BANK OF KAOHSIUNG CO., LTD.

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

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Bank of Kaohsiung Co., Ltd.

Opinion

We have audited the accompanying balance sheets of the Bank of Kaohsiung Co., Ltd. (the "Company") as of June 30, 2020 and 2019 and the related statements of comprehensive income for the three months and for the six months ended June 30, 2020 and 2019, and changes in equity and cash flows for the six months ended June 30, 2020 and 2019, and related notes, 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 Company as of June 30, 2020 and 2019, and its financial performance for the three months and for the six months ended June 30, 2020 and 2019, and its cash flows for the six months ended June 30, 2020 and 2019 in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, and International Accounting Standard 34 "Interim Financial Reporting", as endorsed by the Financial Supervisory Commission

Basis for Opinion

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements of Financial Institutions by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on those matters. The Company's key audit matters for the six months ended June 30, 2020 are addressed as follows:

1. Impairment loss on loans and receivables

   The balance of loans and receivables from the balance sheet of the Company as of June 30, 2020 was $175,710,714 thousand (after deducting the allowance for bad debts of $2,088,225 thousand). Please refer to Note 5 and 6.7 and 6.8 of the financial report. Due to the unstable domestic and foreign economic situation, the collection risk of retrieve of loans and receivables has increased. Since the provision of impairment loss involves significant judgments of management, we decided to take it as a key audit matter.

   The main audit procedures we had implemented for the above-mentioned aspects include: understanding and appraisal of the assumptions and assessments of the Company's loans and receivables impairment losses (including default loss rate, default probability, forward-looking factor, future cash flow and the collateral value) and relevant policies; selecting samples for credit cases that have been assessed for impairment, assessment of future cash flow projections and the reasonableness of the collateral value; for collective assessment of impairment cases, understanding and testing whether impairment model's assumption and important parameters (default loss rate, default probability and forward-looking factor) reflect the actual situation of each loan combination; testing the classification of credit assets to assess whether the allowance for bad debts meets the requirements of the competent authority's laws and regulations.

2. Fair value measurement of financial instruments

   Financial assets at fair value through the profit and loss and financial assets measured at fair value through other comprehensive income from the Company's balance sheet as of June 30, 2020 were $698,761 thousand and $20,520,741 thousand, respectively. The fair value of partial financial instruments is evaluated by the evaluation model because there is no trading price in the market, and some of the required input values are not publicly available in the market. Since the use of different evaluation techniques and input value assumptions involves significant judgments of the management, we decided to take it as a key audit matter.

The main audit procedures we had implemented for the above-mentioned aspects include: understanding the Company's control over the identification, measurement and management of the evaluation risks; sample testing for the adequency and correctness of the public quotation for the financial instruments that measure the fair value using the open market quotation in the active market; sample testing the internal reviewing document for the adequency for the financial instruments that measure the fair value using the evaluation method in inactive market. In addition, we also evaluates whether the expression and disclosure of the financial instruments is in accordance with relevant accounting standards

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair representation of the financial statements in accordance with the Regulation Governing the Preparation of Financial Reports by Public Banks, Regulation Governing the Preparation of Financial Reports by Securities Firms, and International Accounting Standard 34 "Interim Financial Reporting", as endorsed by the Financial Supervisory Commission, 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, managements is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basic of accounting unless management either intends to liquidate the Company 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 Company's financial reporting process.

Auditor's 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 auditor's 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 ROC GAAS 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.

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As part of an audit in accordance with ROC GAAS, we exercise professional judgement 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Company 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.

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 of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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 Jen Yao Hsieh and Ping Chang Su.

Crowe (TW) CPAs

Crowe (TW) CPAs
Kaohsiung, Taiwan
Republic of China
August 13, 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.

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.

BANK OF KAOHSIUNG CO., LTD.

BALANCE SHEETS

JUNE 30, 2020, DECEMBER 31 and JUNE 30, 2019

(Expressed In Thousands of New Taiwan Dollars)

ASSETS			June 30, 2020		December 31, 2019		June 30, 2019	
A/C No.	Item	Note	Amount	%	Amount	%	Amount	%
11000	Cash and cash equivalents	6.1	$ 3,179,499	1	$ 2,833,786	1	$ 3,162,922	1
11500	Due from the Central Bank and call loans to banks	6.2	11,571,890	5	13,412,538	5	9,697,212	4
12000	Financial assets at fair value through profit or loss	6.3	698,761	-	482,216	-	166,430	-
12100	Financial assets at fair value through other comprehensive income	6.4	20,520,741	8	18,807,763	7	18,921,108	7
12200	Investments in debt instruments at amortized cost	6.5	49,528,523	18	49,566,827	19	47,299,693	18
12500	Securities purchased under resale agreements	6.6	6,266,630	2	5,352,821	2	5,949,189	2
13000	Receivables, net	6.7	1,618,625	1	1,318,777	-	1,568,978	1
13200	Current income tax assets		-	-	19,095	-	33,431	-
13500	Discounts and loans, net	6.8	174,092,089	64	175,151,435	65	175,917,322	66
15500	Other financial assets, net	6.9	201,431	-	35,435	-	49,697	-
18500	Property and equipment, net	6.10	2,920,521	1	2,833,780	1	2,861,217	1
18600	Right-of-use assets, net	6.11	300,643	-	265,982	-	294,239	-
19000	Intangible assets, net	6.12	137,972	-	128,639	-	125,329	-
19300	Deferred income tax assets, net	6.36	165,457	-	203,637	-	229,444	-
19500	Other assets, net	6.13	261,160	-	243,173	-	113,032	-
10000	Total Assets		$ 271,463,942	100	$ 270,655,904	100	$ 266,389,243	100

(Continued)

A/C No.	LIABILITIES AND EQUTIY Item	Note	June 30, 2020 Amount	%	December 31, 2019 Amount	%	June 30, 2019 Amount	%
	Liabilities							
21000	Deposits from the Central Bank and other banks	6.14	$ 9,150,707	3	$ 8,834,876	3	$ 10,701,962	4
21500	Due to Central Bank and other banks	6.15	183,050	-	-	-	-	-
22000	Financial liabilities at fair value through profit or loss	6.16	35,806	-	32,628	-	18,649	-
22500	Securities sold under repurchase agreements	6.17	8,062,554	3	8,890,539	4	10,787,385	4
23000	Payables	6.18	4,274,028	2	3,419,076	1	4,322,082	2
23200	Current income tax liabilities		6,203	-	18,116	-	-	-
23500	Deposits and remittances	6.19	225,585,443	83	225,754,145	84	218,386,993	82
24000	Bonds payables	6.20	7,500,000	3	7,500,000	3	6,300,000	2
25500	Other financial liabilities		129	-	171	-	214	-
25600	Provisions	6.21	377,724	-	379,916	-	354,866	-
26000	Lease liabilities	6.11	314,156	-	280,819	-	308,027	-
29500	Other liabilities	6.22	83,357	-	116,008	-	129,858	-
20000	Total Liabilities		255,573,157	94	255,226,294	95	251,310,036	94
	Equity							
31101	Capital stock	6.23	10,809,165	4	10,809,165	4	10,403,431	4
31121	Reserve for Raising Capital	6.23	-	-	-	-	405,734	-
	Total stock		10,809,165	4	10,809,165	4	10,809,165	4
31500	Capital surplus	6.23	1,242,676	1	1,242,676	-	1,242,676	1
32000	Retained earnings							
32001	Legal reserve	6.23	2,218,218	1	2,218,218	1	2,218,218	1
32003	Special reserve	6.23	432	-	7,243	-	7,243	-
32005	Unappropriated earnings	6.23	1,199,635	-	786,043	-	377,063	-
	Total Retained Earnings		3,418,285	1	3,011,504	1	2,602,524	1
32500	Other Equity	6.23	420,659	-	366,265	-	424,842	-
30000	Total Equity		15,890,785	6	15,429,610	5	15,079,207	6
	Total Liabilities and Equity		$ 271,463,942	100	$ 270,655,904	100	$ 266,389,243	100

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

BANK OF KAOHSIUNG CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020 and 2019

(Expressed In thousands of New Taiwan dollars, Except Earnings Per Share)

			For the three Months Ended June 30				For the Six Months Ended June 30			
			2020		2019		2020		2019	
A/C No.	Item	Note	Amount	%	Amount	%	Amount	%	Amount	%
41000	Interest income		$1,062,849	118	$1,328,582	134	$2,240,894	118	$2,631,886	136
51000	Less: Interest expense		(420,536)	(47)	(625,623)	(63)	(954,635)	(50)	(1,243,318)	(64)
49010	Net interest income	6.24	642,313	71	702,959	71	1,286,259	68	1,388,568	72
	Net non-interest income									
49100	Net service fee and commission income	6.25	99,280	11	124,730	12	208,574	11	255,569	13
49200	Gain (loss) on financial assets and liabilities at fair value through profit or loss	6.26	(103,738)	(12)	1,054	-	(118,913)	(6)	53,389	3
49310	Realized gain on financial assets at fair value through other comprehensive income	6.27	121,839	14	67,233	7	162,668	9	101,451	5
49450	Gain on derecognition of financial assets measured at amortised cost	6.28	23,763	3	70,169	7	168,860	9	129,012	7
49600	Foreign exchange gain (loss)	6.29	109,423	12	17,785	2	169,849	9	(8,787)	-
49700	Reversal of (provision for) impairment loss on assets	6.30	(747)	-	973	-	(1,722)	-	562	-
49800	Net other non-interest income	6.31	7,890	1	5,789	1	21,632	-	12,366	-
	Total net revenue		900,023	100	990,692	100	1,897,207	100	1,932,130	100
58200	Provision for bad debt expense, commitments and guarantee liabilities	6.8	(57,436)	(6)	(175,490)	(18)	(177,631)	(9)	(333,368)	(17)
58400	Operating expenses									
58500	Employee benefits expenses	6.32	(434,725)	(48)	(412,806)	(42)	(862,177)	(45)	(812,177)	(42)
59000	Depreciation and amortization expenses	6.33	(45,830)	(5)	(48,368)	(5)	(93,439)	(5)	(97,252)	(5)
59500	Other general and administrative expenses	6.34	(151,832)	(17)	(143,810)	(14)	(303,575)	(16)	(288,950)	(15)
61001	Income before income tax		210,200	24	210,218	21	460,385	25	400,383	21
61003	Income tax expense	6.35	(31,432)	(4)	(20,998)	(2)	(66,135)	(4)	(35,079)	(2)
64000	Net income		178,768	20	189,220	19	394,250	21	365,304	19
	Other comprehensive income:									
	Items that will not be reclassified subsequently to profit or loss									
65204	Unrealized gain (loss) on valuation of investments in equity instruments at fair value through other comprehensive income		278,205	31	55,782	6	21,217	1	164,673	9
	Items that may be reclassified subsequently to profit or loss									
65301	Exchange differences on the translation of financial statements of foreign operations		390	-	(385)	-	731	-	(294)	-
65309	Unrealized gain on valuation of investments in debt instruments measured at fair value through other comprehensive income		247,915	28	81,741	8	44,660	2	218,953	11
65310	Reversal gain (impairment loss) on debt instruments measured at fair value through other comprehensive income		346	-	(345)	-	463	-	(62)	-
65320	Income tax related to items that may be reclassified subsequently to profit or loss	6.35	(78)	-	77	-	(146)	-	59	-
65000	Other comprehensive income, net of tax	6.37	526,778	59	136,870	14	66,925	3	383,329	20
66000	Total comprehensive income		$705,546	79	$326,090	33	461,175	24	748,633	39
	Earnings per share									
67500	Basic earnings per share	6.38	$0.17		$0.18		$0.36		$0.34	
67700	Diluted earnings per share	6.38	$0.17		$0.17		$0.36		$0.34	

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

BANK OF KAOHSIUNG CO., LTD.

STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2020 and 2019

(Expressed In Thousands of New Taiwan Dollars)

				Retained Earnings			Other Equity Item			
Item	Capital Stock	Reserve for Raising Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Difference on the Translation of Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Other	Total Equity
Balance at January 1, 2019	$10,403,431	$ -	$1,487,157	$2,097,423	$5,230	$402,652	($110)	$49,156	$73	$14,445,012
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	-	120,795	-	(120,795)	-	-	-	-
Appropriation (reversal) of special reserve	-	-	-	-	2,013	(2,013)	-	-	-	-
Cash dividends	-	-	-	-	-	(114,438)	-	-	-	(114,438)
Stock dividends	-	161,253	-	-	-	(161,253)	-	-	-	-
Other capital surplus changes :										
Capital surplus distributed as stock dividends	-	244,481	(244,481)	-	-	-	-	-	-	-
Net income for the six months ended June 30, 2019	-	-	-	-	-	365,304	-	-	-	365,304
Other comprehensive income (loss) for the six months ended June 30, 2019	-	-	-	-	-	-	(235)	383,564	-	383,329
Total comprehensive income (loss) for the six months ended June 30, 2019	-	-	-	-	-	365,304	(235)	383,564	-	748,633
Disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	7,606	-	(7,606)	-	-
Balance at June 30, 2019	$10,403,431	$405,734	$1,242,676	$2,218,218	$7,243	$369,457	($345)	$432,720	$73	$15,079,207
Balance at January 1, 2020	$10,809,165	$ -	$1,242,676	$2,218,218	$7,243	$786,043	($538)	$366,730	$73	$15,429,610
Appropriation (reversal) of special reserve	-	-	-	-	(6,811)	6,811	-	-	-	-
Net income for the six months ended June 30, 2020	-	-	-	-	-	394,250	-	-	-	394,250
Other comprehensive income (loss) for the six months ended June 30, 2020	-	-	-	-	-	-	585	66,340	-	66,925
Total comprehensive income (loss) for the six months ended June 30, 2020	-	-	-	-	-	394,250	585	66,340	-	461,175
Disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	12,531	-	(12,531)	-	-
Balance at June 30, 2020	$10,809,165	$ -	$1,242,676	$2,218,218	$432	$1,199,635	$47	$420,539	$73	$15,890,785

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

BANK OF KAOHSIUNG CO., LTD.
STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2020 and 2019
(Expressed In thousands of New Taiwan dollars)

Item	For the six Months Ended June 30 2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before income tax	$460,385	$400,383
Adjustments :		
Income and expense items		
Depreciation expense	75,769	80,661
Amortization expense	17,670	16,591
Expected credit loss/bad debt expense	329,916	432,250
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	118,913	(53,389)
Interest expense	954,635	1,243,318
Gain on derecognition of financial assets measured at amortised cost	(168,860)	(129,012)
Interest income	(2,240,894)	(2,631,886)
Dividend income	(76,373)	(58,005)
Net change in provision for guarantee liabilities	8,000	(15,701)
Net change in other provisions	(3,508)	8,539
Impairment loss on financial assets	1,722	-
Reversal of impairment loss on financial assets	-	(562)
Gain on disposal of investments	(86,295)	(43,446)
Others	(1,243)	-
Total income and expense items	(1,070,548)	(1,150,642)
Net changes in operating assets and liabilities		
Net changes in operating assets		
Decrease (increase) in due from the Central Bank and call loans to banks	(102,336)	(62,147)
Decrease (increase) in financial assets at fair value through profit or loss	(332,280)	90,192
Decrease (increase) in financial assets at fair value through other comprehensive income	(1,560,919)	(127,633)
Decrease (increase) in investments in debt instruments at amortized cost	206,018	(5,828,286)
Decrease (increase) in receivables	(334,687)	664,062
Decrease (increase) in discounts and loans	740,826	4,901,633
Decrease (increase) in other financial assets	(162,923)	(11,526)
Total net changes in operating assets	(1,546,301)	(373,705)
Net changes in operating liabilities		
Increase (decrease) in deposits from the Central Bank and other banks	315,831	2,006,506
Increase (decrease) in securities sold under repurchase agreements	(827,985)	356,544

(Continued)

Increase (decrease) in payables	890,111	130,934
Increase (decrease) in deposits and remittances	(168,702)	(4,899,120)
Increase (decrease) in other financial liabilities	(42)	(43)
Increase (decrease) in provision for employee benefits	(6,684)	(53,649)
Total net changes in operating liabilities	202,529	(2,458,828)
Total net changes in operating assets and liabilities	(1,343,772)	(2,832,533)
Total adjustments	(2,414,320)	(3,983,175)
Net cash used in operations	(1,953,935)	(3,582,792)
Interest received	2,324,717	2,617,245
Dividend received	12,920	10,100
Interest paid	(989,794)	(1,272,334)
Income tax paid	(20,919)	(19,921)
Net cash used in operating activities	(627,011)	(2,247,702)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(119,931)	(13,214)
Acquisition of intangible assets	(24,817)	(20,958)
Decrease in other assets	-	1,412
Increase in other assets	(20,173)	-
Net cash used in investing activities	(164,921)	(32,760)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in guarantee deposits received	-	19,653
Decrease in guarantee deposits received	(18,266)	-
Increase in due to the Central Bank and other banks	183,050	-
Repayments of principal of lease liabilities	(42,660)	(44,210)
Increase in other liabilities	-	7,145
Decrease in other liabilities	(14,385)	-
Net cash generated from (used in) financing activities	107,739	(17,412)
Effects of exchange rate changes on cash and cash equivalents	731	(294)
Net increase (decrease) in cash and cash equivalents	(683,462)	(2,298,168)
Cash and cash equivalents at the beginning of the period	15,381,332	14,978,758
Cash and cash equivalents at the end of the period	$14,697,870	$12,680,590

Composition of cash & cash equivalents		
Cash and cash equivalents in the balance sheets	$3,179,499	$3,162,922
Due from the Central Bank and call loans to banks in accordance with cash and cash equivalents under IAS 7 “Statement of Cash Flows”	5,251,741	3,568,479
Investments in securities purchased under resale agreement in accordance with cash and cash equivalents under IAS 7 “Statement of Cash Flows”	6,266,630	5,949,189
Cash and cash equivalents at the end of the period	$14,697,870	$12,680,590

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

1. HISTORY AND ORGANIZATION

1.1 Bank of Kaohsiung Co., Ltd. is a commercial bank formed and registered in accordance with the Banking Act of the Republic of China. The Company obtained its registration approval in December 1981 and the Certificate of Business Registration in January 1982. The Company's main business activities are as follows:

(1) Agent for the Kaohsiung City Treasury.
(2) Management of Kaohsiung Municipal Bond.
(3) Other relevant commercial bank businesses authorized under the Banking Act.
(4) Savings and trust operations.
(5) Other relevant businesses authorized by the Government authorities

The Company has six departments under the head office namely, business, municipal treasury, international banking, insurance agency, trust and wealth management departments. In addition, the Company 35 local branches and mini-branches as well as offshore banking unit (OBU).

The Company's initial public offering was approved on April 27, 1998 and was listed on May 18, 1998.

The privatization of the Company was approved by Kaohsiung Municipal Government on August 3, 1999 and the date of official privatization was September 27, 1999.

1.2 The functional currency and the presentation currency used in financial statements are both New Taiwan Dollars.

2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the Board of Directors on August 13, 2020.

3. APPLICATION OF NEW AND AMENDED STANDARDS AND INTERPRETATION

3.1 Effect of the adoption of the amendments to the "Regulation Governing the Preparation of Financial Reports by Public Banks" and "Regulation Governing the Preparation of Financial Reports by Securities Firms" and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of SIC (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC) and the impact of the early application of IFRS 16 amendments:

The Company has no plans to acquire any business in 2020, therefore it is not expected to have any effect on the Company's consolidated financial statements when the amendment to IFRS 3 is first applied in 2020 and the amendments to IAS 1, IAS 8 and IFRS 16 are assessed as having no effect on the Company's consolidated financial statements. In addition, the Company is not engaged in hedging transaction, so the amendments to IFRS 9, IAS 39 and IFRS 7 is assessed as having no effect on the Company's financial statements.

3.2 Effect of revised Regulation Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms and new issuances of amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company: None.

3.3 The Effect of the New IFRSs announced by IASB but not yet endorsed by the FSC:

The following table shows the IFRSs newly announced, not yet recognized by the FSC:

New, Revised or Amended Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IFRS 16 "Property, Plant and Equipment: The Price Before Reaching the Intended Use State"	January 1, 2022 (Note 2)
Amendments to IAS 37 "Onerous Contract - the Cost of Executory Contract"	January 1, 2022 (Note 3)
Amendments to IFRS 3 "Update the Reference to the Conceptual Framework"	January 1, 2022 (Note 4)
Amendments to IFRS 4 "Temporary Exemption from the Extension to IFRS 9"	June 25, 2020 (Effective from issue date)
Annual Improvements to IFRSs 2018-2020 Cycle	January 1, 2022 (Note 5)

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

Note 2: Companies should apply these amendments retrospectively. However, it is only applicable to real property, plant and equipment items that have reached the necessary locations and conditions after the start date (January1, 2021) of the earliest period expressed in the financial statements to which the amendments are applied for the first time.

Note 3: This amendment applies to contracts that have not fulfilled all obligations on January1, 2022.

Note 4: This amendment applies to business combinations whose acquisition date starts in the annual reporting period after January1, 2022.

Note 5: The amendments to IFRS9 are applicable to swap or modification of terms of financial liabilities incurred during the annual reporting period beginning on January 1, 2022. The amendment to IAS41 is applicable to fair value measurement during the annual reporting period beginning after January1, 2022. The amendments to IFRS1 are retrospectively applied to the annual reporting period beginning after January1, 2022.

A. Amendments for IAS 1 “Classification of Liabilities as Current or Noncurrent”

The amendments clarifies that when the Group judges whether liability is classified as noncurrent, the Group should assess whether the Group has the right to defer liquidation period after the reporting period at least twelve months. If the Group has the entity’s right on the end of the reporting period, liability must be classified as non-current whatever the Group expects whether executing the right or not. If the Group must follow certain condition to obtain the right to defer settlement of liability, the Group must have completed certain condition on the end of reporting period even if lender tests the Group whether following certain condition later. The aforementioned liquidation means that transferring cash, other economic resources or the Group’s equity instruments to counterparty to let liability wipe out. If liability clause will follow counterparty’s choice to liquidate liability by the Group’s equity instruments, this option must follow the regulations of IAS 32 “Financial Instruments: Presentation” to be recognized in equity individually and doesn’t have affect on the classification of liability.

B. Amendment to IFRS16 “Property, Plant and Equipment: The Price before Reaching the Intended Use State”

The amendment stipulates that the sales price of the project produced in order to make property, plant and equipment reach the necessary location and state that can meet the expected operation mode of the management is not suitable as a cost reduction of the asset. The aforementioned items should be measured in accordance with IAS 2 “Inventory”, and the sales price and cost should be recognized in profit and loss in accordance with the applicable standards.

C. Amendment to IAS37 “Onerous Contract—the Cost of Executory Contract”

The amendment stipulates that when assessing whether the contract is onerous, “the Cost of Executory Contract” should include the incremental cost of executory contract (for example, direct labor and raw materials) and the allocation of other costs directly related to executory contract (for example, The depreciation expenses of property, plant and equipment items used in executory contract are allocated).

The Company will recognize the cumulative effect on the retained earnings on the first application date when the amendment is first applied.

D. Amendment to IFRS3 “Update the Reference to the Conceptual Framework”

The amendment is to update the index of the conceptual framework and add the requirement that the acquirer shall apply IFRIC 21“Levies”to determine whether there is an obligation to pay levies on the acquisition date.

E. Annual Improvements to IFRSs 2018-2020 Cycle

The annual improvement in the 2018-2020 cycles includes amendments to certain standards. Among them, the amendment of IFRS 9 “Expenses included in the “10%” test for the purpose of derecognised financial liabilities” is to assess whether there is a significant difference between the swap of financial liabilities or the modification of terms, When comparing cash flow projections of the new and old contract terms (including the net amount of fees charged for signing a new contract or modifying the contract), whether there is a 10% difference, the aforesaid fees collected should only include the payment between the borrower and the lender paid for.

The Company continues in evaluating the impact on its financial position and financial performance as a result of the initial adoption of the aforementioned standards or interpretations. The related impact will be disclosed when the Company completes the evaluation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The material accounting policies are the same as those in Note 4 of the financial report for the year ended December 31, 2019 except for statement of compliance, basis for preparation and new parts. These policies apply consistently throughout all reporting periods, unless stated otherwise.

4.1 Statement of Compliance

(1) The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC. This financial report does not contain all the IFRS information provided in annual financial report.

(2) This financial report should be read in conjunction with the financial report for the year ended December 31, 2019.

4.2 Basis of Preparation

(1) Except for the following items, these financial statements have been prepared under the historical cost convention:

A. Financial assets and liabilities measured at fair value through profit or loss (including derivatives) measured at fair value.

B. Financial assets measured at fair value through other comprehensive income.

C. Liabilities of cash-settled share-based payment agreement measured at fair value.

D. Defined benefit liabilities recognized at the net value of pension fund assets less the present value of defined benefit obligations.

(2) The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

4.3 Taxation

Income tax expense represents the sum of current tax and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings. The effect of a change in tax rate resulting from a change in tax law is recognized consistent with the accounting for the transaction itself which gives rise to the tax consequence, and is recognized in profit or loss in full in the period in which the change in tax rate occurs.

4.4 Defined benefit retirement benefits costs

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

5.SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The Company considers the economic implications of the novel coronavirus when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

The major accounting judgement, estimation, and assumption adopted in the financial statements is consistent with those adopted in the financial statements for Year 2019. Please refer to the financial statements for Year 2019.

6.DETAILS OF SIGNIFICANT ACCOUNTS

Except for the following, please refer to Note 6 of the financial statements for Year 2019.

6.1 Cash and cash equivalents

Item	June 30, 2020	December 31, 2019	June 30, 2019
Cash on hand	$1,311,772	$1,350,564	$1,266,476
Checks for clearing	187,374	266,611	864,368
Due from banks	1,680,353	1,216,611	1,032,078
Total	$3,179,499	$2,833,786	$3,162,922

For the purpose of preparing the statements of cash flow, cash and cash equivalents comprise of the following amounts:

Item	June 30, 2020	December 31, 2019	June 30, 2019
Cash and cash equivalents, ending balance in the balance sheets	$3,179,499	$2,833,786	$3,162,922
Due from the Central Bank and call loans to banks in accordance with cash and cash equivalents under IAS 7 "Statement of Cash Flows"	5,251,741	7,194,725	3,568,479
Investments in securities purchased under resale agreement in accordance with cash and cash equivalents under IAS 7 "Statement of Cash Flows"	6,266,630	5,352,821	5,949,189
Cash and cash equivalents, ending balance in the statements of cash flows	$14,697,870	$15,381,332	$12,680,590

6.2 Due from the Central Bank and call loans to banks

Item	June 30, 2020	December 31, 2019	June 30, 2019
Deposit reserves in the Central Bank			
Category A	$5,011,143	$6,515,989	$2,806,256
Category B	5,565,990	5,437,325	5,373,872
Foreign currency deposits	44,400	44,948	46,583
National treasury department	1,280	908	1,375
Subtotal	$10,622,813	$11,999,170	$8,228,086
Interbank settlement funds	$754,159	$780,488	$754,861
Call loans to banks	194,918	632,880	714,265
Total	$11,571,890	$13,412,538	$9,697,212

The deposit reserves deposited at the Central Bank are determined monthly at prescribed rates based on the average balances of deposits. Category A deposit reserve account is non-interest bearing and withdrawals can be made at any time. Category B reserve account is interest-bearing and no withdrawal is permitted unless upon monthly adjustment of the account or otherwise specifically provided by law.

6.3 Financial assets at fair value through profit or loss

Item	June 30, 2020	December 31, 2019	June 30, 2019
Funds	$41,221	$49,397	$ -
Stocks	90,732	59,642	27,660
Domestic bonds	356,200	57,596	58,628
Overseas bonds	190,331	286,734	67,808
Subtotal	$678,484	$453,369	$154,096
Financial derivatives			
Forward exchange contracts	$373	$910	$486
Currency swap contracts	19,904	27,937	11,848
Subtotal	$20,277	$28,847	$12,334
Total	$698,761	$482,216	$166,430

1. Please refer to Note 6.16 for details of derivative contracts that have yet to mature as of June 30, 2020 and 2019 and December 31, 2019.

2. Please refer to Note 8 for details of financial assets at FVTPL provided as collateral for the various businesses as of June 30, 2020 and 2019 and December 31, 2019.

6.4 Financial assets at fair value through other comprehensive income

Item	June 30, 2020	December 31, 2019	June 30, 2019
Investments in equity instruments			
Domestic listed and OTC securities	$410,094	$126,237	$321,680
Overseas listed and OTC securities	421,525	51,722	22,125
Domestic unlisted securities	1,072,121	1,072,121	1,072,121
Domestic preferred stocks	80,036	-	-
Subtotal	$1,983,776	$1,250,080	$1,415,926
Valuation adjustment	262,588	253,902	246,938
Subtotal	$2,246,364	$1,503,982	$1,662,864
Investments in debt instruments			
Foreign preferred stocks	$209,378	$120,029	$152,522
Domestic government bonds	4,724,037	3,944,584	3,641,036
Domestic corporate bonds	657,347	-	-
Foreign government bonds	1,274,057	1,176,953	1,121,593
Foreign financial bonds	7,553,855	8,282,567	8,407,406
Foreign corporate bonds	3,702,991	3,671,596	3,763,168
Subtotal	$18,121,655	$17,195,729	$17,085,725
Valuation adjustment	152,712	108,052	172,519
Subtotal	$18,274,377	$17,303,781	$17,258,244
Total	$20,520,741	$18,807,763	$18,921,108

1. Part of the equity instrument investments held by the Company are invested in medium and long-term strategic objectives and are expected to benefit from long-term investments. The management of the Company considers that if the short-term fair value fluctuations of these investments are included in the profit or loss, they are inconsistent with the aforementioned long-term investment plans, and therefore the designated investment is selected to be measured at fair value through other comprehensive income or loss.

2. As of June 30, 2020, December 31, 2019 and June 30, 2019, the book value of the above-mentioned financial instruments held at fair value through other comprehensive gains and losses for conditional trading were $4,185,434 thousand, $5,381,708 thousand and $4,307,640 thousand, respectively.

3. Please refer to Note 8 for information on pledges of equity instrument investments measured by fair value through other comprehensive income or loss.

4. Please refer to Note 12.4 for the relevant credit risk management.

5. The Company considers the historical default loss rate provided by external rating agencies to measure the 12-month expected credit loss or lifetime expected credit loss. The Company's current credit risk assessment mechanism and total carrying amount of each credit rating instrument investments are as follows (including debt instrument investments measured at fair value through other comprehensive income and financial assets measured at amortized cost):

Credit rating	Definition	Expected credit loss recognition basis	Expected credit loss rate	Carrying amount as of June 30, 2020
Stage1	The debtor has a low credit risk and is fully capable of paying off contractual cash flows	12-month expected credit loss	0.00%~0.098%	$67,654,586

Credit rating	Definition	Expected credit loss recognition basis	Expected credit loss rate	Carrying amount as of December 31, 2019
Stage1	The debtor has a low credit risk and is fully capable of paying off contractual cash flows	12-month expected credit loss	0.00%~0.097%	$66,765,860

Credit rating	Definition	Expected credit loss recognition basis	Expected credit loss rate	Carrying amount as of June 30, 2019
Stage1	The debtor has a low credit risk and is fully capable of paying off contractual cash flows	12-month expected credit loss	0.00%~0.097%	$64,388,409

6. The changes in the allowance for loss of investment in debt instruments measured at fair value through other comprehensive income or loss are as follows:

	12-month ECL	Lifetime ECL - Not credit impaired	Lifetime ECLs - Credit impaired
Balance at January 1, 2020	$4,776	$ -	$ -
Add：Provision for impairment loss	576	-	-
Currency translation differences	(113)	-	-
Balance at June 30, 2020	$5,239	$ -	$ -

	12-month ECL	Lifetime ECL - Not credit impaired	Lifetime ECLs - Credit impaired
Balance at January 1, 2019	$5,719	$ -	$ -
Add：Provision for impairment loss	(122)	-	-
Currency translation differences	60	-	-
Balance at June 30, 2019	$5,657	$ -	$ -

6.5 Investments in debt instruments at amortized cost

Item	June 30, 2020	December 31, 2019	June 30, 2019
Domestic bonds	$21,558,839	$18,861,266	$14,813,132
Short-term notes	2,453,891	599,835	588,087
NCD issued by the Central Bank	14,620,000	19,320,000	21,200,000
Foreign bonds	10,900,191	10,789,030	10,701,465
Subtotal	$49,532,921	$49,570,131	$47,302,684
Less: Accumulated impairment	(4,398)	(3,304)	(2,991)
Total	$49,528,523	$49,566,827	$47,299,693

1. The changes in the allowance for investment in debt instruments at amortized cost are as follows:

	12-Month ECL	Lifetime ECL - Not credit-impaired	Lifetime ECL - Credit-impaired
Balance at January 1, 2020	$3,304	$ -	$ -
Add：Provision for impairment loss	1,146	-	-
Currency translation differences	(52)	-	-
Balance at June 30, 2020	$4,398	$ -	$ -

	12-Month ECL	Lifetime ECL - Not credit-impaired	Lifetime ECL - Credit-impaired
Balance at January 1, 2019	$3,407	$ -	$ -
Add：Provision for impairment loss	(440)	-	-
Currency translation differences	24	-	-
Balance at June 30, 2019	$2,991	$ -	$ -

2. As of June 30, 2020, December 31, 2019 and June 30, 2019, the above financial assets at amortized cost provided as the underlying securities for RP/RS trading was $3,910,675 thousand, $3,932,085 thousand and $7,074,056 thousand, respectively.

3. Please refer to Note 8 for the financial assets measured at amortized cost provided as collateral.

4. Please refer to Note 12.4 for the relevant credit risk management.

6.6 Securities purchased under resale agreements

Item	June 30, 2020	December 31, 2019	June 30, 2019
Short-term notes	$5,956,630	$4,677,800	$5,274,189
Bonds (government and corporate bonds)	310,000	675,021	675,000
Total	$6,266,630	$5,352,821	$5,949,189

Securities purchased under resale agreement were sold at agreed prices of $6,267,896 thousand, $5,353,996 thousand and $5,950,304 thousand as of June 30, 2020, December 31, 2019 and June 30, 2019, respectively. No bonds with resale agreements were provided as underlying securities for repurchase agreements as of June 30, 2020, December 31, 2019 and June 30, 2019.

6.7 Receivables, net

Item	June 30, 2020	December 31, 2019	June 30, 2019
Credit card receivables	$149,047	$166,210	$163,113
Credit card receivables on receipt	14,181	9,275	3,378
Subtotal	$163,228	$175,485	$166,491
Interests receivable	$665,838	$749,661	$693,712
Acceptances receivable	219,086	184,809	349,087
Income receivable	160,938	175,739	162,618
Dividends receivables	63,453	-	47,905
Other receivables	37,890	29,789	125,333
Settlement receivable	343,736	33,973	93,757
Accounts receivable factoring	3,026	3,063	-
Total	$1,657,195	$1,352,519	$1,638,903
Less: Allowance for doubtful accounts	(38,570)	(33,742)	(69,925)
Net	$1,618,625	$1,318,777	$1,568,978

Please refer to Note 12.4 for the relevant credit risk management and assessment methods.

1. For the six months ended June 30, 2020

A. Movements in allowance for doubtful accounts are as follows：

	12-month expected credit losses	Lifetime expected credit losses (Group assessment)	Lifetime expected credit losses (Individual assessment)	Lifetime expected credit losses (non-purchased or originated credit impaired financial assets)	Total impairment recognised under IFRS 9	Impairment recognised under Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-accrual Loans	Total
Balance at the beginning of the period	$8,324	$48	$14,623	$9,109	$32,104	$5,358	$37,462
Changes from financial instruments recognised at the beginning of the period：							
- Transferred to lifetime expected credit losses	(1)	39	-	-	38	-	38
- Transferred to credit impaired financial asset	(263)	(3)	93	4,396	4,223	-	4,223
- Transferred to 12-month expected credit losses	821	(9)	-	-	812	-	812
- Derecognised financial assets	(6,161)	(2)	(194)	(3,196)	(9,553)	-	(9,553)
Purchased or originated new financial assets	5,307	-	-	1,188	6,495	-	6,495
Different in impairment recognised under Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-accrual Loans	-	-	-	-	-	8,757	8,757
Write-offs	-	-	(6,495)	(3,576)	(10,071)	-	(10,071)
Recovery of written-off credits	-	-	-	624	624	-	624
Foreign exchange and others changes	-	-	-	6	6	-	6
Balance at the end of the period	$8,027	$73	$8,027	$8,551	$24,678	$14,115	38,793

The above changes in allowance for doubtful accounts include changes in allowances for collections of other financial assets - overdue accounts that are not transferred from loans and short-term advances.

B. Changes in the total book value are as follows:

	12-month expected credit losses	Lifetime expected credit losses (Group assessment)	Lifetime expected credit losses (Individual assessment)	Lifetime expected credit losses (non-purchased or originated credit impaired financial assets)	Total
Balance at the beginning of the period	$1,320,124	$8,836	$15,126	$8,433	$1,352,519
Transferred to lifetime expected credit losses	(3,339)	485	-	3,015	161
Transferred to credit impaired financial asset	(561)	(159)	507	4,426	4,213
Transferred to 12-month expected credit losses	43,903	(162)	-	(20)	43,721
Newly initiated or purchased discounts and loans and receivables	1,196,931	-	-	109	1,197,040
Write-offs	-	-	(6,495)	(3,152)	(9,647)
Derecognition	(921,938)	(4,871)	(717)	(3,286)	(930,812)
Balance at the end of the period	$1,635,120	$4,129	$8,421	$9,525	$1,657,195

2. For the six months ended June 30, 2019

A. Movements in allowance for doubtful accounts are as follows：

	12-month expected credit losses	Lifetime expected credit losses (Group assessment)	Lifetime expected credit losses (Individual assessment)	Lifetime expected credit losses (non-purchased or originated credit impaired financial assets)	Total impairment recognised under IFRS 9	Impairment recognised under Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-accrual Loans	Total
Balance at the beginning of the period	$10,906	$23	$43,937	$10,162	$65,028	$1,446	$66,474
Changes from financial instruments recognised at the beginning of the period：							
- Transferred to lifetime expected credit losses	(1)	86	-	-	85	-	85
- Transferred to credit impaired financial asset	(4)	(1)	2,967	477	3,439	-	3,439
- Transferred to 12-month expected credit losses	3,894	(86)	(1)	-	3,807	-	3,807
- Derecognised financial assets	(9,092)	(3)	(205)	(1,183)	(10,483)	-	(10,483)
Purchased or originated new financial assets	7,214	-	-	729	7.943	-	7,943
Different in impairment recognised under Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-accrual Loans	-	-	-	-	-	1,883	1,883
Write-offs	-	-	-	(557)	(557)	-	(557)
Recovery of written-off credits	-	-	-	307	307	-	307
Foreign exchange and others changes	-	-	-	10	10	-	10
Balance at the end of the period	$12,917	$19	$46,698	$9,945	$69,579	$3,329	$72,908

The above changes in allowance for doubtful accounts include changes in allowances for collections of other financial assets - overdue accounts that are not transferred from loans and short-term advances.

B. Changes in the total book value are as follows:

	12-month expected credit losses	Lifetime expected credit losses (Group assessment)	Lifetime expected credit losses (Individual assessment)	Lifetime expected credit losses (non-purchased or originated credit impaired financial assets)	Total
Balance at the beginning of the period	$2,175,009	$8,987	$44,304	$12,328	$2,240,628
Transferred to lifetime expected credit losses	(293)	543	-	(37)	213
Transferred to credit impaired financial asset	(387)	(112)	327	1,161	989
Transferred to 12-month expected credit losses	124,315	(316)	(64)	(19)	123,916
Newly initiated or purchased discounts and loans and receivables	540,230	-	-	21	540,251
Write-offs	-	-	-	(219)	(219)
Derecognition	(1,264,082)	(375)	(854)	(1,564)	(1,266,875)
Balance at the end of the period	$1,574,792	$8,727	$43,713	$11,671	$1,638,903

6.8 Discounts and loans, net

Item	June 30, 2020	December 31, 2019	June 30, 2019
Bills discounts	$60,849	$28,437	$29,230
Overdrafts	19,257	17,294	24,178
Short-term loans	36,966,451	36,309,757	36,371,248
Short-term secured loans	26,539,113	26,575,929	25,409,941
Medium-term loans	28,729,138	30,412,281	31,854,698
Medium-term secured loans	25,567,790	24,744,777	24,552,717
Long-term loans	8,705,224	9,029,393	8,591,666
Long-term secured loans	49,152,572	49,430,417	50,144,263
Import/export bills negotiated	12,341	2,776	65,508
Overdue loans	389,009	689,566	944,038
Subtotal	$176,141,744	$177,240,627	$177,987,487
Less: Allowance for doubtful accounts	(2,049,655)	(2,089,192)	(2,070,165)
Net	$174,092,089	$175,151,435	$175,917,322

1. For the six months ended June 30, 2020

A. Movements in allowance for doubtful accounts are as follows：

	12-month expected credit losses	Lifetime expected credit losses (Group assessment)	Lifetime expected credit losses (Individual assessment)	Lifetime expected credit losses (non-purchased or originated credit impaired financial assets)	Total impairment recognised under IFRS 9	Impairment recognised under Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-accrual Loans	Total
Balance at the beginning of the period	$1,134,815	$1,484	$340,767	$320,579	$1,797,645	$291,547	$2,089,192
Changes from financial instruments recognised at the beginning of the period：							
- Transferred to lifetime expected credit losses	(59)	614	-	(36)	519	-	519
- Transferred to credit impaired financial asset	(6,126)	(406)	133,393	105,752	232,613	-	232,613
- Transferred to 12-month expected credit losses	362,691	(25)	-	(19)	362,647	-	362,647
- Derecognised financial assets	(569,381)	(519)	(90,246)	(212,026)	(872,172)	-	(872,172)
Purchased or originated credit-impaired financial assets	228,185	1	-	25,365	253,551	-	253,551
Different in impairment recognised under Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-accrual Loans	-	-	-	-	-	185,368	185,368
Write-offs	-	-	(305,727)	(51,203)	(356,930)		(356,930)
Recovery of written-off credits	-	-	-	155,994	155,994	-	155,994
Foreign exchange and others changes	-	-	-	(1,127)	(1,127)	-	(1,127)
Balance at the end of the period	$1,150,125	$ 1,149	$ 78,187	$ 343,279	$1,572,740	$476,915	$2,049,655

B. Changes in the total book value are as follows:

	12-month expected credit losses	Lifetime expected credit losses (Group assessment)	Lifetime expected credit losses (Individual assessment)	Lifetime expected credit losses (non-purchased or originated credit impaired financial assets)	Total
Balance at the beginning of the period	$174,552,855	$171,459	$1,466,190	$1,050,123	$177,240,627
Transferred to lifetime expected credit losses	(65,088)	72,502	-	(4,604)	2,810
Transferred to credit impaired financial asset	(302,458)	(40,081)	373,549	299,501	330,511
Transferred to 12-month expected credit losses	47,782,255	(41,156)	-	(33,471)	47,707,628
Newly initiated or purchased discounts and loans and receivables	23,412,108	162	-	61,290	23,473,560
Write-offs	-	-	(305,727)	(51,203)	(356,930)
Derecognition	(71,241,437)	(21,300)	(798,148)	(195,577)	(72,256,462)
Balance at the end of the period	$174,138,235	$141,586	$735,864	$1,126,059	$176,141,744

2. For the six months ended June 30, 2019

A. Movements in allowance for doubtful accounts are as follows：

	12-month expected credit losses	Lifetime expected credit losses (Group assessment)	Lifetime expected credit losses (Individual assessment)	Lifetime expected credit losses (non-purchased or originated credit impaired financial assets)	Total impairment recognised under IFRS 9	Impairment recognised under Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-accrual Loans	Total
Balance at the beginning of the period	$1,031,906	$1,395	$286,122	$312,201	$1,631,624	$579,280	$2,210,904
Changes from financial instruments recognised at the beginning of the period：							
- Transferred to lifetime expected credit losses	(45)	613	-	(50)	518	-	518
- Transferred to credit impaired financial asset	(7,368)	(216)	391,218	235,750	619,384	-	619,384
- Transferred to 12-month expected credit losses	333,322	(35)	(7,271)	(7)	326,009	-	326,009
- Derecognised financial assets	(498,692)	(709)	(14,469)	(156,749)	(670,619)	-	(670,619)
Purchased or originated credit-impaired financial assets	265,150	-	-	1,947	267,097	-	267,097
Different in impairment recognised under Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-accrual Loans	-	-	-	-	-	(209,292)	(209,292)
Write-offs	-	-	(348,224)	(224,555)	(572,779)	-	(572,779)
Recovery of written-off credits	-	-	-	92,172	92,172	-	92,172
Foreign exchange and others changes	-	-	-	6,771	6,771	-	6,771
Balance at the end of the period	$1,124,273	$ 1,048	$307,376	$ 267,480	$1,700,177	$369,988	$2,070,165

B. Changes in the total book value are as follows:

	12-month expected credit losses	Lifetime expected credit losses (Group assessment)	Lifetime expected credit losses (Individual assessment)	Lifetime expected credit losses (non-purchased or originated credit impaired financial assets)	Total
Balance at the beginning of the period	$180,423,489	$214,609	$1,660,685	$1,156,345	$183,455,128
Transferred to lifetime expected credit losses	(75,444)	84,679	-	(6,444)	2,791
Transferred to credit impaired financial asset	(406,062)	(26,178)	487,634	368,493	423,887
Transferred to 12-month expected credit losses	45,009,861	(74,414)	(500,000)	(30,298)	44,405,149
Newly initiated or purchased discounts and loans and receivables	25,250,787	-	-	5,153	25,255,940
Write-offs	-	-	(348,224)	(224,555)	(572,779)
Derecognition	(74,338,034)	(36,923)	(348,362)	(259,310)	(74,982,629)
Balance at the end of the period	$175,864,597	$161,773	$951,733	$1,009,384	$177,987,487

3. The details of bad debt expenses and guarantee liability provisions are as follows:

Item	For the three months ended June 30 2020	2019
Provision for (reversal of) allowance for loss of receivables and loans (including overdue loans)	$59,147	$180,496
Provision for (reversal of) loss on guarantee liabilities	2,000	4,000
Provision for (reversal of) loss on financing commitments	89	7,995
Provision for (reversal of) loss on other liabilities	(3,800)	(17,001)
Total	$57,436	$175,490

Item	For the six months ended June 30 2020	2019
Provision for (reversal of) allowance for loss of receivables and loans (including overdue loans)	$173,298	$339,771
Provision for (reversal of) loss on guarantee liabilities	8,000	(15,701)
Provision for (reversal of) loss on financing commitments	8,133	11,398
Provision for (reversal of) loss on other liabilities	(11,800)	(2,100)
Total	$177,631	$333,368

6.9 Other financial assets, net

Item	June 30, 2020	December 31, 2019	June 30, 2019
Time deposits with maturities more than three months	$188,415	$21,470	$22,595
Overdue accounts that are not transferred from loans	223	3,720	10,381
Short-term advances	13,016	13,965	19,704
Subtotal	$21,654	$39,155	$52,680
Less: Allowance for doubtful accounts	(223)	(3,720)	(2,983)
Net	$201,431	$35,435	$49,697

6.10 Property and equipment, net

Item	June 30, 2020	December 31, 2019	June 30, 2019
Land	$2,031,893	$2,031,893	$2,031,893
Buildings	1,218,188	1,218,188	1,218,188
Machinery and computer equipment	415,055	414,250	411,948
Transportation equipment	10,945	10,900	11,127
Miscellaneous equipment	77,954	76,095	75,982
Leasehold improvement	146,342	127,403	127,403
Construction in progress and equipment to be inspected	80,340	-	-
Total cost	$3,980,717	$3,878,729	$3,876,541
Less: Accumulated depreciation	(1,060,196)	(1,044,949)	(1,015,324)
Accumulated impairment	-	-	-
Total	$2,920,521	$2,833,780	$2,861,217

	Land	Buildings	Machinery and computer Equipment	Transportation equipment	Miscellaneous equipment	Leasehold improvement	Construction in progress and equipment to be inspected	Total
Cost								
Balance at January 1, 2020	$2,031,893	$1,218,188	$414,250	$10,900	$76,095	$127,403	$ -	$3,878,729
Additions	-	-	5,928	305	3,415	29,950	80,340	119,938
Disposals	-	-	(5,109)	(260)	(1,556)	(11,011)	-	(17,936)
Foreign exchange differences	-	-	(14)	-	-	-	-	(14)
Balance, June 30, 2020	2,031,893	1,218,188	415,055	10,945	77,954	146,342	80,340	3,980,717
Accumulated depreciation								
Balance at January 1, 2020	$ -	$535,411	$316,869	$10,562	$68,358	$113,749	$ -	$1,044,949
Depreciation	-	10,873	16,927	72	1,066	4,252	-	33,190
Disposals	-	-	(5,109)	(260)	(1,556)	(11,011)	-	(17,936)
Foreign exchange differences	-	-	(7)	-	-	-	-	(7)
Balance at June 30, 2020	-	546,284	328,680	10,374	67,868	106,990	-	1,060,196
Net balance at June 30, 2020	$2,031,893	$671,904	$86,375	$571	$10,086	$39,352	$80,340	$2,920,521

	Land	Buildings	Machinery and computer equipment	Transportation equipment	Miscellaneous equipment	Leasehold improvement	Total
Cost							
Balance at January 1, 2019	$2,031,893	$1,218,188	$422,432	$12,372	$77,126	$144,556	$3,906,567
Adjustment on initial application of IFRS 16	-	-	-	-	-	(17,153)	(17,153)
Adjusted balance at January 1, 2019	$2,031,893	$1,218,188	$422,432	$12,372	$77,126	$127,403	$3,889,414
Additions	-	-	13,087	-	120	-	13,207
Disposals	-	-	(23,584)	(1,245)	(1,264)	-	(26,093)
Foreign exchange differences	-	-	13	-	-	-	13
Balance, June 30, 2019	2,031,893	1,218,188	411,948	11,127	75,982	127,403	3,876,541
Accumulated depreciation							
Balance at January 1, 2019	$ -	$513,665	$302,248	$11,989	$69,010	$121,836	$1,018,748
Adjustment on initial application of IFRS 16	-	-	-	-	-	(12,605)	(12,605)
Adjusted balance at January 1, 2019	$ -	$513,665	$302,248	$11,989	$69,010	$109,231	$1,006,143
Depreciation	-	10,873	20,906	78	1,151	2,260	35,268
Disposals	-	-	(23,584)	(1,245)	(1,264)	-	(26,093)
Foreign exchange differences	-	-	6	-	-	-	6
Balance at June 30, 2019	$ -	$524,538	$299,576	$10,822	$68,897	$111,491	$1,015,324
Net balance at June 30, 2019	$2,031,893	$693,650	$112,372	$305	$7,085	$15,912	$2,861,217

1.Reconciliation of current additions and acquisition of property and equipment in statements of cash flows were as follows:

Item	For the six months ended June 30 2020	2019
Increase in property and equipment	$119,938	$13,207
Foreign exchange differences	(7)	7
Cash paid for acquisition of property and equipment	$119,931	$13,214

6.11 Lease agreements

1. Right-of-use assets

Item	June 30, 2020	December 31, 2019	June 30, 2019
Land and buildings	$375,715	$333,094	$320,689
Transportation equipment	23,143	20,237	17,496
Total cost	$398,858	$353,331	$338,185
Less: Accumulated depreciation	(98,215)	(87,349)	(43,946)
Net	$300,643	$265,982	$294,239

Cost	Land and buildings	Transportation equipment	Total
Balance at January 1, 2020	$333,094	$20,237	$353,331
Current increase	158,213	2,906	161,119
Current decrease	(115,592)	-	(115,592)
Balance at June 30, 2020	$375,715	$23,143	$398,858
Accumulated depreciation and impairment			
Balance at January 1, 2020	$80,423	$6,926	$87,349
Depreciation expense	38,802	3,777	42,579
Current decrease	(31,713)	-	(31,713)
Balance at June 30, 2020	$87,512	$10,703	$98,215

Cost	Land and buildings	Transportation equipment	Total
Balance at January 1, 2019	$ -	$ -	$ -
Adjustment on initial application of IFRS 16	282,636	10,496	293,132
Adjusted balance at January 1, 2019	$282,636	$10,496	$293,132
Current increase	39,500	7,000	46,500
Current decrease	(1,447)	-	(1,447)
Balance at June 30, 2019	$320,689	$17,496	$338,185

Accumulated depreciation and impairment			
Balance at January 1, 2019	$ -	$ -	$ -
Depreciation expense	41,503	3,890	45,393
Current decrease	(1,447)	-	(1,447)
Balance at June 30, 2019	$40,056	$3,890	$43,946

There is no any sign of impairment of right-of-use assets, and therefore the Company does not assess the impairment as of June 30, 2020, December 31, 2019 and June 30, 2019.

2. Lease liabilities

Item	June 30, 2020	December 31, 2019	June 30, 2019
Lease liabilities	$314,156	$280,819	$308,027

The discount rate range for lease liabilities was as follows :

Item	June 30, 2020	December 31, 2019	June 30, 2019
Land and buildings	0.5661%-0.6945%	0.6781%-0.6945%	0.6945%
Transportation equipment	0.5661%-0.6945%	0.6781%-0.6945%	0.6945%

Please refer to Note 12.4 for lease liabilities with repayment periods.

3. Significant lease activities and clause

The Company leases land and buildings for dormitory and cars for transportation. The lease period is 1 to 10 years. At the end of the lease term, the Company has no preferential purchase rights for the leased buildings and transportation equipment.

4. Sublet: None.

5. Other lease information:

(1) The relevant lease expense information was as follows:

	For the three months ended June 30	
	2020	2019
Lease expense of low-value assets	$1,024	$856
Gross cash outflow for leases (Note)	$21,577	$22,978

	For the six months ended June 30	
	2020	2019
Lease expense of low-value assets	$1,782	$1,477
Gross cash outflow for leases (Note)	$44,442	$45,687

(Note) Including lease principal payment for the current period.

The Company chose exemption for short-term and low-value assets and did not recognize relevant right-of-use assets and lease liabilities.

6.12 Intangible assets, net

Item	June 30, 2020	December 31, 2019	June 30, 2019
Computer software	$377,767	$352,950	$334,942
Less: Accumulated amortization	(239,795)	(224,311)	(209,613)
Net	$137,972	$128,639	$125,329

Changes in intangible assets:

Item	For the six months ended June 30	
	2020	2019
Cost		
Balance at January 1	$352,950	$322,051
Current additions	24,817	20,958
Current disposals	-	(8,067)
Balance at June 30	$377,767	$334,942
Accumulated amortization		
Balance at January 1	$224,311	$203,248
Amortization expense	15,484	14,432
Current disposals	-	(8,067)
Balance at June 30	$239,795	$209,613
Net	$137,972	$125,329

6.13 Other assets, net

Item	June 30, 2020	December 31, 2019	June 30, 2019
Refundable deposits	$176,078	$167,860	$66,014
Prepayments	72,567	65,112	34,912
Miscellaneous assets	12,515	10,201	12,106
Total	$261,160	$243,173	$113,032

6.14 Deposits from the Central Bank and other banks

Item	June 30, 2020	December 31, 2019	June 30, 2019
Due to the Central Bank	$80,002	$77,542	$80,884
Due to other banks	281,996	267,463	260,647
Due to Chunghwa Post	49,200	50,460	98,050
Overdrafts on banks	46,715	7,853	8,312
Calls loan from Central or other banks	8,692,794	8,431,558	10,254,069
Total	$9,150,707	$8,834,876	$10,701,962

6.15 Due to Central Bank and other banks

Item	June 30, 2020	December 31, 2019	June 30, 2019
Coronavirus epidemic project bailout loan from central Bank	$183,050	$ -	$ -

6.16 Financial liabilities at fair value through profit or loss

Item	June 30, 2020	December 31, 2019	June 30, 2019
Derivatives			
Forward exchange	$361	$1,322	$211
Foreign exchange swaps	35,445	31,306	18,438
Total	$35,806	$32,628	$18,649

The Company engaged in derivative transactions for six months ended June 30, 2020 and 2019 for the purpose of meeting clients' trading needs, squaring positions, meeting capital requirements in different currencies and hedging against risks arising from interest rate fluctuations. The hedging strategy of the Company primarily aims at hedging against risks arising from market price or cash flow fluctuations. As of June 30, 2020, December 31, 2019 and June 30, 2019, the contractual amounts (notional principal) of the derivative contracts were as follows:

Item	June 30, 2020	December 31, 2019	June 30, 2019
Forward exchange contracts	$70,050	$116,462	$105,076
Foreign exchange swap contracts	4,840,039	2,683,291	2,487,529

6.17 Securities sold under repurchase agreements

Item	June 30, 2020	December 31, 2019	June 30, 2019
Government bonds	$34,625	$34,572	$34,514
Foreign corporate bonds	2,304,839	3,242,154	3,607,866
Foreign financial bonds	4,141,414	4,401,026	5,533,789
Foreign government bonds	1,581,676	1,212,787	1,611,216
Total	$8,062,554	$8,890,539	$10,787,385

Securities sold with repurchase agreement were purchased at agreed prices of $8,078,393 thousand, $8,929,272 thousand and $10,848,173 thousand as of June 30, 2020, December 31, 2019 and June 30, 2019, respectively.

6.18 Payables

Item	June 30, 2020	December 31, 2019	June 30, 2019
Payroll transfers payable	$1,742,565	$1,856,191	$1,797,000
Checks for clearance	187,374	266,611	864,368
Acceptances payable	220,043	186,975	350,269
Interest payable	282,336	317,495	343,946
Payable for settlement of securities	470,560	11,666	295,556
Accrued expenses	269,164	368,081	235,970
Collections payable	804,869	123,066	188,042
Cash dividends payable	-	-	114,438
Other payables	139,390	129,223	110,066
Outstanding bills for collection	143,977	151,531	19,949
Accounts payable	12,997	7,361	2,478
Spot exchange payable - foreign currencies	-	249	-
Accounts payable factoring	753	627	-
Total	$4,274,028	$3,419,076	$4,322,082

6.19 Deposits and remittances

Item	June 30, 2020	December 31, 2019	June 30, 2019
Checking account deposits	$1,850,815	$2,759,051	$2,040,001
Public treasury deposits	11,999,944	11,667,678	11,997,414
Demand deposits	36,836,349	33,022,890	28,734,076
Time deposits	56,972,360	59,108,589	53,001,410
Negotiable certificates of deposits	426,700	428,200	449,300
Demand savings deposits	61,514,664	59,952,470	58,753,734
Time savings deposits	55,984,489	58,813,132	63,410,900
Remittances	122	2,135	158
Total	$225,585,443	$225,754,145	$218,386,993

6.20 Bonds payables

Item	Offering period & Interest rate	June 30, 2020	December 31, 2019	June 30, 2019
First issue of subordinate	08/06/2013-08/06/2020	$1,300,000	$1,300,000	$1,300,000
financial bonds in 2013	2.1%			
Second issue of subordinate	09/05/2013-09/05/2020	700,000	700,000	700,000
financial bonds in 2013	2.1%			
First issue of subordinate	03/25/2014-03/25/2021	1,200,000	1,200,000	1,200,000
financial bonds in 2014	1.32044%-1.738%			
Second issue of subordinate	10/29/2014-10/29/2021	650,000	650,000	650,000
financial bonds in 2014	2.35%			
Third issue of subordinate	12/03/2014-12/03/2021	150,000	150,000	150,000
financial bonds in 2014	2.35%			
First issue of subordinate	03/15/2018-03/15/2025	1,500,000	1,500,000	1,500,000
financial bonds in 2018	1.30%			
Second issue of subordinate	09/12/2018- No expiration date	800,000	800,000	800,000
financial bonds in 2018	2.60%			
First issue of subordinate	12/20/2019- No expiration date	1,200,000	1,200,000	-
financial bonds in 2019	2.00%			
Total		$7,500,000	$7,500,000	$6,300,000

6.21 Provisions

Item	June 30, 2020	December 31, 2019	June 30, 2019
Employee benefits provision	$218,866	$225,550	$203,229
Guarantee liability provision	65,682	57,682	52,682
Financing commitment provision	55,458	47,639	59,250
Others provision	36,037	47,843	38,961
Others	1,681	1,202	744
Total	$377,724	$379,916	$354,866

1. Employee benefit liabilities:

(1) Determined appropriation plan

(A) The pension system under the “Labor Pension Act” is the determined pension plan management by the government that required regular contribution. An appropriation of funds at 6% of the monthly salary of each employee shall be made to the personal special account of the employee at the Bureau of Labor.

(B) The Company recognized pension expenses of $8,360 thousand, $6,401 thousand, $14,122 thousand and $11,250 thousand for the three months ends June 30, 2020 and 2019 and for the six months ended June 30, 2020 and 2019, respectively.

(2) Determined benefit plan

(A) The pension expenses associated with the defined benefit plans (including the employee's preferential deposit plan) recognized by the Company for the three months ended June 30, 2020 and 2019 and for the six months ended June 30, 2020 and 2019 were $26,368 thousand, $32,976 thousand, $52,735 thousand and $65,951 thousand, respectively.

The above calculations are based on the pension cost rate determined by actuarial calculations on December 31, 2019 and 2018.

(B) Before the year ended December 31, 2019 and 2018, the Company estimated that the balance of the pension account was insufficient to pay the workers who were estimated to reach the retirement conditions in the next year. Therefore, the difference was paid to the special account in June 2020 and 2019, and the Company decreased employee benefits provision by $0 thousand and $59,263 thousand, respectively.

2.Changes in guarantee liability provision:

	For the six months ended June 30	
Item	2020	2019
Beginning balance	$57,682	$68,383
Provision (reversal)	8,000	(15,701)
Ending balance	$65,682	$52,682

3.Changes in financing commitment provision are as follows

	For the six months ended June 30	
Item	2020	2019
Beginning balance	$47,639	$47,572
Provision (reversal)	8,133	11,398
Difference in exchange rate	(314)	280
Ending balance	$55,458	$59,250

4.Changes in other provision:

Item	For the six months ended June 30 2020	2019
Beginning balance	$47,843	$41,056
Provision (reversal)	(11,800)	(2,100)
Difference in exchange rate	(6)	5
Ending balance	$36,037	$38,961

6.22 Other liabilities

Item	June 30, 2020	December 31, 2019	June 30, 2019
Guarantee deposits received	$26,705	$44,971	$52,826
Advance receipts	52,091	66,908	73,263
Temporary receipts and suspense accounts	4,523	4,090	3,736
Others	38	39	33
Total	$83,357	$116,008	$129,858

6.23 Equity

1.Common stock

The number of outstanding shares of common stock issued by the Company and the amount were as below:

	For the six months ended June 30, 2020	
	Shares (in thousands)	Amount
January 1	1,080,916	$10,809,165
Capital increase by retained earning	-	-
June 30	1,080,916	$10,809,165

	For the six months ended June 30, 2019	
	Shares (in thousands)	Amount
January 1	1,040,343	$10,403,431
Capital increase by retained earning	-	-
June 30	1,040,343	$10,403,431

As of June 30, 2020, December 31, 2019 and June 30, 2019, the Company’s authorized capital were all $20,000,000 thousand, while the issued capital were $10,809,165 thousand, $10,809,165 thousand and $10,403,431 thousand, respectively, representing 1,080,916 thousand common shares, 1,080,916 thousand common shares and 1,040,343 thousand common shares with par value at $10 per share.

The Company's shareholders' meeting passed the resolution of Year 2018 capital surplus distribution on June 20, 2019, and retained earnings of $161,253 thousand and capital surplus of $244,481 thousand were transferred to the capital. The above-mentioned capital increase was approved by the FSC on August 21, 2019, with a total of 40,573 shares of common stock issued at a par value of $10 per share, which accounts for $405,734 thousand, and September 17, 2019 was set as the capital increase base date.

2.Capital surplus

Item	June 30, 2020	December 31, 2019	June 30, 2019
Additional paid-in capital	$1,242,615	$1,242,615	$1,242,615
Donated assets	61	61	61
Total	$1,242,676	$1,242,676	$1,242,676

As required by the Company Act, additional paid-in capital resulting from the amount received in excess of par value of the issuance of capital stock and donated income may not only be used to offset the accumulated losses but also to issue new shares or distribute cash dividends in proportion to the number of shares being held by original shareholders. In addition, according to the Securities and Exchange Act, the additional paid-in capital used for capital increase shall not exceed 10% of total issued capital stock. A company should not use the capital surplus to cover its capital loss, unless the legal reserve is insufficient.

3. Retained earnings and dividends policy

(1) According to the earnings distribution policy of the Articles of Incorporation, the current year's earnings, if any, shall first to pay all taxes and offset prior year's operating loss, and 30% of the remaining amount should then be set aside as legal surplus. A provision for or reversal of the special reserve shall be determined in accordance with provisions under the applicable laws and regulations and according to actual business requirements. The Board of Directors shall prepare a proposal for distribution of earnings for presentation to the shareholders' meeting for resolution of distribution of dividends for shareholders. For the employees and directors' compensation distribution policy as stipulated in the Articles of Association of the Company, please refer to Note 6.32 employee benefit expense.

The Board of Directors may, depending on future business requirements and profitability, retain all or part of earnings.

Distribution of dividends to shareholders may be determined according to current earnings and business development requirements with the Board of Directors' proposing to the shareholders' meeting to make adjustments to the percentage of earnings to be distributed as cash dividends and stock dividends.

However, cash dividends shall be no less than 5% of stock dividends distributed in the current year.

(2) Legal reserve

A company shall set aside a legal reserve until its balance equals the amount of total issued capital. Legal reserve may be used to offset loss. Amendments to the Company act announced on January 4, 2012 provide that the portion of the legal reserve exceeding 25% of paid-in capital may be capitalized or distributed by cash. On the other hand, the Banking Law provides that prior to the balance of legal reserve reaching total paid-in capital or the ratio of paid in capital and risky assets not reaching requirement of the Banking Law, the maximum amount distributed by cash shall not exceed 15% of total paid-in capital.

(3) Special reserve

Item	June 30, 2020	December 31, 2019	June 30, 2019
Reserve for employee transference and reassignment	$432	$7,243	$7,243

Provision and reversal of special reserve set aside are in accordance with Gin-Guan-Zheng-Fa letter No. 10100112865, No.1010047490 and No.1030006415 of FSC and「Application of International Financial Reporting Standards (IFRSs) to raise doubts about the application of special reserves」.

According to the Gin-Guan-In-Fa letter No. 10510001510 on May 25, 2016, the public issuing bank shall provide a special surplus in the range of 0.5% to 1% of the net profit after tax in the distribution of the fiscal Year 2016-2018. Since the fiscal Year 2019, the same amount of employee transference and reassignment expenses arising from the development of financial technology has been reversed from the scope of the special reserve.

(4) Appropriation of earnings for 2019 and 2018 resolved by the board of directors in March 2020 and the shareholders' meeting in June 2019 and earnings per share were as follows:

	Earnings Appropriation		EPS ($)	
Item	2019	2018	2019	2018
Legal reserve	$234,567	$120,795		
Appropriation (reversal) of special reserve	-	2,013		
Cash dividends on common stock	162,137	114,438	0.15	0.110
Stock dividends on common stock	389,130	161,253	0.36	0.155
Total	$785,834	$398,499		

The Board of Directors proposed to distribute capital surplus in shares amounting to $97,282 thousand ($0.09 per share) to shareholders in 2020.
The Board of Directors proposed to distribute capital surplus in shares amounting to $244,481 thousand ($0.235 per share) to shareholders in 2019.

The retained earnings and capital surplus distribution of 2019 is pending due to the attendance rate of the annual shareholders' meeting held in June 2020 did not constitute a quorum, and will wait for the resolution of the annual shareholders' meeting to be held in November 2020.

4.Other equity item

Item	Exchange differences on translation of financial statements of foreign operations	Valuation gain (loss) on equity instruments at FVTOCI	Valuation gain (loss) on debt instruments at FVTOCI	Allowance loss of debt instruments at FVTOCI	Others	Total
Balance at January 1, 2020	($538)	$253,902	$108,052	$4,776	$73	$366,265
Foreign currency translation adjustments						
-Gain or loss on translating net assets of foreign operations	731	-	-	-	-	731
-Tax effects on gain or loss on translating net assets of foreign operations	(146)	-	-	-	-	(146)
Financial assets at FVTOCI						
-Unrealized gain (loss)	-	21,217	130,955	-	-	152,172
-Gain (loss) on disposal reclassified to profit or loss	-	-	(86,295)	-	-	(86,295)
-Gain (loss) on disposal reclassified to retained earnings	-	(12,531)	-	-	-	(12,531)
-Allowance loss of debt instruments adjustment	-	-	-	463	-	463
Balance at June 30, 2020	$47	$262,588	$152,712	$5,239	$73	$420,659

Item	Exchange differences on translation of financial statements of foreign operations	Valuation gain (loss) on equity instruments at FVTOCI	Valuation gain (loss) on debt instruments at FVTOCI	Allowance loss of debt instruments at FVTOCI	Others	Total
Balance at January 1, 2019	($110)	$89,871	($46,434)	$5,719	$73	$49,119
Foreign currency translation adjustments						
-Gain or loss on translating net assets of foreign operations	(294)	-	-	-	-	(294)
-Tax effects on gain or loss on translating net assets of foreign operations	59	-	-	-	-	59
Financial assets at FVTOCI						
-Unrealized gain (loss)	-	164,673	262,399	-	-	427,072
-Gain (loss) on disposal reclassified to profit or loss	-	-	(43,446)	-	-	(43,446)
-Gain (loss) on disposal reclassified to retained earnings	-	(7,606)	-	-	-	(7,606)
-Allowance loss of debt instruments adjustment	-	-	-	(62)	-	(62)
Balance at June 30, 2019	($345)	$246,938	$172,519	$5,657	$73	$424,842

6.24 Net interest income

Item	For the three months ended June 30	
	2020	2019
Interest income		
Interest from bills discounted and loans	$816,628	$1,036,122
Interest from deposits and call loans from other banks	4,581	7,886
Interest from securities investments	233,921	275,647
Credit card revolving interest income	365	340
Other interest income	7,354	8,587
Subtotal	$1,062,849	$1,328,582
Interest expense		
Interest from deposits	$335,452	$462,333
Interest from interbank overdraft and call loans	25,741	68,703
Interest on financial bonds	35,142	29,735
Interest on lease liabilities	506	516
Other interest expenses	23,695	64,336
Subtotal	$420,536	$625,623
Net interest income	$642,313	$702,959

Item	For the six months ended June 30	
	2020	2019
Interest income		
Interest from bills discounted and loans	$1,743,044	$2,053,702
Interest from deposits and call loans from other banks	12,310	16,811
Interest from securities investments	468,675	542,513
Credit card revolving interest income	741	668
Other interest income	16,124	18,192
Subtotal	$2,240,894	$2,631,886
Interest expense		
Interest from deposits	$763,118	$938,866
Interest from interbank overdraft and call loans	64,502	120,697
Interest on financial bonds	70,774	59,146
Interest on lease liabilities	981	1,053
Other interest expenses	55,260	123,556
Subtotal	$954,635	$1,243,318
Net interest income	$1,286,259	$1,388,568

Interest accrued on impaired financial assets for the six months ended June 30, 2020 and 2019 were $4,031 thousand and $11,923 thousand, respectively.

6.25 Net service fee and commission income

Item	For the three months ended June 30 2020	2019
Service fee income		
Service fee income - trust business	$43,276	$35,893
Service fee income - guarantees	11,310	10,316
Service fee income - foreign exchange	3,880	5,787
Service fee income - loans	20,073	22,035
Credit card service fee income	2,189	2,386
Agency fee income	27,322	50,820
Deposit and remittance service fee income and other service fee income	5,695	9,841
Subtotal	$113,745	$137,078
Service fee expense		
Service fee expense - foreign exchange	$2,471	$2,397
Deposit and remittance service fee expense and other service fee expenses	11,994	9,951
Subtotal	$14,465	$12,348
Net service fee income	$99,280	$124,730

Item	For the six months ended June 30 2020	2019
Service fee income		
Service fee income - trust business	$87,412	$65,089
Service fee income - guarantees	22,898	20,648
Service fee income - foreign exchange	8,423	10,876
Service fee income - loans	42,131	50,563
Credit card service fee income	4,405	4,720
Agency fee income	56,610	113,096
Deposit and remittance service fee income and other service fee income	16,554	15,850
Subtotal	$238,433	$280,842
Service fee expense		
Service fee expense - foreign exchange	$5,139	$4,931
Deposit and remittance service fee expense and other service fee expenses	24,720	20,342
Subtotal	$29,859	$25,273
Net service fee income	$208,574	$255,569

The Company provide custodian, trust, investment management and consulting services to third parties, which involve the planning, management and decision-making in determining the use of financial instruments. Assets managed under a trust fund or in an investment portfolio are separately presented in separate accounts and financial statements and are not included in the Company's financial statements.

6.26 Gains (losses) on financial assets and liabilities at fair value through profit or loss

Item	For the three months ended June 30 2020	For the three months ended June 30 2019
Realized gains and losses from disposal of financial assets and liabilities at fair value through profit or loss		
Interest income	$1,045	$1,064
Dividends	217	(441)
Gain (loss) on disposal - non-derivative instruments	(6,111)	(4,735)
Gain (loss) on disposal - derivative instruments	(137,389)	(50,497)
Subtotal	($142,238)	($54,609)
Valuation gain and loss on financial assets and liabilities at fair value through profit or loss		
Non-derivative instruments	($1,582)	$1,328
Derivative instruments	40,082	54,335
Subtotal	$38,500	$55,663
Total	($103,738)	$1,054

Item	For the six months ended June 30 2020	For the six months ended June 30 2019
Realized gains and losses from disposal of financial assets and liabilities at fair value through profit or loss		
Interest income	$2,164	$1,818
Dividends	350	368
Gain (loss) on disposal - non-derivative instruments	5,741	738
Gain (loss) on disposal - derivative instruments	(117,153)	(110,092)
Subtotal	($108,898)	($107,168)
Valuation gain and loss on financial assets and liabilities at fair value through profit or loss		
Non-derivative instruments	$1,733	$834
Derivative instruments	(11,748)	159,723
Subtotal	($10,015)	$160,557
Total	($118,913)	$53,389

6.27 Realized gain (loss) on financial assets at fair value through other comprehensive income

Item	For the three months ended June 30	
	2020	2019
Dividend income	$75,486	$57,993
Gains on disposal of bonds	51,216	9,251
Losses on disposal of bonds	(4,863)	(11)
Total	$121,839	$67,233

Item	For the six months ended June 30	
	2020	2019
Dividend income	$76,373	$58,005
Gains on disposal of bonds	91,158	48,976
Losses on disposal of bonds	(4,863)	(5,530)
Total	$162,668	$101,451

6.28 Gain (loss) on derecognition of financial assets measured at amortised cost

Item	For the three months ended June 30	
	2020	2019
NTD bonds	$29,629	$14,327
Foreign currency bonds	(5,866)	55,842
Total	$23,763	$70,169

Item	For the six months ended June 30	
	2020	2019
NTD bonds	$71,830	$41,878
Foreign currency bonds	97,030	87,134
Total	$168,860	$129,012

6.29 Foreign exchange gain (loss)

Item	For the three months ended June 30	
	2020	2019
Foreign exchange gain (loss) - sight	$4,777	$13,215
Foreign exchange gain (loss) - FX conversion, forwards	104,646	4,570
Total	$109,423	$17,785

Item	For the six months ended June 30	
	2020	2019
Foreign exchange gain (loss) - sight	$17,946	$24,134
Foreign exchange gain (loss) - FX conversion, forwards	151,903	(32,921)
Total	$169,849	($8,787)

6.30 Gain on reversal of (loss on provision for) asset impairment loss

Item	For the three months ended June 30	
	2020	2019
Investments in debt instruments at FVTOCI	($279)	$365
Financial assets at amortized cost	(468)	608
Total	($747)	$973

Item	For the six months ended June 30	
	2020	2019
Investments in debt instruments at FVTOCI	($576)	$122
Financial assets at amortized cost	(1,146)	440
Total	($1,722)	$562

6.31 Net other non-interest income

Item	For the three months ended June 30	
	2020	2019
Rent income	$2,938	$2,864
Others	4,952	2,925
Total	$7,890	$5,789

Item	For the six months ended June 30	
	2020	2019
Rent income	$5,802	$5,724
Lease contract termination gain	1,243	-
Others	14,587	6,642
Total	$21,632	$12,366

6.32 Employee benefit expense

Item	For the three months ended June 30	
	2020	2019
Wages and salaries	$357,506	$333,813
Labor and health insurance	28,583	28,404
Pensions costs (Note)	41,539	39,377
Remuneration to directors	4,837	5,787
Other employee benefits	2,260	5,425
Total	$434,725	$412,806

Item	For the six months ended June 30	
	2020	2019
Wages and salaries	$716,166	$663,335
Labor and health insurance	56,464	52,825
Pensions costs (Note)	73,668	77,201
Remuneration to directors	11,062	10,664
Other employee benefits	4,817	8,152
Total	$862,177	$812,177

(Note): Including the expenditure of employees' transfer according to No.10802714560 issued by FSC of $6,811 thousand and $6,811 thousand for the three months ended June 30 and the six months ended June 30, respectively.

(1) The Company appropriated 5% and no more than 1.25% of the EBIT before the deduction of remuneration to employees and directors as remuneration to employees and directors, respectively. If there is a change in this amount after the announcement of the financial report, the difference will be treated as change in accounting estimate and adjusted in next year.

(2) The Company appropriated 5% and no more than 1.25% of the EBIT before the deduction of remuneration to employees and directors as remuneration to employees and directors, respectively. The amounts recognized in the financial statements for the three months and for the six months ended June 30, 2020 and 2019 were shown below:

	For the three months ended June 30		For the six months ended June 30	
	2020	2019	2020	2019
Remuneration to employees	$ 10,150	$ 11,184	$ 24,550	$ 21,334
Remuneration to directors	$ 2,530	$ 2,784	$ 6,130	$ 5,334

(3) Remuneration of employees and directors for 2019 and 2018 resolved by the Board of Directors' meeting on March 19, 2020 and March 21, 2019, respectively were as follows:

Item	2019		2018	
	Remuneration to employees	Remuneration to Directors	Remuneration to employees	Remuneration to Directors
Resolved amount for distribution	$47,282	$11,820	$21,844	5,461
Recognized amount in annual report	47,254	11,814	20,940	5,235
Difference	$28	$6	$904	$226

A. The differences between the amounts resolved and the amounts presented in the financial statements for 2019 and 2018 are mainly from estimation and have been recognized as income or loss in 2020 and 2019.

B. The aforementioned remuneration to employees is released in cash.

(4) Information on the resolution of the Board of Directors on the issues of remuneration to employees and directors is available at the "MOPS" website provided by Taiwan Stock Exchange Corporation.

6.33 Depreciation and amortization expense

Item	For the three months ended June 30	
	2020	2019
Depreciation expense - property and equipment	$16,579	$17,606
Depreciation expense - right-of-use assets	20,264	22,705
Amortization expense - intangible assets and other assets	8,987	8,057
Total	$45,830	$48,368

Item	For the six months ended June 30	
	2020	2019
Depreciation expense - property and equipment	$33,190	$35,268
Depreciation expense - right-of-use assets	42,579	45,393
Amortization expense - intangible assets and other assets	17,670	16,591
Total	$93,439	$97,252

6.34 Other general and administrative expense

Item	For the three months ended June 30	
	2020	2019
Taxes and dues	$48,357	$53,267
Rental expense (Note)	10,908	10,746
Insurance expenses	18,788	18,661
Postage & handling	3,687	3,380
Utility expense	3,868	4,391
Consumables	6,456	5,203
Repair expense	9,972	9,479
Professional service fees	20,454	16,477
Others	29,342	22,206
Total	$151,832	$143,810

Item	For the six months ended June 30	
	2020	2019
Taxes and dues	$100,814	$106,113
Rental expense (Note)	21,141	20,907
Insurance expenses	37,542	37,179
Postage & handling	7,167	6,683
Utility expense	7,674	8,134
Consumables	11,408	10,239
Repair expense	19,928	18,678
Professional service fees	38,133	31,720
Others	59,768	49,297
Total	$303,575	$288,950

(Note) Including variable lease payment.

6.35 Income Tax

(1) Components of income tax expense:

A. Income tax expense (benefit) recognized in profit or loss:

Item	For the three months ended June 30	
	2020	2019
Current tax:		
Income tax from current period	$21,278	($7,191)
Adjustments for prior years	138	-
Subtotal	$21,416	($7,191)

Deferred tax:		
Origination and reversal of temporary differences	$10,016	$28,189
Subtotal	$10,016	$28,189
Income tax expense	$31,432	$20,998

Item	For the six months ended June 30 2020	2019
Current tax:		
Current tax expense	$27,963	$5,585
Additional income tax on undistributed earnings	-	-
Adjustments for prior years	138	-
Subtotal	$28,101	$5,585
Deferred tax:		
Origination and reversal of temporary differences	$38,034	$29,494
Subtotal	$38,034	$29,494
Income tax expense	$66,135	$35,079

The Company's income tax rate was 20% starting from 2018. In addition, the tax rate applicable to unappropriated earnings was reduced from 10% to 5%.

B. Income tax benefit (expense) relating to other comprehensive income:

Item	For the three months ended June 30 2020	2019
Exchange differences on translation of foreign financial statements	$78	($77)

Item	For the six months ended June 30 2020	2019
Exchange differences on translation of foreign financial statements	$146	($59)

(2) Differences between pre-tax income and taxable income are reconciled as follows:
The pre-tax income multiplied by the statutory tax rate and income tax expense were reconciled as follows:

Item	For the three months ended June 30	
	2020	2019
Pre-tax income	$210,200	$210,218
Income tax from pre-tax income calculated at the statutory rate	$42,040	$42,044
Adjustments:：		
Effects of income tax exemption	(48,747)	11,328
Effects of other tax adjustments		
Excessive provision for (reversal of) bad debt expense	8,358	(31,760)
Unrealized (realized) pension expenses	(183)	864
Valuation losses (gains)	(7,700)	(11,132)
Others	509	2,308
Loss carryforwards	5,763	(13,652)
Alternative minimum tax affects	21,278	(7,191)
Income tax adjustment for prior period	138	-
Net changes in deferred tax assets	10,016	28,189
Income tax expense	$31,432	$20,998

Item	For the six months ended June 30	
	2020	2019
Pre-tax income	$460,385	$400,383
Income tax from pre-tax income calculated at the statutory rate	$92,077	$80,077
Adjustments:：		
Effects of income tax exemption	(58,720)	(23,857)
Effects of other tax adjustments		
Excessive provision for (reversal of) bad debt expense	(4,467)	(15,999)
Unrealized (realized) pension expenses	(1,337)	(10,730)
Valuation losses (gains)	2,003	(32,111)
Others	1,479	2,620
Loss carryforwards	(31,035)	-
Alternative minimum tax affects	27,963	5,585
Income tax adjustment for prior period	138	-
Net changes in deferred tax assets	38,034	29,494
Income tax expense	$66,135	$35,079

(3) Unrecognized deferred income tax assets

As of June 30, 2020, December 31, 2019 and June 30, 2019, unrecognized deferred income tax assets were all $0 thousand.

(4) The Company's income tax return through 2018 was assessed by the Taxation Authority.

6.36 Unrecognized deferred income tax assets/liabilities

1.When the Company has statutory enforcement rights to offset the current income tax assets and liabilities, and the deferred income tax assets and liabilities are the same taxpayer subject to the same tax authority, or different taxpayers, but the entities intend to be in a significant amount. Deferred income tax assets and liabilities are deducted from each other in the future period in which the income tax liabilities or assets are expected to be settled or recovered.

2.Changes in deferred tax assets (liabilities)

	For the six months ended June 30	
Item	2020	2020
Deferred income tax assets		
Balance at January 1	$203,637	$258,879
Recognized as income (loss)	(38,034)	(29,494)
Recognized as other comprehensive income	(146)	59
Balance at June 30	$165,457	$229,444

3.The Company's future taxable income is likely to be sufficient to provide deferred income tax assets that can be deducted from temporary differences and unused losses. The recoverability assessment of deferred tax assets (liabilities) recognized at June 30, 2020 and 2019 is based on estimates of profitability over the next 10 years. If the assumption of profitability is changed, the Company will adjust the recognition amount of the deferred income tax assets (liabilities).

6.37 Other comprehensive income

	For the three months ended June 30, 2020		
Item	From current period	Income tax benefit (expense)	Net of tax
Items that will not be reclassified subsequently to profit or loss:			
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	$278,205	$ -	$278,205
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on the translation of financial statements of foreign operations	390	(78)	312

Loss on valuation of investments in debt instruments measured at fair value through other comprehensive income	247,915	-	247,915
Reversal gain on debt instruments measured at fair value through other comprehensive income	346	-	346
Recognized in other comprehensive income	$526,856	$ (78)	$526,778

Item	For the three months ended June 30, 2019		
	From current period	Income tax benefit (expense)	Net of tax
Items that will not be reclassified subsequently to profit or loss:			
Unrealized valuation gain on investments in equity instruments at fair value through other comprehensive income	$55,782	$ -	$55,782
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on the translation of financial statements of foreign operations	(385)	77	(308)
Gain on valuation of investments in debt instruments measured at fair value through other comprehensive income	81,741	-	81,741
Impairment loss on debt instruments measured at fair value through other comprehensive income	(345)	-	(345)
Recognized in other comprehensive income	$136,793	$77	$136,870

Item	For the six months ended June 30, 2020		
	From current period	Income tax benefit (expense)	Net of tax
Items that will not be reclassified subsequently to profit or loss:			
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	$21,217	$ -	$21,217
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on the translation of financial statements of foreign operations	731	(146)	585
Loss on valuation of investments in debt instruments measured at fair value through other comprehensive income	44,660	-	44,660
Reversal gain on debt instruments measured at fair value through other comprehensive income	463	-	463
Recognized in other comprehensive income	$67,071	($146)	$66,925

Item	For the six months ended June 30, 2019		
	From current period	Income tax benefit (expense)	Net of tax
Items that will not be reclassified subsequently to profit or loss:			
Unrealized valuation gain on investments in equity instruments at fair value through other comprehensive income	$164,673	$ -	$164,673
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on the translation of financial statements of foreign operations	(294)	59	(235)
Gain on valuation of investments in debt instruments measured at fair value through other comprehensive income	218,953	-	218,953
Impairment loss on debt instruments measured at fair value through other comprehensive income	(62)	-	(62)
Recognized in other comprehensive income	$383,270	$59	$383,329

6.38 Basic and diluted earnings per share

Item	For the three months ended June 30	
	2020	2020
Basic EPS		
Earnings in the current period (A)	$178,768	$189,220
Weighted-average outstanding shares in the current period (shares in thousands)	1,080,916	1,040,343
Adjusted weighted-average shares (shares in thousands) (B)	1,080,916	1,080,916
Basic EPS (A)/(B) (NTD)	$0.17	$0.18
Diluted EPS		
Earnings in the current period (C)	178,768	189,220
Weighted-average outstanding shares in the current period (shares in thousands)	1,080,916	1,080,916
Effect of Employee compensation (shares in thousands)	2,505	2,299
Weighted-average outstanding shares of diluted earnings per share (shares in thousands)	1,083,421	1,083,215
Adjusted weighted-average outstanding shares of diluted earnings per share (shares in thousands) (D)	1,083,421	1,083,215
Diluted EPS (C)/(D) (NTD)	$0.17	$0.17

Item	For the six months ended June 30 2020	2020
Basic EPS		
Earnings in the current period (A)	$394,250	$365,304
Weighted-average outstanding shares in the current period (shares in thousands)	1,080,916	1,040,343
Adjusted weighted-average shares (shares in thousands) (B)	1,080,916	1,080,916
Basic EPS (A)/(B) (NTD)	$0.36	$0.34
Diluted EPS		
Earnings in the current period (C)	394,250	365,304
Weighted-average outstanding shares in the current period (shares in thousands)	1,080,916	1,080,916
Effect of Employee compensation (shares in thousands)	4,969	3,256
Weighted-average outstanding shares of diluted earnings per share (shares in thousands)	1,085,885	1,084,172
Adjusted weighted-average outstanding shares of diluted earnings per share (shares in thousands) (D)	1,085,885	1,084,172
Diluted EPS (C)/(D) (NTD)	$0.36	$0.34

7.RELATED PARTY TRANSACTIONS

7.1 Name and Relationship of Related Parties with the Company

Name of Related Party	Relationship with the Company
Kaohsiung City Government	A major shareholder of the Company
Kaohsiung Rapid Transit Corporation	Related party in substance
Others	Directors, and managerial officers and their relatives and related parties in substance

7.2 Significant transactions with related parties

(1) Credit

Name of Related Party	June 30, 2020	December 31, 2019	June 30, 2019
Kaohsiung City Government	$19,971,534	$20,799,559	$21,484,217
Others	88,277	71,712	86,324

Name of Related Party	For the three months ended June 30, 2020 Interest & service fee income	Interest rate range
Kaohsiung City Government	$27,255	0.460%-1.845%
Others	307	0.995%-2.340%

Name of Related Party	For the three months ended June 30, 2019	
	Interest & service fee income	Interest rate range
Kaohsiung City Government	$31,355	0.560%-2.095%
Others	363	1.245%-2.650%

Name of Related Party	For the six months ended June 30, 2020	
	Interest & service fee income	Interest rate range
Kaohsiung City Government	$66,170	0.460%-1.845%
Others	616	0.995%-2.340%

Name of Related Party	For the six months ended June 30, 2019	
	Interest & service fee income	Interest rate range
Kaohsiung City Government	$69,519	0.560%-2.095%
Others	730	1.245%-2.650%

For the six months ended June 30, 2020 and 2019, interest rates charged for credit extended to related parties are shown above by the type and purpose of loan and the interest rate ranges for credit extended to non-related parties (other than those under debt negotiation) were 0.312%-8.00% and 0.562%-8.00%, respectively.

(2) Deposits

Name of Related Party	June 30, 2020	December 31, 2019	June 30, 2019
Kaohsiung City Government	$11,999,944	$11,667,678	$11,997,414
Kaohsiung Rapid Transit Corporation	339,741	339,294	341,526
Others	604,753	500,556	546,634

Name of Related Party	For the three months ended June 30, 2020	
	Interest expense	Interest rate range
Kaohsiung City Government	$5,661	0.02%-1.060%
Kaohsiung Rapid Transit Corporation	567	0.02%-1.060%
Others	1,552	0%-13%

Name of Related Party	For the three months ended June 30, 2019	
	Interest expense	Interest rate range
Kaohsiung City Government	$6,791	0.05%-1.14%
Kaohsiung Rapid Transit Corporation	596	0.05%-1.06%
Others	1,679	0%-13%

Name of Related Party	For the six months ended June 30, 2020	
	Interest expense	Interest rate range
Kaohsiung City Government	$12,192	0.02%-1.060%
Kaohsiung Rapid Transit Corporation	1,079	0.02%-1.060%
Others	3,531	0%-13%

Name of Related Party	For the six months ended June 30, 2019	
	Interest expense	Interest rate range
Kaohsiung City Government	$13,252	0.05%-1.14%
Kaohsiung Rapid Transit Corporation	1,129	0.05%-1.06%
Others	3,882	0%-13%

a. The interest rate range for the above related-party deposit accounts is shown up by the nature of the deposit. The interest rate range for non-related party deposits was 0%-13%.

b. The highest deposit rate offered to employees of the Company (not related parties) was 13%. Deposit rate offered to other related parties may vary depending on the nature of the deposits with the highest rate offered equivalent to that offered to bank employees.

(3) Lease agreement：

The Company leases the following premise from the Kaohsiung City Government:

a. Increase in right-of-use assets：

Name of Related Party	For the three months ended June 30	
	2020	2019
Kaohsiung City Government	$2,443	$ -

Name of Related Party	For the six months ended June 30	
	2020	2019
Kaohsiung City Government	$4,440	$12,381

b. Lease liabilities：

Name of Related Party	June 30, 2020	December 31, 2019	June 30, 2019
Kaohsiung City Government	$10,172	$9,209	$10,795

c. Interest expenses on the lease liabilities for the three months ended June 30, 2020 and 2019 and for the six months end June 30, 2020 and 2019 were $18 thousand, $20 thousand, $37 thousand and $41 thousand, respectively.

The above rents are determined in accordance with current land value and the current taxable value of the building, and paid half a year.

(4) Information on transactions with related parties who are the borrowers, guarantors or collateral providers:

a. Loans

June 30, 2020:

Type	Number of accounts or name of related party	Highest balance	Closing balance	Performance Status		Collateral	Whether terms and conditions of the related party transactions are different from those of arms length transactions
				Normal loans	Overdue accounts		
Employee consumer loans	10	10,477	10,365	10,365	-	Real estate, credit	No
Residential mortgages	7	62,392	62,392	62,392	-	Real estate	No
Other loans	Chou ○○	2,501	2,441	2,441	-	Real estate	No
Other loans	Hsu ○○	9,997	4,085	4,085	-	Real estate	No
Other loans	Dai ○○	2,974	2,898	2,898	-	Real estate	No
Other loans	Hung ○○	3,494	2,096	2,096	-	Real estate	No
Other loans	Pan ○○	4,000	4,000	4,000	-	NCD	No
Other loans	Chen ○○	5,000	-	-	-	Real estate	No

December 31, 2019:

Type	Number of accounts or name of related party	Highest balance	Closing balance	Performance Status		Collateral	Whether terms and conditions of the related party transactions are different from those of arms length transactions
				Normal loans	Overdue accounts		
Employee consumer loans	7	13,784	8,065	8,065	-	Real estate, credit	No
Residential mortgage	5	67,787	44,175	44,175	-	Real estate	No
Other loans	Chou ○○	1,716	1,501	1,501	-	Real estate	No
Other loans	Dai○○	3,000	2,974	2,974	-	Real estate	No
Other loans	Chen ○○	10,000	5,000	5,000	-	Real estate	No
Other loans	Hsu ○○	9,997	9,997	9,997	-	Real estate	No
Other loans	Sung ○○	3,000	-	-	-	Real estate	No

June 30, 2019:

Type	Number of accounts or name of related party	Highest balance	Closing balance	Performance Status		Collateral	Whether terms and conditions of the related party transactions are different from those of arms length transactions
				Normal loans	Overdue accounts		
Employee consumer loans	8	13,784	8,376	8,376	-	Real estate, credit	No
Residential mortgage	7	83,746	54,392	54,392	-	Real estate	No
Other loans	Chou ○○	1,716	1,556	1,556	-	Real estate	No
Other loans	Dai ○○	3,000	3,000	3,000	-	Real estate	No
Other loans	Sung ○○	3,000	-	-	-	Real estate	No
Other loans	Hsu ○○	9,000	9,000	9,000	-	Real estate	No
Other loans	Chen ○○	10,000	10,000	10,000	-	Real estate	No

Explanation 1: The balances of employee consumer loans and residential mortgages may be disclosed in one lump sum. The balance of loans to other related parties shall be disclosed separately according to the name of each related party.

Explanation 2: Collaterals include real estates, short-term bills, government bonds, secured corporate bonds, unsecured corporate bonds, listed and OTC stocks, unlisted stocks and other properties. Provide details for other properties if any.

Explanation 3: As of June 30, 2020, December 31, 2019 and June 30, 2019, allowance for doubtful accounts provided for loans to related parties amounted to $80 thousand, $64 thousand and $55 thousand, respectively. For the three months ended June 30, 2020 and 2019 for the six months ended June 30, 2020 and 2019, bad debt expenses recognized (reversal) in relation to loans to related parties amounted to $15 thousand, $0 thousand, $16 thousand and ($19) thousand, respectively.

b. Guarantees: None.

c. Derivatives: None.

d. Disposal of non-performing loans: None.

(5) Remuneration to key managerial officers

Item	For the three months ended June 30	
	2020	2019
Salaries and other short-term employee benefits	$11,248	$10,647
Post-employment benefits	566	571
Other long-term employee benefits	-	-
Termination benefits	-	-
Share-based payment	-	-
Total	$11,814	$11,218

Item	For the six months ended June 30	
	2020	2019
Salaries and other short-term employee benefits	$31,854	$28,431
Post-employment benefits	1,130	1,144
Other long-term employee benefits	-	-
Termination benefits	-	-
Share-based payment	-	-
Total	$32,984	$29,575

8. PLEDGED ASSETS

Item	June 30, 2020	December 31, 2019	June 30, 2019
Financial assets at fair value through profit or loss			
Government bonds (par value)	$44,000	$54,000	$54,000
Financial assets at fair value through other comprehensive income			
Government bonds (par value)	749,800	739,800	740,500
Foreign bonds (par value)	4,153,634	5,349,908	4,275,840
Investments in debt instruments at amortized cost			
Negotiable certificates of deposit	4,400,000	4,400,000	4,400,000
Government bonds (par value)	3,901,700	3,901,300	3,875,100
Foreign bonds (par value)	3,910,675	3,932,085	7,074,056
Other assets			
Derivatives exposure difference	63,344	18,878	-
Margin for R/P bonds	47,360	80,766	-
Total	$17,270,513	$18,476,737	$20,419,496

The above pledged assets were placed with the court as the guarantee deposit for executing provisional seizure on borrowers' assets or used as the guarantee deposit for credit card payment, as compensation reserve (Trust Department), as the collateral of securities issuer and for real-time gross settlement mechanism implemented by the Central Bank for the Interbank Funds Bank Transfer System. The Company provides negotiable certificates of deposit as the day guarantee for overdrafts and as such, the guarantee amount may be changed at any time and unused credit may still be used as liquid reserve.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIED CONTRACT COMMITMENTS

9.1 As of June 30, 2020, December 31, 2019 and June 30, 2019, the Company had the following commitments:

Item	June 30, 2020	December 31, 2019	June 30, 2019
Securities sold under repurchase agreements	$8,049,844	$8,929,272	$10,848,173
Securities purchased under resale agreements	6,267,896	5,353,996	5,950,304
Loans yet to be appropriated by the borrowers (Note)	45,247,021	50,930,674	54,926,944
Credit line facility yet to be utilized by the credit card holders	8,094	9,552	7,486
Irrevocable credit card credit commitments	1,382,553	1,087,765	1,091,875
Standby letter of credit yet to be utilized by the clients	1,077,605	1,407,292	1,286,597

Guarantees	3,759,818	3,918,530	3,673,786
Amounts collected on behalf of customers	6,510,343	8,732,962	9,197,549
Agency loans payable	2,554,215	2,705,769	2,887,698
Agency sale of traveller's checks	23,406	27,106	31,583
Trust assets	23,125,443	23,803,946	24,379,371
Marketable securities held under custody	32,236,954	31,869,977	31,826,458

Note: Including those belonging to non-cancellable loan commitments, cancellable loan commitments (unconditionally cancellable) and cancellable loan commitments (conditionally cancellable).

9.2 For business needs, the Company proposed to purchase approximately 5,907 square feet (including ground superficies) of land, No. 44, Xinzhuang Section, Zuoying District, Kaohsiung City, the neighboring headquarters of the head office. The Company entered into the letter of Intent for the real estate transaction with the landlord in December 2020. The transaction price was $267,800 thousand and earnest money of $30,000 thousand as agreed was paid. The formal contract was signed in June 2020 along with contract difference payment of $50,340 thousand. As of June 30, 2020, the Company has paid $80,340 thousand for the contract.

10.SIGNIFICANT DISASTER LOSS: NONE.

11.SIGNIFICANT SUBSEQUENT EVENTS:

In August 2020, the Company's Board of Directors resolved to issue preferred stocks by cash, with the total amount of $1 billion, and the capital increase plan will be applied to regulatory agency for approval.

12.OTHERS

12.1 Content and amount according to regulation

A. Details and amounts of trust businesses conducted in accordance with Regulations Governing Trust Enterprises

Trust Balance Sheet

Assets	June 30, 2020	December 31, 2019	June 30, 2019
Bank deposits	$591,071	$464,871	$520,210
Financial assets			
Stocks	9,963	16,444	17,586
Investment in bonds	51,036	42,447	-
Investment in funds	18,756,024	19,402,534	19,516,180
Receivables	45	257	-
Real estates	3,717,304	3,877,393	4,325,395
Total	$23,125,443	$23,803,946	$24,379,371

Trust Balance Sheet

Liabilities and Equity	June 30, 2020	December 31, 2019	June 30, 2019
Medium and long-term loans	$ -	$ -	$1,115,860
Trust capital	23,127,967	23,796,801	23,254,168
Retained earnings	(2,524)	7,145	9,343
Total	$23,125,443	$23,803,946	$24,379,371

Trust Property List

Property Item	June 30, 2020	December 31, 2019	June 30, 2019
Bank deposits	$591,071	$464,871	$520,210
Stocks	9,963	16,444	17,586
Investment in bonds	51,036	42,447	-
Investment in funds	18,756,024	19,402,534	19,516,180
Receivables	45	257	-
Real estates	3,717,304	3,877,393	4,325,395
Total	$23,125,443	$23,803,946	$24,379,371

Trust Income Statement

	For the six months ended June 30	
Property Item	2020	2019
Trust income		
Interest income	$1,495	$1,704
Investment income	15	1
Total trust income	$1,510	$1,705
Trust expenses		
Administrative expense	$1,329	$1,377
Taxes	291	324
Other expenses	9,084	14
Total trust expenses	$10,704	$1,715
Net loss before income tax	$ (9,194)	($10)
Income tax expense	-	-
Net loss	$ (9,194)	($10)

Note: The above gains or losses from the trust account belonged to the trustor and were not recognized by the Company.

12.2 Where the Company is a subsidiary of a financial holding company, apportionment of revenue, cost, expenses and profit or loss arising from business and transaction activities, joint business promotion activities, sharing of information or sharing of business facility or premise between the Company and the financial holding company and other subsidiaries: the Company is not a subsidiary of a financial holding company.

12.3 Financial instruments

1. Information on fair value - financial instruments not measured at fair value

(1) Except for the following significant differences between the carrying amount and the fair value, the carrying amount of financial instruments that are not measured at fair value is an approximation of fair value.

Item	June 30, 2020	
	Book value	Fair value
Financial assets		
Financial assets at amortized cost	49,528,523	50,816,003

Item	December 31, 2019	
	Book value	Fair value
Financial assets		
Financial assets at amortized cost	49,566,827	50,209,380

Item	June 30, 2019	
	Book value	Fair value
Financial assets		
Financial assets at amortized cost	47,299,693	47,872,699

(2) Level information on fair value

Item	June 30, 2020			
	Total	Level 1	Level 2	Level 3
Financial assets				
Financial assets at amortized cost	50,816,003	14,792,664	36,023,339	-

Item	December 31, 2019			
	Total	Level 1	Level 2	Level 3
Financial assets				
Financial assets at amortized cost	50,209,380	15,434,743	34,774,637	-

Item	June 30, 2019			
	Total	Level 1	Level 2	Level 3
Financial assets				
Financial assets at amortized cost	47,872,699	13,197,168	34,675,531	-

2. Information on fair value - financial assets at measurement of recurring fair value

(1) Level information on fair value

Item	June 30, 2020			
	Total	Quotation of the same asset in active market (Level 1)	Other major observable input value (Level 2)	Major unobservable input value (Level 3)
Measurement of recurring fair value				
Non-derivative assets and liabilities				
Assets				
Financial assets at fair value through profit and loss				
Stock investments	$90,732	$ 90,732	$ -	$ -
Fund investments	41,221	41,221	-	-
Bond investments	546,531	356,200	190,331	-
Total	$678,484	$488,153	$190,331	$ -
Financial assets at fair value through other comprehensive income				
Stock investments	$2,246,364	$903,242	$ -	$1,343,122
Bond investments	18,274,377	4,157,446	14,116,931	-
Total	$20,520,741	$5,060,688	$14,116,931	$1,343,122
Derivative financial assets and liabilities				
Assets				
Financial assets at fair value through profit and loss	$20,277	$ -	$20,277	$ -
Liabilities				
Financial liabilities at fair value through profit and loss	35,806	-	35,806	-

Item	December 31, 2019			
	Total	Quotation of the same asset in active market (Level 1)	Other major observable input value (Level 2)	Major unobservable input value (Level 3)
Measurement of recurring fair value				
Non-derivative assets and liabilities				
Assets				
Financial assets at fair value through profit and loss				
Stock investments	$59,642	$59,642	$ -	$ -
Fund investments	49,397	49,397	-	-
Bond investments	344,330	57,596	286,734	-
Total	$453,369	$166,635	$286,734	$ -
Financial assets at fair value through other comprehensive income				
Stock investments	$1,503,982	$169,187	$ -	$1,334,795
Bond investments	17,303,781	3,176,404	14,127,377	-
Total	$18,807,763	$3,345,591	$14,127,377	$1,334,795
Derivative financial assets and liabilities				
Assets				
Financial assets at fair value through profit and loss	$28,847	$ -	$28,847	$ -
Liabilities				
Financial liabilities at fair value through profit and loss	32,628	-	32,628	-

Item	June 30, 2019			
	Total	Quotation of the same asset in active market (Level 1)	Other major observable input value (Level 2)	Major unobservable input value (Level 3)
Measurement of recurring fair value				
Non-derivative assets and liabilities				
Assets				
Financial assets at fair value through profit and loss				
Stock investments	$27,660	$27,660	$ -	$ -
Bond investments	126,436	58,628	67,808	-
Total	$154,096	$86,288	$67,808	$ -
Financial assets at fair value through other comprehensive income				
Stock investments	$1,662,864	$356,196	$ -	$1,306,668
Bond investments	17,258,244	3,815,828	13,442,416	-
Total	$18,921,108	$4,172,024	$13,442,416	$1,306,668
Derivative financial assets and liabilities				
Assets				
Financial assets at fair value through profit and loss	$12,334	$ -	$12,334	$ -
Liabilities				
Financial liabilities at fair value through profit and loss	18,649	-	18,649	-

(2) Definition of the three classes of fair value

Level 1：

The input value of this category of financial instruments in active market shall be the open quotation of financial instruments of the same kind in active market. Active market as referred to are market featuring the following conditions: the subject matters of trade are homogenous; the buyers and the sellers can buy and sell at free will with information available to the public. The Company invested in the stocks and beneficiary certificates listed in TWSE and GTSM are hot items for investment in the bonds of the Central Government of Taiwan and derivatives with open quotation in open market at fair value. They all are Level 1 assets.

Level 2：

The input value of this category of financial instruments includes the observable input value directly (such as price) or indirectly (inference from price) obtained from active market further to the open quotation and observable price in active market. The Company invested in foreign government bonds, corporate bonds, bank debentures, convertible bonds and majority of the derivatives are Level 2 assets.

Level 3：

The input value of this category of financial instruments refers to the input parameters for measurement of fair value and it is not based on the information available from market (unobservable input parameters, such as: pricing model of options basing on historical volatility curve. But historical volatility cannot stand for the overall participation in market and the projected value of market volatility in the future). Some of the derivatives and equity instruments with no active market invested by the Company belonged to this level.

(3) Evaluation techniques and input values used to measure fair value

(A) Decision of fair value

If there is open quotation in the open market for the financial instruments, the open quotation in the open market shall be the fair value. The market price announced by major exchanges and determined as Bloomberg or Reuter are the foundation for fair value of quotation of equity instruments listed in TWSE (GTSM) and debt instruments that have active market.

If the open quotations from the exchanges, brokers, underwriters or pricing service institutions can be accessible timely and regularly, and such quotations can stand for the routine fair trade in market, such financial instruments have open quotation in the active market. If the aforementioned conditions cannot be satisfied, the market is not active.

In general, a market with wide spread buying and selling, significant variation in the buying or selling price or where trade volume is low will be an inactive market.

Further to the aforementioned financial instruments that have an active market, the fair value of all other financial instruments shall be obtained from pricing techniques or quotations from counterparties. For fair value obtained from pricing techniques, the fair value of financial instruments in similar nature and features at present time, the cash flow discount method or other pricing techniques, including the model for the calculation on the basis of the information from the market as of the balance sheet date (such as the yield rate curve of GTSM and the Fixing Rate of page TAIBIR 02 by Taiwan Depository & Clearing Corporation).

For financial instruments with no standardized estimation and are not so complicated, such as interest rate swap, FX swap contract and options, the Company will adopt the pricing techniques extensively used by market participants. The parameters commonly used in the pricing model of this type of financial instruments are observable market information.

For the more complex financial instruments, the fair value is measured by the evaluation model developed by the peers in the widely used evaluation methods and technologies. Such evaluation models are typically used for derivatives, debt instruments that are not publicly quoted (including debt instruments embedded in derivatives), or other debt instruments with low liquidity in the market. Some of the parameters used in such evaluation models are not market observable information, and the Company must make appropriate estimates based on assumptions.

(B) The evaluation methods of financial instruments are listed by category and attribute as follows:

a.NTD Central Government bonds: The hundred dollars price is calculated based on the interest rate of the public debt market and theoretical interest rate announced by the counter trading center.

b.NTD corporate bonds and financial bonds: The Company calculates the appropriate yield and then converts the hundred dollars price based on the corporate bond evaluation reference interest rate announced by the counter trading center, in conjunction with the appropriate credit rating and the remaining period.

c.NTD convertible corporate bonds: The convertible (transfer) exchange of corporate bonds listed on the counter trading center is based on the closing price of the evaluation date. Those who do not have the closing price will be referred to the reference price of the company's debt trading (distribution) for the company's bond trading.

d.Asset securitization goods: Use Bloomberg price information.

e.NTD short-term bill: The future cash flow will be discounted in the appropriate period using the Fixing Rate on the TAIBIR page 02 of the Taiwan Central Depository and Clearing House.

f.Foreign currency securities: The latest quotes available on the evaluation date by the instant information system (Bloomberg, Refinitiv or other platforms). If there is no relevant quote or evaluator above, the counterparty quote is used.

g.Listed and OTC stocks, subscription (sales) warrants, depositary receipts: the closing price announced by the exchange or counter trading center.

h.Unlisted cabinet company stocks: The fair value measurement is mainly based on the relevant financial information or the market price and parameters of the comparable listed company with similar business attributes.

i.Beneficiary certificate: the fair value of close-end funds is closing price of open market and the fair value of open-end funds is net asset value of fund.

j. Derivatives:

(a) Call/Put warrants and stock index futures: The fair value is open quotes for the active market

(b) Forwards contracts, currency swap, interest rate swap, cross currency swaps and margin trading: Discounted future cash flow method.

(c) Options: Mainly evaluated by Black-Scholes, binomial tree Methodology and Monte Carlo model.

(d) Part of derivatives use counterparty quotes.

k. Mixing tool：Calculated by open market quotes, trading broker quotes or evaluation models.

(C) Adjustment of credit risk evaluation：

The adjustment of the risk assessment of derivative contracts in OTC trade could be classified as Credit Value Adjustments (CVA) and Debit Value Adjustments (DVA) so as to reflect the possible overdue amounts of the counterparties or the Company, and the possibility of collection or payment of the Company in whole at market value.

In consideration of the probability of default (PD) of the counterparties, multiplied by the loss given default (LGD), and further multiplied by exposure at default (EAD) to get the CVA. To the contrast, the Company will multiply the PD and the LGD and also the EAD of the Company to find out the DVA.

Most counterparties of the Company adopted 60% as the assumed LGD. However, other assumptions of the LGD may be taken with consideration to the nature of the risks involved and the data available.

(4) Transfer between Level 1 and Level 2 assets for the six months ended June 30, 2020 and 2019: The Company did not have any transfer between Level 1 assets and liabilities and Level 2 assets and liabilities.

(5) Changes in Level 3:

	Financial assets at FVOCI	
	Investments in equity instruments	
	For the six months ended June 30	
Item	2020	2019
Beginning balance	$1,334,795	$1,173,811
Recognized in other comprehensive income	8,327	132,857
Ending balance	$1,343,122	$1,306,668

(6) Measurement process for fair value classified as Level 3:
The unlisted company stocks held by the Company in an inactive market are mainly based on the market method to estimate the fair value. The judgment is based on the same type of company evaluation, third party quotation, company net value and operating status assessment.

(7) Quantified information on value fair measured on the basis of major unobservable input value (Level 3):
Part of domestic and foreign unlisted stocks are market-based, in which significant unobservable inputs include liquidity discounts and control premiums. When liquidity discounts decrease or control premiums increase, the fair value of these investments will increase.

(8) The sensitivity analysis of the fair value on assumption that could possibly and reasonable be substituted for measurement of Level 3 fair value:

The assets measured by the fair value of the third level of the fair value hierarchy of the Company are used to measure the significant unobservable inputs of fair value.

	Measurement technique	Major unobservable input value	Interval	Relationship between input value and fair value
Financial assets at fair value through other comprehensive income - stocks	Market Approach	Lack of liquidity discount rate	20%~30%	The lower the degree of lack of liquidity, the lower the fair value estimate

12.4 Financial risk management

(1) Overview

The primary objectives of the Company's risk management approach are to service customers whilst ensuring that the related business targets are met, maintaining the overall risk appetite and ensuring compliance with external regulatory requirements. Ultimately, the Company aims to achieve effective risk diversification, transfer and hedging whilst creating a three-way win situation for customers, shareholders and employees. Major risks the Company confronts include on- and off-balance-sheet credit risks, market risks (including interest rate, exchange rate, equity securities and product risks) and liquidity risks.

The Company has set written risk management policies or risk control procedures, which were reviewed and adopted by the Board of Directors in order to effectively identify, measure, monitor and control credit, market and liquidity risks.

(2) Risk management structure

The Risk Management Department of the Company manages risks in accordance with the risk management policies approved by the Board of Directors. The Risk Management Department works closely with business departments to identify, evaluate and hedge against the various financial risks. The Board of Directors sets written risk management policies, which cover specific risk exposures such as exchange rate risk, interest rate risk, credit risk, and risks arising from derivative and non-derivative transactions. On the other hand, internal audit is jointly responsible for conducting independent audits on risk management practices and the control environment.

(3) Credit risk

A. The sources and definition of credit risk

The Company is exposed to credit risk due to default on contracts by a client or a counterparty, which results in financial losses suffered by the Company. The sources of credit risks includes on- and off-balance-sheet assets and liabilities. A significant portion of credit risks originates from discounts and loans, credit card business, due from other banks, acceptances, investments in debt instruments and derivatives. The major off-balance-sheet items which expose the Company to credit risk are financial guarantees, letters of credit and loan guarantees.

B. Credit risk management policies

In order to ensure that credit risk is controlled with an acceptable level, the Company’s credit risk management guidelines provide that the scope of credit risk management shall cover the management of credit risk arising from on- and off-balance-sheet asset and liability items. One of the credit risk management objectives is to maintain adequate capital to cover credit risk to better manage credit risk faced by the Company. It is critical to ensure internal control procedures are appropriately carried out to ensure that credit approval and investments are appropriately managed, which in turn will ensure that the various credit exposures comply with the statutory requirements.

Credit risk management procedures and measurement of credit risk for the Company’s primary business activities are explained as follows:

(A) Credit business (including loan commitments and guarantees)

Explanations are provided as follows by the categories of credit assets and credit rating:

a. Types of credit assets

The Company classified credit assets into five categories. With the exception of normal credit assets which are classified as “Category One” assets, the remaining unsound credit that required special attention was evaluated based on the status of the creditor’s right, loan collaterals and the length of time overdue, and classified as “Category Two - Special Mention”, “Category Three - Substandard", “Category Four - Doubtful” and “Category Five- Loss”. The Company has set the “Operational Guidelines for Evaluation of Credit Assets” and adopted the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-accrual Loans” as the basis for managing problem loans and collection of overdue credit.

b. Credit rating

The Company has formulated a credit rating scale and related rules based on business attributes and the size of operation to manage risks.

Corporate borrowers are grouped into eight categories according to their respective credit rating, while individual borrowers are grouped in terms of credit quality as follows according to the types of products and the borrower's credit rating (a) Home loan borrowers: four categories “excellent”, “good”, “fair” and “special approval”; (b) Others: seven categories of repayment capabilities - excellent, very strong, strong, satisfactory, weak, very weak and unrated.

(B) Due from banks and call loan to banks

The Company assesses the credit rating of the counterparty and refer to rating information provided by external rating agencies in Taiwan and overseas prior to undertaking a transaction. Each counterparty is assigned a rating and different levels of credit risk exposures.

(C) Investments in debt instruments and derivatives

The Company manages credit risk arising from debt instruments by assessing the credit rating of debt instruments provided by external rating agencies, the credit quality of bonds, status of a region and counterparty credit risks in order to identify credit risk associated with these types of instruments.

The Company undertakes derivative transactions with counterparties that are financial institutions. The majority of these financial institutions have investment-grade rating or above. The Company manages credit risk by controlling a counterparty's credit limit (including credit limit for call loans); any counterparty that is unrated or does not have an investment-grade rating must be assessed individually. If the counterparty is an individual customer, the risk exposure limit and terms applicable to such derivative instruments approved in accordance with general credit approval procedures are managed to control counterparty credit risk.

The Company rates the credit quality of debt instruments and derivatives as follows:

a. TWD debt instruments (without taking into account valuation adjustment and accumulated impairment loss)

Credit Rating
twAAA, government bond and NCD issued by the Central Bank
twAA＋～twAA-
twA＋～twA-
twBBB＋～twBBB-
Below and unrated

b. Foreign-currency debt instruments (without taking into account valuation adjustment and accumulated impairment loss)

Credit Rating
Aaa
Aa1～Aa3
A1～A3
Baa1～Baa3
Below and unrated

(D) Judgment that credit risk has increased significantly since the original recognition

The Company assesses the change in the risk of default in the expected duration of each financial asset on each reporting date to determine whether the credit risk has increased significantly since the original recognition.

For this assessment, the Company's considerations show that the credit risk has increased significantly and can be corroborated (including forward-looking information) since the original recognition. The main considerations include:

(a) Information on overdue status and changes in internal credit rating

a. When the credit contract amount is overdue for 31 to 90 days and there are no other adverse signs, it is determined that the credit risk of the financial assets has increased significantly since the original recognition, but the overdue period is more than 30 days, and the credit risk is significantly increased to refute the information. For example:

1. When the unpaid payment is administratively lost, it is not due to the financial difficulties of the borrower.
2. Payment due to business disputes between companies is overdue.
3. Credit card payables overdue for 30 days are caused by force majeure factors, such as card holders leaving the country or hospitalized.
4. The Company's various types of credit assets are not applicable.

The judgment of low credit risk can be regarded as the assumption that the credit risk has not increased significantly since the original recognition.

(b) Actual operating conditions and debt performance

a. The current or projected adverse changes in the operating, financial or economic conditions that are expected to result in significant changes in the borrower's ability to perform its debt obligations.

b. The actual or expected significant change in the operating results of the borrower has significantly increased the credit risk of other financial instruments of the same borrower.

(c) Other objective facts sufficient to establish a significant increase in credit risk.

For low credit risk and Stage1, the principle includes the normal repayment of credits of the creditor, the overdue period of less than 30 days (the secured creditor of the debt negotiation success); the financial assets of the investment grade, or the non-investment grade but the rating is not significantly reduced. In addition, considering the attributes of the counterparty and the financial instrument itself, there is no historical impairment experience in the past and the probability of future impairment is estimated to be extremely low (eg, deposit and withdrawal), which is also considered a low risk location.

(E) Definition of default and credit impairment financial assets

When one or more events that have an adverse effect on the estimated future cash flows of a financial asset have occurred, the financial asset is credit-derogated. Evidence of credit impairment on financial assets includes observable information on:

(a) Quantitative indicators

The borrower delays the contract payment for more than 90 days.

(b) Qualitative indicators

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:

a. The borrower has gone bankrupt or may claim bankruptcy or financial restructuring.

b. The borrower has gone or been dissolved.

c. The borrower’s other financial instrument contract has defaulted.

d. The active market of the financial asset disappeared due to financial difficulties.

e. Due to economic or contractual reasons relating to the financial difficulties of the borrower, the creditor of the borrower gives concessions to the borrower that would otherwise not be considered.

f. Purchase or creation of financial assets at a substantial discount to reflect the occurrence of credit losses.

The aforementioned default and credit impairment definitions apply to all financial assets held by the Company and are used for financial assets for internal credit risk management purposes. The definition is consistent and applied to the relevant impairment assessment model.

(F) Write-off policy

The Company reverses the whole or part of the financial assets when it is unable to reasonably expect the whole or part of the recovered financial assets, and the indicators that cannot be reasonably expected to be recycled include:

(a) The recourse has ceased.

(b) The borrower has been assessed to have insufficient assets or sources of income to pay the outstanding amount.

The financial assets that have been written off by the Company may still have ongoing recourse activities and continue to follow the relevant policies.

(G) Measurement of expected credit losses

The Company's financial instruments that have not significantly increased the credit risk since the original recognition are based on the 12-month expected credit loss amount to measure the allowance loss of the financial instrument; the credit risk has increased significantly or credit impairment since the original recognition financial instruments and operating lease receivables are measured as the amount of expected credit losses during the duration of the period.

To measure expected credit losses, the Company considers the borrower's probability of default ("PD") for the next 12 months and duration, and includes the default loss rate (Loss given default, "LGD") multiplied by the default risk (Exposure at default, "EAD"), and considers the impact of the time value of money, and calculates the expected credit losses for 12 months and duration.

The probability of default is the probability of default of the borrower, and the rate of default is the loss ratio caused by the borrower's default.

The default probability and default loss rate used in the impairment assessment of the credit business of the Company are based on the internal historical information of each combination (such as credit loss experience) and based on current observable information and forward-looking general economic information (eg: the economic growth rate announced by the Accounting Office) after adjusting the historical data, report the average economic growth rate for the first five years of the year, and report the forecast of the economic growth rate for the quarter in the annual accounting office. When the economic growth rate is revised, calculate the expected credit loss by calculating the forward-looking factor based on the difference between the previous five-year average and the current economic growth rate forecast. When the economic growth rate is upward, the forward-looking factor is always 1.

The Company assesses the amount of the loan default risk based on the total book value of the financial assets.

In addition, the Company estimates the credit loss factor (CCF) in the 12-month expected credit loss of the loan commitment based on the “Calculation Method for Bank-Owned Capital and Risky Assets and the Form - Credit Risk Standards Act”. According to the loan commitment, the part of the agreed financing amount is expected to be used during the future period of the report to determine the amount of default risk used to calculate the expected credit loss.

The estimated techniques or material assumptions used to assess expected credit losses did not change significantly for the six months ended June 30, 2020.

(H) Forward-looking information considerations

The Company has taken into account forward-looking information when measuring expected credit losses. According to the economic growth rate announced by the Executive Office of the Executive Yuan, the Company reported a simple average of the economic growth rate for the first five years of the year, and reported the forecast of the economic growth rate for the quarter in the annual accounting office. When compared with the economic growth rate during the repair period, the forward-looking factor is used to calculate the expected credit loss based on the difference between the simple average of the previous five years and the forecast of the economic growth rate of the current quarter. When the economic growth rate is upward, the forward-looking factor is always 1.

The economic growth rate announced by the Comptroller's Office is based on the “General Information on National Income” under the “Statistics Table” of the “National Income and Economic Growth” of the Republic of China Statistical Information Network in the second quarter of the year. The statistics obtained in February were used for the impairment assessments of February, June and April. The statistics obtained in May were used for the impairment assessments of May, June and July. The statistical data obtained in August were used for the impairment assessments of August, September and October. The statistics obtained in November were used for the impairment assessment of November, December and next January.

The judgment of the Company on the basis of the amortized cost measurement and the debt instrument investment measured at fair value through other comprehensive gains and losses, the judgment of the significant increase in credit risk is based on the external rating published by domestic and foreign credit rating agencies. The level change is one of its quantitative indicators, and the expected credit loss is measured by reference to the external rating level and Moody’s regularly published default rate and default loss rate information. As the international credit rating agencies have considered forward-looking information when assessing credit ratings, the Company’s assessment of the forward-looking information is appropriate and is included in the Company’s assessment of the expected credit losses.

C. Credit risk hedging or mitigation policy

(A) Collateral

The Company implements a series of policies and measures to reduce credit risk among which one common practice is to request the borrower to provide collateral. In order to protect our credit claims, the Company has stipulated guidelines governing the range of collaterals accepted by the Company and the appraisal, management and disposal of collaterals. Such guidelines are used as the basis for managing the valuation of collaterals and calculation of the collateral to loan value amount. The main types of collateral for the Company's financial assets are as follows:

(a) Real estates.

(b) Movable properties.

(c) Securities.

(d) Ground rights.

(e) Bank deposit receipts, negotiable deposit certificates, and current demand deposits of the Company.

(f) Notes receivable arising from the operation of the borrower.

(g) Credit or other rights that may be granted.

On the other hand, the loan agreement contains credit guarantee provision, collateral clauses and offsetting clauses to clearly define the acceptable terms with regard to decrease in credit limit, moving forward the maturity date and treating the whole outstanding balance as matured, When a credit event occurs in order to reduce credit risk.

Collaterals provided as security for other non-credit loans shall be determined according to the nature of the financial instrument. Only asset-backed securities and other similar financial instruments may be secured by an asset pool.

The Company's collateral policy has not changed significantly on the balance sheet date, and there has been no significant change in the quality of the overall collateral.

(B) Control of credit risk limit and risk concentration

The Company stipulates respective credit limits for loans granted to a single counterparty and a single group to avoid concentration of risks. The Company's investment policy and regulations governing control of risks associated with equity investments also include provisions stipulating limits on investments in a single individual (business entity) or a single affiliated enterprise (group). The Company has also set credit limits applicable to each respective industry, enterprise group and county to control asset concentration risks. Concentration of credit risk with respective to a single counterparty, enterprise group, affiliated enterprise, industry, and ultimately country is monitored by an integrated system.

(C) Other credit enhancements

The Company closely observes the value of the collateral of the financial instrument and considers the financial assets that are deducted from the credit impairment. The financial assets that have been credit-deducted and the value of collateral to mitigate potential losses are as follows:

June 30, 2020	Carrying amount	Allowance for impairment (IFRS 9 expected loss)	Total risk exposure (amortised cost)	The value of the collateral
Impaired financial assets：				
Discounts and loans	$1,861,923	$421,466	$1,440,457	$1,377,794
Receivables				
- Receivables	17,527	13,267	4,260	-
- Credit cards	419	332	87	-
- Short-term advances	12,985	3,756	9,229	-
Overdue accounts that are not transferred from loans	223	223	-	-
Total	$1,893,077	$439,044	$1,454,033	$1,377,794

December 31, 2020	Carrying amount	Allowance for impairment (IFRS 9 expected loss)	Total risk exposure (amortised cost)	The value of the collateral
Impaired financial assets：				
Discounts and loans	$2,516,313	$661,346	$1,854,967	$1,812,477
Receivables				
- Receivables	22,951	16,587	6,364	-
- Credit cards	608	472	136	-
- Short-term advances	13,934	2,953	10,981	-
Overdue accounts that are not transferred from loans	3,720	3,720	-	-
Total	$2,557,526	$685,078	$1,872,448	$1,812,477

June 30, 2019	Carrying amount	Allowance for impairment (IFRS 9 expected loss)	Total risk exposure (amortised cost)	The value of the collateral
Impaired financial assets：				
Discounts and loans	$1,961,117	$574,856	$1,386,261	$1,378,316
Receivables				
- Receivables	54,784	50,249	4,535	-
- Credit cards	600	476	124	-
- Short-term advances	19,651	2,946	16,705	-
Overdue accounts that are not transferred from loans	10,381	2,972	7,409	-
Total	$2,046,533	$631,499	$1,415,034	$1,378,316

The Company’s management considers that, upon evaluation, it is possible to constantly control and minimize the credit risk exposure arising from off-balance-sheet items due to the fact that the Company adopts more stringent credit review procedures and conduct regular post-loan reviews.

D. Concentration of credit risk exposures

Concentrations of credit risk arise when a number of counterparties or exposure have comparable economic characteristics, or such counterparties are engaged in similar activities, or operate in the same geographical areas or industry sectors, so that their collective ability to meet contractual obligations is uniformly affected by changes in economic or other conditions.

Credit risk concentrations arise from the Company's assets, liabilities, or off-balance-assets items, through the execution or processing of transactions (either product or service), or through a combination of exposures across these broad categories, which include credit, loans and deposits, call loan to banks, investments, receivables and derivatives. As of June 30, 2020, December 31, 2019 and June 30, 2019, there was significant concentration of credit risk arising from loans to the Kaohsiung City Government totaling $19,971,534 thousand, representing 11.02% of total loans, $20,799,559 thousand, representing 11.38% of total loans, and $21,484,217 thousand, representing 11.72% of total loans, respectively. Information on significant concentration of credit risks of the Company's other credit assets (including discounts and loans, overdue accounts that are not transferred from loans, remittances purchased, guarantee receivable, L/C receivable, acceptances receivable and factoring receivable-non-resource) by industry, region and type of collaterals is summarized as follows:

(A) By industry

Type of Industry	June 30, 2020		December 31, 2019		June 30, 2019	
	Amount	%	Amount	%	Amount	%
1.Private enterprises	80,083,791	44.20	79,090,083	43.27	77,542,207	42.30
2.Public-sector enterprises	2,394,689	1.32	3,474,444	1.90	3,626,264	1.98
3.Government institutions	19,856,411	10.96	20,716,737	11.34	21,453,196	11.70
4.Not-profit organization	368,710	0.20	363,190	0.20	366,395	0.20
5.Individuals	59,690,667	32.94	59,588,974	32.61	60,587,327	33.05
6.Financial institutions	18,807,011	10.38	19,524,228	10.68	19,731,568	10.77
Total	181,201,279	100.00	182,757,656	100.00	183,306,957	100.00

(B) By region

Region	June 30, 2020		December 31, 2019		June 30, 2019	
	Amount	%	Amount	%	Amount	%
R.O.C.	162,712,304	89.79	161,498,453	88.37	160,378,903	87.49
United States	3,784,766	2.09	4,082,855	2.23	4,099,313	2.24
Asia	14,223,946	7.85	16,602,578	9.09	18,225,672	9.94
Europe	480,263	0.27	573,770	0.31	603,069	0.33
Total	181,201,279	100.00	182,757,656	100.00	183,306,957	100.00

(C) By Collateral

Type of Collateral	June 30, 2020		December 31, 2019		June 30, 2019	
	Amount	%	Amount	%	Amount	%
Unsecured	64,957,781	35.85	67,046,106	36.69	68,268,327	37.24
Secured	116,243,498	64.15	115,711,550	63.31	115,038,630	62.76
- Financial collateral	7,280,727	4.02	7,324,193	4.01	6,937,285	3.78
- Accounts receivable	851,757	0.47	774,767	0.42	719,670	0.39
- Real estate	91,886,639	50.71	93,391,916	51.10	93,548,448	51.03
- Guarantee	13,347,141	7.36	11,349,614	6.21	10,714,981	5.85
- Others	2,877,234	1.59	2,871,060	1.57	3,118,246	1.71
Total	181,201,279	100.00	182,757,656	100.00	183,306,957	100.00

E. Analysis of the credit quality of the Company's financial assets:

Some of the financial assets held by the Company, such as cash and cash equivalents, deposits with the Central Bank and interbank borrowings, financial assets measured at fair value through profit or loss, vouchers and bond investments, deposits, operating margins and delivery settlement funds, etc., are good credit ratings from the counterparties, the Company considered the credit risk is extremely low.

In addition to the above, analysis of the credit quality of other financial assets is as follows:

(A) Credit quality analysis on discounts, loans, receivables and overdue accounts that are not transferred from loans:

June 30, 2020				
Level Information	Stage 1 12-month expected credit losses	Stage 2 Lifetime credit losses	Stage 3 Lifetime credit losses	Total
Corporate finance - rating level	116,587,776	6,988	1,274,863	117,869,627
Internal rating A1, A2, A3	8,981,966	-	25,571	9,007,537
Internal rating B1, B2	40,603,281	5,877	60,315	40,669,473
Internal rating C1, C2, C3	23,861,679	-	730,776	24,592,455
Internal rating Bad D	-	-	352,260	352,260
Unrated rating	43,140,850	1,111	105,941	43,247,902
Consumer finance - rating level	59,185,599	138,738	618,214	59,942,551
Premium mortgages	6,583,974	26,596	122,240	6,732,810
Superior mortgages	804,973	-	10,145	815,118
Good mortgages	524,551	-	19,888	544,439

Specialized mortgages	6,010,502	18,320	61,033	6,089,855
Internal rating 1-2	20,578,498	8,313	137,193	20,724,004
Internal rating 3-4	11,596,038	28,585	73,671	11,698,294
Internal rating 5-6	1,347,397	8,550	72,067	1,428,014
Unrated rating	11,739,666	48,374	121,977	11,910,017
Total	175,773,375	145,726	1,893,077	177,812,178
Impairment allowance	1,158,154	1,222	439,044	1,598,420
According to the "Bank Assets Appraisal Loss Preparation and Overdue Lending Collections for Bad Debts", the impairments need to be recognized.				490,028
Total				2,088,448

December 31, 2019				
Level Information	Stage 1 12-month expected credit losses	Stage 2 Lifetime credit losses	Stage 3 Lifetime credit losses	Total
Corporate finance - rating level	116,754,761	25,827	1,964,542	118,745,130
Internal rating A1, A2, A3	7,936,313	-	4,715	7,941,028
Internal rating B1, B2	39,308,219	8,465	314,306	39,630,990
Internal rating C1, C2, C3	22,957,334	15,494	673,531	23,646,359
Internal rating Bad D	-	821	724,518	725,339
Unrated rating	46,552,895	1,047	247,472	46,801,414
Consumer finance - rating level	59,118,235	154,482	592,984	59,865,701
Premium mortgages	6,898,098	33,494	93,576	7,025,168
Superior mortgages	868,693	-	8,945	877,638
Good mortgages	576,444	144	23,903	600,491
Specialized mortgages	6,330,991	15,350	50,857	6,397,198
Internal rating 1-2	21,056,754	4,977	162,110	21,223,841
Internal rating 3-4	10,853,032	33,019	53,180	10,939,231
Internal rating 5-6	1,230,947	2,210	69,248	1,302,405
Unrated rating	11,303,276	65,288	131,165	11,499,729
Total	175,872,996	180,309	2,557,526	178,610,831
Impairment allowance	1,143,139	1,532	685,078	1,829,749
According to the "Bank Assets Appraisal Loss Preparation and Overdue Lending Collections for Bad Debts", the impairments need to be recognized.				296,905
Total				2,126,654

June 30, 2019				
Level Information	Stage 1 12-month expected credit losses	Stage 2 Lifetime credit losses	Stage 3 Lifetime credit losses	Total
Corporate finance - rating level	117,347,797	9,666	1,405,339	118,762,802
Internal rating A1, A2, A3	6,733,867	-	5,889	6,739,756
Internal rating B1, B2	35,031,996	8,000	267,072	35,307,068
Internal rating C1, C2, C3	26,466,498	-	222,749	26,689,247
Internal rating Bad D	1,046	-	908,234	909,280
Unrated rating	49,114,390	1,666	1,395	49,117,451
Consumer finance - rating level	60,091,609	160,870	641,194	60,893,673
Premium mortgages	7,165,265	38,726	77,354	7,281,345
Superior mortgages	967,027	96	5,100	972,223
Good mortgages	593,669	472	26,157	620,298
Specialized mortgages	6,590,821	19,769	34,979	6,645,569
Internal rating 1-2	20,873,794	5,224	218,643	21,097,661
Internal rating 3-4	11,349,901	30,678	60,515	11,441,094
Internal rating 5-6	1,178,784	2,828	89,511	1,271,123
Unrated rating	11,372,348	63,077	128,935	11,564,360
Total	177,439,406	170,536	2,046,533	179,656,475
Impairment allowance	1,137,190	1,067	631,499	1,769,756
According to the “Bank Assets Appraisal Loss Preparation and Overdue Lending Collections for Bad Debts”, the impairments need to be recognized.				373,317
Total				2,143,073

(B) Credit quality analysis on guarantees, L/C, loans and financing commitments

June 30, 2020				
Level Information	Stage 1 12-month expected credit losses	Stage 2 Lifetime credit losses	Stage 3 Lifetime credit losses	Total
Corporate finance - rating level	11,790,212	-	15,614	11,805,826
Internal rating A1, A2, A3	1,848,617	-	-	1,848,617
Internal rating B1, B2	5,100,925	-	9,283	5,110,208
Internal rating C1, C2, C3	1,579,981	-	-	1,579,981
Internal rating Bad D	-	-	-	-
Unrated rating	3,260,689	-	6,331	3,267,020
Consumer finance - rating level	258,609	-	-	258,609
Premium mortgages	-	-	-	-
Superior mortgages	-	-	-	-
Good mortgages	-	-	-	-
Specialized mortgages	-	-	-	-
Internal rating 1-2	151,490	-	-	151,490
Internal rating 3-4	90,601	-	-	90,601
Internal rating 5-6	16,518	-	-	16,518
Unrated rating	-	-	-	-
Total	12,048,821	-	15,614	12,064,435
Impairment allowance	129,459	-	7,104	136,563
According to the "Bank Assets Appraisal Loss Preparation and Overdue Lending Collections for Bad Debts", the impairments need to be recognized.				20,614
Total				157,177

December 31, 2019				
Level Information	Stage 1 12-month expected credit losses	Stage 2 Lifetime credit losses	Stage 3 Lifetime credit losses	Total
Corporate finance - rating level	12,701,957	300	15,614	12,717,871
Internal rating A1, A2, A3	1,676,304	-	-	1,676,304
Internal rating B1, B2	5,525,188	-	9,283	5,534,471
Internal rating C1, C2, C3	1,845,931	-	-	1,845,931
Internal rating Bad D	1,717	-	-	1,717
Unrated rating	3,652,817	300	6,331	3,659,448
Consumer finance - rating level	590,979	-	-	590,979
Premium mortgages	-	-	-	-
Superior mortgages	-	-	-	-
Good mortgages	-	-	-	-
Specialized mortgages	-	-	-	-
Internal rating 1-2	411,353	-	-	411,353
Internal rating 3-4	148,593	-	-	148,593
Internal rating 5-6	29,358	-	-	29,358
Unrated rating	1,675	-	-	1,675
Total	13,292,936	300	15,614	13,308,850
Impairment allowance	138,591	16	7,104	145,711
According to the “Bank Assets Appraisal Loss Preparation and Overdue Lending Collections for Bad Debts”, the impairments need to be recognized.				7,452
Total				153,163

June 30, 2019				
Level Information	Stage 1 12-month expected credit losses	Stage 2 Lifetime credit losses	Stage 3 Lifetime credit losses	Total
Corporate finance - rating level	14,900,401	1,300	15,614	14,917,315
Internal rating A1, A2, A3	1,696,851	-	-	1,696,851
Internal rating B1, B2	6,865,937	-	9,283	6,875,220
Internal rating C1, C2, C3	2,043,873	-	-	2,043,873
Internal rating Bad D	1,150	-	-	1,150
Unrated rating	4,292,590	1,300	6,331	4,300,221
Consumer finance - rating level	844,722	-	-	844,722
Premium mortgages	-	-	-	-
Superior mortgages	-	-	-	-
Good mortgages	-	-	-	-
Specialized mortgages	-	-	-	-
Internal rating 1-2	593,401	-	-	593,401
Internal rating 3-4	213,491	-	-	213,491
Internal rating 5-6	37,830	-	-	37,830
Unrated rating	-	-	-	-
Total	15,745,123	1,300	15,614	15,762,037
Impairment allowance	139,850	94	7,179	147,123
According to the “Bank Assets Appraisal Loss Preparation and Overdue Lending Collections for Bad Debts”, the impairments need to be recognized.				3,770
Total				150,893

The Natures of the collateral that the Company accepts are land and buildings, etc. As of June 30, 2020, December 31, 2019, and June 30, 2019, the book value were all $0 thousand.

F. Disclosures in accordance with the "Regulations Governing the Preparation of Financial Reports by Public Banks":

(A) Asset quality of non-performing loans and overdue accounts

Year / Month			June 30, 2020				
Type of business			Amount of non-performing loan (Note 1)	Total loans	Non-performing loan ratio (Note 2)	Allowance for doubtful accounts	Bad debt coverage ratio (Note 3)
Corporate Finance	Secured		194,638	48,813,890	0.40	538,726	276.78
	Unsecured		100,993	67,637,188	0.15	993,020	983.26
Consumer Finance	Residential mortgages (Note 4)		59,614	27,810,123	0.21	221,499	371.56
	Cash cards		369	108,332	0.34	1,119	303.25
	Micro-credit (Note 5)		15,431	1,193,182	1.29	25,903	167.86
	Others (Note 6)	Secured	127,535	28,840,637	0.44	251,690	197.35
		Unsecured	680	1,738,402	0.04	17,698	2,602.65
Total loans			499,260	176,141,744	0.28	2,049,655	410.54
			Amount of overdue accounts	Accounts receivable balance	Overdue account ratio	Allowance for doubtful accounts	Bad debt coverage ratio
Credit card business			223	149,270	0.15	1,144	513.00
Without recourse factoring (Note 7)			-	3,026	-	2,750	-

Year / Month			December 31, 2019				
Type of business			Amount of non-performing loan (Note 1)	Total loans	Non-performing loan ratio (Note 2)	Allowance for doubtful accounts	Bad debt coverage ratio (Note 3)
Corporate Finance	Secured		490,030	48,757,123	1.01	572,891	116.91
	Unsecured		178,314	68,894,528	0.26	1,005,146	563.69
Consumer Finance	Residential mortgages (Note 4)		52,293	27,689,047	0.19	217,118	415.20
	Cash cards		-	356,861	-	3,878	-
	Micro-credit (Note 5)		18,450	1,120,980	1.65	23,453	127.12
	Others (Note 6)	Secured	111,291	28,803,514	0.39	247,015	221.95
		Unsecured	506	1,618,573	0.03	19,691	3,891.50
Total loans			850,884	177,240,626	0.48	2,089,192	245.53
			Amount of overdue accounts	Accounts receivable balance	Overdue account ratio	Allowance for doubtful accounts	Bad debt coverage ratio
Credit card business			384	166,594	0.23	1,405	365.89
Without recourse factoring (Note 7)			-	3,063	-	250	-

Year / Month			June 30, 2019				
Type of business			Amount of non-performing loan (Note 1)	Total loans	Non-performing loan ratio (Note 2)	Allowance for doubtful accounts	Bad debt coverage ratio (Note 3)
Corporate Finance	Secured		543,653	47,370,922	1.15	547,213	100.65
	Unsecured		313,665	70,029,238	0.45	1,013,719	323.19
Consumer Finance	Residential mortgages (Note 4)		47,340	27,764,336	0.17	210,943	445.59
	Cash cards		-	531,320	-	5,832	-
	Micro-credit (Note 5)		18,995	1,076,449	1.76	23,741	124.99
	Others (Note 6)	Secured	153,011	29,598,636	0.52	249,445	163.02
		Unsecured	952	1,616,586	0.06	19,272	2,024.37
Total loans			1,077,616	177,987,487	0.61	2,070,165	192.11
			Amount of overdue accounts	Accounts receivable balance	Overdue account ratio	Allowance for doubtful accounts	Bad debt coverage ratio
Credit card business			381	163,494	0.23	1,488	390.55
Without recourse factoring (Note 7)			-	-	-	-	-

Note 1: The amount of non-performing loans was presented in accordance with the "Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans". The amount included in overdue accounts for credit cards was represented in accordance with the Banking Bureau (4) Letter No.0944000378 dated July 6, 2005.

Note 2: Non-performing loan ratio = non-performing loans/ total loans. Overdue account ratio for credit cards = overdue accounts / balance of accounts receivable.

Note 3: Coverage ratio for loans = allowance for doubtful accounts of loans/ amount of non-performing loans. Coverage ratio for credit card accounts receivable = allowance for doubtful account / amount of overdue accounts.

Note 4: Residential mortgage is a form of financing secured by a residential property acquired (owned) by the borrower or his or her spouse or minor children, obtained by the borrower from the Bank for the purpose of purchasing the property or adding improvements to the dwelling.

Note 5: Micro-credit is regulated by the Banking Bureau Letter (4) No. 09440010950 dated December 19, 2005. It is a type of finance other than credit obtained from credit cards or cash cards.

Note 6: Consumer finance - other refers to other secured or unsecured consumer loans other than residential mortgages, cash cards and micro-credit.

Note 7: Pursuant to the Banking Bureau (5) Letter No. 0945000494 dated July 19, 2005, the amount of without resource factoring will be recognized as overdue accounts within three months after the factor or insurance company resolved not to compensate the loss.

(B) Non-performing loans or overdue receivables exempted from declaration to the competent authority:

Item	June 30, 2020		December 31, 2019		June 30, 2019	
	Balance of Non-performing loans exempt	Balance of overdue receivables exempt	Balance of Non-performing loans exempt	Balance of overdue receivables exempt	Balance of Non-performing loans exempt	Balance of overdue receivables exempt
Amount exempt as a result of debt negotiation and performance in accordance with agreement (Note 1)	51	3	56	4	103	4
Amount exempt as a result of debt liquidation program and restructuring program (Note 2)	109,637	416	115,487	489	112,944	596
Total	109,688	419	115,543	493	113,047	600

Note 1: The amounts of non-performing loans and overdue receivables disclosed as a result of being exempt under debt negotiation arrangements pursuant to the Explanatory Letter Jin-Guan-Yin (1) No. 09510001270 dated April 25, 2006.

Note 2: The amounts of non-performing loans and overdue receivables disclosed as a result of being exempt under the debt liquidation and restructuring program pursuant to the Explanatory Letter Jin-Guan-Yin (1) No. 09700318940 of the FSC dated September 15, 2008 and No.10500134790 of the FSC dated September 20, 2016.

(C) Concentration of credit risk exposures of the Company:

Year	June 30, 2020			December 31, 2019			June 30, 2019		
Ranking (Note 1)	Industry (Note 2)	Total outstanding loan amount (Note 3)	Total outstanding loan amount / current net worth (%) (Note 4)	Industry (Note 2)	Total outstanding loan amount (Note 3)	Total outstanding loan amount / current net worth (%) (Note 4)	Industry (Note 2)	Total outstanding loan amount (Note 3)	Total outstanding loan amount / current net worth (%) (Note 4)
1	A Group (real estate development industry)	1,825,858	11.49	A Group (real estate development industry)	1,908,937	12.37	A Group (real estate development industry)	2,494,585	16.54
2	B Group (real estate development industry)	1,728,352	10.88	B Group (real estate development industry)	1,885,924	12.22	B Group (real estate development industry)	1,988,937	13.19
3	C Group (other financial intermediation)	1,627,956	10.24	C Group (other financial intermediation)	1,637,003	10.61	C Group (other financial intermediation)	1,677,211	11.12
4	D Group (sports stadium Industry)	1,541,115	9.70	D Group (sports stadium industry)	1,500,123	9.72	D Group (sports stadium Industry)	1,623,488	10.77
5	E Group (other financial intermediation)	1,440,186	9.06	E Group (other financial intermediation)	1,489,287	9.65	E Group (other financial intermediation)	1,440,388	9.55
6	F Group (synthetic resin and plastic manufacturing)	1,417,413	8.92	F Group (synthetic resin and plastic manufacturing)	1,453,384	9.42	F Group (mortuary services)	1,217,640	8.07
7	G Group (Transportation)	1,205,960	7.59	G Group (transportation)	1,333,307	8.64	G Group (synthetic resin and plastic manufacturing)	1,022,118	6.78
8	H Group (mortuary Services)	1,139,618	7.17	H Group (mortuary Services)	1,162,750	7.54	H Group (real estate leasing and sale industry)	1,020,000	6.76
9	I Group (ship and parts manufacturing industry)	1,103,335	6.94	I Group (real estate leasing and sale industry)	1,020,000	6.61	I Group (ship and parts manufacturing industry)	1,000,371	6.63
10	J Group (real estate development industry)	1,071,541	6.74	J Group (real estate development industry)	1,018,200	6.60	J Group (real estate development industry)	999,570	6.63

Note 1: The top ten enterprise groups other than government and public-sector enterprises according to their total amounts of outstanding loans.

Note 2: The term “enterprise group” refers to a group of corporate entities as defined by Article 6 of the “Supplementary Provisions to the Taiwan Stock Exchange Corporation Criteria for Review of Securities Listings”.

Note 3: Total outstanding loan amount is the sum of balances of all types of loans (including import negotiation, export negotiation, bills discounted, overdraft, short-term loan, short-term secured loan, margin loans receivable, medium-term unsecured loan, medium-term secured loan, long-term unsecured loan, long-term secured loan and overdue loan), remittance purchased, without resource factoring, acceptances receivable and guarantees.

Note 4: Total outstanding loans amount / current net worth: net worth for domestic banks is calculated using the net worth of the Head Office where net worth for branch(es) of a foreign bank in Taiwan shall be calculated using the net worth of the branch(es).

(4) Liquidity risk

A. Sources and definition of liquidity risk

The Company defines liquidity risk as the potential financial loss that may be suffered by the Company as a result of inability to liquidate assets or obtain the finances required to meet financial obligations that are falling due. Examples include prepayment of deposits, channels through which and conditions under which the Company is able to obtain inter-bank loans have deteriorated or become more difficult due to specific market conditions, borrower's default status deteriorated and funds are not repaid according to schedule and difficulty in liquidating investments. Circumstances described above may reduce the level of the Company's available cash to conduct business activities such as extension of loans or trading and investments. Under extreme circumstances, illiquidity may potentially cause an overall decrease in the Company's balance-sheet positions, disposal of assets or inability to carry out loan commitments. Liquidity risk is inherent in the bank operations and may be affected by industry-specific or market events. The events include but not limited to: credit event, merger or acquisition, systematic shock and natural disaster.

B. Liquidity risk management policy

With the aim of maintaining long-term profitability and business growth, the Company adopts a management strategy that is in between the pro-active and passive approach to manage the liquidity of our funds.

a. The following benchmarks are used to evaluate and monitor the liquidity level of the Company's NTD funds:

(A) Cashflow gap for obligations falling due within 30 days (incl.).

(B) Cashflow gap for all other maturities

(C) Provide a deposit reserve in accordance with the regulatory ratio prescribed by the Central Bank.

(D) Liquidity reserve shall not fall below the minimum liquid assets to liabilities ratio for financial institutions prescribed by Central Bank.

(E) Deposit to loan ratio.

b. The following benchmarks are used to evaluate and monitor the liquidity level of the Company's major currency funds:

(A) Liquidity gap for the respective maturities to total assets ratio.

(B) Deposit reserve ratio provided in accordance with the Central Bank requirements.

The risk management department examines the benchmark statistics on monthly basis and reports such information to the assets-liabilities and risk management committee for presentation a quarterly basis to the Board of Directors for approval. The Company shall also establish respective limits applicable to call loans to other banks and inter-bank loans from other banks and review the limits once a year to enhance the liquidity level.

C. Maturity analysis of non-derivative financial liabilities

The analysis of cash outflows associated with non-derivative financial liabilities of the Company is made according to the number of days remaining from the balance sheets date to the respective contract's maturity date. The amounts disclosed below were prepared on the basis of the cash flows arising from the contracts and as such may not correspond to the amounts of related items presented on the balance sheets.

June 30, 2020	0~30 days	31~90 days	91~180 days	181~365 days	Over 1 year	Total
Deposits from the Central Bank and other banks	8,213,507	919,920	9,830	7,450	-	9,150,707
Due to Central Bank and other banks	-	-	-	183,350	-	183,350
Bills and bonds sold under repurchase agreements	8,034,570	15,703	12,281	-	-	8,062,554
Accounts payable	3,662,227	270,752	120,847	181,857	38,345	4,274,028
Deposits and remittances	23,096,348	26,876,308	35,060,022	55,830,151	84,722,614	225,585,443
Bonds payables	-	2,000,000	-	1,200,000	4,300,000	7,500,000
Lease liabilities (Note)	6,478	12,972	17,593	33,079	244,034	314,156
Other capital outflow upon maturity	140,478	835	562	1,053	255,423	398,351

December 31, 2019	0~30 days	31~90 days	91~180 days	181~365 days	Over 1 year	Total
Deposits from the Central Bank and other banks	5,169,586	3,585,080	38,460	41,750	-	8,834,876
Bills and bonds sold under repurchase agreements	8,862,596	27,943	-	-	-	8,890,539
Accounts payable	2,975,327	230,554	58,068	114,339	40,788	3,419,076
Deposits and remittances	24,954,010	32,317,420	34,339,927	51,864,768	82,277,975	225,754,145
Bonds payables	-	-	-	2,000,000	5,500,000	7,500,000
Lease liabilities (Note)	7,799	14,894	21,432	39,619	197,075	280,819
Other capital outflow upon maturity	59,022	7,799	27,456	2,155	266,280	362,712

June 30, 2019	0~30 days	31~90 days	91~180 days	181~365 days	Over 1 year	Total
Deposits from the Central Bank and other banks	9,899,286	743,540	50,426	8,710	-	10,701,962
Bills and bonds sold under repurchase agreements	10,759,490	27,895	-	-	-	10,787,385
Accounts payable	3,474,865	395,391	226,014	165,781	60,031	4,322,082
Deposits and remittances	26,144,893	29,973,367	32,193,498	49,903,649	80,171,586	218,386,993
Bonds payables	-	-	-	-	6,300,000	6,300,000
Lease liabilities (Note)	7,248	14,497	21,691	41,601	222,990	308,027
Other capital outflow upon maturity	16,455	13,340	60,165	2,274	244,103	336,337

(Note) The following table provides further information on the analysis of the lease liability expiration:

June 30, 2020:

Expiration period				
Under 1 year	1 to 5 years	6 to 10 years	10 to 15 years	Total
70,122	169,798	74,236	-	314,156

December 31, 2019:

Expiration period				
Under 1 year	1 to 5 years	6 to 10 years	10 to 15 years	Total
83,744	183,337	13,738	-	280,819

June 30, 2019:

Expiration period				
Under 1 year	1 to 5 years	6 to 10 years	10 to 15 years	Total
85,037	199,506	23,484	-	308,027

The maturity analysis of demand deposits included in "Deposits and Remittances" in the above table is conducted across different maturity periods based on the past experience. Based on the assumption that all demand deposits must be repaid within the closest maturity as of June 30, 2020, December 31, 2019 and June 30, 2019, cash outflow in the next 0~30 days will increase by $101,151,532 thousand, $97,105,639 thousand and $91,853,280 thousand, respectively.

D. Maturity analysis of derivative financial liabilities

Derivatives settled in gross amounts

The Company settles the following derivative instruments on gross amounts:

• Foreign exchange derivatives: foreign exchange futures and currency swaps.

• Interest rate derivatives: currency swap and interest swap.

• Credit derivatives: all credit default swaps are represented in gross amounts. Periodic payments are made to the buyer of the credit guarantee. A lump-sum payment is made to the buyer of the credit guarantee when a credit risk event occurs.

The Company's derivatives instruments settled in gross amounts are presented in the following table according to the days remaining from the balance sheets date to the respective contract's maturity date. Upon evaluation, a contract's maturity date is fundamental in understanding all derivative instruments presented on the balance sheets. The amounts disclosed below were prepared on the basis of the cash flows arising from the contracts and as such may not correspond to the amounts of related items presented on the balance sheets. The maturity of derivative financial liabilities settled in gross amounts is analyzed as follows:

June 30, 2020	0~30 days	31~90 days	91~180 days	181~365 days	Over 1 year	Total
Financial liabilities at fair value through profit or loss						
- Foreign exchange derivatives	5,302,689	1,711,364	888,878	1,947,071	-	9,850,002
- Cash outflow	2,656,742	854,827	444,930	963,640	-	4,920,139
- Cash inflow	2,645,947	856,537	443,948	983,431	-	4,929,863
- Interest rate derivatives	-	-	-	-	-	-

- Cash outflow	-	-	-	-	-	-
- Cash inflow	-	-	-	-	-	-
Derivative financial liabilities for hedging purpose						
- Foreign exchange derivatives	-	-	-	-	-	-
- Cash outflow	-	-	-	-	-	-
- Cash inflow	-	-	-	-	-	-
- Interest rate derivatives	-	-	-	-	-	-
- Cash outflow	-	-	-	-	-	-
- Cash inflow	-	-	-	-	-	-
Total cash outflow	2,656,742	854,827	444,930	963,640	-	4,920,139
Total cash inflow	2,645,947	856,537	443,948	983,431	-	4,929,863
Net cashflow	10,795	(1,710)	982	(19,791)	-	(9,724)

December 31, 2019	0~30 days	31~90 days	91~180 days	181~365 days	Over 1 year	Total
Financial liabilities at fair value through profit or loss						
- Foreign exchange derivatives	4,829,926	74,571	119,758	604,212	-	5,628,467
- Cash outflow	2,412,594	37,235	59,861	304,562	-	2,814,252
- Cash inflow	2,417,332	37,337	59,897	299,650	-	2,814,216
- Interest rate derivatives	-	-	-	-	-	-
- Cash outflow	-	-	-	-	-	-
- Cash inflow	-	-	-	-	-	-
Derivative financial liabilities for hedging purpose						
- Foreign exchange derivatives	-	-	-	-	-	-
- Cash outflow	-	-	-	-	-	-
- Cash inflow	-	-	-	-	-	-
- Interest rate derivatives	-	-	-	-	-	-
- Cash outflow	-	-	-	-	-	-
- Cash inflow	-	-	-	-	-	-
Total cash outflow	2,412,594	37,235	59,861	304,562	-	2,814,252
Total cash inflow	2,417,332	37,337	59,897	299,650	-	2,814,216
Net cashflow	(4,738)	(102)	(36)	4,912	-	36

June 30, 2019	0~30 days	31~90 days	91~180 days	181~365 days	Over 1 year	Total
Financial liabilities at fair value through profit or loss						
- Foreign exchange derivatives	2,460,264	354,490	1,689,458	678,874	-	5,183,086
- Cash outflow	1,229,645	175,729	844,022	341,605	-	2,591,001
- Cash inflow	1,230,619	178,761	845,436	337,269	-	2,592,085
- Interest rate derivatives	-	-	-	-	-	-
- Cash outflow	-	-	-	-	-	-
- Cash inflow	-	-	-	-	-	-
Derivative financial liabilities for hedging purpose						
- Foreign exchange derivatives	-	-	-	-	-	-
- Cash outflow	-	-	-	-	-	-
- Cash inflow	-	-	-	-	-	-
- Interest rate derivatives	-	-	-	-	-	-
- Cash outflow	-	-	-	-	-	-
- Cash inflow	-	-	-	-	-	-
Total cash outflow	1,229,645	175,729	844,022	341,605	-	2,591,001
Total cash inflow	1,230,619	178,761	845,436	337,269	-	2,592,085
Net cashflow	(974)	(3,032)	(1,414)	4,336	-	(1,084)

E. Maturity analysis of off-balance-sheet items

The maturity analysis of off-balance sheets items of the Company shows the days remaining from the balance sheets date to the maturity date. For financial guarantee contracts that were issued, the maximum guarantee amounts that may be claimed were included in the nearest maturity period. The amounts disclosed below were prepared on the basis of the cash flows arising from the contracts and as such may not correspond to the amounts of related items presented on the balance sheets.

June 30, 2020	Under 1 year	1~5 year	More than 5 years	Total
Irrevocable loan commitments	2,774,161	4,164,866	279,891	7,218,918
Irrevocable credit card commitments	2,478	5,616	-	8,094
Unused letters of credit	1,077,605	-	-	1,077,605
Other guarantees	2,198,907	1,556,260	4,651	3,759,818
Total	6,053,151	5,726,742	284,542	12,064,435

December 31, 2019	Under 1 year	1~5 year	More than 5 years	Total
Irrevocable loan commitments	3,388,063	4,458,616	126,797	7,973,476
Irrevocable credit card commitments	2,557	6,995	-	9,552
Unused letters of credit	1,407,292	-	-	1,407,292
Other guarantees	1,997,546	1,920,952	32	3,918,530
Total	6,795,458	6,386,563	126,829	13,308,850

June 30, 2019	Under 1 year	1~5 year	More than 5 years	Total
Irrevocable loan commitments	4,154,426	6,266,898	372,844	10,794,168
Irrevocable credit card commitments	887	6,599	-	7,486
Unused letters of credit	1,286,597	-	-	1,286,597
Other guarantees	1,777,992	1,888,654	7,140	3,673,786
Total	7,219,902	8,162,151	379,984	15,762,037

F. Maturity analysis of lease agreement and capital expenditure commitments

The lease agreement commitments of the Company are operating lease commitments, which refer to the total minimum lease payments the Company should make as a lessor or a lessee under irrevocable operating lease terms and conditions.

The Company's capital expenditures commitments refer to the agreement signed by the Company to obtain the capital required for acquiring building and equipment.

The maturity analysis of the Company's lease and capital expenditure commitments is as follows:

June 30, 2020	Under 1 year	1~5 year	More than 5 years	Total
Lease agreement commitments				
Leases under IFRS 16	70,122	169,798	74,236	314,156
Operating lease income (lessor)	7,634	23,172	17,908	48,714
Capital expenditure commitments	187,460	-	-	187,460

December 31, 2019	Under 1 year	1~5 year	More than 5 years	Total
Lease agreement commitments				
Leases under IFRS 16	83,744	183,337	13,738	280,819
Operating lease income (lessor)	7,605	13,720	7,056	28,381
Capital expenditure commitments	-	-	-	-

June 30, 2019	Under 1 year	1~5 year	More than 5 years	Total
Lease agreement commitments				
Leases under IFRS 16	85,037	199,506	23,484	308,027
Operating lease income (lessor)	11,656	18,943	7,038	37,637
Capital expenditure commitments	-	-	-	-

G. Information disclosed in accordance with the "Regulations Governing the Preparation of Financial Statements by Public Banks"

(A) The maturity structure of the Company's NTD capital

June 30, 2020							
	Total	0~10 days	11~30 days	31~90 days	91~180 days	181~365 days	Over 1 year
Main maturing capital inflow	226,573,767	22,842,949	12,042,633	21,290,908	15,114,374	38,304,622	116,978,281
Main maturing capital outflow	263,181,684	10,311,432	11,707,712	25,694,068	32,132,420	58,098,616	125,237,436
Maturity gap	(36,607,917)	12,531,517	334,921	(4,403,160)	(17,018,046)	(19,793,994)	(8,259,155)

December 31, 2019							
	Total	0~10 days	11~30 days	31~90 days	91~180 days	181~365 days	Over 1 year
Main maturing capital inflow	223,131,572	22,913,943	32,429,036	17,800,130	14,581,535	24,389,659	111,017,269
Main maturing capital outflow	264,840,926	10,011,448	12,097,166	26,598,531	32,102,079	57,011,743	127,019,959
Maturity gap	(41,709,354)	12,902,495	20,331,870	(8,798,401)	(17,520,544)	(32,622,084)	(16,002,690)

June 30, 2019							
	Total	0~10 days	11~30 days	31~90 days	91~180 days	181~365 days	Over 1 year
Main maturing capital inflow	217,351,308	19,057,231	17,231,633	17,620,616	14,633,759	37,537,178	111,270,891
Main maturing capital outflow	261,449,249	10,213,206	12,875,616	25,850,946	31,973,890	54,168,181	126,367,410
Maturity gap	(44,097,941)	8,844,025	4,356,017	(8,230,330)	(17,340,131)	(16,631,003)	(15,096,519)

(B) Maturity gap of the Company's USD capital

Unit: US$ Thousand

June 30, 2020						
	Total	0~30 days	31~90 days	91~180 days	181~365 days	Over 1 year
Main maturing capital inflow	1,231,513	164,314	48,729	107,006	63,590	847,874
Main maturing capital outflow	1,448,049	464,141	298,978	252,387	287,810	144,733
Maturity gap	(216,536)	(299,827)	(250,249)	(145,381)	(224,220)	703,141

Unit: US$ Thousand

December 31, 2019						
	Total	0~30 days	31~90 days	91~180 days	181~365 days	Over 1 year
Main maturing capital inflow	1,259,180	163,146	61,493	42,468	102,671	889,402
Main maturing capital outflow	1,458,420	379,061	457,536	208,742	257,103	155,978
Maturity gap	(199,240)	(215,915)	(396,043)	(166,274)	(154,432)	733,424

Unit: US$ Thousand

June 30, 2019						
	Total	0~30 days	31~90 days	91~180 days	181~365 days	Over 1 year
Main maturing capital inflow	1,303,835	104,497	56,700	79,099	47,965	1,015,574
Main maturing capital outflow	1,566,141	656,930	353,572	217,511	167,219	170,909
Maturity gap	(262,306)	(552,433)	(296,872)	(138,412)	(119,254)	844,665

(5) Market Risk

A. Sources and definition of market risk

Market risk refers to the risk of changes in the fair value or future cash flows of on-and off-balance-sheet financial instruments held by the due to adverse changes in market prices in terms of interest rates, foreign exchange rates, stock prices, and commodity prices. Essentially, it refers to the risk of fluctuations in the Company’s net profit or the values of investment portfolios as result of changes in the aforesaid risk factors.

Market risk confronting the Company mainly arises from fluctuations in the prices of equity instruments, interest rates and exchange rates. Positions in equity securities that are subject to market risk mainly consist of stocks listed on the stock/OTC exchanges and emerging stocks, funds, and ETFs. Positions subject to interest rate risks include bonds and interest rate derivatives (such as fixed and floating interest rate swaps); positions subject to currency exchange risks primarily comprise of the various derivative instruments denominated in foreign currencies, and the various foreign-currency securities.

B. Market risk management policy

The Company monitors positions subject to market risk and the tolerable losses in accordance with the risk management objectives and limits approved by the Board of Directors.

The Company has set a market risk information system to effectively monitor the risk limits of the positions of financial instruments, conduct tress testing, sensitivity (DV01) and compute the value at risk (VaR). Such information is presented at the Assets-Liabilities and Risk Management Committee and Board of Directors' meetings as guidelines for decision making by senior management.

The Risk Management Department of the Company is primarily responsible for reporting to senior management on a regular basis the control status of investment portfolios. Such information is also communicated with the relevant departmental supervisors.

C. Market risk management procedures

(A) Identification and measurement

The business units and risk management unit of the Company has set market risk factors to identify positions exposed to risks and to measure market risk. Market risk factors refer to factors that may affect the value of interest rate, exchange rate and equity securities positions. Such factors include positions, sensitivity, stress testing and value at risk, which are used to measure the impact of interest risks, exchange rate risks and equity securities risks on the investment portfolios.

(B) Control and reporting

The Risk Management Department of the Company reports the information on the execution of market risk management objectives, positions, sensitivity, stress testing and VaR to the ALCO (Assets-Liabilities and Risk Management Committee) or senior management and the departmental supervisor of the relevant business units. The Company has set clearly defined reporting procedures and all transactions are governed by specific risk limits and stop loss regulations. For example, where a transaction has reached the stop-loss limit, such transaction must be terminated immediately or the trading unit must submit in detail reasons for continuing the transaction and responsive measures to the Investment Review Committee or senior management for approval.

D. Trading-book risk management policy

Trading-book positions refer to financial instruments and physical commodities held for trading purposes or to hedge against trading-book positions. Positions held for earning profits from changes in bid-ask spread or changes in price and interest rate. Positions that do not belong to trading book are assigned to banking book.

(A) Strategy

The Company undertakes assessments and exercise controls to effectively control market risk and ensure that trading strategies adopted by business units are relatively free from constraints. The Company formulates risk limits for the respective investment portfolios on the basis of trading strategies, type of product and annual profit target to manage trading-book investment portfolios.

(B) Policies and procedures

The Company has formulated the "Market Risk Management Guidelines" and "Trading Book Policy and Procedures" as the key regulations to monitor trading-book positions.

(C) Valuation policy

Where market prices are available for valuation of trading-book financial instruments, the positions shall be valued at least once daily using readily available information obtained from independent resources.

(D) Methods of risk measurement

a. Refer to Note 12.4 (5) I for assumptions and methods used to calculate VaR.

b. The Company conducts stress testing under scenarios based on 100bp changes in interest rate, 15% change in the price of equity securities and 3% of major currency exchange rates. Results of stress testing are presented at the ALCO and Board of Directors' meetings.

E. Management of trading-book interest rate risk

(A) Definition of interest rate risk

"Interest rate risk" refers to the risk of changes in the fair value of the trading-book positions held by the Company or risk of financial loss as result of interest rate movements. Instruments subject to interest rate risk include securities and derivative instruments linked to interest rate.

(B) Trading-book interest rate management procedures

The Company carefully selects investment targets by conducting research on the issuer's credit standing and financial status, country risk and interest rate trends. The Company also formulates limits applicable to trading-book transactions and stop-loss limit (applicable to the trading unit, trader, and instruments traded) on the basis of management strategies and market conditions for approval by senior management or the Board of Directors.

(C) Methods of measurement

a. Refer to Note 12.4 (5) I for VaR assumptions and computation method.

b. Use DV01 to measure the degree of impact of interest rate risks on the investment portfolios on monthly basis.

F. Management of Banking-book interest rate risk

Management of Banking-book interest rate risk is primarily aimed at enhancing interest rate risk management, improving the efficiency of capital utilization.

(A) Strategy

Interest rate risk management aims at improving the Company's responsiveness to interest rate movement and involves measuring, managing and hedging against risks of adverse changes in the economic value of balance sheets items and profitability as a result of changes in interest rate.

(B) Management procedures

The Company identifies the interest rate repricing risk when conducting businesses related to interest rate. The Company also assess the potential effects of interest rate movements on the profit and economic value of the balance sheets items of the Company. The Company monitors the risk limits applicable to positions exposed to interest rate risk and the various interest rate management indicators on monthly basis. The monitoring results are reported to the ALCO and quarterly to the Board of Directors.

(C) Method of measurement

To strengthen management of Banking-book interest rate risk, the Company has formulated monitoring indicators to conduct stress testing for measurement and monitoring as below:

a. Not greater than 15% of the negative effect on changes of net interest income divided by net interest income based on 100bp changes in interest rate under stress testing scenarios.

b. Not greater than 15% of the negative effect on changes of net fair economic value arising from fair economic value changes of assets and liabilities to self capital based on 200bp changes in interest rate under stress testing scenarios.

G. Management of exchange rate risk

(A) Definition of exchange rate risk

Exchange rate risk refers to the profit and loss arising from conversion from one currency to the other in different time periods. Exchange rate risk confronting the Company originates from spot and forward exchange contracts as well as derivatives. The Company aims to square all foreign exchange positions on a daily basis and as such, are subject to relatively low exchange rate risks.

(B) Exchange rate risk management policy, procedures and method of measurement

Exchange rate risks of the Company are monitored using VaR. Please refer to Note 12.4 (5) I for further details, and stipulate transaction limits and stop-loss limits applicable to each trading unit and trader.

The Company conducts stress testing on exchange rate risks at least once a year under scenarios with a 3% change in the exchange rate of major currencies. Results of stress testing are presented to the ALCO and Board of Directors for approval. Please refer to Note 12.4 (5) I for further details on stress testing.

H. Management of price risk of equity securities

(A) Definition of the price risk of equity securities

Mark risk confronting the Company includes individual risks arising from changes in the market price of individual equity securities as well as general market risk arising from a general movement in market prices.

(B) The purpose for managing the price risk of equity securities

Price risk management aims at preventing severe fluctuations in the prices of equity securities from causing a deterioration in The Company's financial status or profitability and aims at improving the efficiency of fund utilization and ensuring sound business operation.

(C) Procedures for managing the price risk of equity securities

The Company stipulates investment limits applicable to the respective counterparties and industries and use the β value to measure the degree by which equity securities and funds are affected by systematic risk on a monthly basis. Stop-loss regulations are reviewed and approved by the Board of Directors. If a trading unit continues to hold a trading position in the situation where the stop-loss limit has been reached, special approval is required from the Investment Review Committee.

(D) Method of measurement

Price risk arising from trading-book equity securities is controlled on the basis of VaR. Please refer to Note 12.5 (5) I for further details.

Following IFRS 9, price risk arising from non-trading book equity securities held by the Company is monitored by appropriate mechanisms designed specifically to meet the needs of the Company's business development.

I. Market risk valuation technique

(A) VaR (Value at Risk, VaR)

The Company uses the VaR model to conduct monthly evaluation on the market risk of positions held and the maximum potential loss that may arise for reporting to the ALCO and senior management.

Value at risk is a statistical estimate of potential losses on current positions that may result from adverse market movements. VaR is defined as "the worst expected loss" over a target horizon with a given level of confidence (99%) and normal market environment. As such, it is still probable (1%) that the actual loss may exceed the VaR estimate. The VaR model assumes a minimum holding period (10 business days) prior to closing off the positions. The Company evaluates the VaR of positions held by the Historical Simulation Method. This valuation method cannot prevent losses as result of severe market fluctuations.

Item	For the six months ended June 30					
	2020			2019		
	Average	Highest	Lowest	Average	Highest	Lowest
Foreign exchange VaR	277,589	332,612	188,044	197,505	215,503	188,249
Interest rate VaR	106,293	134,979	64,274	80,154	97,010	68,784
Equity securities VaR	134,458	205,788	41,944	50,813	58,242	43,246
Total VaR	226,612	300,931	122,310	129,650	139,979	117,155

(B) Stress testing

Stress testing is used to measure the maximum potential loss arising from the risk asset portfolios that may be suffered by the Company in the worst case scenario. The Risk Management Dept. conducts stress testing on interest rate risk, exchange rate risk and equity securities risk. Results of stress testing are presented to the ACLO and Board of Directors for approval.

J. Concentration of exchange rate risk

The following table shows the concentration of exchange rate risk exposures arising from all assets and liabilities expressed in the respective currencies and carrying amounts held by the Company as of June 30, 2020 and 2019 and December 31, 2019 (only information for the top 4 currencies is disclosed).

Unit: FCY / NTD Thousand

	June 30, 2020			
	USD	AUD	CNY	ZAR
Foreign Currency Financial Assets				
Cash and cash equivalents	$33,966	$4,215	$63,219	$5,603
Due from Central Bank and call loans to banks	6,500	350	-	-
Financial assets at fair value through profit or loss	149	-	-	48,941
Financial assets at fair value through other comprehensive income	236,055	192,588	378,385	252,841
Investments in debt instruments at amortizes cost	264,140	30,409	318,995	308,698
Accounts receivable	12,188	11,565	-	-
Discounts and loans	541,560	45,000	33,980	-
Other financial assets	-	-	-	-
Property and equipment	19	-	-	-
Other assets	82,038	100	226,806	402,740
Total assets	$1,176,615	$284,227	$1,021,385	$1,018,823
Exchange rate	29.60	20.29	4.187	1.707
NTD equivalent of total assets	$34,827,804	$5,766,966	$4,276,539	$1,739,131
Foreign Currency Financial Liabilities				
Deposits from the Central Bank and other banks	106,383	85,000	336,379	415,000
R/P bills and bonds liabilities	179,555	133,716	-	-
Deposits and remittances	861,760	65,436	681,346	602,525
Other financial liabilities	878	-	-	-
Accounts payable	3,492	2	3,538	-
Other liabilities	4,867	-	-	1,295
Total liabilities	$1,156,935	$284,154	$1,021,263	$1,018,820
Exchange rate	29.60	20.29	4.187	1.707
NTD equivalent of total liabilities	$34,245,276	$5,765,485	$4,276,028	$1,739,126

Unit: FCY / NTD Thousand

	December 31, 2020			
	USD	AUD	CNY	ZAR
<u>Foreign Currency Financial Assets</u>				
Cash and cash equivalents	$26,485	$2,604	$17,661	$4,370
Due from Central Bank and call loans to banks	21,500	-	-	-
Financial assets at fair value through profit or loss	2,422	-	-	105,368
Financial assets at fair value through other comprehensive income	203,418	207,541	431,005	189,766
Investments in debt instruments at amortizes cost	231,030	49,410	282,387	517,692
Accounts receivable	16,206	-	-	-
Discounts and loans	645,574	25,000	35,024	-
Other financial assets	-	-	-	-
Property and equipment	17	-	-	-
Other assets	65,284	-	21,711	286,640
Total assets	$1,211,936	$284,555	787,788	$1,103,836
Exchange rate	29.965	21.01	4.294	2.125
NTD equivalent of total assets	$36,315,662	$5,978,501	$3,382,762	$2,345,652
<u>Foreign Currency Financial Liabilities</u>				
Deposits from the Central Bank and other banks	$107,234	$55,500	$77,193	$524,000
R/P bills and bonds liabilities	185,207	157,365	-	-
Deposits and remittances	865,424	68,662	710,469	$578,541
Other financial liabilities	878	-	-	-
Accounts payable	2,843	2	-	-
Other liabilities	2,268	2,946	-	1,295
Total liabilities	$1,163,854	$284,475	$787,662	$1,103,836
Exchange rate	29.965	21.01	4.294	2.125
NTD equivalent of total liabilities	$34,874,885	$5,976,820	$3,382,221	$2,345,652

Unit: FCY / NTD Thousand

	June 30, 2019			
	USD	AUD	CNY	ZAR
Foreign Currency Financial Assets				
Cash and cash equivalents	$20,582	$1,987	$14,435	$2,885
Due from Central Bank and call loans to banks	24,500	-	-	-
Financial assets at fair value through profit or loss	164	-	-	28,484
Financial assets at fair value through other comprehensive income	260,941	149,550	375,314	209,643
Investments in debt instruments at amortizes cost	224,692	48,886	271,392	389,983
Accounts receivable	14,294	-	-	-
Discounts and loans	696,685	10,000	38,442	-
Other financial assets	-	-	-	-
Property and equipment	20	-	-	-
Other assets	21,506	5,081	170,210	197,103
Total assets	$1,263,384	$215,504	$869,793	$828,098
Exchange rate	31.055	21.82	4.519	2.202
NTD equivalent of total assets	$39,243,390	$4,702,297	$3,930,595	$1,823,472
Foreign Currency Financial Liabilities				
Deposits from the Central Bank and other banks	219,268	57,800	165,000	299,000
R/P bills and bonds liabilities	284,585	87,767	-	-
Deposits and remittances	696,985	69,859	704,681	527,803
Other financial liabilities	878	-	-	-
Accounts payable	18,043	2	2	-
Other liabilities	17,059	-	-	1,295
Total liabilities	$1,236,818	$215,428	$869,683	$828,098
Exchange rate	31.055	21.82	4.519	2.202
NTD equivalent of total liabilities	$38,409,383	$4,700,639	$3,930,097	$1,823,472

K. Information on foreign currency financial assets and liabilities with significant impacts:

Unit: in thousands

Item	June 30, 2020			December 31, 2019			June 30, 2019		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
Financial Assets Monetary Items									
USD	1,131,225	29.6	33,484,260	1,207,306	29.965	36,176,924	1,270,382	31.055	39,451,713
GBP	12,419	36.32	451,058	14,211	39.3	558,492	10,655	39.380	419,594
HKD	237,990	3.819	908,884	307,291	0.3849	118,276	278,654	3.978	1,108,486
AUD	284,128	20.29	5,764,957	284,556	21.01	5,978,522	210,423	21.820	4,591,430
SGD	563	21.2	11,936	1,670	22.26	37,174	1,199	22.970	27,541
CHF	256	31.08	7,956	613	30.96	18,978	84	31.880	2,678
CAD	19,812	21.64	428,732	21,109	22.98	485,085	12,985	23.740	308,264
JPY	3,309,801	0.2748	909,533	1,796,799	0.2759	495,737	1,905,486	0.2888	550,304
CNY	794,579	4.187	3,326,902	766,077	4.294	3,289,535	699,583	4.519	3,161,416
ZAR	616,084	1.707	1,051,655	817,196	2.125	1,736,542	630,995	2.202	1,389,451
SEK	384	3.17	1,217	89	3.2	285	592	3.350	1,983
KRW	136,570	0.0247	3,373	134,820	0.0259	3,492	140	0.0269	4
EUR	25,327	33.18	840,350	9,629	33.58	323,342	6,853	35.360	242,322
NZD	14,202	18.97	269,412	26,417	20.18	533,095	19,759	20.840	411,778
Non-monetary Items									
USD	22	29.6	651	346	29.965	10,368	22	31.055	683
Financial Liabilities Monetary Items									
USD	1,158,354	29.6	34,287,278	1,162,274	29.965	34,827,540	1,220,578	31.055	37,905,050
GBP	7,694	36.32	279,446	3,716	39.3	146,039	3,775	39.380	148,660
HKD	196,659	3.819	751,041	290,624	3.849	1,118,612	136,741	3.978	543,956
AUD	284,154	20.29	5,765,485	281,528	21.01	5,914,903	215,428	21.820	4,700,639
SGD	127	21.2	2,692	1,634	22.26	36,373	3,870	22.970	88,894
CHF	317	31.08	9,852	337	30.96	10,434	287	31.880	9,150
CAD	17,276	21.64	373,853	14,638	22.98	336,381	12,256	23.740	290,957
JPY	1,926,796	0.2748	529,484	1,842,913	0.2759	508,460	1,817,698	0.2888	524,951
CNY	1,021,263	4.187	4,276,028	787,665	4.294	3,382,234	869,683	4.519	3,930,097
ZAR	1,018,820	1.707	1,739,126	1,103,836	2.125	2,345,652	828,098	2.202	1,823,472
SEK	179	3.17	567	4,829	3.2	15,453	178	3.350	596
EUR	11,878	33.18	394,112	11,051	33.58	371,093	7,798	35.360	275,737
NZD	19,216	18.97	364,528	26,535	20.18	535,476	14,957	20.840	311,704
Non-monetary Items									
USD	1,281	29.6	37,918	1,581	29.965	47,375	1,782	31.055	55,340

L. Disclosures in accordance with the Regulations Governing the Preparation of Financial Statements by Public Banks

(A) Interest rate sensitivity of the Company's assets and liabilities (NTD)

June 30, 2020					
Item	1~90 days (incl.)	91~180 days (incl.)	181~365 days (incl.)	Over 1 year	Total
Interest rate sensitive assets	171,671,244	7,886,853	1,891,181	31,201,246	212,650,524
Interest rate sensitive liabilities	66,197,920	100,827,958	24,652,323	6,506,632	198,184,833
Interest rate sensitivity gap	105,473,324	(92,941,105)	(22,761,142)	24,694,614	14,465,691
Net worth					15,308,287
Ratio of interest rate sensitive assets to liabilities (%)					107.30
Ratio of interest rate sensitivity gap to net worth (%)					94.50

December 31, 2019					
Item	1~90 days (incl.)	91~180 days (incl.)	181~365 days (incl.)	Over 1 year	Total
Interest rate sensitive assets	170,735,525	5,928,406	3,617,872	27,670,234	207,952,037
Interest rate sensitive liabilities	70,545,182	98,056,207	21,981,428	6,515,448	197,098,265
Interest rate sensitivity gap	100,190,343	(92,127,801)	(18,363,556)	21,154,786	10,853,772
Net worth					13,985,926
Ratio of interest rate sensitive assets to liabilities (%)					105.51
Ratio of interest rate sensitivity gap to net worth (%)					77.60

June 30, 2019					
Item	1~90 days (incl.)	91~180 days (incl.)	181~365 days (incl.)	Over 1 year	Total
Interest rate sensitive assets	174,251,743	5,512,631	453,305	24,432,341	204,650,020
Interest rate sensitive liabilities	71,332,966	94,158,398	19,577,452	7,418,520	192,487,336
Interest rate sensitivity gap	102,918,777	(88,645,767)	(19,124,147)	17,013,821	12,162,684
Net worth					14,254,200
Ratio of interest rate sensitive assets to liabilities (%)					106.32
Ratio of interest rate sensitivity gap to net worth (%)					85.33

Explanation 1: Refer to total NTD assets and liabilities of all onshore branches of the Company, excluding contingent assets or liabilities.

Explanation 2: Interest rate sensitive assets and liabilities refer to the interest-earning assets and interest-bearing liabilities of which the income or costs are affected by the fluctuations in interest rates.

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

Explanation 4: Ratio of interest rate sensitive assets to liabilities＝Interest rate sensitive assets ÷ interest rate sensitive liabilities (refer to NTD interest rate sensitive assets and interest rate sensitive liabilities).

(B) Analysis of interest rate sensitive assets and liabilities (USD)

Unit: US$ Thousand；%

June 30, 2020					
Item	1~90 days (incl.)	91~180 days (incl.)	181~365 days (incl.)	Over 1 year	Total
Interest rate sensitive assets	609,199	112,973	8,295	342,938	1,073,405
Interest rate sensitive liabilities	696,300	191,484	178,686	81,223	1,147,693
Interest rate sensitivity gap	(87,101)	(78,511)	(170,391)	261,715	(74,288)
Net worth					19,679
Ratio of interest rate sensitive assets to liabilities (%)					93.53
Ratio of interest rate sensitivity gap to net worth (%)					(377.50)

December 31, 2019					
Item	1~90 days (incl.)	91~180 days (incl.)	181~365 days (incl.)	Over 1 year	Total
Interest rate sensitive assets	739,812	69,608	31,339	290,773	1,131,532
Interest rate sensitive liabilities	777,494	167,787	150,907	61,604	1,157,792
Interest rate sensitivity gap	(37,682)	(98,179)	(119,568)	229,169	(26,260)
Net worth					48,179
Ratio of interest rate sensitive assets to liabilities (%)					97.73
Ratio of interest rate sensitivity gap to net worth (%)					(54.51)

June 30, 2019					
Item	1~90 days (incl.)	91~180 days (incl.)	181~365 days (incl.)	Over 1 year	Total
Interest rate sensitive assets	787,071	110,377	24,539	301,430	1,223,417
Interest rate sensitive liabilities	918,711	113,418	95,391	73,312	1,200,832
Interest rate sensitivity gap	(131,640)	(3,041)	(70,852)	228,118	22,585
Net worth					26,566
Ratio of interest rate sensitive assets to liabilities (%)					101.88
Ratio of interest rate sensitivity gap to net worth (%)					85.01

Explanation 1: Refer to total USD assets and liabilities of all onshore branches of the Company, excluding contingent assets or liabilities.

Explanation 2: Interest rate sensitive assets and liabilities refer to the interest-earning assets and interest-bearing liabilities of which the income or costs are affected by the fluctuations in interest rates.

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

Explanation 4: Ratio of interest rate sensitive assets to liabilities＝Interest rate sensitive assets ÷ interest rate sensitive liabilities (refer to USD interest rate sensitive assets and interest rate sensitive liabilities).

(6) Transfer of Financial Assets

A. Transferred financial assets not derecognized in whole

Most of the financial assets in routine operation of the Company already transferred but not qualified for overall derecognized are debt securities under R/P agreements or equity securities lent out under securities securities lending agreements. These transactions resulted in the transfer of cash flow from contracts to a third party and also reflect the liabilities of the Company deriving from the responsibilities of repurchase the transferred financial assets at fixed price in the future. For this type of transactions, the Company cannot use, sell, or lien the transferred financial assets within the term of trade but the Company still have to assume the interest risk and credit risk, therefore these instruments were not derecognized in whole. The following table shows the financial assets and other financial liabilities not qualified for derecognized in whole:

June 30, 2020		
Financial asset category	Book value of transferred financial assets	Book value of related financial liabilities
Financial assets at fair value through other comprehensive income R/P contracts	4,316,138	4,097,570
Financial assets at amortized cost R/P contracts	4,023,282	3,964,984

December 31, 2019		
Financial asset category	Book value of transferred financial assets	Book value of related financial liabilities
Financial assets at fair value through other comprehensive income R/P contracts	5,427,858	5,106,542
Financial assets at amortized cost R/P contracts	3,970,146	3,783,997

June 30, 2019		
Financial asset category	Book value of transferred financial assets	Book value of related financial liabilities
Financial assets at fair value through other comprehensive income R/P contracts	4,310,227	4,159,835
Financial assets at amortized cost R/P contracts	7,103,615	6,627,550

(7) Offsetting between financial assets and financial liabilities

The Company also did not have the offsetting conditions as required by the notification. However, the Company has entered into a general agreement with counterparties for settlement in net value or similar agreements, such as R/P in similar agreements. The aforementioned general agreements on delivery at net amount or similar agreements provided that if the trading parties elect to deliver at net amount, they may offset the financial assets with financial liabilities in the transaction for delivery, or delivery at total amount. If either side of the trading parties is defaulted, the other side may elect to deliver at net amount.

The following table provides the quantified information on the financial assets and financial liabilities to be executed under the general agreement on net amount delivery:

June 30, 2020:

Financial assets	Recognized total financial assets	Recognized total financial liabilities offset on balance sheet	Net financial assets on balance sheet	Amount not offset on balance sheet		
				Financial instruments	Collaterals in cash received	Net amount
Derivatives	$20,277	$ -	$20,277	($9,278)	$ -	$10,999

Financial liabilities	Recognized total financial liabilities	Recognized total financial assets offset on balance sheet	Net financial liabilities on balance sheet	Amount not offset on balance sheet		
				Financial instruments	Collaterals in cash under lien	Net amount
Derivatives	$35,806	$ -	$35,806	($9,278)	($26,528)	$ -
R/P bills and bond liabilities	8,062,554	-	8,062,554	(8,015,194)	(47,360)	-
Total	$8,098,360	$ -	$8,098,360	($8,024,472)	($73,888)	$ -

December 31, 2019:

Financial assets	Recognized total financial assets	Recognized total financial liabilities offset on balance sheet	Net financial assets on balance sheet	Amount not offset on balance sheet		
				Financial instruments	Collaterals in cash received	Net amount
Derivatives	$28,847	$ -	$28,847	($8,970)	$ -	$19,877

Financial liabilities	Recognized total financial liabilities	Recognized total financial assets offset on balance sheet	Net financial liabilities on balance sheet	Amount not offset on balance sheet		
				Financial instruments	Collaterals in cash under lien	Net amount
Derivatives	$32,628	$ -	$32,628	($8,970)	($18,878)	$4,780
R/P bills and bond liabilities	8,890,539	-	8,890,539	(8,809,773)	(80,766)	-
Total	$8,923,167	$ -	$8,923,167	($8,818,743)	($99,644)	$4,780

June 30, 2019:

Financial assets	Recognized total financial assets	Recognized total financial liabilities offset on balance sheet	Net financial assets on balance sheet	Amount not offset on balance sheet		
				Financial instruments	Collaterals in cash received	Net amount
Derivatives	$12,334	$ -	$12,334	($1,150)	$ -	$11,184

Financial liabilities	Recognized total financial liabilities	Recognized total financial assets offset on balance sheet	Net financial liabilities on balance sheet	Amount not offset on balance sheet		
				Financial instruments	Collaterals in cash under lien	Net amount
Derivatives	$18,649	$ -	$18,649	($1,150)	$ -	$17,499
R/P bills and bond liabilities	10,787,385	-	10,787,385	(10,787,385)	-	-
Total	$10,806,034	$ -	$10,806,034	($10,788,535)	$ -	$17,499

12.5 Capital Management

(1) Overview

The Company adopts the following capital management objectives:

(A) The primary objectives of the Company in capital management is to ensure that the core capital of the Company meets the regulatory capital requirement and shall at least equal to the minimum capital adequacy ratio required by law. The Company follows the regulations enforced by the competent authority for calculation of the core capital and regulatory capital.

(B) Capital requirement is estimated on the basis of the risk components and features of the risks the Company bounds to confront for proper risk management and the optimization allocation of assets so that the Company has sufficient capital to tackle with the risks.

(2) Capital Management Procedures

The Company maintain an adequate capital adequacy ratio that meets the requirements of the competent authority. The Company lodges the capital adequacy ratio with the competent authority on a quarterly basis.

The Company possesses Tier I Capital and Tier II capital as equity in accordance with the "Regulations Governing the Capital Adequacy and Capital Category of Companys" of FSC:

(A) Tier 1 Capital: Including common stock equity tier 1 capital and other non-common equity tier 1 capital.

- Common stock equity tier 1 capital: It refers to common stock equity (ordinary share capital and share premium, additional paid-in capital, subscribed stock, legal reserve, special reserve, accumulated earnings, non-controlling interests, other component of equity, and etc.) deducting intangible assets, deferred income tax assets from the previous year , unrealized gain on financial assets at fair value through other comprehensive income (not classified as capital instruments of financial related business and debt instrument of TLAC), the insufficiency of operation reserves and allowance for bad debts, properties revaluation increments, unamortized loss on sale of substandard debts and other adjustments prescribed by other calculation methods and regulations.

- Other non-common equity tier 1 capital: Including non-cumulative perpetual preferred stock and share premium, non-cumulative perpetual subordinated debt, and non-cumulative perpetual preferred stock and share premium issued by the subsidiary of the Company and not directly or indirectly held by the Company.

(B) Tier 2 capital: It includes cumulative perpetual preferred stock and share premium, cumulative perpetual subordinated debt, convertible subordinated bond, long-term subordinated bond, non-perpetual preferred stock and share premium, retained earnings increments measured at fair value or revaluation of properties on the first-time adoption of International Accounting Standards, 45% of gains from increments of investment properties at fair value model and unrealized holding gains of available-for-sale financial assets, 45% of unrealized gain on financial assets at fair value through other comprehensive income (not classified as capital instruments of financial related business and debt instrument of TLAC), operation reserves and allowance for bad debts, cumulative perpetual preferred stock and share premium issued by the subsidiary of the Company and not directly or indirectly held by the Company, and etc.

(3) Capital adequacy:

Unit：NTD thousand；%

Item analysis \ Year (Note2)			June 30, 2020	December 31, 2019	June 30, 2019
Equity capital	Common stock equity		15,524,378	14,570,410	14,199,675
	Other Tier 1 capital		2,000,000	1,708,586	509,659
	Tier 2 capital		3,239,862	3,344,605	3,943,603
	Equity capital		20,764,240	19,623,601	18,652,937
Risk-weighted assets	Credit risk	Standards Act	155,075,468	152,157,934	154,248,317
		Internal Rating-Based Approach	-	-	-
		Asset Securitization	-	-	-
	Operational Risk	Basic indicator method	6,214,887	6,214,887	6,145,285
		Standards Act / selective	-	-	-
		Advanced Measurement Approach	-	-	-
	Market Risk	Standards Act	5,577,528	3,719,540	4,132,275
		Internal model method	-	-	-
	Risk-weighted assets		166,867,883	162,092,361	164,525,877
Capital Adequacy Ratio			12.44	12.11	11.34
Common stock equity / Risk assets			9.30	8.99	8.63
Tier 1 capital / Risk assets			10.50	10.04	8.94
Leverage Ratio.			6.21	5.77	5.26

Note 1: The amount of the Company's own capital, weighted risk assets and total risk insurance shall be calculated in accordance with the “Bank Capital Adequacy and Capital LevelManagement Measures” and “Description and Table of Calculation Methods for Bank-owned Capital and Risky Assets”.

Note 2：The annual statement should be filled with the capital adequacy ratio for the current period and the previous period. Except for the current period and the previous period, the semi-annual financial statements should increase the capital adequacy ratio at the end of the previous year.

Note 3：The following calculation formula should be listed in this period:

(1)Equity capital＝Common stock equity＋Other tier 1 capital＋Tier 2 capital

(2)Risk-weighted assets＝Credit risk-weighted assets＋（Operational Risk＋Market Risk）Capital accrual × 12.5

(3)Capital adequacy ratio＝Equity capital / Risk-weighted assets

(4)Ratio of common stock equity to risk assets＝Common stock equity / Risk-weighted assets

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

(6)Leverage Ratio = Tier 1 capital / total exposure.

12.6 Profitability

Unit: %

Item		For the three months ended June 30		For the six months ended June 30	
		2020	2019	2020	2019
Return on assets	Before income tax	0.08	0.08	0.17	0.15
	After income tax	0.07	0.07	0.15	0.14
Return on equity	Before income tax	1.34	1.42	2.94	2.71
	After income tax	1.14	1.28	2.52	2.47
Net income ratio		19.86	19.10	20.78	18.91

Explanation: 1. Return on assets＝Income before (after) income tax / average total assets.

2. Return on equity＝Income before (after) income tax / average net worth
3. Net income ratio＝net income (loss) after income tax / net operating revenue
4. Income before (after) income tax refers to the amount of income for the period from January to the current quarter.

12.7 Other matters

Evaluation for the effect of coronavirus disease:

1. The credit rating, default rate and recovery rate of investment targets of the Company's investment in securities (financial assets measured at fair value through profit and loss, debt instruments measured at fair value through other comprehensive income, and debt instrument investments measured at amortized cost, etc.) are limited affected by Coronavirus Infections. In addition, when observing the issuance status of the domestic bond market this year, issuers increased the scale of fundraising in view of the low interest rate environment, and investors also increased their investment in corporate bonds or financial bonds due to the low interest rate of central government bonds. The epidemic didn't affect significantly the issuance or subordinated flow of the bond market.
2. Given that the government's various relief and revitalization measures are still being implemented, and the domestic Coronavirus Infections is in a stable state, the quality of the Company's credit is still under control. And the loan customers, which has applied to the relief or revitalization measures can not only improve the enterprises' ability to perform contracts in the future, but also solve the shortage of the enterprises' working capital due to the combination of grace period. Therefore, the creditors affected by the Coronavirus infections will not cause significant adverse effects on the Company's asset quality in the future.

13.SUPPLEMENTARY DISCLOSURES

13.1 Information on significant transactions

(1) Cumulative purchase or sale of shares in the same investee company in excess of \$300 million or 10% of paid-in capital: None.

(2) Acquisition of real estate in excess of \$300 million or 10% of paid-in capital: None.

(3) Disposal of real estate in excess of \$300 million or 10% of paid-in capital: None.

(4) Allowance for service fees to related parties in excess of \$5 million: None.

(5) Receivables from related parties in excess of \$300 million or 10% of the paid-in capital: Appendix 1.

(6) Information on sale of non-performing loans: None.

(7) Type of and other relevant information on securitization instruments approved for issuance in accordance with the securitization rules governing financial assets and real estate: None.

(8) Other significant transactions sufficient to influence the decisions of financial statement users: None.

13.2 Information on investees: Appendix 2.

13.3 Information on Investments in Mainland China: None.

13.4 Information of major shareholders (List of all shareholders with ownership of 5 percent or greater showing the name and the number of shares and percentage of ownership held by each shareholder): Appendix 3.

Appendix 1

BANK OF KAOHSIUNG CO., LTD.

Statement of Receivables from Related Parties in Excess of $300 Million or 10% of Paid-in Capital

June 30, 2020

Unit: NT$ Thousand

Company in Which Accounts Receivables Are Recognized	Counterparty	Relationship	Balance of Receivables from Related Parties	Turnover Rate	Overdue Receivables from Related Parties		Amount of Receivables From Related Parties Subsequently Collected	Allowance for Doubtful accounts
					Amount	Handling Method		
Bank of Kaohsiung Ltd.	Kaohsiung City Government	Major shareholder of the Company	19,971,534	Not applicable to financial institutions	None	Not applicable	As of August 13, 2020, $1,708,933 thousand was collected.	-

Appendix 2

BANK OF KAOHSIUNG CO., LTD.
Information on the investees
June 30, 2020

Unit: NTD in thousands

Invested company name	Area	Main business	Percentage of ownership	Carrying value	Investment income and losses (Note 3)	Shareholdings of the Company and related enterprises (Note 1)				Note
						Current number of shares	Proposed shareholding (Note 2)	Total		
								Number of shares	shareholding ratio	
Financial related business										
Taiwan Finance Corporation	Taipei City	Ticket financing business	10.00%	486,744	26,324	51,617	—	51,617	10.00%	Financial asset at FVTOCI
Waterland Securities Co., Ltd.	Taipei City	Securities business	4.94%	348,555	15,978	38,261	—	38,261	4.94%	Financial asset at FVTOCI
Financial Information Service co., Ltd	Taipei City	Information service	1.17%	252,015	16,821	6,117	—	6,117	1.17%	Financial asset at FVTOCI
Taiwan Asset Management Corporation	Taipei City	Asset management	0.57%	70,560	3,900	6,000	—	6,000	0.57%	Financial asset at FVTOCI
Taiwan Futures Exchange	Taipei City	Futures trading	0.30%	48,616	2,762	1,062	—	1,062	0.30%	Financial asset at FVTOCI
Taiwan Financial Asset Service Corporation	Taipei City	Financial asset service	2.94%	44,400	400	5,000	—	5,000	2.94%	Financial asset at FVTOCI
Ipass Corporation	Kaohsiung City	Electronic ticketing industry	3.51%	44,080	—	4,000	—	4,000	3.51%	Financial asset at FVTOCI

Invested company name	Area	Main business	Percentage of ownership	Carrying value	Investment income and losses (Note 3)	Shareholdings of the Company and related enterprises (Note 1)				Note
						Current number of shares	Proposed shareholding (Note 2)	Total		
								Number of shares	shareholding ratio	
Taipei Foreign Exchange Market Development Foundation	Taipei City	Forex broker	3.53%	24,626	4,200	700	—	700	3.53%	Financial asset at FVTOCI
Taiwan Depository & Clearing Corporation	Taipei City	Custody settlement	0.08%	14,981	1,102	315	—	315	0.08%	Financial asset at FVTOCI
Taiwan Mobile Pay. Co., Ltd.	Taipei City	Information service	0.50%	2,574	—	300	—	300	0.50%	Financial asset at FVTOCI
Sunshine Assets Management Co., Ltd.	Taipei City	Asset management	0.01%	4	1	0.347	—	0.347	0.01%	Financial asset at FVTOCI
Non-financial related business										
Kaohsiung Rapid Transit Corporation	Kaohsiung City	MRT system	0.23%	5,967	64	643	—	643	0.23%	Financial asset at FVTOCI

Note 1: All existing or proposed shares held by the Company, the directors, the supervisors, the general manager, the deputy general manager and the related companies that are in compliance with the definition of the Company Law shall be included in the shares.

Note 2: (1) The proposed shareholding refers to the purchase of equity-type securities or the derivative goods contract (which has not yet been converted into equity holders), and is linked to the investment business according to the agreed trading conditions and the bank's intention to invest. The equity is also transferred to the investment purpose of Article 74 of this Law, and the shares acquired as a result of the conversion under the assumption of conversion.

(2) The former disclosure of "equity securities with equity" refers to securities of the first paragraph of Article 11 of the Securities and Exchange Act, such as convertible corporate bonds and warrants

(3) The "derivative commodity contract" mentioned above refers to those who meet the definition of derivative instruments in International Financial Reporting Standard No. 9, such as stock options.

Note 3: Current investment income refers to cash dividends.

Appendix 3

BANK OF KAOHSIUNG CO., LTD.

Information Of Major Shareholder

June 30, 2020

Name of Shareholder	Total Shares Owned	Ownership Percentage
Kaohsiung City Government	466,164,011	43.12%
Jinn Her Enterprise Co., Ltd.	141,829,766	13.12%

Note: The information of main shareholder in this table is calculated by the TDCC on the last business day at the end of each quarter. The total number of common shares and special shares held by the shareholders who have completed the delivery of the company without physical registration (including treasury shares) is more than 5%. As for the share capital recorded in the Company's financial report and the number of shares actually delivered by the company without physical registration may be differentiated due to the calculation basis.

14.SEGMENT INFORMATION

14.1 General Information:：

The reportable segments of the Company is strategies business units that provide different products and services and are capable of generating revenues and incurring expenses. Due to the fact that each strategic enterprise unit require different technology and marketing strategies, the decision-makers of the Company separately manages and monitors the operating results of the respective enterprise units in order to make decisions on resource allocation and performance reviews. The reportable segments are as follows:

(1) DBU, which primarily engages in deposit taking and underwriting of loans in the domestic market.

(2) OBU& Finance Administration Department, which primarily engages in the investment and trading of securities and offshore deposits and loans.

(3) Other segments, which primarily engages in public treasury, trust, foreign exchange, life insurance and property insurance businesses.

14.2 Measurement of Segment Information:

The Company decision makers separately monitor the operating results of the respective operating segments to make decisions on resource allocation and performance reviews. Segment performance is evaluated on the operating income or loss derived by the segment concerned. Such operating income or loss is measured by methods consistent with those adopted for the income and expense items in the financial statements.

14.3 Financial Information by Segment

For the three months ended June 30, 2020：

	DBU	OBU& Finance Administration Dept.	Other Segments	Adjustment & Elimination	Total
Interest and service fee income from external customers	$742,807	$369,480	$64,307	$ -	$1,176,594
Interest and service fee income from internal segments	273,868	-	-	(273,868)	-
Interest and service fee paid to external customers	(392,555)	(35,513)	(6,933)	-	(435,001)
Interest and service fee paid to internal segments	-	(231,161)	(42,707)	273,868	-
Other net revenue	11,551	146,879	-	-	158,430
Net revenue	$635,671	$249,685	$14,667	$ -	$900,023
Bad debt expense	6,963	(64,399)	-	-	(57,436)
Operating expenses	(583,811)	(27,710)	(20,866)	-	(632,387)
Segment profit or loss	$58,823	$157,576	($6,199)	$ -	$210,200

Assets					
Capital expenditure on noncurrent assets	$64,064	$ -	$ -	$ -	$64,064
Segment assets	$161,787,951	$99,717,969	$9,792,565	$165,457	$271,463,942
Segment liabilities	$147,734,014	$98,221,517	$9,617,626	$ -	$255,573,157

(1) Inter-segment revenues and expenses were eliminated.

(2) Segment profit (loss) excluded income tax expense amounting to $31,432 thousand.

(3) Segment assets excluded deferred income tax assets amounting to $165,457 thousand.

For the three months ended June 30, 2019：

	DBU	OBU& Finance Administration Dept.	Other Segments	Adjustment & Elimination	Total
Interest and service fee income from external customers	$842,121	$532,622	$90,917	$ -	$1,465,660
Interest and service fee income from internal segments	332,180	-	-	(332,180)	-
Interest and service fee paid to external customers	(458,804)	(93,177)	(85,990)	-	(637,971)
Interest and service fee paid to internal segments	-	(332,180)	-	332,180	-
Other net revenue	10,960	145,348	6,695	-	163,003
Segment profit or loss adjustment	(982)	-	982	-	-
Net revenue	$725,475	$252,613	$12,604	$ -	$990,692
Bad debt expense	(27,716)	(147,774)	-	-	(175,490)
Operating expenses	(546,250)	(25,608)	(33,126)	-	(604,984)
Segment profit or loss adjustment	(7,247)	-	7,247	-	-
Segment profit or loss	$144,262	$79,231	($13,275)	$ -	$210,218
Assets					
Capital expenditure on noncurrent assets	$20,042	$ -	$ -	$ -	$20,042
Segment assets	$157,366,390	$99,109,779	$9,683,630	$229,444	$266,389,243
Segment liabilities	$144,187,103	$97,616,519	$9,506,414	$ -	$251,310,036

(1) Inter-segment revenues and expenses were eliminated.

(2) Segment profit (loss) excluded income tax profit amounting to $20,998 thousand.

(3) Segment assets excluded deferred income tax assets amounting to $229,444 thousand.

For six Months Ended June 30, 2020：

	DBU	OBU& Finance Administration Dept.	Other Segments	Adjustment & Elimination	Total
Interest and service fee income from external customers	$1,549,842	$796,411	$133,074	$ -	$2,479,327
Interest and service fee income from internal segments	633,341	-	-	(633,341)	-
Interest and service fee paid to external customers	(883,632)	(86,197)	(14,665)	-	(984,494)
Interest and service fee paid to internal segments	-	(537,945)	(95,396)	633,341	-
Other net revenue	37,113	365,261	-	-	402,374
Net revenue	$1,336,664	$537,530	$23,013	$ -	$1,897,207
Bad debt expense	58,123	(235,754)	-	-	(177,631)
Operating expenses	(1,153,897)	(56,652)	(48,642)	-	(1,259,191)
Segment profit or loss	$240,890	$245,124	$(25,629)	$ -	$460,385
Assets					
Capital expenditure on noncurrent assets	$310,377	$ -	$ -	$ -	$310,377
Segment assets	$161,787,951	$99,717,969	$9,792,565	$165,457	$271,463,942
Segment liabilities	$147,734,014	$98,221,517	$9,617,626	$ -	$255,573,157

(1) Inter-segment revenues and expenses were eliminated.

(2) Segment profit (loss) excluded income tax profit amounting to $66,135 thousand.

(3) Segment assets excluded deferred income tax assets amounting to $165,457 thousand.

For six Months Ended June 30, 2019：

	DBU	OBU& Finance Administration Dept.	Other Segments	Adjustment & Elimination	Total
Interest and service fee income from external customers	$1,684,146	$1,040,175	$188,407	$ -	$2,912,728
Interest and service fee income from internal segments	650,034	-	-	(650,034)	-
Interest and service fee paid to external customers	(932,049)	(180,945)	(155,597)	-	(1,268,591)
Interest and service fee paid to internal segments	-	(650,034)	-	650,034	-
Other net revenue	19,150	252,816	16,027	-	287,993
Segment profit or loss adjustment	16,638	-	(16,638)	-	-
Net revenue	$1,437,919	$462,012	$32,199	$ -	$1,932,130
Bad debt expense	(182,575)	(150,793)	-	-	(333,368)
Operating expenses	(1,080,395)	(48,637)	(69,347)	-	(1,198,379)
Segment profit or loss adjustment	(14,178)	-	14,178	-	-
Segment profit or loss	$160,771	$262,582	$(22,970)	$ -	$400,383

Assets					
Capital expenditure on noncurrent assets	$83,572	$ -	$ -	$ -	$83,572
Segment assets	$157,366,390	$99,109,779	$9,683,630	$229,444	$266,389,243
Segment liabilities	$144,187,103	$97,616,519	$9,506,414	$ -	$251,310,036

(1) Inter-segment revenues and expenses were eliminated.

(2) Segment profit (loss) excluded income tax profit amounting to $35,079 thousand.

(3) Segment assets excluded deferred income tax assets amounting to $229,444 thousand.

14.4 Information by product:

The business segment is the main operating segment. No need for additional business information.

14.5 Information by geographic location:

The interim financial statements are exempt from disclosure.

14.6 Information on major client:

The interim financial statements are exempt from disclosure.

BANK OF KAOHSIUNG CO., LTD.

Securities Department Disclosure

For the Six Months Ended June 30, 2020 and 2019

BANK OF KAOHSIUNG CO., LTD.
Financial Statements of Securities Department
for the Six Months Ended June 30, 2020 and 2019

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BANK OF KAOHSIUNG CO., LTD.
BALANCE SHEETS OF SECURITIES DEPARTMENT
JUNE 30, 2020, DECEMBER 31 and JUNE 30, 2019
(In Thousands of New Taiwan Dollars)

	ASSETS		June 30, 2020		December 31, 2019		June 30, 2019	
A/C No.	Item	Note	Amount	%	Amount	%	Amount	%
	Current asstes							
112000	Financial assets at fair value through profit or loss	6.1	$ 356,201	12	$ 57,596	2	$ 58,629	2
113200	Financial assets at fair value through other comprehensive income	6.2	2,630,816	88	2,829,171	97	3,065,676	98
114130	Receivables	6.3	8,673	-	17,458	1	10,508	-
114600	Current income tax assets		942	-	-	-	1,641	-
110000	Total current assets		2,996,632	100	2,904,225	100	3,136,454	100
	Non-current asstes							
129000	Other non-current assets		9,600	-	9,600	-	9,600	-
120000	Total non-current assets		9,600	-	9,600	-	9,600	-
906001	Total		$ 3,006,232	100	$ 2,913,825	100	$ 3,146,054	100

	LIABILITIES AND EQUTIY		June 30, 2020		December 31, 2019		June 30, 2019	
A/C No.	Item	Note	Amount	%	Amount	%	Amount	%
	Current liabilities							
214010	Securities sold under repurchase agreements	6.5	$ 34,625	1	$ 34,572	1	$ 34,514	1
214130	Payables		452	-	551	-	261	-
214600	Current income tax liabilities		-	-	1,684	-	-	-
210000	Total current liabilities		35,077	1	36,807	1	34,775	1
	Non-current liabilities							
224200	Other non-current liabilities	7	2,140,829	71	2,058,702	71	2,297,348	73
220000	Total non-current liabilities		2,140,829	71	2,058,702	71	2,297,348	73
906003	Total liabilities		2,175,906	72	2,095,509	72	2,332,123	74
301110	Operating capital	6.6	800,000	27	800,000	28	800,000	26
304040	Unappropriated earnings		9,238	-	10,660	-	6,598	-
305142	Unrealised gain (loss) of financial assets measured at fair value through other comprehensive income		21,069	1	7,636	-	7,313	-
305290	Other Equity - others		19	-	20	-	20	-
906004	Total equity		830,326	28	818,316	28	813,931	26
	Total		$ 3,006,232	100	$ 2,913,825	100	$ 3,146,054	100

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

BANK OF KAOHSIUNG CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME OF SECURITIES DEPARTMENT

FOR THE SIX MONTHS ENDED JUNE 30, 2020 and 2019

(In thousands of New Taiwan dollars, Except Earnings Per Share)

			For the six months ended June 30			
			2020		2019	
A/C No.	Accounts	Note	Amount	%	Amount	%
404000	Securities underwriting services income		$ 5,000	25	$ 3,750	20
421200	Interest income	6.7	10,637	54	10,590	57
421500	Net loss on operating securities measured at fair value through profit or loss		(2,983)	(15)	(1,012)	(5)
421750	Net realized gain on investments in debt instruments at fair value through other comprehensive income	6.8	7,031	36	5,265	28
400000	Total income		19,685	100	18,593	100
502000	Self-operated brokerage expense		(57)	-	(41)	-
521200	Interest expense	6.9	(7,619)	(38)	(9,304)	(51)
531000	Employee benefits		(1,340)	(7)	(1,580)	(8)
533000	General and administrative		(133)	(1)	(81)	-
500000	Total expenses		(9,149)	(46)	(11,006)	(59)
902001	Income before income tax		10,536	54	7,587	41
701000	Income tax expense		(1,298)	(7)	(989)	(5)
902005	Net income for the period		9,238	47	6,598	36
	Other comprehensive income					
805600	Components of other comprehensive income that will be reclassified to profit or loss					
805615	Unrealized gain on valuation of investments in debt instruments measured at fair value through other comprehensive income		13,433	68	1,434	8
805000	Other comprehensive gains for the period, net of income tax		13,433	68	1,434	8
902006	Total comprehensive income for the period		$22,671	115	$8,032	44

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

1. HISTORY AND DEPARTMENT

The securities department of the company was approved by the competent authority in April of the Republic of China, and its business includes:

1.1 Securities dealer-limited to government bonds

1.2 Securities underwriter

1.3 Other business approved by the Financial Supervisory Commission

As of June 30, 2020, the securities department of the Company's designated working capital is $800,000 thousand.

2. APPROVAL OF FINANCIAL STATEMENTS

Please refer to the financial report of the Company for the approval date and procedure of the financial report of the Company's securities department.

3. APPLICABILITY OF THE NEW ANNOUNCEMENT, STANDARDS, AND INTERPRETATION

Please refer to the financial report of the Company for the application of the new release and revision criteria and explanations of the Company's securities department.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The major accounting policies adopted by the Company's securities department are not different from those adopted by the Company except for the following explanations.
Please refer to the financial report of the Company.

4.1 Statement of Compliance

The financial report of the Company's securities department is based on the “Criteria Governing the Preparation of Financial Reports by Securities Firms”.

4.2 Basis of Preparation

4.2.1.The financial report of the company's securities department is prepared in accordance with historical cost, except for financial assets or financial liabilities measured at fair value.

4.2.2.The analysis of expenses by the securities department of the company is classified according to the nature of the fees.

4.2.3.The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

4.3 Assets and liabilities distinguish between mobile and non-current classification criteria

4.3.1. Assets that meet one of the following conditions are classified as current assets, and all other assets that are not current assets are classified as non-current assets:

(1) Expected to be realized during the normal business cycle, or intended to be sold or consumed.

(2) Mainly holders for trading purposes.

(3) It is expected to be realized within 12 months after the balance sheet date.

(4) Cash or cash equivalents, excluding those used for exchange, liquidation or other restrictions over the twelve months after the balance sheet date.

4.3.2. Liability that meets one of the following conditions is classified as current liabilities, and all other liabilities that are not current liabilities are classified as non-current liabilities:

(1) It is expected to be settled in the normal operating cycle.

(2) Mainly held for trading purposes.

(3) It is expected that the liquidation will be due within 12 months after the balance sheet date, even if the long-term refinancing or re-arrangement payment agreement has been completed after the balance sheet date and before the financial report is passed.

(4) The settlement period cannot be unconditionally extended to at least twelve months after the balance sheet date. The terms of the liability may be based on the choice of the counterparty, and the issue of the equity instrument will result in its liquidation, without affecting its classification.

4.4 Designated working capital

The banking industry is also engaged in the self-operated and underwriting business of securities dealers, and refers to the working capital of the securities department.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The main sources of significant accounting judgments, estimates and assumptions of the Company’s securities department are the same as those in the financial statements of the Company. Please refer to the financial statements of the Company.

6. DESCRIPTION OF SIGNIFICANT ACCOUNTS

6.1 Financial assets at fair value through profit or loss

Item	June 30, 2020	December 31, 2019	June 30, 2019
Financial assets mandatorily measured at FVPL			
Bonds (government bonds)	$356,201	$57,596	$58,629

Please refer to Note 8 for details of financial assets at FVTPL provided as collateral for the various businesses as of June 30, 2020 and December 31, 2019 and June 30, 2019.

6.2 Financial assets at fair value through other comprehensive income - current

Item	June 30, 2020	December 31, 2019	June 30, 2019
Investments in debt instruments：			
Government bonds	$2,609,747	$2,821,535	$3,058,363
Evaluation adjustment	21,069	7,636	7,313
Subtotal	$2,630,816	$2,829,171	$3,065,676

1. Please refer to Note 8 for details of financial assets at FVTOCI provided as collateral for the various businesses as of June 30, 2020 and December 31, 2019 and June 30, 2019.
2. The Company's securities department considers the historical default loss rate provided by external rating agencies to measure the 12-month expected credit loss or expected credit loss during the duration of the debt instrument investment. The securities department's current credit risk assessment mechanism and the total carrying amount of each credit rating instrument investment are as follows:

Credit rating	Definition	Expected credit loss recognition basis	Expected credit loss rate	Total book value as of June 30, 2020
Stage 1	The debtor has a low credit risk and is fully capable of paying off contractual cash flows	12 months expected credit loss	0.00%	$2,609,747

Credit rating	Definition	Expected credit loss recognition basis	Expected credit loss rate	Total book value as of December 31, 2019
Stage 1	The debtor has a low credit risk and is fully capable of paying off contractual cash flows	12 months expected credit loss	0.00%	$2,821,535

Credit rating	Definition	Expected credit loss recognition basis	Expected credit loss rate	Total book value as of June 30, 2019
Stage 1	The debtor has a low credit risk and is fully capable of paying off contractual cash flows	12 months expected credit loss	0.00%	$3,058,362

3. The amounts of impairment loss of the debt instrument investments measured by fair value through other comprehensive income for the six months ended June 30, 2020 and 2019 were both $0 thousand.

6.3 Receivables

Item	June 30, 2020	December 31, 2019	June 30, 2019
Accrued interest	$8,673	$17,458	$10,508
Less: Allowance for doubtful accounts	-	-	-
Net	$8,673	$17,458	$10,508

6.4 Property and equipment, net

	June 30, 2020		
Name of Asset	Cost	Accumulated depreciation	Carry amount
Machinery and computer equipment	$67	$67	$ -

	December 31, 2019		
Name of Asset	Cost	Accumulated depreciation	Carry amount
Machinery and computer equipment	$67	$67	$ -

	June 30, 2019		
Name of Asset	Cost	Accumulated depreciation	Carry amount
Machinery and computer equipment	$67	$67	$ -

6.5 Securities purchased under resale agreements

Item	June 30, 2020	December 31, 2019	June 30, 2019
Government bonds	$34,625	$34,572	$34,514

Securities purchased under resale agreement sold at agreed prices of $34,640 thousand, $34,601 thousand and $34,543 thousand, respectively as of June 30, 2020, December 31, 2019 and June 30, 2019, respectively.

6.6 Directed working capital

The Company's securities department had working capital of all $800,000 thousand as of June 30, 2020, December 31, 2019 and June 30, 2019.

6.7 Interest income

Item	For the six months ended June 30	
	2020	2019
Government bond income	$9,118	$9,281
Interest income from financial assets measured at FVTPL	1,519	1,306
Other interest income	-	3
Total	$10,637	$10,590

6.8 Net gain (loss) of the debt instrument investments measured by fair value through other comprehensive income

Item	For the six months ended June 30	
	2020	2019
Dispose of bonds	$7,031	$5,265

6.9 Interest expense

Item	For the six months ended June 30	
	2020	2019
Repurchased bond debt interest	($53)	($63)
Internal transactions - interest expenses	(7,566)	(9,241)
Total	($7,619)	($9,304)

7. RELATED PARTY TRANSACTIONS

7.1 Name and Relationship of Related Parties with the Company

Name of Related Party	Relationship with the Company
Bank of Kaohsiung Co., Ltd.	Head office of the department

7.2 Significant transactions with related parties

1. Internal transactions credit

Name of Related Party	Item	June 30, 2020	December 31, 2019	June 30, 2019
Bank of Kaohsiung	Internal transactions (recorded as other liabilities)	$2,140,829	$2,058,702	$2,297,348

2. Internal transactions gains (losses)

Name of Related Party	Item	For the six months ended June 30	
		2020	2019
Bank of Kaohsiung	Interest expense	($7,566)	($9,241)
	Range of interest rates	0.6%	0.9%

8. PLEDGED ASSETS

Item	June 30, 2020	December 31, 2019	June 30, 2019
Government bonds (par value)	$741,800	$741,800	$741,800

The above pledged assets were placed with the court as:

1. Deposited in the Securities and Futures Trading Center of the Republic of China as a reserve for the settlement of the equalization system.
2. Deposited in the Depository Section of the Central Bank Business Bureau as a ticket business guarantee.
3. Deposited in the China Trust Commercial Bank Securities Dealer Business Margin account as a bond dealer and underwriters deposit.
4. Deposited with Citi (Taiwan) Bank as a guarantee for foreign currency interbank placement.
5. Deposited with China Trust Commercial Bank as a guarantee for the repurchase transaction.

9. SIGNIFICANT OR CONTINGENT LIABILITIES AND COMMITMENTS

As of June 30, 2020, December 31 and June 30, 2019, the Company's securities department had the following commitments:

Item	June 30, 2020	December 31, 2019	June 30, 2019
Securities sold with to repurchase agreement	$34,640	$34,601	$34,543

10. SIGNIFICANT DISASTER LOSS: NONE.

11. SIGNIFICANT SUBSEQUENT EVENT: NONE.

12. OTHERS

12.1 Financial instruments

12.1.1 Information on fair value - the carrying amount of financial instruments not measured at fair value is an approximation of fair value.

12.1.2 Information on fair value - financial assets at measurement of repetitive fair value

(1) Information on the classes of fair value

	June 30, 2020			
Item	Amount	Level 1	Level 2	Level 3
Financial assets at fair value				
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit and loss - current	$356,201	$356,201	$ -	$ -
Financial assets at fair value through other comprehensive income	2,630,816	2,630,816	-	-
Total	$2,987,017	$2,987,017	$ -	$ -

	December 31, 2019			
	Amount	Level 1	Level 2	Level 3
Financial assets at fair value				
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit and loss - current	$57,596	$57,596	$ -	$ -
Financial assets at fair value through other comprehensive income	2,829,171	2,829,171	-	-
Total	$2,886,767	$2,886,767	$ -	$ -

	June 30, 2019			
Item	Amount	Level 1	Level 2	Level 3
Financial assets at fair value				
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit and loss - current	$58,629	$58,629	$ -	$ -
Financial assets at fair value through other comprehensive income	3,065,676	3,065,676	-	-
Total	$3,124,305	$3,124,305	$ -	$ -

(2) Definition of the three classes of fair value：please refer to the Notes of the Company's financial statements.

(3) Evaluation techniques and input values used to measure fair value：please refer to the Notes of the Company's financial statements.

(4) Transfer between Class Ⅰ and Class Ⅱ assets

From January to June 2020 and 2019, the Company's securities department did not have any transfer between Class I assets and liabilities and Class Ⅱ assets and liabilities.

(5) Changes in Class Ⅲ：None.

(6) Measurement process for fair value classified as Class Ⅲ：None.

(7) Quantified information on value fair measured on the basis of major unobservable input value (Class Ⅲ)：None.

(8) The sensitivity analysis of the fair value on assumption that could possibly and reasonable be substituted for measurement of Class Ⅲ fair value: Not applicable.

12.2 Management objectives and policies of financial risks

12.2.1. In order to achieve risk management objectives, the Company uniformly measures different risk factors and formulates corresponding risk control strategies. For financial risk information such as market risk, credit risk, and cash flow risk of interest rate changes, please refer to the financial report of the Company.

12.2.2. Liquidity risk

The following table presents the cash outflow analysis of the Company's non-derivative financial liabilities based on the remaining maturity date from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are based on contractual cash flows, so the amount disclosed in some projects will not correspond to the relevant items on the balance sheet.

June 30, 2020	0-30 days	31-90 days	91-180 days	181 days-1 year	over 1 year	total
Current liabilities						
Securities sold under repurchase agreements	$6,642	$15,702	$12,281	$ -	$ -	$34,625
Payables	229	76	147	-	-	452

December 31, 2019	0-30 days	31-90 days	91-180 days	181 days-1 year	over 1 year	total
Current liabilities						
Securities sold under repurchase agreements	$6,630	$27,942	$ -	$ -	$ -	$34,572
Payables	154	77	320	-	-	551

June 30, 2019	0-30 days	31-90 days	91-180 days	181 days-1 year	over 1 year	total
Current liabilities						
Securities sold under repurchase agreements	$6,619	$27,895	$ -	$ -	$ -	$34,514
Payables	10	77	174	-	-	261

12.2.3. Transferred financial assets that have not been derecognized as a whole

Please refer to the explanations of the company's financial report. The following table analyzes the financial assets of the Company's securities department that do not meet the overall derecognition conditions and related financial liabilities:

June 30, 2020

Financial asset type	Book value of the transferred financial assets	Book value of related financial liabilities
Financial assets at fair value through other comprehensive income		
R/P agreements	$31,961	$34,625

December 31, 2019

Financial asset type	Book value of the transferred financial assets	Book value of related financial liabilities
Financial assets at fair value through other comprehensive income R/P agreements	$31,869	$34,572

June 30, 2019

Financial asset type	Book value of the transferred financial assets	Book value of related financial liabilities
Financial assets at fair value through other comprehensive income R/P agreements	$31,840	$34,514

12.2.4. The mutual offset of financial assets and financial liabilities:

Please refer to the explanations of the company's financial report. The following table lists the quantitative information related to the financial assets and financial liabilities of the Company's securities department subject to the implementation of the net delivery:

June 30, 2020

Financial liabilities	Total financial liabilities recognized	Total recognized financial assets in the balance sheet	Net financial liabilities reported on the balance sheet	The amount not related to the balance sheet		
				Financial Instrument	Pledged cash collateral	Net
Securities sold under repurchase agreements	$34,625	$ -	$34,625	($31,961)	$ -	$2,664

December 31, 2019

Financial liabilities	Total financial liabilities recognized	Total recognized financial assets in the balance sheet	Net financial liabilities reported on the balance sheet	The amount not related to the balance sheet		
				Financial Instrument	Pledged cash collateral	Net
Securities sold under repurchase agreements	$34,572	$ -	$34,572	($31,869)	$ -	$2,703

June 30, 2019

Financial liabilities	Total financial liabilities recognized	Total recognized financial assets in the balance sheet	Net financial liabilities reported on the balance sheet	The amount not related to the balance sheet		
				Financial Instrument	Pledged cash collateral	Net
Securities sold under repurchase agreements	$34,514	$ -	$34,514	($31,840)	$ -	$2,674

13.SUPPLENENTARY DISCLOSURES

13.1 Information on significant transactions

(1) loans to others: None.

(2) Endorsement for others: None.

(3) Acquisition of real estate in excess of $300 million or 20% of paid-in capital: None.

(4) Disposal of real estate in excess of $300 million or 20% of paid-in capital: None.

(5) Allowance for service fees to related parties in excess of $5 million: None.

(6) Receivables from related parties in excess of $100 million or 20% of the paid-in capital: None.

13.2 Information on investees: None.

13.3 Investments in Mainland China: None.

14.SEGMENT INFORMATION: NOT APPLICABLE.

SECURITIES DEPARTMENT OF BANK OF KAOHSIUNG CO., LTD.
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT DETAILS
JUNE 30, 2020
(In Thousands of New Taiwan Dollars)

Financial Instrument	Summary	Number of Sheets (unit)	Per Value (dollar)	Total Amount	Interest Rate	Acquisition Cost	Fair Value		Remark
							Price (dollar)	Total Amount	
Government bonds	November 2020 to February 2030			$350,700	0.500%~5.375% (Note)	$353,011		$356,201	

(Note) Issued from 2000 to 2020

SECURITIES DEPARTMENT OF BANK OF KAOHSIUNG CO., LTD.
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - CURRENT DETAILS
JUNE 30, 2020
(In Thousands of New Taiwan Dollars)

Item	Summary	Amount (unit)	Value (dollar)	Total Amount	Interest Rate	Acquisition Cost	Evaluation Adjustment	Fair Value	
								Price (dollar)	Total Amount
Central government bonds	From February 2020 to June 2030	-		$2,600,000	0.477%~1.161%	$2,609,747	$21,069	99.2723~104.2706	$2,630,816

SECURITIES DEPARTMENT OF BANK OF KAOHSIUNG CO., LTD.
SECURITIES SOLD WITH REPURCHASE AGREEMENT DETAILS
JUNE 30, 2020
(In Thousands of New Taiwan Dollars)

Item	Par Value	Amount	Remark
Central government bonds	$31,800	$34,625	

SECURITIES DEPARTMENT OF BANK OF KAOHSIUNG CO., LTD.
INTEREST INCOME DETAILS
FOR THE SIX MONTHS ENDED JUNE 30, 2020
(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Remark
Interest income	Government bond interest	$9,118	
	Others	1,519	
Total		$10,637	

SECURITIES DEPARTMENT OF BANK OF KAOHSIUNG CO., LTD.
INTEREST EXPENSE DETAILS
FOR THE SIX MONTHS ENDED JUNE 30, 2020
(In Thousands of New Taiwan Dollars)

Item	Amount	Remark
Repurchased bond debt interest	$53	
Internal transactions - interest expenses	7,566	
Total	$7,619	

SECURITIES DEPARTMENT OF BANK OF KAOHSIUNG CO., LTD.
EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION AND
OTHER OPERATING EXPENSE DETAILS
FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

Items	For the six months ended June 30, 2020	For the six months ended June 30, 2019
Employee benefits		
Wages and salaries	$1,265	$1,491
Labor and health insurance	-	-
Pensions costs	75	89
Other employee benefits	-	-
Depreciation and amortization	-	-
Other general and administrative expenses	133	81
Total	$1,473	$1,661

As of June 30, 2020 and 2019, the Company's securities department has 2 and 3 employees, respectively.