2015, first no due date non-cumulative subordinated financial debenture on 2016, first no due date non-cumulative subordinated financial debenture, second no due date non-cumulative subordinated financial debenture, third no due date non-cumulative subordinated financial debenture, fourth no due date non-cumulative subordinated financial debenture and fifth no due date non-cumulative subordinated financial debenture on 2017, first no due date non-cumulative subordinated financial debenture and second no due date non-cumulative subordinated financial debenture on 2018, respectively, and entrusted KGI Securities Co., Ltd. as a financial advisor for the issuance and collection of bonds.

As of December 31, 2019, the related parties subscribed for the financial debenture issued by the Bank through underwriting brokers were as follows:

Counterparty	Subscription	Period
Hsu Tian Investment Co., Ltd.	$ 4,000,000	First no due date non-cumulative subordinated financial debenture on 2015, first no due date non-cumulative subordinated financial debenture on 2016, first no due date non-cumulative subordinated financial debenture and fifth no due date non-cumulative subordinated financial debenture on 2017, first no due date non-cumulative subordinated financial debenture, second no due date non-cumulative subordinated financial debenture on 2018
Others	3,751,000	Second no due date non-cumulative subordinated financial debenture on 2013, first no due date non-cumulative subordinated financial debenture on 2015, first no due date non-cumulative subordinated financial debenture on 2016, first no due date non-cumulative subordinated financial debenture, second no due date non-cumulative subordinated financial debenture, third no due date non-cumulative subordinated financial debenture, fourth no due date non-cumulative subordinated financial debenture, fifth no due date non-cumulative subordinated financial debenture on 2017, first no due date non-cumulative subordinated financial debenture and second no due date non-cumulative subordinated financial debenture on 2018

The interest payables on the financial debentures of the above-mentioned related parties were $50,136 thousand and $50,137 thousand on December 31, 2019 and 2018, respectively. The interest expenses were $320,872 thousand and $261,838 thousand in 2019 and 2018, respectively.

e. Guarantee deposit received

	For the Year Ended December 31	
	2019	2018
Taichung Bank Insurance Brokers Co., Ltd.	$ 200	$ 200
Taichung Bank Leasing Co., Ltd.	230	230
Taichung Bank Securities Co., Ltd.	435	435
	$ 865	$ 865

f. Leases arrangement

Bank is lessor under operating leases

The Bank leases out its buildings to its subsidiaries, Taichung Bank Securities Co., Ltd., Taichung Bank Insurance Brokers Co., Ltd. and Taichung Bank Leasing Co., Ltd. under operating leases with lease terms of 5 years, and the lease terms with its related parties are similar to those of the non-related parties. As of December 31, 2019 and 2018, the gross lease payments to be received were $13,196 thousand and $18,386 thousand, respectively. Lease income recognized for the years ended December 31, 2019 and 2018 were $5,244 thousand and $4,694 thousand, respectively.

g. Service fee income, net

	For the Year Ended December 31	
	2019	**2018**
Service fee income		
Taichung Bank Insurance Brokers Co., Ltd.	$ 250,000	$ 200,000
Reliance Securities Investment Trust Co., Ltd.	889	1,236
	250,889	201,236
Service fee expense		
Taichung Bank Securities Co., Ltd.	(2,068)	(5,416)
	$ 248,821	$ 195,820

The above amounts are for the promotion and channel revenue, etc. Taichung Bank Insurance Brokers Co., Ltd. pays the toll fee on a monthly basis; the service fee expense from Taichung Bank Securities Co., Ltd. is brokerage fee. The price of transactions with its related parties is similar to those of the non-related parties.

h. Other non-interest gains, net

	For the Year Ended December 31	
	2019	**2018**
Taichung Bank Securities Co., Ltd.	$ 678	$ 958

The above amount is other non-interest gains. The price of transactions with its related parties is similar to those of the non-related parties.

i. Other expenses

	For the Year Ended December 31	
	2019	**2018**
Taichung Bank Securities Co., Ltd.	$ 26,689	$ 24,084
Greenworld Food Co., Ltd.	1,092	1,010
Je Mi Fang Corporation	372	4,313
Pan Feng Enterprise Co., Ltd.	399	640
	$ 28,552	$ 30,047

The above amounts are other business expenses. The price of transactions with its related parties is similar to those of the non-related parties.

j. Compensation of directors, supervisors and key management personnel

Compensation of directors, supervisors and key management personnel in 2019 and 2018 were as follows:

	December 31	
	2019	2018
Short-term benefits	$ 152,340	$ 156,103
Post-employment benefits	657	1,045
Other long-term employee benefits	13	25
	$ 153,010	$ 157,173

33. PLEDGED ASSETS

	December 31	
	2019	2018
Investments in debt instrument at amortized cost - government bonds	$ 844,900	$ 845,000

Government bonds were pledged to district courts for litigation, the collateral for the overdraft of the clearing account and the compensation reserve for the securities firm and the trust business. The details were as follows:

	December 31	
	2019	2018
Guarantee to district courts for litigation	$ 284,900	$ 285,000
Reserve of trust compensation	60,000	60,000
Collateral for overdraft of clearing account	500,000	500,000
	$ 844,900	$ 845,000

34. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in Notes 8, 11 and 22, significant commitments and contingencies of the Bank as of December 31, 2019 and 2018 were as follows:

a. Significant commitments

	December 31	
	2019	2018
Loan commitments (excluding credit card)	$ 139,176,198	$ 152,638,816
Loan commitments - credit card	11,743,903	10,507,270
Guarantee receivable	16,485,312	18,335,961
Trust liability	67,330,687	65,770,665
Letters of credit	3,318,935	4,140,679

b. According to Article 17 of the Implementation Rules of Trust Law, the Bank should disclose its balance sheet of trust account and its asset items, which were as follows:

Trust Account Balance Sheet
December 31, 2019

Trust Asset	Amount	Trust Liability	Amount
Cash in banks	$ 3,588,759	Securities under custody payable	$ 5,884,557
Short-term investments	54,341,837	Trust capital	61,446,130
Structured finance instruments	2,041,602	Net income	2,047,880
Real estate		Deferred carry-over amounts	(2,047,880)
Land	1,350,853		
Buildings	123,079		
Securities under custody	5,884,557		
Trust asset	$ 67,330,687	Trust liability	$ 67,330,687

Trust Account Asset Items
December 31, 2019

Item	Amount
Cash in banks	$ 3,588,759
Short-term investments	54,341,837
Structured finance instruments	2,041,602
Real estate	
Land	1,350,853
Buildings	123,079
Securities under custody	5,884,557
	$ 67,330,687

Trust Account Income Statement
Year Ended December 31, 2019

	Amount
Trust income	
Interest revenue	$ 2,921,019
Dividend income	27,138
Trust expense	
Management fee	(900,164)
Tax	(113)
Income before income tax	2,047,880
Income tax expense	-
Net income	$ 2,047,880

Trust Account Balance Sheet
December 31, 2018

Trust Asset	Amount	Trust Liability	Amount
Cash in banks	$ 1,945,793	Securities under custody payable	$ 7,021,865
Short-term investments	52,565,072	Trust capital	58,748,800
Structured finance instruments	2,369,583	Net income	2,001,849
Real estate		Deferred carry-over amounts	(2,001,849)
Land	1,745,119		
Buildings	123,233		
Securities under custody	7,021,865		
Trust asset	$ 65,770,665	Trust liability	$ 65,770,665

Trust Account Asset Items
December 31, 2018

Item	Amount
Cash in banks	$ 1,945,793
Short-term investments	52,565,072
Structured finance instruments	2,369,583
Real estate	
Land	1,745,119
Buildings	123,233
Securities under custody	7,021,865
	$ 65,770,665

Trust Account Income Statement
Year Ended December 31, 2018

	Amount
Trust income	
Interest revenue	$ 2,777,593
Dividend income	33,056
Trust expense	
Management fee	(808,648)
Tax	(152)
Income before income tax	2,001,849
Income tax expense	-
Net income	$ 2,001,849

c. Maturity analysis of capital expenditures

Capital expenditure commitments represent contractual commitments for the acquisition of capital expenditures on construction and equipment.

Considering the expansion of business scale and the increasing number of employees in the future, the Bank held a tender for the construction project of head office through an online open bidding process on February 11, 2019. Dacin Construction Co., Ltd. and Earthpower Co., Ltd. won the bidding, both parties entered into a joint venture agreement worth $11,160,000 thousand on March 29, 2019, and started construction on April 27, 2019. In addition, the Bank entered into a contract of planning, design and supervision worth $480,492 thousand with YSL architects & associates.

Maturity analysis of capital expenditures was summarized as follows:

December 31, 2019

	Not Later Than 1 Year	Later Than 1 Year and Not Later Than 5 Years	Later Than 5 Years	Total
Capital expenditure commitment	$ 823,970	$9,396,811	$ -	$10,220,781

December 31, 2018

	Not Later Than 1 Year	Later Than 1 Year and Not Later Than 5 Years	Later Than 5 Years	Total
Capital expenditure commitment	$ 117,104	$ 104,725	$ -	$ 221,829

35. FINANCIAL INSTRUMENTS

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

Except as detailed in the following table, the carrying amounts of financial instruments recognized in the financial statements approximate their fair values or that the fair values cannot be reasonably measured. Therefore, those were not disclosed in this note.

1) Fair value hierarchy

December 31, 2019

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets					
Investments in debt instrument at amortized cost	$ 108,969,273	$ 85,512,551	$ 24,092,164	$ -	$ 109,604,715
Financial liabilities					
Financial liabilities at amortized cost					
Bank debentures	14,000,000	-	14,014,140	-	14,014,140

December 31, 2018

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets					
Investments in debt instrument at amortized cost	$ 101,307,761	$ 80,185,438	$ 21,028,688	$ -	$ 101,214,126
Financial liabilities					
Financial liabilities at amortized cost					
Bank debentures	20,000,000	-	20,098,746	-	20,098,746

2) Valuation techniques and inputs applied for Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Non-derivatives	The market transaction price in the non-active market is taken as the fair value.

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

1) Fair value hierarchy

	December 31, 2019			
	Total	Level 1	Level 2	Level 3
Financial assets at FVTPL				
Derivative financial assets	$ 2,083,952	$ -	$ 2,083,952	$ -
Commercial papers	20,074,138	20,074,138	-	-
Domestic listed shares and emerging market shares	515,102	515,102	-	-
Beneficiary certificates	314,607	314,607	-	-
Others	1,029,839	-	1,029,839	-
	$ 24,017,638	$ 20,903,847	$ 3,113,791	$ -
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic unlisted shares	$ 664,957	$ -	$ -	$ 664,957
Foreign listed shares	282,672	282,672	-	-
Investments in debt instruments				
Domestic corporate bonds	21,503,613	21,503,613	-	-
Domestic government bonds	5,997,423	5,997,423	-	-
Foreign bonds	799,314	-	799,314	-
Bank debentures	1,699,994	1,699,994	-	-
	$ 30,947,973	$ 29,483,702	$ 799,314	$ 664,957
Financial liabilities at FVTPL				
Derivative financial liabilities	$ 225,402	$ -	$ 225,402	$ -

Reconciliation of Level 3 fair value measurements of financial instruments:

Item	Beginning Balance	Valuation Gains (Losses)	Increase		Decrease		Ending Balance
			Buy or Issue	Transfer in	Sell, Disposal	Transfer Out	
Financial assets at FVTOCI Unlisted shares	$ 510,523	$ 154,434	$ -	$ -	$ -	$ -	$ 664,957

	December 31, 2018			
	Total	Level 1	Level 2	Level 3
Financial assets at FVTPL				
Derivative financial assets	$ 2,068,732	$ -	$ 2,068,732	$ -
Commercial papers	22,044,240	22,044,240	-	-
Domestic listed shares and emerging market shares	852,977	852,977	-	-
Beneficiary certificates	172,843	172,843	-	-
Others	998,147	-	998,147	-
	$ 26,136,939	$ 23,070,060	$ 3,066,879	$ -

(Continued)

	December 31, 2018			
	Total	Level 1	Level 2	Level 3
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic unlisted shares	$ 510,523	$ -	$ -	$ 510,523
Foreign listed shares	194,778	194,778	-	-
Investments in debt instruments				
Domestic corporate bonds	20,730,435	20,730,435	-	-
Domestic government bonds	5,976,359	5,976,359	-	-
Foreign bonds	785,400	-	785,400	-
	$ 28,197,495	$ 26,901,572	$ 785,400	$ 510,523
Financial liabilities at FVTPL				
Derivative financial liabilities	$ 162,127	$ -	$ 162,127	$ -

(Concluded)

Reconciliation of Level 3 fair value measurements of financial instruments:

Item	Beginning Balance	Valuation Gains (Losses)	Increase		Decrease		Ending Balance
			Buy or Issue	Transfer in	Sell, Disposal	Transfer Out	
Financial assets at FVTOCI Unlisted shares	$ 493,910	$ 16,613	$ -	$ -	$ -	$ -	$ 510,523

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

2) Valuation techniques and inputs applied for Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Non-derivatives	The market transaction price in the non-active market is taken as the fair value.
Derivatives	
Option contracts	Valuation model: The execution price, maturity date, market volatility, interest rate and exchange rate set by the contract are used as evaluation parameters. The model with closed solution is then used for evaluation.
Cross-currency swap contracts	Discounted cash flow:
Foreign exchange forward contracts	Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Asset swap contract	Convertible corporate bond closing price on the day minus bond value. The pure bond value is discounted by the cash flow provided by the convertible corporate bonds in accordance with Taiwan Bills Index Rate (TAIBIR).
Structured finance instruments	
Interest structured instruments	The counterparty quotes.

3) The quantitative information on fair value of significant unobservable input (Level 3)

The quantitative information on unobservable inputs of the financial instruments classified in Level 3, and held by the Bank on December 31, 2019 and 2018, were as follows:

Items	Fair value on December 31,2019	Fair value on December 31,2018	Valuation Techniques	Significant Unobservable Input	Range (Weighted-average)	Relationship Between Inputs and Fair Value
Financial assets at fair value through other comprehensive income Domestic unlisted shares	$ 664,957	$ 510,523	Seller' quote (Monte Carlo Simulation Method)	Volatility rate	24.97%-36.00%	The lower the volatility rate, the higher the fair value

4) The assessment of fair value in Level 3

The Bank assessed fair value in accordance with evaluation report provided by independent company, and compiled the evaluation result into a quarterly report presented to the board of directors.

5) Sensitivity analysis of Level 3 fair value if reasonable possible alternative assumptions may be used.

The Bank uses the volatility rate of quantitative information on significant unobservable input of market multiple. The sensitivity analysis based on assets category is as follows:

Risk Factor	Number of Changes	Number of Influences
Liquidity discount ratio	10%	$ (16,279)

c. Categories of financial instruments

	December 31	
	2019	2018
Financial assets		
Financial assets at FVTPL	$ 24,017,638	$ 26,136,939
Financial assets at amortized cost (Note 1)	602,274,531	614,257,405
Financial assets at FVTOCI		
Equity instruments	947,629	705,301
Debt instruments	30,000,344	27,492,194
Financial liabilities		
Financial liabilities at FVTPL	225,402	162,127
Financial liabilities at amortized cost (Note 2)	620,787,396	634,106,717

Note 1: The balances include financial assets at amortized cost, which comprise cash and cash equivalents, due from the central bank and call loans to other banks, investment in debt instrument at amortized cost, securities purchased under resell agreements, receivables, notes discounted and loans, refundable deposits, and other delinquent receivables. Those reclassified to held-for-sale disposal groups are also included.

Note 2: The balances include financial liabilities at amortized cost, which comprise due to the central bank and other banks, securities sold under repurchase agreements, payables, deposits and remittances, bank debentures, other financial liabilities, and guarantee deposits received.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Overview

The financial risk management objectives of the Bank is to achieve the goal of balancing risk tolerance, business objectives and external legal restrictions. These risks include market risks (including interest rate, exchange rate, equity securities, product price and the product price risks) and liquidity risks of on-and-off balance sheet business.

The Bank has formulated a relevant risk management policy, which has been approved by the board of directors to effectively identify, measure, monitor and control credit risk, market risk and liquidity risk.

Risk Management Organizational Structure

The board of directors is the highest decision-making unit for the Bank’s corporate risk management and assumes the ultimate responsibility for risk management. The Bank has a risk management committee and a risk management department, which grants risk authority and confers responsibilities on the relevant departments to ensure the smooth operation of risk management. The responsibilities of the committee are as follows:

a. Consideration of the risk management programme.

b. Consideration and review of risk limits.

c. Consideration of the bill on institutionalization of risk management.

d. Report to the board of directors regularly.

Members of the risk management committee set up various risk management measurement indicators according to the nature of their business and the scope of their duties, and the risk management department should report to the risk management committee to provide a reference for senior decision-making.

1) Market risk

a) The source and definition of market risk

Market risks refer to the loss due to the changes in market price, such as the changes of the market interest rate, the exchange rate, the share price and the product price.

b) Market risk management policy

The objective of the Group market risk management is to develop a sound and effective market risk management mechanism that is consistent with the size, nature and complexity of the Bank’s business to ensure that the risks borne by the Bank can be properly managed and market risks are effectively identified, measured, monitored and controlled, and strike a balance between the level of risk tolerance and the expected level of compensation.

c) Market risk management process

i. Identification and measurement

The relevant market risks should be assessed through appropriate procedures to consider whether the risk is within an acceptable risk range before new products, business activities, processes and systems are rolled out or operated. The relevant units should use the methods of business analysis or product analysis to identify the sources of market risks, define the market risk factors of each financial commodity and make appropriate specifications.

Market risk measurement can use a variety of effective measures to properly measure risk, including but not limited to the following methods: Statistical basis measures, sensitivity analysis and situational analysis. The risk management department should measure the risk of the site on a daily basis and conduct regular stress tests to measure the amount of abnormal losses that may occur in the current extremes or historical extremes.

ii. Monitoring and reporting

The risk management department should report to the risk management committee and the board of directors regularly on the implementation of the Bank's market risk management, including the Bank's market risk location, risk level, profit and loss status, quota usage and compliance with relevant market risk management regulations and suggestions. The authorities also set up relevant limit management, stop loss mechanism, overrun treatment and exception management methods to effectively monitor market risks. In the event of an overrun or exception, it should be notified immediately to facilitate the immediate response.

d) Interest rate risk

i. Definition of interest rate risk

Interest rate risk refers to the change in interest rate, which causes the Bank to bear the risk of changes in the fair value of the interest rate risk or the loss of the surplus. The main sources of risk include deposits and interest-related securities.

ii. Measurement methods and management procedures

The Bank monitors the interest rate risk system, sets the scope of the indicators to regularly monitor and report the results to the asset and liability management committee, the risk management committee and the board of directors, and adjusts according to the overall operating conditions of the Bank. In addition, the Bank measures the interest rate risk by DV01, assuming that the interest rate curve moves 100BP in parallel, the degree of impact on earnings and equity controls the interest rate risk.

e) Exchange rate risk

i. Definition of exchange rate risk

Exchange rate risk is the gain or loss resulting from the conversion of two different currencies at different times. The Bank's exchange rate risk is mainly due to the spot and forward foreign exchange of the business. Since the foreign exchange transactions are mostly based on the principle of flattening the customer's position for the day, the exchange rate risk is relatively small.

ii. Measurement methods and management procedures

The Bank adopts the quota management mechanism for the exchange rate risk system, sets the business quota and overnight limit for each currency, controls the maximum net foreign exchange position that can be held by all levels of personnel, and sets the maximum transaction amount according to the counterparty, and monitors it regularly. The results will be reported to the risk management committee and the board of directors for discussion.

In addition, the Bank assumes that the exchange rate of USD/NTD, CNY/NTD, and AUD/NTD is relatively revaluated/depreciated by 3%, and the degree of impact on earnings and equity controls the exchange rate risk.

f) Equity securities price risk

i. Definition of equity securities price risk

The market risk of the Bank's equity securities is the individual risk arising from changes in the market price of individual equity securities and the general market risk arising from changes in the overall market price. The main risks include listing counter shares and beneficiary certificates.

ii. Measurement methods and management procedures

The Bank adopts a quota management mechanism for the equity securities price risk, ensuring that all levels are traded within the authorized amount, and sets up relevant mechanisms for stop loss control, and regularly reports the monitoring results to the risk management committee and the board of directors for discussion.

In addition, the Bank assumes that when the price of equity securities rises/falls by 15%, the degree of impact on earnings and equity controls the risk of equity securities.

g) Market risk sensitivity analysis

Interest risk

The Bank assumed that when other change factors remain unchanged, if the yield curve increased/decreased by 100 basis points, the income before income tax of the Bank as of December 31, 2019 and 2018 would have increased/decreased by $751,798 thousand and $743,763 thousand, respectively. The other equity would have decreased/increased by $2,002,094 thousand and $2,246,616 thousand, respectively.

Exchange rate risk

The Bank assumed that when other change factors remain unchanged, if the exchange rate of USD/NTD, CNY/NTD, and AUD/NTD appreciated/depreciated by 3%, the income before income tax as of December 31, 2019 and 2018 would have increased/decreased $20,939 thousand and decreased/increased $35,790 thousand, respectively. The other equity would have increased/decreased by $26,883 thousand and $26,011 thousand, respectively.

Equity securities price risk

The Bank assumed that when other change factors remain unchanged, if the price of equity securities increased/decreased by 15%, the income before income tax as of December 31, 2019 and 2018 would have increased/decreased by $124,456 thousand and $153,873 thousand, respectively. The other equity would have increased/decreased by $42,401 thousand and $29,217 thousand, respectively.

The summary of sensitivity analysis was as follows:

December 31, 2019			
Main Risk	**Range of Change**	**Influence Amount**	
		Other Equity	**Income**
Interest risk	Interest rate curve rises 100BPS	$ (2,002,094)	$ 751,798
	Interest rate curve falls 100BPS	2,002,094	(751,798)
Exchange rate risk	USD/NTD, CNY/NTD, AUD/NTD increase by 3% respectively	26,883	20,939
	USD/NTD, CNY/NTD, AUD/NTD decrease by 3% respectively	(26,883)	(20,939)
Equity securities price risk	Equity securities prices rise by 15%	42,401	124,456
	Equity securities prices fall by 15%	(42,401)	(124,456)

December 31, 2018			
Main Risk	**Range of Change**	**Influence Amount**	
		Other Equity	**Income**
Interest risk	Interest rate curve rises 100BPS	$ (2,246,616)	$ 743,763
	Interest rate curve falls 100BPS	2,246,616	(743,763)
Exchange rate risk	USD/NTD, CNY/NTD, AUD/NTD increase by 3% respectively	26,011	(35,790)
	USD/NTD, CNY/NTD, AUD/NTD decrease by 3% respectively	(26,011)	35,790
Equity securities price risk	Equity securities prices rise by 15%	29,217	153,873
	Equity securities prices fall by 15%	(29,217)	(153,873)

2) Credit risk

a) The source and definition of credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Bank. Credit risk exists in both on and off balance sheet items. The on balance sheet exposures to credit risks are mainly from notes discounted and loans, the credit card business, due from other banks and call loans to other banks, acceptance, investment in debt instrument and derivatives. The off-balance sheet exposures to credit risks are mainly from financial guarantees, letter of credits and loan commitments.

b) Credit risk management policy

Before launching new products or businesses, the Bank ensures compliance with all applicable rules and regulations and identifies relevant credit risks. On December 31, 2019, the ratio of loans with collateral to the total amount of loans was approximately 79%. The ratio of financing guarantees to commercial letters of collateral holdings was approximately 39%, and the collateral required for loans, loan commitments or guarantees is usually in the forms of cash, inventories, liquid securities or other property in circulation. If the customers default, the Bank will execute its rights on collateral in accordance with the terms of contracts.

c) Credit risk management program

The measurement and management of credit risks from the Bank's main businesses were as follows:

i. Loans business (including loan commitment and guarantees)

i) Determination that credit risk has increased significantly since the initial recognition.

The Bank assesses the change in the probability of default of loans during the lifetime on each reporting date to determine if the credit risk has increased significantly since the initial recognition. In order to make this assessment, the Bank considerations show the reasonable and supportable information that the credit risk has increased significantly since the initial recognition (including forward-looking information). The main considerations include:

<u>Quantitative indicators</u>

- Changes in external credit ratings of Taiwan Corporate Credit Rating Index (TCRI)

  The TCRI rating of the listed cabinet company corresponding to the external rating has been reduced from the investment grade to the non-investment grade, that is, the credit risk has been significantly increased since the initial recognition.

- Information on overdue status

  When the contract amount is overdue for more than one month, it is determined that the credit risk of the financial asset has increased significantly since the initial recognition.

<u>Qualitative indicators</u>

- Unfavorable changes in the current or projected operating, financial or economic conditions that are expected to result in significant changes in the ability of the debtor to perform debt obligations.

- Significant changes in actual or expected results of the debtor's operations.

- The credit risk of other financial instruments from the same debtor has increased significantly.

ii) Definition of default and credit impairment financial assets

The definition of financial asset default is the same as that of financial asset credit impairment. If one or more of the following conditions are met, the Bank determines that the financial asset has defaulted and become credit impaired:

<u>Quantitative indicators</u>

- Changes in external TCRI credit ratings

  The TCRI rating of the listed cabinet company is default grade, which means that the credit has been deducted since the initial recognition.

- Information on overdue status

  When the contract amount is overdue for more than three months, it is determined that the credit of the financial asset has been impaired since the initial recognition.

<u>Qualitative indicators</u>

If there is evidence that the borrower will not be able to pay the contract, or that the borrower has significant financial difficulties, such as:

- The debtor has gone bankrupt or may have called for bankruptcy or financial restructuring.

- Other debt instrument contracts of the debtor have defaulted.

- Due to the economic or contractual reasons associated with the debtor’s financial difficulties, the debtor’s creditors give the borrower an unconfirmed concession and report the overdue loan.

The aforementioned default and credit impairment definitions are used to consolidate all financial assets held by the company and are consistent with the definitions used for the internal credit risk management purposes of the financial assets, and are also applied to the relevant impairment assessment model.

iii) Measurement of expected credit losses

In order to assess the expected credit losses, the combined company divides the credit assets into the following combinations according to the credit risk characteristics such as the use of borrowing, industrial nature, collateral type and borrowing status.

Product Portfolio	
Corporation loans	Corporation loans - secured
	Corporation loans - unsecured
Consumer loans	House mortgage
	Consumer loans - secured
	Consumer loans - unsecured
	Credit loans
	Debit card
	Credit card

The Bank evaluates loss allowance of financial assets, which credit risk does not significantly increase after initial recognition based on 12 months expected credit losses. The Bank evaluates loss allowance of financial assets, which credit risk significantly increases after initial recognition based on lifetime expected credit losses.

In order to evaluate expected credit losses, the Bank takes into consideration the debtor’s probability of default (“PD”) within the next 12 months, which includes the loss given default (“LGD”), the results are then multiplied by the exposure at default (“EAD”), while also considering the effect of time value of money to calculate the expected credit losses during the duration of 12 months.

PD is the default percentage of a borrower. LGD is the loss ratio once a borrower default. The Bank applied PD and LGD to evaluate loan business impairment based on each portfolio's historical information calculated internally (i.e. credit loss experience), and adjusted historical data based on current observable information and forward-looking macroeconomic information calculated by using packet direct estimation method.

The Bank evaluates the loan default risk by packet direct estimation method. The Bank calculates 12 months and lifetime ECLs of financing commitment based on packet direct estimation method. The Bank uses credit conversion factor to calculate the portion of financing commitment expected to be used in 12 months after record date and the credit duration to calculate the default exposure amount of ECLs.

<u>Consideration of forward-looking estimation</u>

In considering the expected credit losses, the Bank uses forward looking economic factors that affect credit risk and expected credit losses to consider forward looking information. Forward looking information is based on the Taiwan National Development Council's regular promulgation of the "Benefit Strategy Signal" of Taiwan's overall prosperity as indicators, which are divided into boom expansion period, contraction period and flat period. The Bank evaluates the economic situation to adjust the default probability every quarter, and then incorporates it into the overall expected credit loss assessment.

ii. Debt instrument investment

The Bank considers the historical default loss rate provided by the external rating agencies and the current financial status of the debtor to calculate 12-month and lifetime ECLs of financing commitment in debt instrument investment.

The securities held by the Bank recognize the expected credit losses according to the expected credit losses during the lifetime ECLs of financing commitment. The credit quality of the Bank's judgment securities was as follows:

i) The determination since the initial recognition of the credit risk has increased significantly.

The Bank assesses the change in the probability of default of debt instrument investment during the lifetime on each reporting date to determine if the credit risk has increased significantly since the initial recognition. In order to make this assessment, the Bank considerations show the reasonable and supportable information that the credit risk has increased significantly since the initial recognition. The main considerations include:

<u>Quantitative indicators</u>

- At the time of initial recognition, the issuer's credit rating is above the investment grade, but at the financial reporting date, the issuer's credit rating is reduced to a non-investment grade.

- For debt instrument investments on the initial recognition date, the issuer's credit rating is below the non-investment grade and the credit rating on the reporting day has not changed.

- When the issuer's credit rating is a non-investment grade, the reported daily credit rating is reduced to a certain extent.

Qualitative indicators

- The credit rating of the issuer indicates that its credit risk has increased significantly.

- The fair value of the debt instrument investment is significantly and adversely changed on the reporting date.

ii) Definition of default and credit impairment financial assets

If the debt instrument investment meets one or more of the following conditions, it determines that the financial asset has defaulted and the credit is impaired.

Quantitative indicators

- Debt instrument investment is the credit impairment bond when it is purchased.

- The default rate for credit rating of the issuer or debt instrument investment will be adjusted on the reporting day.

Qualitative indicators

- The issuer modifies the issue conditions of the debt instrument investment due to financial difficulties or fails to pay the principal or interest according to the conditions of the issue.

- The issuer or the guarantee institution has ceased operations or has applied for reorganization, bankruptcy, dissolution, and sale of major assets that have a significant impact on the company's continued operations.

Measurement of expected credit losses

- In order to evaluate expected credit losses, the Bank takes into consideration the debtor's probability of default ("PD") within the next 12 months, which includes the loss given default ("LGD"), the results are then multiplied by the exposure at default ("EAD"), while also considering the effect of time value of money to calculate the expected credit losses during the duration of 12 months.

- Comparing the risk of default on the dated debt instrument with the default risk at the time of initial recognition, and considering the reasonable and corroborative information for a significant increase in credit risk since the initial recognition, to determine whether the financial instrument's credit risk has increased significantly since the initial recognition.

  - Those who meet the normal credit risk status will estimate the expected loss amount based on the one-year probability of default (PD).

  - Those who meet the significant increase in credit risk status must consider the duration of the asset project and calculate the probability of default (PD) for each duration. If the cash flow of the contract in the future period (i.e., the default exposure amount of each period) can be assessed, the cash flow method is used to assess the expected amount of credit loss, and if the cash flow of each period cannot be assessed, and the current risk calculation method is used it.

- Those who meet the abnormal credit risk status are considered to be 100%, and will not consider the probability of default in each duration. Only consider the relevant recoverable amount and evaluate the overall expected credit loss amount.

- Debt instrument investment probability of default is the value released by external credit rating agencies, which implies the possibility of future market fluctuations.

d) Credit risk hedging or mitigation policies

i. Collaterals

The Bank implements a series of policies and measures to reduce credit risks when granting of credit. One of the commonly used methods is to require borrowers to provide collaterals. To enforce the rights to collaterals, the Bank manages and assesses the collaterals according to the procedures adopted in determining the scope of collateralization and valuation of collaterals.

The main types of collateral for granting credit are as follows:

i) Real estate.

ii) Chattels and rights of pledge.

iii) Guarantee from external agency.

To enhance guarantee of transaction risk, the Bank's demand for collaterals depends on the nature of derivative transactions as follows:

i) Guarantee of amount invested: Asking different ratio of guarantee depends on the credit rating scale of clients.

ii) Guarantee of high-risk transactions: Asking for collaterals when option contracts are under resell agreement.

iii) Performance bond (loss on investment position): Asking for collaterals when loss on investment position exceeds the limit of approved market value.

The Bank closely observed the value of pledged financial assets and evaluated which financial assets had been impaired in order to recognize allowance for impairment. Credit-impaired financial assets and its pledged values which eliminate potential loss, are as follows:

December 31, 2019

	Total Book Value	**Allowance Impairment**	**Exposure**	**Collateral Fair Value**
Financial assets that were impaired				
Notes discounted and loans	$ 9,554,442	$ (2,468,257)	$ 7,086,185	$ 7,086,185
Receivables	114,345	(79,341)	35,004	35,004

(Continued)

	Total Book Value	Allowance Impairment	Exposure	Collateral Fair Value
Guarantees and letters of credit	$ 182,882	$ (58,628)	$ 124,254	$ 88,672
Debt instrument	17,477	(17,477)	-	-
Others	11,000	(4,025)	6,975	6,975
Total financial assets that were impaired	$ 9,880,146	$ (2,627,728)	$ 7,252,418	$ 7,216,836

(Concluded)

December 31, 2018

	Total Book Value	Allowance Impairment	Exposure	Collateral Fair Value
Financial assets that were impaired				
Notes discounted and loans	$ 7,916,421	$ (2,035,208)	$ 5,881,213	$ 5,881,213
Receivables	122,335	(82,827)	39,508	38,012
Guarantees and letters of credit	418,070	(55,221)	362,849	301,416
Debt instrument	74,444	(74,444)	-	-
Total financial assets that were impaired	$ 8,531,270	$ (2,247,700)	$ 6,283,570	$ 6,220,641

ii. Credit risk concentration limits and control

To avoid the concentration of credit risks, the Bank has included credit limits for the same person (entity) and for the same related-party corporation (group) based on the credit risk arising from loans, securities investment and derivatives transactions.

Meanwhile, for trading and banking book investments, the Bank has set a ratio, which is the credit limit of a single issuer in relation to the total security position. The Bank has also included credit limits for a single counterparty and a single group.

In addition, to manage the concentration risk of the financial assets, the Bank has set credit limits by industry, conglomerate, country and transactions collateralized by shares, and integrated within one system to supervise the concentration of credit risk in these categories. The Bank monitors concentration of each asset and controls various types of credit risk concentration in a single transaction involving counterparties, groups, related-party corporations, industries and nations.

iii. Other credit enhancements

To reduce its credit risks, the Bank stipulates in its credit contracts the term for offsetting which clearly stated that the Bank reserves the right to offset the borrowers' debt against their deposits in the Bank.

e) Maximum exposure to credit risk

The maximum exposures of assets on the balance sheets to credit risks without consideration of guarantees or other credit enforcement instruments approximate the assets' carrying amounts. The maximum exposures of off-balance sheet items to credit risks without consideration of guarantees or other credit enforcement instrument were as follows:

	December 31	
	2019	**2018**
Irrevocable loan commitments	$ 7,152,089	$ 5,810,795
Credit card commitments	11,743,903	10,507,270
Guarantee receivables	16,485,312	18,335,961
Letters of credit	3,318,935	4,140,679

The management of the Bank believes their abilities to minimize the credit risk exposures of the off-balance sheet items are mainly attributed to their rigorous evaluation of extended credit and the periodic reviews of these credits.

f) Credit risk concentration of the Bank

When the other parties to the financial instruments consist of a single individual, or a concentration of entities with similar commercial activities, they may have similar abilities to fulfill their credit obligations. The Bank does not have such situation. The Bank's credit exposure related to loans was as follows:

	December 31	
Object	**2019**	**2018**
Private enterprise	$ 240,401,864	$ 253,732,767
Natural person	216,418,787	222,610,870
Others	2,626,646	1,931,734
	$ 459,447,297	$ 478,275,371

	December 31	
Credit Risk Profile by Group or Industry	**2019**	**2018**
Natural person	$ 216,418,787	$ 222,610,870
Manufacturing	79,877,564	87,737,033
Commercial	53,653,692	60,069,759
Real estate and leasing	59,714,137	53,376,739
Construction industry	13,945,764	17,727,688
Servicing	10,125,067	12,247,924
Finance and insurance	10,781,093	11,855,826
Transportation warehousing and information communication	7,780,207	7,924,653
Others	7,150,986	4,724,879
	$ 459,447,297	$ 478,275,371

Credit Risk Profile by Regions	December 31 2019	December 31 2018
Domestic	$ 428,461,262	$ 448,688,187
Asia	15,272,746	12,873,067
North America	11,519,422	11,766,992
Others	4,193,867	4,947,125
	$ 459,447,297	$ 478,275,371

Credit Risk Profile by Collaterals	December 31 2019	December 31 2018
Unsecured	$ 73,246,631	$ 78,106,128
Secured		
Real estate	350,018,295	360,800,311
Letter of bank guarantee	15,598,868	17,201,082
Chattel	12,696,708	12,411,927
Debenture	2,454,740	3,233,420
Notes receivable	1,514,761	1,850,147
Bonds	1,782,818	2,523,887
Others	2,134,476	2,148,469
	$ 459,447,297	$ 478,275,371

g) Write-off policy

If one of the following events have occurred, overdue loans and delinquent receivables should have the estimated recoverable amount deducted and should then be written off as bad debt:

- The debtor may not recover all or part of the obligatory claim due to dissolution, escape, settlement, bankruptcy or other reasons.

- The appraisal of collateral and properties of the main and subordinate debtors are very low, or the compensation is not available after deducting the amount of the first mortgage, or it is not beneficial that execution fee is close to or may exceed the Bank's reimbursable amount.

- The collateral and the properties of the main and subordinate debtors are auctioned off at multiple auctions and the Bank did not bear the benefit.

- Overdue loans and delinquent receivables which have been overdue for more than 2 years have been collected but not yet received.

- The minimum payable amount of credit card which is overdue for six months that should be written off in three months.

h) Information of credit quality

i. Notes discounted, loans and receivables

December 31, 2019

	Notes Discounted and Loans				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Difference of Impairment Loss under Regulations	Total
Product category					
Corporation loans	$ 215,960,389	$ 3,305,915	$ 6,117,319	$ -	$ 225,383,623
Consumer loans	198,629,666	13,565,815	3,437,092	-	215,632,573
Others	24,321	2,135	31	-	26,487
Total book value	414,614,376	16,873,865	9,554,442	-	441,042,683
Allowance for doubtful accounts	(1,776,230)	(852,354)	(2,468,257)	-	(5,096,841)
Difference of impairment loss under regulations	-	-	-	(1,476,478)	(1,476,478)
	$ 412,838,146	$ 16,021,511	$ 7,086,185	$ (1,476,478)	$ 434,469,364

	Receivables				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Difference of Impairment Loss under Regulations	Total
Product category					
Corporation loans	$ 1,455,859	$ 5,950	$ 29,476	$ -	$ 1,491,285
Consumer loans	871,190	30,693	33,988	-	935,871
Others	50,901,584	237	50,881	-	50,952,702
Total book value	53,228,633	36,880	114,345	-	53,379,858
Allowance for doubtful accounts	(23,183)	(3,809)	(79,341)	-	(106,333)
Difference of impairment loss under regulations	-	-	-	(23,736)	(23,736)
	$ 53,205,450	$ 33,071	$ 35,004	$ (23,736)	$ 53,249,789

	Irrevocable Loan Commitments				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Difference of Impairment Loss under Regulations	Total
Product category					
Corporation loans	$ 7,015,489	$ -	$ 11,000	$ -	$ 7,026,489
Consumer loans	125,600	-	-	-	125,600
Total book value	7,141,089	-	11,000	-	7,152,089
Allowance for doubtful accounts	(49,950)	-	(4,025)	-	(53,975)
Difference of impairment loss under regulations	-	-	-	-	-
	$ 7,091,139	$ -	$ 6,975	$ -	$ 7,098,114

	Credit Card Commitments				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Difference of Impairment Loss under Regulations	Total
Product category					
Consumer loans	$ 11,670,034	$ 73,869	$ -	$ -	$ 11,743,903
Total book value	11,670,034	73,869	-	-	11,743,903
Allowance for doubtful accounts	(7,534)	(1,848)	-	-	(9,382)
Difference of impairment loss under regulations	-	-	-	-	-
	$ 11,662,500	$ 72,021	$ -	$ -	$ 11,734,521

	Guarantee Receivables				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Difference of Impairment Loss under Regulations	Total
Product category					
Corporation loans	$ 16,287,614	$ 14,864	$ 182,834	$ -	$ 16,485,312
Total book value	16,287,614	14,864	182,834	-	16,485,312
Allowance for doubtful accounts	(109,720)	(1,778)	(58,621)	-	(170,119)
Difference of impairment loss under regulations	-	-	-	(4,344)	(4,344)
	$ 16,177,894	$ 13,086	$ 124,213	$ (4,344)	$ 16,310,849

	Letters of Credit				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Difference of Impairment Loss under Regulations	Total
Product category					
Corporation loans	$ 3,318,887	$ -	$ 48	$ -	$ 3,318,935
Total book value	3,318,887	-	48	-	3,318,935
Allowance for doubtful accounts	(9,638)	-	(7)	-	(9,645)
Difference of impairment loss under regulations	-	-	-	(2,233)	(2,233)
	$ 3,309,249	$ -	$ 41	$ (2,233)	$ 3,307,057

December 31, 2018

	Notes Discounted and Loans				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Difference of Impairment Loss under Regulations	Total
Product category					
Corporation loans	$ 227,761,916	$ 3,019,498	$ 5,573,360	$ -	$ 236,354,774
Consumer loans	207,199,220	12,318,911	2,343,305	-	221,861,436
Others	40,993	3,322	(244)	-	44,071
Total book value	435,002,129	15,341,731	7,916,421	-	458,260,281
Allowance for doubtful accounts	(1,767,936)	(661,840)	(2,035,208)	-	(4,464,984)
Difference of impairment loss under regulations	-	-	-	(2,066,719)	(2,066,719)
	$ 433,234,193	$ 14,679,891	$ 5,881,213	$ (2,066,719)	$ 451,728,578

	Receivables				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Difference of Impairment Loss under Regulations	Total
Product category					
Corporation loans	$ 1,339,194	$ 8,896	$ 29,686	$ -	$ 1,377,776
Consumer loans	911,973	32,364	36,866	-	981,203
Others	47,851,068	1	55,783	-	47,906,852
Total book value	50,102,235	41,261	122,335	-	50,265,831
Allowance for doubtful accounts	(19,743)	(3,905)	(82,827)	-	(106,475)
Difference of impairment loss under regulations	-	-	-	(49,142)	(49,142)
	$ 50,082,492	$ 37,356	$ 39,508	$ (49,142)	$ 50,110,214

	Irrevocable Loan Commitments				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Difference of Impairment Loss under Regulations	Total
Product category					
Corporation loans	$ 5,545,278	$ 17,067	$ -	$ -	$ 5,562,345
Consumer loans	248,450	-	-	-	248,450
Total book value	5,793,728	17,067	-	-	5,810,795
Allowance for doubtful accounts	(53,686)	(741)	-	-	(54,427)
Difference of impairment loss under regulations	-	-	-	-	-
	$ 5,740,042	$ 16,326	$ -	$ -	$ 5,756,368

	Credit Card Commitments				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Difference of Impairment Loss under Regulations	Total
Product category					
Consumer loans	$ 10,458,065	$ 49,205	$ -	$ -	$ 10,507,270
Total book value	10,458,065	49,205	-	-	10,507,270
Allowance for doubtful accounts	(8,083)	(1,299)	-	-	(9,382)
Difference of impairment loss under regulations	-	-	-	-	-
	$ 10,449,982	$ 47,906	$ -	$ -	$ 10,497,888

	Guarantee Receivables				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Difference of Impairment Loss under Regulations	Total
Product category					
Corporation loans	$ 17,878,645	$ 39,246	$ 418,070	$ -	$ 18,335,961
Total book value	17,878,645	39,246	418,070	-	18,335,961
Allowance for doubtful accounts	(121,061)	(1,751)	(55,221)	-	(178,033)
Difference of impairment loss under regulations	-	-	-	(11,815)	(11,815)
	$ 17,757,584	$ 37,495	$ 362,849	$ (11,815)	$ 18,146,113

	Letters of Credit				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Difference of Impairment Loss under Regulations	Total
Product category					
Corporation loans	$ 4,140,679	$ -	$ -	$ -	$ 4,140,679
Total book value	4,140,679	-	-	-	4,140,679
Allowance for doubtful accounts	(12,108)	-	-	-	(12,108)
Difference of impairment loss under regulations	-	-	-	(11,825)	(11,825)
	$ 4,128,571	$ -	$ -	$ (11,825)	$ 4,116,746

ii. Debt instrument investments

December 31, 2019

	Financial Assets at FVTOCI			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Product category (Note)				
Investment grade bond	$ 30,015,749	$ -	$ -	$ 30,015,749
Non-investment grade bond	-	-	-	-
Total book value	30,015,749	-	-	30,015,749
Allowance for impairment	(15,405)	-	-	(15,405)
Difference of impairment loss under regulations	-	-	-	-
	$ 30,000,344	$ -	$ -	$ 30,000,344

	Investments in Debt Instruments at Amortized Cost			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Product category (Note)				
Investment grade bond	$ 49,458,458	$ -	$ -	$ 49,458,458
Non-investment grade bond	-	-	17,477	17,477
Others (NCDs issued by the CBC)	59,535,000	-	-	59,535,000
Total book value	108,993,458	-	17,477	109,010,935
Allowance for impairment	(24,185)	-	(17,477)	(41,662)
Difference of impairment loss under regulations	-	-	-	-
	$ 108,969,273	$ -	$ -	$ 108,969,273

Note: The bond rating is based on the original credit rating of Moody's, Fitch (Fitch), Standard & Poor's (S&P) and China Credit Rating.

The breakdown below shows the debt instruments classified as FVTOCI and financial assets at amortized cost:

December 31, 2019

	Financial Assets at FVTOCI	Financial Assets at Amortized Cost
Total book value	$ 29,857,621	$ 109,010,935
Loss allowance	(15,405)	(41,662)
Amortized cost	29,842,216	108,969,273
Fair value adjustment	158,128	-
	$ 30,000,344	$ 108,969,273

The total book value of the current credit risk rating mechanism of the Bank and the investments in debt instruments of each credit rating are as follows:

Credit Rating	Definition	Recognition Basis	Expected Credit Loss	Total Book Value At December 31, 2019	
				Financial Assets at FVTOCI	Financial Assets at Amortized Cost
Normal (Stage 1)	The debtor has a low credit risk and is fully capable of paying off contractual cash flows.	12-month expected credit losses	0.00%-0.45%	$ 29,857,621	$ 108,993,458
Abnormal (Stage 2)	Credit risk has increased significantly since the initial recognition.	Lifetime expected credit losses (no credit impaired)		-	-
Default (Stage 3)	There is evidence that the credit is impaired.	Lifetime expected credit losses (credit impaired)	100%	-	17,477
Write offs	There is evidence that the debtor is facing serious financial difficulties and the Bank cannot reasonably expect to recover the debt.	Write-off		-	-

With respect to the debt instrument investments at FVTOCI and at amortized cost invested by the Bank, the information of changes in allowance is summarized as follows:

	Credit Rating		
	Normal (12-Month Expected credit Losses)	**Abnormal (Lifetime ECL Without Credit Impaired)**	**Default (Lifetime ECL with Credit Impaired)**
Financial assets at FVTOCI			
Balance, January 1, 2019	$ 15,525	$ -	$ -
Change credit rating			
Normal turned to abnormal	-	-	-
Abnormal turned to default	-	-	-
Default turned to write off	-	-	-
Purchase new debt instruments	2,910	-	-
Dispose	(2,142)	-	-
Model/risk parameter change	-	-	-
Exchange rate and other changes	(888)	-	-
Loss allowance, December 31, 2019	$ 15,045	$ -	$ -

	Credit Rating		
	Normal (12-Month Expected credit Losses)	**Abnormal (Lifetime ECL Without Credit Impaired)**	**Default (Lifetime ECL with Credit Impaired)**
Financial assets at amortized cost			
Balance, January 1, 2019	$ 30,685	$ -	$ 74,444
Change credit rating			
Normal turned to abnormal	-	-	-
Abnormal turned to default	-	-	-
Default turned to write off	-	-	-
Purchase new debt instruments	2,017	-	-
Dispose	(800)	-	(56,967)
Model/risk parameter change	-	-	-
Exchange rate and other changes	(7,717)	-	-
Loss allowance, December 31, 2019	$ 24,185	$ -	$ 17,477

December 31, 2018

	Financial Assets at FVTOCI			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Product category (Note)				
Investment grade bond	$ 27,507,719	$ -	$ -	$ 27,507,719
Non-investment grade bond	-	-	-	-
Total book value	27,507,719	-	-	27,507,719
Allowance for impairment	(15,525)	-	-	(15,525)
Difference of impairment loss under regulations	-	-	-	-
	$ 27,492,194	$ -	$ -	$ 27,492,194

	Investments in Debt Instruments at Amortized Cost			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Product category (Note)				
Investment grade bond	$ 45,838,446	$ -	$ -	$ 45,838,446
Non-investment grade bond	-	-	74,444	74,444
Others (NCDs issued by the CBC)	55,500,000	-	-	55,500,000
Total book value	101,338,446	-	74,444	101,412,890
Allowance for impairment	(30,685)	-	(74,444)	(105,129)
Difference of impairment loss under regulations	-	-	-	-
	$ 101,307,761	$ -	$ -	$ 101,307,761

Note: The bond rating is based on the original credit rating of Moody’s, Fitch (Fitch), Standard & Poor’s (S&P) and China Credit Rating.

The breakdown below shows the debt instruments classified as FVTOCI and financial assets at amortized cost:

December 31, 2018

	Financial Assets at FVTOCI	Financial Assets at Amortized Cost
Total book value	$ 27,399,827	$ 101,412,890
Loss allowance	(15,525)	(105,129)
Amortized cost	27,384,302	101,307,761
Fair value adjustment	107,892	-
	$ 27,492,194	$ 101,307,761

The total book value of the current credit risk rating mechanism of the Bank and the investments in debt instruments of each credit rating are as follows:

Credit Rating	Definition	Recognition Basis	Expected Credit Loss	Total Book Value At December 31, 2018	
				Financial Assets at FVTOCI	Financial Assets at Amortized Cost
Normal (Stage 1)	The debtor has a low credit risk and is fully capable of paying off contractual cash flows.	12-month expected credit losses	0.00%-2.09%	$ 27,399,829	$ 101,338,446
Abnormal (Stage 2)	Credit risk has increased significantly since the initial recognition.	Lifetime expected credit losses (no credit impaired)		-	-
Default (Stage 3)	There is evidence that the credit is impaired.	Lifetime expected credit losses (credit impaired)	100%	-	74,444
Write offs	There is evidence that the debtor is facing serious financial difficulties and the Bank cannot reasonably expect to recover the debt.	Write-off		-	-

With respect to the debt instrument investments at FVTOCI and at amortized cost invested by the Bank, the information of changes in allowance is summarized as follows:

	Credit Rating		
	Normal (12-Month Expected credit Losses)	Abnormal (Lifetime ECL Without Credit Impaired)	Default (Lifetime ECL with Credit Impaired)
Financial assets at FVTOCI			
Balance, January 1, 2018 (IAS 39)	$ -	$ -	$ -
Effect of retrospective application (IFRS 9)	19,336	-	-
Balance, January 1, 2018 (IFRS 9)	19,336	-	-
Change credit rating			
Normal turned to abnormal	-	-	-
Abnormal turned to default	-	-	-
Default turned to write off	-	-	-

(Continued)

	Credit Rating		
	Normal (12-Month Expected credit Losses)	**Abnormal (Lifetime ECL Without Credit Impaired)**	**Default (Lifetime ECL with Credit Impaired)**
Purchase new debt instruments	$ -	$ -	$ -
Dispose	(2,679)	-	-
Model/risk parameter change	-	-	-
Exchange rate and other changes	(1,132)	-	-
Loss allowance, December 31, 2018	$ 15,525	$ -	$ -

(Concluded)

	Credit Rating		
	Normal (12-Month Expected credit Losses)	**Abnormal (Lifetime ECL Without Credit Impaired)**	**Default (Lifetime ECL with Credit Impaired)**
Financial assets at amortized cost			
Balance, January 1, 2018 (IAS 39)	$ -	$ -	$ -
Effect of retrospective application (IFRS 9)	9,177	-	73,887
Balance, January 1, 2018 (IFRS 9)	9,177	-	73,887
Change credit rating			
Normal turned to abnormal	-	-	-
Abnormal turned to default	-	-	-
Default turned to write off	-	-	-
Purchase new debt instruments	22,701	-	-
Dispose	(1,020)	-	-
Model/risk parameter change	-	-	-
Exchange rate and other changes	(173)	-	557
Loss allowance, December 31, 2018	$ 30,685	$ -	$ 74,444

3) Liquidity risk

a) The source and definition of liquidity risk:

Liquidity risk refers to the potential loss resulting from the shortage of funds in acquiring assets or repaying debts on maturity, such as the cash outflow arising from the depositors’ withdrawal of deposits, loan drawdown, other interest, expenses, or off-balance sheet transactions. To ensure sufficient capital liquidity, measures that can be taken include cash buffer in stock or readily realizable marketable securities, allocation of the period, absorbing deposits or financing borrowing, etc.

b) The Bank’s liquidity risk policies

The Bank establishes a strategy based on the conservatism principle to diversify the source and duration of funds, participates in the fund’s lending market and maintains strong relationship with fund providers to ensure the stability and reliability of funding sources.

The Bank formulates relevant standards including risk identification, measurement, monitoring and reporting in order to control and grasp the potential adverse effects, regularly performs stress tests and analyzes the crisis situation to mitigate the impact of excessive capital flows, establishes a limit monitoring mechanism, and sets management indicators such as liquidity ratios, cash flow gaps, etc.

The Bank's liquidity risk management unit is the Asset and Liability Management Committee (hereinafter referred to as the “Committee”). The Committee must adopt necessary monitoring steps to maintain adequate liquidity and ensure that certain committees should regularly report to the board of directors for effective management of liquidity risks.

Maturity analysis of non-derivative financial liabilities

The Bank disclosed the analysis of cash outflows from non-derivative financial liabilities by the residual maturities as of the balance sheet date. The amounts used in the maturity analyses of derivative financial liabilities are based on contractual cash flows, so some of these amounts may not correspond to the amounts shown on the balance sheets.

December 31, 2019	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Due to the central bank and other banks	$ 4,760,161	$ 1,599,224	$ 730	$ 166,945	$ -	$ 6,527,060
Securities sold under repurchase agreements	6,870,766	3,548,335	-	-	-	10,419,101
Payables	3,396,925	441,771	193,931	459,126	340,556	4,832,309
Deposits and remittances	46,259,487	65,617,852	74,800,431	150,321,195	247,867,519	584,866,484
Bank debentures	-	-	2,501,005	68,701	11,500,000	14,069,706
Lease liabilities	12,429	24,968	37,377	68,656	656,315	799,745
Other items of cash outflow on maturity	38,731	20,157	3,953	180	59,791	122,812

December 31, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Due to the central bank and other banks	$ 2,934,764	$ 99,224	$ 730	$ 344,034	$ -	$ 3,378,752
Securities sold under repurchase agreements	4,752,462	5,216,637	-	-	-	9,969,099
Payables	9,546,243	687,992	249,731	417,030	360,943	11,261,939
Deposits and remittances	53,270,521	74,878,276	80,926,314	145,086,824	235,080,954	589,242,889
Bank debentures	-	-	12,202	6,068,723	14,000,000	20,080,925
Other items of cash outflow on maturity	155,432	18,377	2,132	4,584	57,220	237,745

Maturity analysis of derivative financial liabilities

a) Derivative instruments to be settled at net amount

The derivative instruments to be settled at net amount include:

Foreign exchange derivative: Foreign exchange forward contracts

The Bank assesses the maturity dates of derivative contracts to understand the basic elements of all derivative financial instruments shown on the balance sheets. The amounts used in the balance sheets are based on contractual cash flows. Therefore, some amounts may not correspond to the balance sheets. The maturity analysis of derivative financial liabilities was as follows:

December 31, 2019	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL						
Foreign currency derivative	$ 8,052	$ 26,392	$ 24,616	$ 17,549	$ -	$ 76,609
Total	$ 8,052	$ 26,392	$ 24,616	$ 17,549	$ -	$ 76,609

December 31, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL						
Foreign currency derivative	$ 4,976	$ 19,442	$ 19,717	$ 8,754	$ -	$ 52,889
Total	$ 4,976	$ 19,442	$ 19,717	$ 8,754	$ -	$ 52,889

b) Derivative instruments to be settled at gross amount

The derivative instruments to be settled at gross amount include:

Foreign exchange derivatives: Foreign exchange forward contracts and cross-currency swap contracts

The Bank disclosed the analysis of derivative instruments to be settled at gross amount by the residual maturities as of the balance sheet date. The Bank assesses the maturity dates of derivative contracts to understand the basic elements of all derivative financial instruments shown in the balance sheets. The amounts used in the maturity analyses of derivative financial liabilities are based on contractual cash flows, so some of these amounts may not correspond to the amounts shown on the balance sheets. The maturity analysis of derivate financial liabilities which be settled at gross amount was as follows:

December 31, 2019	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL						
Foreign currency derivative						
Outflows	$ 1,104,025	$ 1,907,146	$ 2,013,035	$ 929,481	$ -	$ 5,953,687
Inflows	1,087,564	1,876,039	1,974,123	904,147	-	5,841,873
Total outflows	1,104,025	1,907,146	2,013,035	929,481	-	5,953,687
Total inflows	1,087,564	1,876,039	1,974,123	904,147	-	5,841,873
Net flows	$ (16,461)	$ (31,107)	$ (38,912)	$ (25,334)	$ -	$ (111,814)

December 31, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Derivative financial liabilities at FVTPL						
Foreign currency derivative						
Outflows	$ 3,489,472	$ 1,284,922	$ 672,246	$ 373,458	$ -	$ 5,820,098
Inflows	3,441,202	1,267,212	662,755	365,797	-	5,736,966
Total outflows	3,489,472	1,284,922	672,246	373,458	-	5,820,098
Total inflows	3,441,202	1,267,212	662,755	365,797	-	8,736,966
Net flows	$ (48,270)	$ (17,710)	$ (9,491)	$ (7,661)	$ -	$ (83,132)

4) Maturity analysis of off-balance-sheet items

The following table shows the Bank's maturity analysis of off-balance sheet items based on the residual maturities from the balance sheets. For the financial guarantee contract issued, the maximum amount of guarantee is included in the earliest period that may be required to perform the guarantee. The amounts in the table below were prepared on contractual cash flow basis; therefore, some disclosed amounts would not match with the balance sheets.

December 31, 2019	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Loan commitment	$ 10,197,687	$ 17,979,600	$ 27,233,146	$ 64,306,327	$ 31,203,341	$ 150,920,101
Letters of credit	985,636	1,955,514	276,456	101,329	-	3,318,935
Guarantee receivables	2,095,901	5,829,509	1,215,728	1,878,103	5,466,071	16,485,312
Total	$ 13,279,224	$ 25,764,623	$ 28,725,330	$ 66,285,759	$ 36,669,412	$ 170,724,348

December 31, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Loan commitment	$ 12,176,189	$ 24,525,708	$ 30,931,999	$ 65,838,590	$ 29,673,900	$ 163,146,086
Letters of credit	1,557,248	2,428,724	143,161	11,546	-	4,140,679
Guarantee receivables	6,264,671	3,749,910	858,950	1,659,683	5,802,747	18,335,961
Total	$ 19,998,108	$ 30,704,342	$ 31,934,110	$ 67,509,819	$ 35,476,347	$ 185,622,726

5) Cash flow and fair value risk of interest rate fluctuation

The floating-rate assets/liabilities held by the Bank may be exposed to risks of future cash inflow/outflow. Since the risk is considered substantial, it is therefore hedged by the Bank.

37. TRANSFERS OF FINANCIAL ASSETS

The transferred financial assets that do not qualify for derecognition

Most of the transferred financial assets of the Bank that are not derecognized in its entirety are securities sold under repurchase agreements. According to these transactions, the right on cash flow of the transferred financial assets would be transferred to other entities and the associated liabilities of the Bank's obligation to repurchase the transferred financial assets at a fixed price in the future would be recognized. As the Bank is restricted to use, sell or pledge the transferred financial assets throughout the term of transaction, and is still exposed to interest rate risks and credit risks on these instruments, the transferred financial assets are not derecognized in their entirety. The details of financial assets that were not derecognized in their entirety and the associated financial liabilities were as follows:

December 31, 2019					
Category of Financial Assets	**Carrying Amount of Transferred Financial Assets**	**Carrying Amount of Associated Financial Liabilities**	**Fair Value of Transferred Financial Assets**	**Fair Value of Associated Financial Liabilities**	**Fair Value of Net Position**
Investments in debt instruments at amortized cost					
Securities sold under repurchase agreements	$ 11,011,466	$ 10,369,025	$ 11,123,977	$ 10,369,025	$ 754,952

December 31, 2018					
Category of Financial Assets	**Carrying Amount of Transferred Financial Assets**	**Carrying Amount of Associated Financial Liabilities**	**Fair Value of Transferred Financial Assets**	**Fair Value of Associated Financial Liabilities**	**Fair Value of Net Position**
Investments in debt instruments at amortized cost					
Securities sold under repurchase agreements	$ 10,895,694	$ 9,904,467	$ 10,708,019	$ 9,904,467	$ 803,552

38. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Bank did not hold financial instruments covered by Section 42 of the IAS 32 "Financial Instruments: Presentation" endorsed by the Financial Supervisory Commission; thus, it made an offset of financial assets and liabilities and reported the net amount in the balance sheets.

The Bank engages in transactions on the following financial assets and liabilities that are not subject to balance sheet offsetting based on IAS 32 but are under master netting arrangements or similar agreements. These agreements allow both the Bank and its counterparties to opt for the net settlement of financial assets and financial liabilities. If one party defaults, the other party may choose net settlement.

The netting information of financial assets and financial liabilities is set out below:

December 31, 2019

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheets	Net Amounts of Financial Assets Presented in the Balance Sheets	Related Amounts Not Offset in the Balance Sheets		Net Amount
				Financial Instruments	Cash Collateral Received	
Securities purchased under resell agreements	$ 10,256,716	$ -	$ 10,256,716	$ 10,256,716	$ -	$ -

Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheets	Net Amounts of Financial Liabilities Presented in the Balance Sheets	Related Amounts Not Offset in the Balance Sheets		Net Amount
				Financial Instruments	Cash Collateral Pledged	
Securities sold under repurchase agreements	$ 10,369,025	$ -	$ 10,369,025	$ 10,369,025	$ -	$ -

December 31, 2018

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheets	Net Amounts of Financial Assets Presented in the Balance Sheets	Related Amounts Not Offset in the Balance Sheets		Net Amount
				Financial Instruments	Cash Collateral Received	
Securities purchased under resell agreements	$ 9,094,151	$ -	$ 9,094,151	$ 9,094,151	$ -	$ -

Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheets	Net Amounts of Financial Liabilities Presented in the Balance Sheets	Related Amounts Not Offset in the Balance Sheets		Net Amount
				Financial Instruments	Cash Collateral Pledged	
Securities sold under repurchase agreements	$ 9,904,467	$ -	$ 9,904,467	$ 9,904,467	$ -	$ -

39. INFORMATION ABOUT THE BANK

a. Asset quality

Category		Items	December 31, 2019 Non-performing Loan (Note 1)	December 31, 2019 Total Loan	December 31, 2019 NPL Ratio (Note 2)	December 31, 2019 Allowance For Loan Losses	December 31, 2019 Coverage Ratio (Note 3)	December 31, 2018 Non-performing Loan (Note 1)	December 31, 2018 Total Loan	December 31, 2018 NPL Ratio (Note 2)	December 31, 2018 Allowance For Loan Losses	December 31, 2018 Coverage Ratio (Note 3)
Corporate loans	Secured		$ 596,122	$ 146,760,794	0.41%	$ 1,560,901	261.84%	$ 980,023	$ 152,938,946	0.64%	$ 1,471,243	150.12%
	Unsecured		156,327	78,622,829	0.20%	3,005,494	1,922.57%	350,210	83,415,828	0.42%	3,126,240	892.68%
Consumer loans	Mortgage (Note 4)		164,457	55,404,669	0.30%	863,083	524.81%	277,102	57,027,677	0.49%	915,184	330.27%
	Cash card		-	30	-	3	-	-	40	-	5	-
	Microcredit (Note 5)		2,676	840,780	0.32%	86,721	3,240.70%	5,417	872,621	0.62%	90,357	1,668.03%
	Other (Note 6)	Secured	428,694	144,347,108	0.30%	692,342	161.50%	395,286	150,125,230	0.26%	577,436	146.08%
		Unsecured	34,021	15,039,986	0.23%	364,775	1,072.21%	46,306	13,835,868	0.33%	351,238	758.52%
Loans			1,382,297	441,016,196	0.31%	6,573,319	475.54%	2,054,344	458,216,210	0.45%	6,531,703	317.95%

Category \ Items	December 31, 2019 Overdue Receivable	December 31, 2019 Accounts Receivable	December 31, 2019 Delinquency Ratio	December 31, 2019 Allowance for Credit Losses	December 31, 2019 Coverage Ratio	December 31, 2018 Overdue Receivable	December 31, 2018 Accounts Receivable	December 31, 2018 Delinquency Ratio	December 31, 2018 Allowance for Credit Losses	December 31, 2018 Coverage Ratio
Credit card	$ 2,568	$ 786,214	0.33%	$ 22,982	894.94%	$ 4,710	$ 749,434	0.63%	$ 27,453	582.87%
Accounts receivable without recourse (Note 7)	-	694,997	-	10,538	-	-	133,277	-	12,165	-

Non-reportable overdue loans and receivables

	December 31, 2019		December 31, 2018	
	Non-Reportable NPL Balance	**Non-reportable Overdue Receivable Balance**	**Non-Reportable NPL Balance**	**Non-reportable Overdue Receivable Balance**
Non-reportable amount upon performance of debt negotiation program (Note 8)	$ 2,114	$ 1,100	$ 2,896	$ 1,376
Amount received from performance of debt negotiation program (Note 9)	9,635	17,396	9,103	17,680
Total	11,749	18,496	11,999	19,056

Note 1: The amount recognized as non-performing loans (NPL) is in compliance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans". Non-performing credit loans represent the amounts of non-performing loans reported to the FSC, as required by the FSC in its letter dated July 6, 2005 (Ref. No. 0944000378).

Note 2: Non-performing loan ratio = Non-performing loans ÷ Outstanding loan balance; Non-performing credit loan ratio = Non-performing loans ÷ Accounts receivable balance.

Note 3: Allowance for doubtful accounts ratio = Allowance for doubtful accounts in loans ÷ Overdue loans; Allowance for doubtful accounts ratio of credit card = Allowance for doubtful accounts in credit cards ÷ Overdue loans.

Note 4: Home mortgage refers to financing obtained to buy, build, or fix houses owned by the borrowers' spouse or children, with the house used as loan collateral.

Note 5: Micro credit is covered by the FSC pronouncement dated December 19, 2005 (Ref No. 09440010950) and is excluded from credit card and cash card loans.

Note 6: "Others" under consumer loans refers to secured or unsecured loans other than mortgage loans, cash cards, micro credit, and credit cards.

Note 7: As required by the FSC in its letter dated July 19, 2005 (Ref No. 094000494), provision for bad-debt is recognized once no compensation is made by a factor or insurance company for accounts receivable factored without recourse.

Note 8: Accounts under "loans not required to be classified as NPL upon performance of a debt negotiation program" and "accounts receivable not required to be classified as overdue receivable upon debt negotiation program" were processed according the FSC pronouncement dated April 25, 2006 (Ref No. 09510001270).

Note 9: Accounts under "loans not required to be classified as NPL upon performance of a debt discharge program and rehabilitation program" and "accounts receivable not required to be classified as overdue receivable upon debt discharge program and rehabilitation program" were processed according the FSC pronouncement dated September 15, 2008 (Ref No. 09700318940).

b. Concentration of credit risk

(In Thousands of New Taiwan Dollars, %)

Year	December 31, 2019		
Top 10 Rank (Note 1)	**Group (Note 2)**	**Total Credit (Note 3)**	**Percentage of Net Worth (%)**
1	Group A 010892 manufacture of macaroni, noodles, couscous and similar farinaceous products	$ 2,665,813	5.20
2	Group B 016700 real estate development activities	2,525,418	4.92
3	Group C 016700 real estate development activities	2,503,343	4.88
4	Group D 016700 real estate development activities	2,390,690	4.66
5	Group E 016811 real estate activities for sale and rental with own or leased property	2,375,429	4.63
6	Group F 012411 smelting and refining of iron and steel	2,283,081	4.45
7	Group G 016700 real estate development activities	2,115,000	4.12
8	Group H 015500 accommodation	2,085,229	4.06
9	Group I 012699 manufacture of other electronic parts and components not elsewhere classified	1,799,897	3.51
10	Group J 014612 wholesale of brick, sand, cement and products	1,550,001	3.02

(In Thousands of New Taiwan Dollars, %)

Year	December 31, 2018		
Top 10 Rank (Note 1)	**Group (Note 2)**	**Total Credit (Note 3)**	**Percentage of Net Worth (%)**
1	Group E 016811 real estate activities for sale and rental with own or leased property	$ 2,460,000	5.14
2	Group A 010892 manufacture of macaroni, noodles, couscous and similar farinaceous products	2,321,274	4.85
3	Group B 016700 real estate development activities	2,286,478	4.78
4	Group H 015500 accommodation	2,151,855	4.50
5	Group F 012411 smelting and refining of iron and steel	1,937,578	4.05
6	Group K 016700 real estate development activities	1,333,917	2.79
7	Group J 014612 wholesale of brick, sand, cement and products	1,258,337	2.63
8	Group L 016700 real estate development activities	1,099,800	2.30
9	Group G 016700 real estate development activities	1,095,680	2.29
10	Group M 012203 manufacture of industrial plastic products	1,073,192	2.24

Note 1: The ranking is arranged in descending order of the outstanding loan balance, excluding all the government entities and nation-owned enterprises. If the borrower is a member company of a group, then the disclosed amount will be the total granted loan amount for that entire group. (i.e., Group A manufacture of macaroni, noodles, couscous and similar farinaceous products).

Note 2: According to Article 6 of the “Supplementary Provisions to the Stock Exchange Corporation Criteria for the Review of Securities Listings”, Group refers to the entity that has a controlling or subordinate relationship with the counterparty that obtained loans from the Bank.

Note 3: Credit balance means the sum of all the loans (including import bill negotiated, discounted export bills negotiated, overdrafts, short-term secured and unsecured loans, marginal receivables, medium-term secured and unsecured loans, long-term secured and unsecured loans and delinquent receivables), exchange bills negotiated, accounts receivable factored without recourse, acceptances receivable, and guarantees issued.

c. Interest rate sensitivity information

Interest Rate Sensitivity
December 31, 2019

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest-sensitive assets	$ 463,217,920	$ 7,445,473	$ 9,154,304	$ 86,858,937	$ 566,676,634
Interest-sensitive liabilities	145,583,754	290,922,949	99,916,922	5,351,959	541,775,584
Interest sensitivity gap	317,634,166	(283,477,476)	(90,762,618)	81,506,978	24,901,050
Net equity					51,309,206
Ratio of interest-sensitive assets to liabilities					104.60%
Ratio of interest sensitivity gap to net equity					48.53%

December 31, 2018

(In Thousands of New Taiwan Dollars, %)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest-sensitive assets	$ 473,227,441	$ 6,893,149	$ 11,984,930	$ 83,634,023	$ 575,739,543
Interest-sensitive liabilities	160,487,053	284,562,819	97,600,888	7,323,668	549,974,428
Interest sensitivity gap	312,740,388	(277,669,670)	(85,615,958)	76,310,355	25,765,115
Net equity					47,823,653
Ratio of interest-sensitive assets to liabilities					104.68%
Ratio of interest sensitivity gap to net equity					53.87%

Note 1: The above amounts included only the New Taiwan dollar amounts held by the head office and branches of the Bank (i.e., excluding foreign currency).

Note 2: Interest rate-sensitive assets and liabilities mean the revenues or costs of interest-earning assets and interest-bearing liabilities affected by interest rate changes.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities (in New Taiwan dollars).

Interest Rate Sensitivity
December 31, 2019

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

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest-sensitive assets	$ 1,210,594	$ 231,333	$ 26,028	$ 436,459	$ 1,904,414
Interest-sensitive liabilities	781,756	909,543	216,067	-	1,907,366
Interest sensitivity gap	428,838	(678,210)	(190,039)	436,459	(2,952)
Net equity					1,710,307
Ratio of interest-sensitive assets to liabilities					99.85%
Ratio of interest sensitivity gap to net equity					(0.17%)

December 31, 2018

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

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest-sensitive assets	$ 1,063,068	$ 256,810	$ 20,502	$ 457,260	$ 1,797,640
Interest-sensitive liabilities	831,067	738,109	192,424	-	1,761,600
Interest sensitivity gap	232,001	(481,299)	(171,922)	457,260	36,040
Net equity					1,557,266
Ratio of interest-sensitive assets to liabilities					102.05%
Ratio of interest sensitivity gap to net equity					2.31%

Note 1: The above amounts included only the U.S. dollar amounts held by the head office, domestic branches, OBU and overseas branches of the Bank and excluded contingent assets and contingent liabilities.

Note 2: Interest rate-sensitive assets and liabilities mean the revenues or costs of interest-earning assets and interest-bearing liabilities affected by interest rate changes.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities (in U.S. dollars)

d. Profitability

Unit: %

Items		December 31, 2019	December 31, 2018
Return on total assets	Pretax	0.75	0.69
	After tax	0.64	0.60
Return on net equity	Pretax	10.22	10.17
	After tax	8.72	8.79
Profit margin		38.88	37.55

Note 1: Return on total assets = Income before (after) income tax ÷ Average total assets

Note 2: Return on equity = Income before (after) income tax ÷ Average equity

Note 3: Net income ratio = Income after income tax ÷ Total net revenues

Note 4: Income before (after) income tax represents income for the years ended December 31, 2019 and 2018.

e. Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities
December 31, 2019

(In Thousands of New Taiwan Dollars)

	Total	Period Remaining until Due Date and Amount Due					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year
Main capital inflow on maturity	$ 609,292,349	$ 85,555,035	$ 43,772,344	$ 29,767,509	$ 51,719,298	$ 97,885,687	$ 300,592,476
Main capital outflow on maturity	726,163,310	24,967,880	30,412,825	72,406,095	98,591,847	192,988,476	306,796,187
Gap	(116,870,961)	60,587,155	13,359,519	(42,638,586)	(46,872,549)	(95,102,789)	(6,203,711)

December 31, 2018

(In Thousands of New Taiwan Dollars)

	Total	Period Remaining until Due Date and Amount Due					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year
Main capital inflow on maturity	$ 619,398,838	$ 97,398,772	$ 34,941,879	$ 31,135,311	$ 55,245,416	$ 98,133,621	$ 302,543,839
Main capital outflow on maturity	742,326,833	29,605,923	35,688,786	81,243,268	105,947,813	196,715,151	293,125,892
Gap	(122,927,995)	67,792,849	(746,907)	(50,107,957)	(50,702,397)	(98,581,530)	9,417,947

Note: The above amounts included only the New Taiwan dollar amounts held by the head office and domestic branches of the Bank (excluding foreign currency).

Maturity Analysis of Assets and Liabilities
December 31, 2019

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year
Main capital inflow on maturity	$ 2,159,517	$ 287,818	$ 258,938	$ 239,853	$ 141,120	$ 1,231,788
Main capital outflow on maturity	2,795,533	559,115	765,666	551,532	752,039	167,181
Gap	(636,016)	(271,297)	(506,728)	(311,679)	(610,919)	1,064,607

December 31, 2018

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year
Main capital inflow on maturity	$ 2,035,175	$ 272,430	$ 298,059	$ 257,196	$ 77,992	$ 1,129,498
Main capital outflow on maturity	2,857,122	602,245	811,276	484,962	812,641	145,998
Gap	(821,947)	(329,815)	(513,217)	(227,766)	(734,649)	983,500

Note 1: The above amounts included only the U.S. dollar amounts held by the head office, domestic branches, OBU and overseas branches of the Bank and excluded contingent assets and contingent liabilities.

Note 2: When the OBU's assets account for 10% of total assets of the Bank, the Bank should provide complimentary disclosed information.

40. CAPITAL MANAGEMENT

a. The purpose of capital management is to reach the criteria set by administration which is the basic goal of the Bank's capital management. The calculation method of the relevant qualified eligible capital and legal capital should be handled in accordance with the provisions of the competent authority.

   To maintain the ratio of eligible capital to risk-weighted assets above the target level, the capital management structure of the Bank should be properly planned depending on the conditions of capital market, the characteristics of various capital instruments, the efficiency of capital utilization and the impact of operational performance.

b. The Bank follows the relevant regulations of the competent authority and the internal operating procedures of the Bank, to regularly disclose relevant information on capital adequacy and report to the competent authority on a quarterly basis.

   Self-owned capital of the Bank is divided into Tier 1 capital and Tier 2 capital according to principles of capital adequacy management.

   1) The term "Net Tier 1 Capital" shall mean the aggregate amount of net common Equity Tier 1 and net additional Tier 1 Capital.

      a) The common equity Tier 1 capital consists of the common shares and additional paid-in capital in excess of par - common shares, the capital collected in advance, the capital reserves, the statutory surplus reserves, the special reserves, the accumulated profit or loss, the non-controlling interests and the other items of interest.

      b) Additional Tier 1 capital consists of non-cumulative perpetual preferred shares and its capital share premium, the non-cumulative perpetual subordinated debts, the non-cumulative perpetual preferred shares and its capital share premium, and the non-cumulative perpetual subordinated debts which are issued by banks' subsidiaries, and are not directly or indirectly held by banks.

   2) Tier 2 capital

      The Tier 2 capital consists of cumulative perpetual preferred shares and its capital share premium, the cumulative perpetual subordinated debts, the convertible subordinated debts, the long-term subordinated debts, the non-perpetual preferred shares and its capital share premium, when applying International Financial Reporting Standards in real estate and using the fair value method or the re-estimated value method as the deemed cost for the first time, the difference in amount between the deemed cost and the book value recognized in retained earnings, the 45% of unrealized gains on changes in the fair value of investment properties using the fair value method, as well as the 45% of unrealized gains on available-for-sale financial assets, the operational reserves and loan-loss provisions and the cumulative perpetual preferred shares and its capital share premium, the cumulative perpetual subordinated debts, the convertible subordinated debts, the long-term subordinated debts, and the non-perpetual preferred shares and its capital share premiums, which are issued by banks' subsidiaries, and are not directly or indirectly held by banks.

c. Capital adequacy ratio (CAR)

(Unit: In Thousands of New Taiwan Dollars, %)

Items / **Year**			**December 31, 2019**	**December 31, 2018**
Eligible capital	Common equity		$ 49,275,639	$ 45,861,436
	Other Tier 1 capital		10,090,735	10,157,025
	Tier 2 capital		2,754,343	3,391,593
	Eligible capital		62,120,717	59,410,054
Risk-weighted assets	Credit risk	Standardized approach	443,642,310	454,751,838
		Internal ratings based approach	-	-
		Securitization	-	-
	Operational risk	Basic indicator approach	19,881,200	18,893,313
		Standardized approach/alternative standardized approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standardized approach	6,182,850	7,272,988
		Internal model approach	-	-
	Risk-weighted assets		469,706,360	480,918,139
Capital adequacy ratio (%)			13.23%	12.35%
Ratio of common equity to risk-weighted assets (%)			10.49%	9.54%
Ratio of Tier 1 capital to risk-weighted assets (%)			12.64%	11.65%
Leverage ratio (%)			8.44%	7.80%

Note 1: Eligible capital and risk-weighted assets are calculated under the “Regulations Governing the Capital Adequacy Ratio of Banks” and “Explanation of Methods for Calculating the Eligible Capital and Risk-Weighted Assets of Banks”.

Note 2: Annual financial statements should include capital adequacy ratio of the current and prior year. Semi-annual financial statements in addition to exposing the current and prior year’s financial status, should also include the capital adequacy ratio at the end of prior year.

Note 3: Formulas used were as follows:

1) Eligible capital = Common equity + Other Tier 1 capital + Tier 2 capital.

2) Risk-weighted assets = Risk-weighted asset for credit risk + Capital requirements for operational risk and market risk x 12.5.

3) Capital adequacy ratio = Eligible capital ÷ Risk-weighted assets.

4) Ratio of the common equity to risk-weighted assets = Common equity ÷ Risk-weighted assets.

5) Ratio of Tier 1 capital to risk-weighted assets = (Common equity + Other Tier 1 capital) ÷ Risk-weighted assets.

6) Leverage ratio = Tier 1 capital ÷ Exposure measurement.

Note 4: Exempt from disclosure in the preparation of the first and third quarters of the financial reports.

41. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

Details of significant assets and liabilities denominated in foreign currencies were as follows:

	December 31, 2019						
	USD	CNY	JPY	AUD	EUR	Others	Total
Financial assets in foreign currencies							
Cash and cash equivalents	$ 1,947,264	$ 650,362	$ 1,020,819	$ 369,682	$ 111,721	$ 389,890	$ 4,489,738
Due from the central bank and call loans to other banks	60,000	94,754	-	273,260	-	-	428,014
Financial assets at fair value through profit or loss	1,183,605	-	-	210	-	-	1,183,815
Financial assets at fair value through other comprehensive income	1,081,986	-	-	-	-	-	1,081,986
Notes discounted and loans	34,318,741	877,054	369,279	78,956	414,949	848,924	36,907,903
Receivables	1,373,564	538,101	161,925	39,577	109,455	70,775	2,293,397
Financial assets at amortized cost	19,180,305	2,368,093	-	1,282,208	-	959,972	23,790,578
Other assets	112,138	-	-	-	-	-	112,138
Financial liabilities in foreign currencies							
Due to the central bank and other banks	1,490,060	-	-	-	100,860	9,940	1,600,860
Deposits and remittances	47,489,149	3,128,176	678,276	2,278,560	539,523	1,838,727	55,952,411
Financial liabilities at fair value through profit or loss	104,773	-	-	300	65	-	105,138
Payables	796,707	88,547	111,876	8,857	126,869	116,283	1,249,139
Lease Liabilities	-	-	-	-	-	7,726	7,726
Securities sold under repurchased agreements	8,366,270	-	-	-	-	-	8,366,270
Provisions	28,552	-	-	-	-	-	28,552
Other liabilities	53,180	-	1,803	-	3,343	-	58,326
New Taiwan dollars exchange rate	30.00	4.31	0.28	21.02	33.62		

	December 31, 2018						
	USD	CNY	JPY	AUD	EUR	Others	Total
Financial assets in foreign currencies							
Cash and cash equivalents	$ 1,753,626	$ 320,117	$ 491,643	$ 465,958	$ 1,277,676	$ 807,161	$ 5,116,181
Due from the central bank and call loans to other banks	61,420	223,600	-	-	-	-	285,020
Financial assets at fair value through profit or loss	1,079,159	-	-	-	-	11	1,079,170
Financial assets at fair value through other comprehensive income	980,178	-	-	-	-	-	980,178
Notes discounted and loans	34,421,321	1,266,246	351,738	216,969	470,514	655,638	37,382,426
Receivables	2,205,979	118,401	251,121	11,470	150,493	85,759	2,823,223
Financial assets at amortized cost	17,538,248	2,280,163	-	1,322,022	-	148,932	21,289,365
Other assets	131,592	-	-	-	-	-	131,592
Financial liabilities in foreign currencies							
Due to the central bank and other banks	1,074,850	-	-	-	-	-	1,074,850
Deposits and remittances	44,332,288	3,556,606	664,068	2,336,307	506,670	1,610,387	53,006,326
Financial liabilities at fair value through profit or loss	71,504	-	-	-	-	10	71,514
Payables	973,662	110,904	91,995	6,612	1,208,062	116,473	2,507,708
Securities sold under repurchased agreements	8,704,431	-	-	-	-	-	8,704,431
Provisions	29,944	-	-	-	-	-	29,944
Other liabilities	172,294	-	-	-	1,360	2,127	175,781
New Taiwan dollars exchange rate	30.71	4.47	0.28	21.67	35.21		

42. CASH FLOW INFORMATION

Changes in Liabilities Arising from Financing Activities

For the year ended December 31, 2019

	Opening Balance	Cash Inflows (Outflows)	Non-cash Changes: New Leases	Non-cash Changes: Lease Term End	Closing Balance
Bank debentures	$ 20,000,000	$ 6,000,000)	$ -	$ -	$ 14,000,000
Lease liabilities (Note 3)	821,579	114,132)	238,810	254,086)	692,171
	$ 20,821,579	$ 6,114,132)	$ 238,810	$ 254,086)	$ 14,692,171

For the year ended December 31, 2018

	Opening Balance	Cash Inflows (Outflows)	Non-cash Changes: New Leases	Non-cash Changes: Lease Term End	Closing Balance
Bank debentures	$ 17,500,000	$ 2,500,000	$ -	$ -	$ 20,000,000

43. ADDITIONAL DISCLOSURES

a. Information about significant transactions and investees:

Disclosure of relevant information in accordance with Article 18 of Regulations Governing the Preparation of Financial Reports by Public Banks are as follows:

No.	Item	Note
1	Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 10% of the paid-in capital.	None
2	Acquisition of individual real estate at costs of at least NT$300 million or 10% of the paid-in capital.	None
3	Disposal of individual real estate at cost of at least NT$300 million or 10% of the paid-in capital.	None
4	Allowance of service fees to related parties amounting to at least NT$5 million.	None
5	Receivables from related parties amounting to at least NT$300 million or 10% of the paid-in capital.	None
6	Sale of nonperforming loans.	None
7	Financial asset securitization and real estate securitization.	None
8	Other significant transactions which may affect the decisions of users of financial reports.	None

b. The related information of the Bank's investees:

No.	Item	Note
1	Related information and proportionate share in investees.	Table 1
2	Financing provided.	Table 2
3	Endorsement/guarantee provided.	Table 3
4	Marketable securities held.	Table 4
5	Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 10% of the paid-in capital.	None
6	Other significant transactions which may affect the decisions of users of financial reports.	None

Note: The financial, insurance and securities industries of the invested companies are exempt from disclosure.

c. Investment in mainland China: Table 5 (attached).

TAICHUNG COMMERCIAL BANK CO., LTD.

THE RELATED INFORMATION AND PROPORTIONATE SHARE IN INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company (Note 1)	Location	Main Businesses and Products	Percentage of Ownership	Carrying Value	Investment Gain (Loss)	Proportionate Share of the Bank and Its Affiliates in Investees (Note 1)				Note
							Shares (In Thousands)	Pro Forma Shares (Note 2)	Total		
									Shares (In Thousands)	Percentage of Ownership	
Taichung Commercial Bank Co., Ltd.	Taichung Bank Insurance Brokers Co.	Taichung City	Insurance broker industry	100.00	$ 2,024,588	$ 471,300	128,600	-	128,600	100.00	
	Reliance Securities Investment Trust Co., Ltd.	Taipei City	Securities investment trust industry	38.46	156,788	(3,002)	18,643	-	18,643	59.75	
	Taichung Commercial Bank Securities Co., Ltd.	Taichung City	Securities industry	100.00	1,404,823	20,671	150,000	-	150,000	100.00	
	Taichung Bank Leasing Corporation Limited	Taipei City	Leasing business	100.00	1,904,602	74,928	189,729	-	189,729	100.00	
Taichung Bank Leasing Corporation Limited	TCCBL Co., Ltd. (B.V.I.)	British Virgin Islands	Financial leasing and investment business	100.00	786,508	33,564	30,000	-	30,000	100.00	
TCCBL Co., Ltd. (B.V.I.)	Taichung Bank Financial Leasing (Suzhou) Co., Ltd.	Suzhou	Financial leasing business	100.00	726,048	25,808	-	-	-	100.00	

Note 1: Shares or pro forma shares held by the Bank, directors, supervisors, president, vice president and affiliates have all been included in accordance with the Company Act.

Note 2: a. Pro forma shares are shares assumed to be obtained through buying equity-based securities or entering into equity-linked derivative contracts for purposes defined in Article 74 of the Banking Law.
b. Equity-based securities, such as convertible bonds and warrants, are covered by Article 11 of "Securities and Exchange Law Enforcement Rules."
c. Derivative contracts, such as share options, are those conforming to the definition of derivatives in International Financial Reporting Standard 9.

Note 3: This table of "information of investees' names, locations, etc." can only be seen in the second and fourth quarter's financial statements.

TAICHUNG COMMERCIAL BANK CO., LTD.

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Lender	Borrower	Financial Statements Account (Note 2)	Related Party	Highest Balance for the Period (Note 3)	Ending Balance (Note 8)	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing (Note 4)	Business Transaction Amount (Note 5)	Reasons for Short-term Financing (Note 6)	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 7)	Aggregate Financing Limit (Note 7)	Note
													Item	Value			
1	Taichung Bank Leasing Corporation Limited	Chang Hong International Development Co., Ltd.	Other receivables	Not related	$ 21,989	$ -	$ -	4-10	Necessary for short-term financing	$ -	Business turnover	$ -	Real estate	$ 29,079	$ 190,460	$ 761,841	Note 9
		Hung Hsin Construction Inc.	〃	〃	64,170	-	-	4-10	〃	-	〃	-	Real estate	58,613	190,460	761,841	〃
		General Energy Solutions Co., Ltd.	〃	〃	23,476	-	-	4-10	〃	-	〃	-	Margin	5,000	190,460	761,841	〃
		Yi Le Construction Inc.	〃	〃	63,050	-	-	4-10	〃	-	〃	-	Real estate	65,161	190,460	761,841	〃
		Huang Chao Golden Hall Co., Ltd.	〃	〃	16,696	-	-	4-10	〃	-	〃	-	Margin	6,000	190,460	761,841	〃
		Yuan Li Engineering Inc.	〃	〃	35,678	16,298	16,298	4-10	〃	-	〃	163	None	-	190,460	761,841	〃
		Kuang Ming Shipping Corp.	〃	〃	100,000	42,150	42,150	4-10	〃	-	〃	222	Margin	20,000	190,460	761,841	〃
		Pao Mei Construction Inc.	〃	〃	104,000	-	-	4-10	〃	-	〃	-	Real estate	88,813	190,460	761,841	〃
		Wisdom International industrial Co., Ltd.	〃	〃	100,000	75,177	75,177	3.5-10	〃	-	〃	752	None	-	190,460	761,841	〃
		Pao Hung Construction industrial Co., Ltd.	〃	〃	116,000	114,260	114,260	4-10	〃	-	〃	1,143	Real estate	100,194	190,460	761,841	〃
		Hsin Fu International Co., Ltd.	〃	〃	58,520	58,520	-	4-10	〃	-	〃	-	Real estate	59,632	190,460	761,841	〃
		Wan Ku Fu Co., Ltd.	〃	〃	120,000	115,070	55,070	4-10	〃	-	〃	551	Real estate	70,984	190,460	761,841	〃
2	TCCBL Co., Ltd. (B.V.I.)	Ever Merit Trading Limited	〃	〃	18,960	-	-	5.25	〃	-	〃	-	Share	60,480	78,651	314,603	Note 10
		League International Limited	〃	〃	7,900	-	-	4-10	〃	-	〃	-	Margin	3,000	78,651	314,603	〃
		Cross Border Profits Limited	〃	〃	29,230	23,070	23,070	4-10	〃	-	〃	201	Margin	3,000	78,651	314,603	〃
		TCT Capital Co., Ltd.	〃	〃	50,560	-	-	4-10	〃	-	〃	-	Margin	4,800	78,651	314,603	〃
3	Taichung Bank Financial Leasing (Suzhou) Co., Ltd.	Zhangjiajie Zhongjun Real Estate Co., Ltd.	Entrusted loan	〃	27,600	14,213	14,213	9.6	〃	-	Capital investment plan expenditure	213	Real estate	232,190	290,419	290,419	Note 11

Note 1: The description of the number column is as follows:

a. Issuer: 0.
b. The invested company is numbered sequentially by the Arabic number 1 according to the company.

Note 2: Items such as accounts receivable, corporate receivables, shareholder transactions, prepayments, provisional payments, etc., which are provided by financing are required to be filled in this field.

Note 3: The annual fund is provided to others to the highest balance.

Note 4: Nature of financing should be filled with business contracts or those who have short-term financing.

Note 5: Nature of the loan of the business contracts should be filled with the amount of business transactions. The amount of business transactions refers to the amount of business transactions between the company that lends the funds and the target of last year's loan.

Note 6: Nature of the loan required for short-term financing should specify the reasons for the loans and the use of funds for the loan, such as repayment of loans, purchase of equipment, business turnover, etc.

Note 7: The company shall fill in the borrowing limit and total limit for individual objects according to the operating procedures and explains the calculation method of the total limit in the column Note.

Note 8: If the board of directors of the public offering company according to Article 14 (1) of the Public Offering Company's Financing and Endorsement Guarantee Processing Guidelines will make a resolution, the amount of the resolution of the board of directors shall be included in the announcement balance to disclose its risk; however, if the funds are repaid, the balance after repayment should be disclosed to reflect the adjustment of risk. If the public offering company authorizes the chairman of the board to allocate or repay the loan in a certain amount and within one year according to the resolution of the board of directors in accordance with Article 14(2) of the handling criteria, the fund's loan and the amount approved by the board of directors shall be the declared balance. Although the funds will be repaid afterwards, the consideration may still be re-loaned. Therefore, the fund loan and the amount approved by the board of directors should still be used as the announced balance.

Note 9: Taichung Bank Leasing Corporation Limited should not exceed 10% of its own net value for a single enterprise. The total amount of financing provided to others is limited to 40% of the net value of Taichung Bank Leasing Corporation Limited.

Note 10: TCCBL Co., Ltd. (B.V.I.) should not exceed 10% of its own net value for a single enterprise. The total amount of financing provided to others is limited to 40% of the net value of TCCBL Co., Ltd. (B.V.I.).

Note 11: Taichung Bank Financial Leasing (Suzhou) Co., Ltd. should not exceed 40% of its own net value for a single enterprise. The total amount of financing provided to others is limited to 40% of the net value of Taichung Bank Financial Leasing (Suzhou) Co., Ltd.

TAICHUNG COMMERCIAL BANK CO., LTD.

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 1)	Maximum Amount Endorsed/ Guaranteed During the Period (Note 2)	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 1)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries (Note 3)	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent (Note 3)	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China (Note 3)
		Name	Relationship										
1	Taichung Bank Leasing Corporation Limited	TCCBL Co., Ltd. (B.V.I.)	Direct shareholding of 100% of subsidiary	$ 11,427,612	$ 1,221,512	$ 942,289	$ 114,000	$ -	49.48	$ 19,046,020	-	-	-
2	Taichung Bank Leasing Corporation Limited	Taichung Bank Financial Leasing (Suzhou) Co., Ltd.	Indirect shareholding of 100% of subsidiary	11,427,612	2,083,830	1,841,251	1,663,922	-	96.68	19,046,020	-	-	Y

Note 1: According to Taichung Bank Leasing Corporation Limited’s “Operating Procedures to Fund Endorsement and Guarantee”, the endorsement limit to single company cannot surpass six times of Taichung Bank Leasing Corporation Limited’s audited net worth. The endorsement limits to all subsidiaries cannot surpass 10 times of Taichung Bank Leasing Corporation Limited’s audited net worth.

Note 2: The maximum balance guaranteed for endorsement of others during the year.

Note 3: It is a guarantor of the listed parent company to the endorsement of the subsidiary, the subsidiary company's endorsement to the listed parent company and the endorsement of the mainland area must be filled with Y.

TABLE 4

TAICHUNG COMMERCIAL BANK CO., LTD.

MARKETABLE SECURITIES HELD
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars or Shares)

Name of Holding Company	Type and Name of Marketable Securities	Relationship	Financial Statements Account	December 31, 2019				Note
				Shares	Carrying Amount	Percentage of Ownership	Market Value or Net Asset Value (Note)	
Taichung Commercial Bank Co., Ltd.	Domestic unlisted shares							
	Taichung Bank Leasing Corporation Limited	Subsidiary	Investment accounted for using the equity method	189,729	$ 1,904,602	100	$ 1,904,602	
	Taichung Bank Insurance Brokers Co., Ltd.	Subsidiary	Investment accounted for using the equity method	128,600	2,024,588	100	2,024,588	
	Taichung Bank Securities Co., Ltd.	Subsidiary	Investment accounted for using the equity method	150,000	1,404,823	100	1,404,823	
	Reliance Securities Investment Trust Co., Ltd.	Associate	Investment accounted for using the equity method	12,000	156,788	38	156,788	
Taichung Bank Leasing Corporation Limited	Foreign unlisted shares							
	TCCBL Co., Ltd. (B.V.I.)	Sub-subsidiary	Investment accounted for using the equity method	30,000	786,508	100	786,508	
TCCBL Co., Ltd. (B.V.I.)	Foreign unlisted shares							
	Taichung Bank Financial Leasing (Suzhou) Co., Ltd.	Sub-subsidiary	Investment accounted for using the equity method	-	726,048	100	726,048	

Note: The financial industry, the insurance industry and the securities industry are exempt from disclosure.

TABLE 5

TAICHUNG COMMERCIAL BANK CO., LTD.

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

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019
					Outflow	Inflow					
Taichung Bank Financial Leasing (Suzhou) Co., Ltd.	Financial leasing business	$ 893,373 (CNY 186,329 thousand)	Investment in mainland China companies through an existing company established in a third region.	$ 893,373 (CNY 186,329 thousand)	$ -	$ -	$ 893,373 (CNY 186,329 thousand)	100	$ 25,808 (CNY 5,774 thousand)	$ 726,048 (CNY 168,574 thousand)	$ -

Accumulated Investment in Mainland China as of December 31, 2019	Investment Amount Approved by the Investment Commission, MOEA	Maximum Investment Allowable (Note 2)
$893,373	$893,373	$1,142,761

Note 1: Recognition of investment gains and losses based on the financial statements audited by the parent company's accountant.

Note 2: Based on the Investment Commission's "Regulation on the Examination of Investment or Technical Cooperation in Mainland China", investments are limited to the regulation of Taichung Bank Leasing Corporation Limited's calculation.

Note 3: Foreign currency involved translation into the New Taiwan dollar at the spot rate and average exchange rate on the date of the financial statements (CNY1=NT$4.31, CNY1=NT$4.47).

TAICHUNG COMMERCIAL BANK CO., LTD.

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

STATEMENT 1

TAICHUNG COMMERCIAL BANK CO., LTD.

STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Item	Amount
Cash on hand	$ 3,617,095
Cash on hand - foreign currencies (Note)	936,061
Checks for clearing	1,007,649
Due from banks	4,695,864
	$ 10,256,669

Note: The cash on hand - foreign currencies include: US$11,101 thousand, US$1=NT$30; EUR1,775 thousand; EUR1=NT$33.62; JPY940,728 thousand, JPY1=NT$0.28; HK$23,948 thousand, HK$1=NT$3.85; AUD thousand, AU$1=NT$21.02; CAD481 thousand, CAD1=NT$22.99; CNY37,550 thousand, CNY1=NT$4.31.

TAICHUNG COMMERCIAL BANK CO., LTD.

STATEMENT OF FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

						Fair Value	
Name	Description	Shares	Amount	Total Amount	Cost	Unit Price (NT$)	Total Amount
Financial assets at FVPL							
1. Domestic listed shares and emerging market shares							
Taiwan Fire & Marine Insurance Co., Ltd.		10,662	10	$ 106,620	$ 295,771	20.90	$ 222,836
Taiwan Semiconductor Manufacturing Co., Ltd.		150	10	1,500	36,525	331.00	49,650
Formosa Chemicals & Fibre Corporation		458	10	4,580	40,723	87.50	40,075
Quanta Computer Inc.		500	10	5,000	29,890	64.30	32,150
Others (Note)		3,041	10	30,410	157,357		170,391
				148,110	560,266		515,102
2. Cross-currency swap contracts	Note 8	-		-	-		71,394
3. Beneficiary certificate							
Allianz Global Investors Taiwan Technology Fund		879		-	50,000	63.98	56,219
Allianz Global Investors Taiwan Fund		1,478		-	50,000	38.51	56,911
Nomura Global Equity Fund		1,543		-	30,000	20.38	31,451
Taishin North American Income Trust Fund		814		-	20,000	23.66	19,267
Nomura China Opportunities Fund		1,889		-	30,000	15.88	30,000
Allianz Global Investors Taiwan Intelligence Trends Fund		548		-	25,000	46.13	25,268
Fuh Hwa US Equity Fund		2,058		-	30,000	14.52	29,877
JPMorgan Greater Europe Fund		1,771		-	30,000	18.09	32,037
JPMorgan US Technology Fund (USD)		24		-	30,000	1,407.90	33,577
				-	295,000		314,607
4. Commercial paper							
Cathay Financial		-		4,850,000	4,841,368		4,846,650
Taiwan Cooperative Financial Holding		-		2,550,000	2,546,111		2,547,573
Taiwan Power Company		-		2,400,000	2,394,286		2,395,600
Mega Financial Holding Company Ltd.		-		1,650,000	1,647,649		1,648,393
Others (Note)		-		8,639,000	8,633,800		8,635,922
				20,089,000	20,063,214		20,074,138
5. Foreign exchange forward contracts	Note 8	-		-	-		82,809

(Continued)

Name	Description	Shares	Amount	Total Amount	Cost	Fair Value Unit Price (NT$)	Fair Value Total Amount
6. Asset swap contract							
Highwealth 5		3,458	100	$ 345,800	$ 345,800	111.00	$ 345,980
Shanyuan 2		1,305	100	130,500	130,500	106.00	130,048
Shin Kong Financial Holding 5		3,477	100	347,700	347,700	107.00	347,748
China Airlines 6		5,896	100	589,600	589,600	99.45	590,312
Yang Ming Marine Transport 5		1,050	100	105,000	105,000	101.80	105,131
Others (Note)		2,930	100	293,000	293,000		293,311
				1,811,600	1,811,600		1,812,530
7. Cross-currency option contracts	Note 8	-		-	-		112,417
8. Non-deliverable forward contracts		-		-	59,437		4,802
9. PEM group policy assets		-		1,029,839	1,029,839		1,029,839
				$ 23,078,549	$ 23,819,356		$ 24,017,638

Note: The amount of each item in others does not exceed 5% of the account balance.

(Concluded)

TAICHUNG COMMERCIAL BANK CO., LTD.

STATEMENT OF SECURITIES PURCHASED UNDER RESELL AGREEMENTS
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Type	Period	Carrying Value	Amount	Interest
Commercial paper	2019.12.20-2020.01.10	$ 10,268,800	$ 10,256,716	0.54%-0.56%

TAICHUNG COMMERCIAL BANK CO., LTD.

STATEMENT OF RECEIVABLES, NET
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Amount
Accounts receivable factored without recourse	$ 649,997
Receivables on credit cards	785,636
Acceptances	505,650
Interest receivables	1,196,510
Receivables on foreign currency settlement	870,200
Others receivables	183,564
	4,191,557
Less: Allowance for doubtful accounts	(127,809)
	$ 4,063,748

TAICHUNG COMMERCIAL BANK CO., LTD.

STATEMENT OF NOTES DISCOUNTED AND LOANS, NET
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Amount
Bills negotiated	$ 393,291
Overdrafts	1,404
Secured overdrafts	38,166
Accounts receivable financing	51,595
Short-term unsecured loans	39,586,875
Short-term secured loans	100,653,393
Medium-term unsecured loans	49,151,361
Medium-term secured loans	103,127,599
Long-term unsecured loans	5,210,470
Long-term secured loans	141,838,997
Delinquent loans	963,045
	441,016,196
Add: Adjustment of premium or discount	26,487
Less: Allowance for doubtful accounts	(6,573,319)
	$ 434,469,364

TAICHUNG COMMERCIAL BANK CO., LTD.

STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Name	Description	Interest Payment Date	Due Date	Units/Shares (In Thousands)	Amount	Interest %	Carrying Value	Accumulated Impairment Loss	Allowance for Doubtful Accounts	Fair Value
Domestic unlisted shares										
Taiwan Stock Exchange Corporation				1,673	$ -		$ 178,875	$ -	$ -	$ 178,875
Financial Information Service Co., Ltd				5,938	-		267,971	-	-	267,971
Taiwan Futures Exchange				1,594	-		135,951	-	-	135,951
Taiwan Depository & Clearing Corporation				595	-		64,070	-	-	64,070
Others (Note)				8,429	-		18,090	-	-	18,090
					$ -		664,957	-	-	664,957
Corporate bonds										
P05 YFH 1C	Par value 5,000,000	2020/05/27	2023/05/27	5,000	$ 5,000,000	1.00	5,003,773	(3,773)	26,781	5,026,781
P05 CST 1	Par value 1,500,000	2020/09/26	2021/09/26	1,500	1,500,000	0.71	1,502,199	(2,199)	(1,512)	1,498,488
P08 FFH 2	Par value 1,200,000	2020/12/05	2026/12/05	1,200	1,200,000	0.82	1,200,393	(393)	(2)	1,199,998
Others (Note)					13,600,000		13,707,077	(6,605)	77,874	13,778,346
					$ 21,300,000		21,413,442	(12,970)	103,141	21,503,613
Government bonds										
101 Central government bond A7	Par value 700,000	2020/08/10	2032/08/10	700	$ 700,000	1.50	722,182	(201)	44,395	766,376
103 Central government A11	Par value 700,000	2020/07/31	2034/07/31	700	700,000	2.13	781,357	(217)	(12,287)	768,853
Central government bond 95-7	Par value 2,300,000	2020/11/10	2026/11/10	2,300	2,300,000	2.13	2,485,095	(691)	(24,696)	2,459,708
99 Central government bond A7	Par value 500,000	2020/08/12	2030/08/12	500	500,000	1.75	533,556	(148)	20,112	553,520
Central government bond 97-5	Par value 300,000	2020/08/14	2028/08/14	300	300,000	2.63	341,262	(95)	7,738	348,905
105 Central government A13	Par value 500,000	2020/10/25	2021/10/25	500	500,000	0.63	499,068	(139)	1,836	500,765
Others (Note)					550,000		597,320	(167)	2,143	599,296
					$ 5,550,000		5,959,840	(1,658)	39,241	5,997,423
Financial bonds										
P08 SCS 1A	Par value 500,000	2020/09/25	2022/09/25	500	$ 500,000	0.65	500,164	(164)	(2)	499,998
P08 SCS 1B	Par value 700,000	2020/09/25	2024/09/25	700	700,000	0.69	700,230	(230)	(3)	699,997
P08 SGS 2B	Par value 500,000	2020/11/29	2024/11/29	500	500,000	0.79	500,142	(142)	(1)	499,999
					$ 1,700,000		1,700,536	(536)	(6)	1,699,994
Foreign listed shares										
Visa International				29			18,564	-	142,549	161,113
Master Card International				14			12,645	-	108,914	121,559
							31,209	-	251,463	282,672
Foreign bonds										
HSBC HOLDINGS PLC				-	$ 240,000		245,564	(69)	4,763	250,258
HSBC HOLDINGS PLC				-	120,000		119,195	(34)	2,261	121,422
WELLS FARGO & COMPANY				-	120,000		118,993	(39)	1,425	120,379
JPMORGAN CHASE & CO				-	90,000		90,561	(30)	2,551	93,082
JPMORGAN CHASE & CO				-	210,000		209,490	(69)	4,752	214,173
					$ 780,000		783,803	(241)	15,752	799,314
							$ 30,553,787	$ (15,405)	$ 409,591	$ 30,947,973

Note: The amount of each item in others does not exceed 5% of the account balance.

TAICHUNG COMMERCIAL BANK CO., LTD.

STATEMENT OF INVESTMENT IN DEBT INSTRUMENTS AT AMORTIZED COST
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Type	Description	Interest Payment Date	Maturity Date	Carrying Value (NT$)	Interest %	Allowance For Doubtful Accounts	Unamortized Price	Fair Value
1. Government bonds								
103 Central government bond A6		2020/03/03	2024/03/03	$ 1,000,000	1.500	$ (283)	$ 17,506	$ 1,017,223
106 Central government bond A4		2020/03/01	2027/03/01	1,200,000	1.125	(336)	7,461	1,207,125
106 Central government bond A9		2020/09/20	2027/09/20	1,650,000	1.000	(458)	(3,179)	1,646,363
89 Central government bond A7		2020/01/18	2020/01/18	1,000,000	6.250	(279)	2,510	1,002,231
90 Central government bond B1	Guaranteed par value $500,000 thousand	2020/09/11	2021/09/11	1,000,000	4.000	(292)	47,356	1,047,064
99 Central government bond A4		2020/02/22	2030/02/22	1,050,000	1.875	(315)	80,329	1,130,014
Others (Note)				6,870,000	0.625-5.875	(2,002)	324,666	7,192,664
Less: Deposit reserves for trust compensation				(60,000)		-	-	(60,000)
Refundable deposits				(784,900)		-	-	(784,900)
				12,925,100		(3,965)	476,649	13,397,784
2. Foreign bonds (Note)				23,777,153	1.811-8.700	(15,486)	28,911	23,790,578
3. Credit certificate				9,291		(9,291)	-	-
4. Commercial paper								
NCDs				59,535,000	0.200-0.640	-	-	59,535,000
5. Corporate bonds								
P07 FENC 1		2020/01/08	2023/01/08	800,000	0.950	(797)	-	799,203
P07 Pegatron 1B		2020/01/10	2023/01/10	600,000	0.920	(453)	-	599,547
P06 YL 1A		2020/12/12	2022/12/12	600,000	1.040	(1,599)	21	598,422
P07 DSC 2		2020/12/19	2023/12/19	600,000	0.970	(597)	-	599,403
Others (Note)				8,800,000	0.820-1.750	(9,474)	13,910	8,804,436
				11,400,000		(12,920)	13,931	11,401,011
				$ 107,646,544		$ (41,662)	$ 519,491	$ 108,124,373

Note: The amount of each item in others does not exceed 5% of the account balance.

TAICHUNG COMMERCIAL BANK CO., LTD.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

	Balance, January 1, 2019		Additions in Investment		Decrease in Investment		Balance, December 31, 2019			Market Value or Net Assets Value
Investees	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Shares (In Thousands)	%	Amount	
Taichung Bank Insurance Brokers Co. (Note 1)	128,600	$ 1,828,479	-	$ 541,379	-	$ 345,270	128,600	100.00	$ 2,024,588	$ 2,024,588
Reliance Securities Investment Trust Co., Ltd. (Note 2)	12,000	153,423	-	6,367	-	3,002	12,000	38.46	156,788	156,788
Taichung Bank Leasing Corporation Limited (Note 3)	185,000	1,858,956	4,729	74,928	-	29,282	189,729	100.00	1,904,602	1,904,602
Taichung Bank Securities Co., Ltd. (Note 4)	150,000	1,383,843	-	20,980	-	-	150,000	100.00	1,404,823	1,404,823
		$ 5,224,701		$ 643,654		$ 377,554			$ 5,490,801	$ 5,490,801

Note 1: The increase in the current year was based on investment income recognized under equity method of $471,300 thousand and gain on disposal of equity instruments amounted to $70,079 thousand. The decrease in the current year was based on cash dividends of $324,378 thousand and the recognition of unrealized loss on financial instruments amounted to $20,892 thousand. The net assets value was calculated based on financial statements which have been audited.

Note 2: The increase in the current year was based on the defined benefit plans recognized under equity method of $237 thousand and the recognition of unrealized gain on financial instruments amounted to $6,130 thousand. The decrease in the current year was investment loss of $3,002 thousand. The net assets value was calculated based on financial statements which have been audited.

Note 3: The increase in the current year was based on investment income recognized under equity method of $74,928 thousand and the share dividends were 4,729 shares. The decrease in the current year was cumulative translation adjustment of $29,282 thousand. The net assets value was calculated based on financial statements which have been audited.

Note 4: The increase in the current year was based on investment income recognized under equity method of $20,671 thousand and the recognition of unrealized gain on financial instruments amounted to $309 thousand. The net assets value was calculated based on financial statements which have been audited.

STATEMENT 9

TAICHUNG COMMERCIAL BANK CO., LTD.

STATEMENT OF OTHER FINANCIAL ASSETS
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Amount
Other delinquent receivables, net	
Delinquent receivables not arising from loans	$ 4,506
Less: Allowance for doubtful accounts	(2,260)
	$ 2,246

Note: The amount of each item in others does not exceed 5% of the account balance.

TAICHUNG COMMERCIAL BANK CO., LTD.

STATEMENT OF CHANGE IN RIGHT-OF-USE ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Balance, Beginning of Year	Adjustment on Retrospective Application of IFRS 16	Addition	Less	Balance, End of Year	Remark
Land and buildings	$ -	$ 788,888	$ 202,250	$ 258,742	$ 732,396	
Transportation equipment	-	32,691	36,560	6,940	62,311	
	$ -	$ 821,579	$ 238,810	$ 265,682	$ 794,707	

Note: The above statement is listed in order of asset categories.

TAICHUNG COMMERCIAL BANK CO., LTD.

STATEMENT OF CHANGE IN ACCUMULATED DEPRECIATION OF RIGHT-OF-USE ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Balance, Beginning of Year	Addition	Less	Balance, End of Year	Remark
Land and buildings	$ -	$ 111,446	$ 12,268	$ 99,178	
Transportation equipment	-	15,836	459	15,377	
	$ -	$ 127,282	$ 12,727	$ 114,555	

Note: The above statement is listed in order of asset categories.

TAICHUNG COMMERCIAL BANK CO., LTD.

STATEMENT OF FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Description (Note)	Shares	Carrying Value	Total Amount	Rate	Cost	Fair Value Unit Price (NT$)	Fair Value Total Amount
Financial liability held for trading								
Cross-currency swap contracts	Note 8	-	-	$ -	-	$ -	$ -	$ 88,092
Foreign exchange forward contracts	Note 8	-	-	-	-	-	-	18,767
Cross-currency option contracts	Note 8	-	-	-	-	76,429	-	113,590
Non-deliverable forward contracts	Note 8	-	-	-	-	-	-	4,953
						$ 76,429		$ 225,402

Note: The amount of each item in others does not exceed 5% of the account balance.

TAICHUNG COMMERCIAL BANK CO., LTD.

STATEMENT OF SECURITIES SOLD UNDER REPURCHASE AGREEMENTS
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Trading Product Name	Trading Period	Carrying Value	Amount	Rate
Government bonds				
Others (Note)	2019.11.12-2020.03.11	$ 2,000,000	$ 2,002,755	0.50%-0.54%
			2,002,755	
Foreign bonds				
SINOPACTW TW	2019.11.29-2020.02.27	US$ 19,000	525,460	2.30%
JP.Morgan HK	2019.11.04-2020.01.30	US$ 30,000	819,408	2.28%
UOB TPE	2019.10.28-2020.02.04	US$ 21,000	611,906	2.30%
Others (Note)	2019.10.04-2020.02.27	US$ 225,000	6,409,496	2.18%-2.45%
			8,366,270	
			$ 10,369,025	

Note: The amount of each item in others does not exceed 5% of the account balance.

TAICHUNG COMMERCIAL BANK CO., LTD.

STATEMENT OF ACCOUNTS PAYABLES
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Amount
Notes and checks in clearing	$ 1,007,649
Foreign currency settlement payable	870,282
Acceptances	514,383
Interest payable	450,880
Accrued expenses	1,362,966
Factored accounts payable	49,615
Collections payable	34,172
Other payables	612,068
	$ 4,902,015

Note: The amount of individual client included in others does not exceed 5% of the account balance.

STATEMENT 15

TAICHUNG COMMERCIAL BANK CO., LTD.

STATEMENT OF DEPOSITS AND REMITTANCES
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Item	Amount
Checking deposits	
Checking	$ 6,388,569
Bank checking	1,585,185
Certified check	93,689
	8,067,443
Demand deposits	
Demand	116,631,951
Public treasury	401,942
Foreign exchange demand	22,332,469
	139,366,362
Demand savings deposits	
Demand savings	131,506,169
Staff demand savings	2,704,990
	134,211,159
Time deposits	
Time	110,576,490
Foreign exchange time	33,457,654
	144,034,144
Time savings deposits	
Withdrawals of interest savings	148,621,975
Round-amount savings	10,214,674
Regular deposits	188,439
	159,025,088
Remittances	162,288
	$ 584,866,484

TAICHUNG COMMERCIAL BANK CO., LTD.

STATEMENT OF BANK DEBENTURES
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Bonds Name	Detail of the Subordinated Financial Debenture Issuance			Bonds		Book Value
	Issuance Date	Maturity Date	Interest Rate	Category	Carrying Value	
First subordinated financial debenture on 2013	2013.06.25	2020.06.25	Fixed interest rate, 2.1%	Subordinated	$ 500	$ 2,500,000
First no due date non-cumulative subordinated financial debenture on 2015	2015.12.28	No due date	According to the one-year time savings deposit interest rate of Chunghwa Post Co., Ltd., plus 3.08%	Subordinated	10,000	1,500,000
First no due date non-cumulative subordinated financial debenture on 2016	2016.12.28	No due date	According to the one-year time savings deposit interest rate of Chunghwa Post Co., Ltd., plus 3.08%	Subordinated	10,000	1,500,000
First no due date non-cumulative subordinated financial debenture on 2017	2017.03.28	No due date	According to the one-year time savings deposit interest rate of Chunghwa Post Co., Ltd., plus 3.08%	Subordinated	10,000	1,000,000
Second no due date non-cumulative subordinated financial debenture on 2017	2017.05.18	No due date	According to the one-year time savings deposit interest rate of Chunghwa Post Co., Ltd., plus 3.08%	Subordinated	10,000	500,000
Third no due date non-cumulative subordinated financial debenture on 2017	2017.08.28	No due date	According to the one-year time savings deposit interest rate of Chunghwa Post Co., Ltd., plus 3.08%	Subordinated	10,000	500,000
Fourth no due date non-cumulative subordinated financial debenture on 2017	2017.12.05	No due date	According to the one-year time savings deposit interest rate of Chunghwa Post Co., Ltd., plus 3.08%	Subordinated	10,000	1,350,000
Fifth no due date non-cumulative subordinated financial debenture on 2017	2017.12.27	No due date	According to the one-year time savings deposit interest rate of Chunghwa Post Co., Ltd., plus 3.08%	Subordinated	10,000	2,650,000
First no due date non-cumulative subordinated financial debenture on 2018	2018.04.25	No due date	According to the one-year time savings deposit interest rate of Chunghwa Post Co., Ltd., plus 3.08%	Subordinated	10,000	1,000,000
Second no due date non-cumulative subordinated financial debenture on 2018	2018.12.18	No due date	According to the one-year time savings deposit interest rate of Chunghwa Post Co., Ltd., plus 3.08%	Subordinated	10,000	1,500,000
						$ 14,000,000

TAICHUNG COMMERCIAL BANK CO., LTD.

STATEMENT OF LEASE LIABILITIES
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Description	Lease Terms	Discount Rate	Balance, End of Year	Remark
Land and buildings		1-15 years	4.14%	$ 644,582	
Transportation equipment		1-5 years	4.14%	47,589	
				$ 692,171	

TAICHUNG COMMERCIAL BANK CO., LTD.

STATEMENT OF EMPLOYEE BENEFITS EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Employee Benefit Expense	Non-interest Gains	Other Selling and Administrative Expenses	Total	Remark
Employee benefits expense					
Salaries	$ 2,800,248	$ -	$ -	$ 2,800,248	
Labor and health insurance	185,725	-	-	185,725	
Pension expense	108,345	-	-	108,345	
Remuneration of directors and supervisors	104,811	-	2,030	106,841	
Other employee expenses	206,924	-	2,038	208,962	
	$ 3,406,053	$ -	$ 4,068	$ 3,410,121	

Note 1: As of December 31, 2019 and 2018, the Bank had 2,490 and 2,291 employees, and there were 11 and 10 non-employee directors, respectively.

Note 2: The average employee benefits expense amounted to $1,333 thousand in 2019 and amounted to $1,420 thousand in 2018.

Note 3: The average employee salaries amounted to $1,130 thousand in 2019 and amounted to $1,215 thousand in 2018.

Note 4 The change in average employee salaries rate was (7%) in 2019.