KGI Bank Co., Ltd. and Subsidiaries

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

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INDEPENDENT AUDITORS' REPORT

KGI Bank Co., Ltd.

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

Key audit matters for the consolidated financial statements of the Bank and its subsidiaries for the six months ended June 30, 2020 are stated as follows:

Impairment of Discounts and Loans and Receivables

Loan is the main business of the Bank, which is material to the consolidated financial statements as a whole as it accounts for 47% of the total assets of the consolidated statements as of June 30, 2020. As stated in Note 5, to determine the impairment loss of discounts and loans and receivables, the Banks' management should (1) judge whether there has been a significant increase in credit risk or if there is any indication of credit impairment, (2) estimate the expected future cash flows based on past events, present status and future economic circumstances of the assets with similar credit risk, and (3) review periodically the methodology and assumptions adopted for both expected future cash flows and its timing to decrease the difference between estimated and actual amount of impairment. The methodology and assumptions adopted for the assessment of objective evidence of impairment and the amount and timing of future cash flows (e.g. impairment occurrence rate, and recovery rate) require the exercise of critical judgments and estimates; therefore, the impairment of discounts and loans and receivables is deemed to be a key audit matter for the six months ended June 30, 2020.

Refer to Notes 4, 5 and 46 for the critical accounting policies, judgment, estimation uncertainty and related disclosure of the impairment of discounts and loans and receivables.

Our key audit procedures performed in respect of the above area included the following:

We understood and assessed the Bank's internal controls related to the discounts and loans and receivables. We verified whether the methodology used in impairment model and parameters of the assumptions reflected past events, present status and future economic circumstances. We assessed the consistency of the impairment occurrence rate and recovery rate, etc. used in estimating expected future cash flows and evaluating values of collateral. Finally, we performed sampling on discounts, loans and receivables cases to verify whether the allowance thereof complies with the law and related regulations issued by the authorities.

Other Matter

We have also audited the parent company only financial statements of the Bank as of and for the six months ended June 30, 2020 and 2019 on which we have issued an unmodified opinion thereon, respectively.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the ability of the Bank and its subsidiaries to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank and its subsidiaries 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 financial reporting process of the Bank and its subsidiaries.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the ROC, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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 ability of the Bank and its subsidiaries to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank and its subsidiaries to cease to continue as a going concern.

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Mei-Hui Wu and Kwan-Chung Lai.

Wu Mei Hui

Kwan-Chung Lai

Deloitte & Touche
Taipei, Taiwan
Republic of China

August 20, 2020

<u>Notice to Readers</u>

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

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

KGI BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2020 Amount	%	December 31, 2019 Amount	%	June 30, 2019 Amount	%
CASH AND CASH EQUIVALENTS (Notes 6 and 42)	$ 8,936,986	1	$ 8,152,200	1	$ 9,530,996	1
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS (Notes 7 and 43)	45,220,553	6	28,303,064	4	35,083,261	5
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8, 16, 42 and 43)	101,876,332	13	78,108,576	12	98,792,025	14
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 9, 11, 16 and 43)	164,354,826	21	135,245,604	20	137,423,654	19
DEBT INVESTMENTS MEASURED AT AMORTIZED COST (Notes 4 and 10)	11,321,334	1	11,136,022	2	12,100,300	2
FINANCIAL ASSETS FOR HEDGING (Notes 4 and 11)	19,688	-	-	-	-	-
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Note 12)	35,599,006	5	18,686,598	3	18,837,196	3
RECEIVABLES, NET (Notes 4, 13, 42 and 43)	27,268,382	4	21,163,400	3	26,262,790	4
DISCOUNTS AND LOANS, NET (Notes 4, 14 and 42)	364,019,860	47	342,501,981	52	355,267,323	50
INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD, NET (Note 15)	787,220	-	963,203	-	946,428	-
OTHER FINANCIAL ASSETS, NET (Notes 17, 42 and 43)	1,048,950	-	1,984,230	-	1,131,100	-
PROPERTY AND EQUIPMENT, NET (Notes 18 and 43)	5,968,235	1	6,145,435	1	6,191,061	1
RIGHT-OF-USE ASSETS, NET (Notes 4, 19 and 42)	1,848,297	-	2,196,115	1	2,333,951	-
INVESTMENT PROPERTY, NET (Notes 20 and 43)	1,067,922	-	1,007,073	-	1,010,897	-
INTANGIBLE ASSETS, NET	924,357	-	906,760	-	515,368	-
DEFERRED TAX ASSETS (Notes 4 and 40)	1,578,632	-	1,350,850	-	2,349,893	-
OTHER ASSETS, NET (Notes 21, 42 and 43)	9,253,528	1	8,437,739	1	5,715,248	1
TOTAL	$ 781,094,108	100	$ 666,288,850	100	$ 713,491,491	100
LIABILITIES AND EQUITY						
LIABILITIES						
Deposits from the Central Bank and banks (Note 22)	$ 18,757,306	3	$ 22,965,260	3	$ 20,762,230	3
Due to the Central Bank and banks	15,850	-	-	-	-	-
Financial liabilities at fair value through profit or loss (Notes 4, 8 and 42)	86,898,965	11	76,747,276	12	83,863,042	12
Financial liabilities for hedging (Notes 4 and 11)	944,494	-	-	-	-	-
Notes and bonds issued under repurchase agreements (Notes 8, 9, 10 and 23)	57,528,983	7	18,749,841	3	45,633,002	6
Payables (Notes 24 and 42)	5,942,843	1	8,484,511	1	10,437,813	1
Current tax liabilities (Notes 4, 40 and 42)	666,437	-	600,802	-	541,361	-
Deposits and remittances (Notes 25 and 42)	494,835,556	63	421,317,257	63	448,209,105	63
Bank debentures payable (Notes 11 and 26)	15,468,206	2	10,450,000	2	10,450,000	2
Principal received on structured notes	20,878,722	3	30,248,517	5	20,110,583	3
Commercial paper payable, net (Note 27)	2,333,968	-	2,721,661	-	2,699,633	-
Other borrowings (Note 28)	1,527,070	-	877,799	-	1,288,429	-
Other financial liabilities	66,667	-	66,667	-	-	-
Provisions (Note 29)	431,256	-	443,633	-	446,136	-
Lease liabilities (Notes 4, 19 and 42)	1,864,859	-	2,196,791	-	2,328,479	-
Deferred tax liabilities (Notes 4 and 40)	463,663	-	24,660	-	425,382	-
Other liabilities (Notes 31 and 42)	10,753,466	2	6,017,947	1	3,326,153	1
Total liabilities	719,378,311	92	601,912,622	90	650,521,348	91
EQUITY (Note 32)						
Equity attributable to owners of parent						
Capital						
Common stock	46,061,623	6	46,061,623	7	46,061,623	7
Capital surplus						
Additional paid-in capital	7,245,723	1	7,245,723	1	7,245,723	1
Other capital surplus	5,583	-	5,583	-	5,519	-
Total capital surplus	7,251,306	1	7,251,306	1	7,251,242	1
Retained earnings						
Legal reserve	6,161,355	1	5,130,089	1	5,130,089	1
Special reserve	42,605	-	1,437,043	-	1,437,043	-
Unappropriated earnings	1,521,532	-	3,437,555	1	1,865,245	-
Total retained earnings	7,725,492	1	10,004,687	2	8,432,377	1
Other equity						
Exchange differences on translation of foreign financial statements	(39,635)	-	(84,330)	-	28,928	-
Unrealized gain (loss) on equity instruments at fair value through other comprehensive income	363,998	-	556,081	-	271,439	-
Unrealized gain (loss) on debt instruments at fair value through other comprehensive income	117,192	-	365,824	-	706,962	-
Allowance for impairment loss of investments in debt instrument at fair value through other comprehensive income	35,820	-	16,439	-	18,035	-
Total other equity	477,375	-	854,014	-	1,025,364	-
Total equity of parent company	61,515,796	8	64,171,630	10	62,770,606	9
Non-controlling interests	200,001	-	204,598	-	199,537	-
Total equity	61,715,797	8	64,376,228	10	62,970,143	9
TOTAL	$ 781,094,108	100	$ 666,288,850	100	$ 713,491,491	100

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

KGI BANK CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
INTEREST REVENUES (Notes 33 and 42)	$ 2,923,106	92	$ 3,477,148	123	$ 6,144,212	114	$ 6,983,926	127
INTEREST EXPENSES (Notes 19, 33 and 42)	(1,146,407)	(36)	(1,808,819)	(64)	(2,493,475)	(46)	(3,677,520)	(67)
NET INTEREST	1,776,699	56	1,668,329	59	3,650,737	68	3,306,406	60
NET REVENUES OTHER THAN INTEREST								
Service fee income, net (Notes 34 and 42)	409,634	13	521,013	19	920,622	17	1,015,043	19
Gains on financial assets or liabilities measured at fair value through profit or loss, net (Note 35)	726,596	23	524,685	19	962,867	18	676,881	12
Realized gain on financial assets measured at fair value through other comprehensive income (Note 36)	168,083	5	264,863	9	267,092	5	303,280	6
Foreign exchange loss, net	(5,490)	-	(216,202)	(8)	(488,207)	(9)	(6,718)	-
Reversal of impairment loss (impairment loss) on assets, net (Note 37)	(5,122)	-	6,176	-	(19,278)	(1)	8,042	-
Share of the profit (loss) of associates accounted for using equity method	52,737	2	25,192	1	(13,776)	-	93,354	2
Lease revenues	47,865	1	51,763	2	97,308	2	100,151	2
Other non-interest income, net	(3,491)	-	(28,982)	(1)	1,674	-	(25,885)	(1)
Total net revenues other than interest	1,390,812	44	1,148,508	41	1,728,302	32	2,164,148	40
TOTAL NET REVENUE	3,167,511	100	2,816,837	100	5,379,039	100	5,470,554	100
PROVISION OF ALLOWANCE FOR BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION	(178,474)	(6)	(83,752)	(3)	(167,799)	(3)	(82,181)	(1)
OPERATING EXPENSES (Notes 19, 30, 38, 39 and 42)								
Employee benefits expense	(937,323)	(30)	(933,785)	(33)	(1,828,920)	(34)	(1,880,090)	(35)
Depreciation and amortization expense	(203,397)	(6)	(201,861)	(7)	(425,408)	(8)	(399,023)	(7)
Other general and administrative expenses	(421,988)	(13)	(422,448)	(15)	(839,549)	(16)	(824,472)	(15)
Total operating expenses	(1,562,708)	(49)	(1,558,094)	(55)	(3,093,877)	(58)	(3,103,585)	(57)
INCOME BEFORE INCOME TAX	1,426,329	45	1,174,991	42	2,117,363	39	2,284,788	42
INCOME TAX EXPENSE (Notes 4 and 40)	(209,851)	(7)	(213,601)	(8)	(334,134)	(6)	(418,877)	(8)
NET INCOME	1,216,478	38	961,390	34	1,783,229	33	1,865,911	34

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KGI BANK CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME								
Items that will not be reclassified subsequently to profit or loss, net of tax								
Gain (loss) on equity instruments measured at fair value through other comprehensive income	$ 249,619	8	$ (57,559)	(2)	$ (322,253)	(6)	$ 208,384	4
Share of the other comprehensive gain (loss) of associates accounted for using equity method	16,595	-	33,598	1	(127,122)	(2)	77,404	1
Items that will be reclassified subsequently to profit or loss, net of tax								
Exchange differences on translation of foreign financial statements	(17,645)	-	2,032	-	58,179	1	(24,714)	-
Share of the other comprehensive income of associates accounted for using equity method	(17,764)	(1)	6,008	-	(13,484)	-	8,120	-
Gain (loss) on debt instruments measured at fair value through other comprehensive income	3,584,012	113	663,886	24	(215,195)	(4)	2,326,339	42
Impairment loss (reversal of impairment loss) on debt instruments measured at fair value through other comprehensive income	5,305	-	(6,086)	-	19,381	-	(7,898)	-
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	(79,839)	(2)	(52,544)	(2)	(33,437)	(1)	(52,544)	(1)
Other comprehensive income (loss), net of tax	3,740,283	118	589,335	21	(633,931)	(12)	2,535,091	46
TOTAL COMPREHENSIVE INCOME, NET OF TAX	$ 4,956,761	156	$ 1,550,725	55	$ 1,149,298	21	$ 4,401,002	80
NET PROFIT ATTRIBUTABLE TO:								
Owners of parent	$ 1,214,265	38	$ 958,655	34	$ 1,778,824	33	$ 1,860,971	34
Non-controlling interests	2,213	-	2,735	-	4,405	-	4,940	-
	$ 1,216,478	38	$ 961,390	34	$ 1,783,229	33	$ 1,865,911	34

(Continued)

KGI BANK CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2020		2019		2020		2019	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owners of parent	$ 4,954,548	156	$ 1,547,990	55	$ 1,144,893	21	$ 4,396,062	80
Non-controlling interests	2,213	-	2,735	-	4,405	-	4,940	-
	$ 4,956,761	156	$ 1,550,725	55	$ 1,149,298	21	$ 4,401,002	80
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 41)								
Basic	$ 0.26		$ 0.21		$ 0.39		$ 0.40	

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

KGI BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of Parent									
			Retained Earnings			Other Equity				
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Financial Assets at Fair Value through Other Comprehensive Income	Total Equity Attributable to Owners of the Parent	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2019	$ 46,061,623	$ 7,251,173	$ 4,639,065	$ 291,319	$ 1,636,748	$ 45,522	$ (1,550,975)	$ 58,374,475	$ 205,864	$ 58,580,339
Appropriation of earnings										
Legal reserve	-	-	491,024	-	(491,024)	-	-	-	-	-
Special reserve	-	-	-	1,145,724	(1,145,724)	-	-	-	-	-
Change in equity of associates accounted for using equity method	-	(57)	-	-	-	-	-	(57)	-	(57)
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	4,274	-	(4,274)	-	-	-
Net income for the six months ended June 30, 2019	-	-	-	-	1,860,971	-	-	1,860,971	4,940	1,865,911
Other comprehensive income(loss) for the six months ended June 30, 2019, net of income tax	-	-	-	-	-	(16,594)	2,551,685	2,535,091	-	2,535,091
Total comprehensive income (loss) for the six months ended June 30, 2019	-	-	-	-	1,860,971	(16,594)	2,551,685	4,396,062	4,940	4,401,002
Share-based payments	-	126	-	-	-	-	-	126	-	126
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(11,267)	(11,267)
BALANCE AT JUNE 30, 2019	$ 46,061,623	$ 7,251,242	$ 5,130,089	$ 1,437,043	$ 1,865,245	$ 28,928	$ 996,436	$ 62,770,606	$ 199,537	$ 62,970,143
BALANCE AT JANUARY 1, 2020	$ 46,061,623	$ 7,251,306	$ 5,130,089	$ 1,437,043	$ 3,437,555	$ (84,330)	$ 938,344	$ 64,171,630	$ 204,598	$ 64,376,228
Appropriation of earnings										
Legal reserve	-	-	1,031,266	-	(1,031,266)	-	-	-	-	-
Reversal of special reserve	-	-	-	(1,394,438)	1,394,438	-	-	-	-	-
Cash dividends - common stock	-	-	-	-	(3,800,727)	-	-	(3,800,727)	-	(3,800,727)
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	(257,292)	-	257,292	-	-	-
Net income for the six months ended June 30, 2020	-	-	-	-	1,778,824	-	-	1,778,824	4,405	1,783,229
Other comprehensive income(loss) for the six months ended June 30, 2020, net of income tax	-	-	-	-	-	44,695	(678,626)	(633,931)	-	(633,931)
Total comprehensive income (loss) for the six months ended June 30, 2020	-	-	-	-	1,778,824	44,695	(678,626)	1,144,893	4,405	1,149,298
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(9,002)	(9,002)
BALANCE AT JUNE 30, 2020	$ 46,061,623	$ 7,251,306	$ 6,161,355	$ 42,605	$ 1,521,532	$ (39,635)	$ 517,010	$ 61,515,796	$ 200,001	$ 61,715,797

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

KGI BANK CO., LTD. AND SUBSIDIARIES

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

	For the Six Months Ended June 30	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 2,117,363	$ 2,284,788
Adjustments for:		
Depreciation expenses	337,528	343,591
Amortization expenses	87,880	55,432
Provision of allowance for bad debts expense, commitments and guarantee liability provisions	167,799	82,181
Net gain on financial assets and liabilities measured at fair value through profit or loss, net	(961,846)	(676,881)
Interest expense	2,493,475	3,677,520
Interest income	(6,144,212)	(6,983,926)
Dividend income	(33,498)	(72,309)
Share of (profit) loss of associates accounted for using equity method	13,776	(93,354)
Gain on disposal of assets held for sale	-	(5,772)
(Reversal of impairment loss) impairment loss on financial assets	19,278	(8,042)
Others	(210)	(251)
Changes in operating assets and liabilities		
Due from the Central Bank and call loans to banks	(1,033,916)	(682,196)
Financial assets at fair value through profit or loss	41,665,394	26,478,681
Financial assets at fair value through other comprehensive income	(29,647,679)	16,800,544
Debt investments measured at amortized cost	(185,160)	(134,354)
Financial assets for hedging	(19,688)	-
Securities purchased under resell agreements	-	(333,926)
Receivables	(6,042,078)	1,811,801
Discounts and loans	(21,635,233)	(19,611,296)
Other financial assets	935,280	346,148
Other assets	(755,624)	7,535,525
Deposits from the Central Bank and banks	(4,207,954)	(597,029)
Financial liabilities at fair value through profit or loss	(54,319,615)	(32,674,779)
Financial liabilities for hedging	944,494	-
Notes and bonds issued under repurchase agreements	38,779,142	(14,670,680)
Payables	(134,839)	2,736,632
Deposits and remittances	73,518,299	26,504,228
Other financial liabilities	(9,369,795)	(3,895,880)
Other liabilities	4,781,209	(1,087,039)
Cash outflow generated from operations	31,369,570	7,129,357
Interest received	6,012,167	6,769,248
Dividends received	30,651	4,825
Interest paid	(4,901,557)	(2,993,747)
Income taxes paid	(90,699)	(104,987)
Net cash flows generated from operating activities	32,420,132	10,804,696

(Continued)

KGI BANK CO., LTD. AND SUBSIDIARIES

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

	For the Six Months Ended June 30	
	2020	**2019**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of assets held for sale	$ -	$ 35,420
Acquisition of property and equipment	(87,182)	(150,911)
Proceeds from disposal of property and equipment	29,653	12,043
Acquisition of intangible assets	(105,554)	(161,899)
Net cash flows used in investing activities	(163,083)	(265,347)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	149,343	(29,698)
Increase in due to the Central Bank and banks	15,850	-
(Decrease) increase in commercial paper payable	(387,693)	869,917
Issuance of bank debentures payable	6,000,000	3,100,000
Repayments of bank debentures payable	(1,000,000)	-
Proceeds from (repayments of) long-term borrowings	499,928	(493,416)
Payments of lease liabilities	(142,378)	(173,076)
Cash dividends paid	(3,800,727)	-
Changes in non-controlling interests	(9,002)	(11,267)
Net cash flows generated from financing activities	1,325,321	3,262,460
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(1,603)	3,085
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	33,580,767	13,804,894
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	44,039,819	37,316,230
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 77,620,586	$ 51,121,124

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets as of June 30, 2020 and 2019:

	June 30	
	2020	**2019**
Cash and cash equivalents in the consolidated balance sheets	$ 8,936,986	$ 9,530,996
Due from the Central Bank and call loans to banks qualifying as cash and cash equivalents under the definition of IAS 7 endorsed by FSC	33,084,594	23,086,858
Securities purchased under agreements to resell qualifying as cash and cash equivalents under the definition of IAS 7 endorsed by FSC	35,599,006	18,503,270
Cash and cash equivalents in the consolidated statements of cash flows	$ 77,620,586	$ 51,121,124

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

1. GENERAL INFORMATION

KGI Bank Co., Ltd. (the "Bank") engages in banking operations regulated by the Banking Act of the Republic of China (the "Banking Act").

As of June 30, 2020, the Bank had a main office, an international banking department, a trust department, an insurance department, various major departments, an offshore banking unit (OBU), and 52 domestic branches.

On April 8, 2014, the Bank's extraordinary shareholders' meeting resolved to the exchange 0.2 share of China Development Financial Holding Corporation (CDFH) and NT$13.4 for one share of the Bank. On August 11, 2014, the Bank's board of directors approved September 15, 2014 as the date of the share swap after this transaction was approved by the Financial Supervisory Commission (FSC). Upon completion of the share swap, the Bank became CDFH's wholly owned subsidiary and the trading of the Bank's shares on the Taiwan Stock Exchange was terminated.

On October 9, 2014, under the approval of the board of directors, who had been authorized to exercise the functions of the shareholders' meeting, Cosmos Bank's name became KGI Bank Co., Ltd since January 2015. The FSC approved the name change on November 10, 2014.

On March 2, 2015 and April 13, 2015, the Bank's board of directors again exercised the functions of the shareholders' meeting and approved the transfer to the Bank from CDIB Capital Group (formerly China Development Industrial Bank) of (a) the assets and liabilities associated with the commercial banking business of CDIB Capital Group and (b) CDIB Capital Group's holdings of shares in leasing subsidiaries and in the Taiwan Financial Asset Service Corporation. On April 16, 2015, the transaction was approved by the FSC, and the chairman was authorized by the board of directors to approve the date of transfer of business on May 1, 2015.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on August 20, 2020.

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

a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the "IFRSs"), and the Regulations Governing the Preparation of Financial Reports by Public Banks endorsed and issued into effect by the FSC

Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Public Banks and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Bank and its subsidiaries' accounting policies:

1) Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"

Upon retrospective application of the amendments, the Bank and its subsidiaries complied with the hedge accounting requirements under the assumption that the interest rate benchmark (such as the London Interbank Offered Rate, LIBOR) on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.

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

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

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
"Annual Improvements to IFRS Standards 2018-2020"	January 1, 2022 (Note 2)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note 3)
Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"	Effective immediately upon promulgation by the IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"	January 1, 2022 (Note 4)
Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	January 1, 2022 (Note 5)

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, the guidelines issued by the authority and IAS 34 “Interim Financial Reporting” as endorsed by the FSC. Disclosure information included in the accompanying interim financial report is less than that required for a full set of annual financial reports.

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan liabilities (assets). Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The operating cycle in the banking industry cannot be reasonably identified; thus, asset and liability accounts were not classified as current or noncurrent. Nevertheless, these accounts were properly categorized in accordance with the nature of each account and sequenced according to their liquidity. Please refer to Note 46 for the maturity analysis of assets and liabilities.

Principles for Preparing Consolidated Financial Statements

The consolidated financial statements include the financial statements of the Bank and its subsidiaries. All significant intra-group transactions, balances, income and expenses have been eliminated in full upon consolidation.

The consolidated entities were as follows:

Investor	Subsidiary	Main Business	Percentage of Ownership (%)		
			June 30, 2020	December 31, 2019	June 30, 2019
The Bank	CDIB Management Consulting Corporation	Management and consulting	100.00	100.00	100.00
CDIB Management Consulting Corporation	CDC Finance & Leasing Corporation	Leasing	76.04	76.04	76.04
	CDIB International Leasing Corporation	Leasing	100.00	100.00	100.00

Financial Instruments

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

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

<u>Financial assets</u>

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

a. Classification and measurement

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

1) Financial assets at FVTPL

A financial asset is classified as at FVTPL when the financial asset is mandatorily classified or it is designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria. A financial asset may be designated as at FVTPL upon initial recognition, if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising from any dividends or interest earned and remeasurement on the financial assets recognized in net revenues other than interest. Fair value is determined in the manner described in Note 45.

2) Financial assets at amortized cost

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

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

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

Subsequent to initial recognition, financial assets at amortized cost are measured at amortized cost, which equals the gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for that has subsequently become credit-impaired, is calculated by applying the effective interest rate to the amortized cost of the financial asset.

3) Investments in debt instruments at FVTOCI

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

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

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

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

4) Investments in equity instruments at FVTOCI

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

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

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

b. Impairment of financial assets

The Bank and its subsidiaries recognize a loss allowance for expected credit losses on financial assets at amortized cost, investments in debt instruments at FVTOCI, installment accounts and lease receivables.

For the financial assets, the Bank and its subsidiaries recognize lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Bank and its subsidiaries measure the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

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

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

In addition to the analysis of impairment mentioned above, based on the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual loans, credit assets classified as normal (this balance should be net of the balance of borrowings by ROC government agencies from the Bank), special mention, substandard, with doubtful collectability and uncollectable or loss incurring are evaluated on the basis of the borrowers'/clients' financial condition and delinquency record on interest and principal payments, and these assets have allowances at 1%, 2%, 10%, 50% and 100%, respectively, of outstanding credit. The doubtful accounts of credit cards receivables are evaluated on the basis of the Regulations Governing Institutions Engaging In Credit Card Business. The above is listed the minimum allowance for credit assets on or off balance sheet.

Based on Order No. 10300329440 issued by the FSC, for the Bank to have an enhanced risk coverage, the minimum provision for the loan loss reserve is 1.5% of the mortgage and construction loans that have been classified as normal assets and exclude policy-based loan be effective from January 1, 2011. Based on Order No. 10410001840 issued by the FSC, for the Bank to have an enhanced control of the exposure to the risk in Mainland China, the minimum provision for the credit loss reserve is 1.5% of the credit, which includes short-term trade financing that were granted to companies based in Mainland China and classified as normal assets.

Credit deemed uncollectable may be written off under the approval of the board of directors.

c. Derecognition of financial assets

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

Equity instruments

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

Equity instruments issued by the Bank and its subsidiaries are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Bank's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Bank's own equity instruments.

Financial liabilities

a. Subsequent measurement

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

- Financial liabilities at FVTPL

  Financial liabilities are classified as at FVTPL when the financial liabilities are either held for trading or are designated as at FVTPL.

  A financial liability may be designated as at FVTPL upon initial recognition when doing so results in more relevant information and if:

  1) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

  2) The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and has performance evaluated on a fair value basis, in accordance with the Bank and its subsidiaries' documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

  3) The contract contains one or more embedded derivatives so that the entire hybrid (combined) contract can be designated as at FVTPL.

  Financial liabilities held for trading are stated at fair value, and remeasurement gains or losses on such financial liabilities are recognized in net revenue other than interest. For a financial liability designated as at FVTPL, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income and will not be subsequently reclassified to profit or loss. The gain or loss accumulated in other comprehensive income will be transferred to retained earnings when the financial liability is derecognized. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in the fair value of the liability are presented in profit or loss.

b. Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid is recognized in profit or loss.

Derivative financial instruments

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

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

Other Significant Accounting Policy

Please refer to the consolidated financial statements for the year ended December 31, 2019 for the significant accounting policies, except for those described below.

Retirement Benefits

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

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings. 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, other comprehensive income or directly in equity in full in the period in which the change in tax rate occurs.

Hedge Accounting

The Bank and its subsidiaries designate certain hedging instruments as fair value hedges.

At the start of a hedge relationship, the Bank and its subsidiaries document the relationship between the hedging instrument and the hedge item, along with their risk management objectives and their strategy for undertaking various hedge transactions. Further, at the start of the hedge and on an ongoing basis, the Bank and its subsidiaries document whether the hedging instrument is highly effective in offsetting the exposure to adverse changes in fair value of hedged item. Note 11 sets out the details of the fair value of the derivative instruments used for hedging purposes.

Fair value hedges

The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in profit or loss in the line item relating to the hedged item.

The Bank and its subsidiaries discontinue hedge accounting only when the hedging relationship ceases to meet the qualifying criteria; for instance, when the hedging instrument expires or is sold, terminated or exercised.

Leasing

At the inception of a contract, the Bank and its subsidiaries assess whether the contract is (or contains) a lease.

For a contract that contains a lease component and non-lease components, the Bank and its subsidiaries allocate the consideration in the contract to each component on the basis of the relative stand-alone price and accounts for each component separately.

a. The Bank and its subsidiaries as lessor

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

Under finance leases, the net investment in a lease is measured at (a) the present value of the sum of the lease payments receivable by a lessor and any unguaranteed residual value accrued to the lessor plus (b) initial direct costs and is presented as the installment account and lease receivable. Finance lease income is allocated to the relevant accounting periods so as to reflect a constant, periodic rate of return on the Bank and its subsidiaries' net investment outstanding in respect of leases.

Lease payments less any lease incentives payable from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

b. The Bank and its subsidiaries as lessee

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

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

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. However, if leases transfer ownership of the underlying assets to the Bank and its subsidiaries by the end of the lease terms or if the costs of right-of-use assets reflect that the Bank and its subsidiaries will exercise a purchase option, the Bank and its subsidiaries depreciate the right-of-use assets from the commencement dates to the end of the useful lives of the underlying assets.

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Bank and its subsidiaries use the lessee's incremental borrowing rate.

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

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Bank and its subsidiaries' accounting policies, which are described in Note 4, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Bank and its subsidiaries took the economic impact of COVID-19 into consideration. The estimates and underlying assumptions are reviewed by the Banks' management on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Impairment of Discounts and Loans and Receivables

The Bank and its subsidiaries review loans and receivables portfolios to assess impairment periodically. To determine whether an impairment loss should be recognized, the management exercises its judgments on whether there has been a significant increase in credit risk or there is any indication of credit impairment. For the purpose of impairment assessment, the management determines the expected future cash flows based on past events, present conditions and future economic circumstances of the assets with similar credit risks. The management also reviews periodically the methodology and assumptions adopted for both expected future cash flow and its timing to decrease the difference between estimated and actual amount of impairment.

6. CASH AND CASH EQUIVALENTS

	June 30, 2020	December 31, 2019	June 30, 2019
Due from banks	$ 6,912,082	$ 5,835,189	$ 6,864,551
Cash on hand	1,490,759	1,904,246	1,618,593
Excess margin from futures	330,400	178,856	73,757
Checks for clearing	133,500	172,725	556,190
Cash in banks	70,245	61,184	417,905
	$ 8,936,986	$ 8,152,200	$ 9,530,996

Cash and cash equivalents as of December 31, 2019 as shown in the consolidated statements of cash flows can be reconciled to the related items in the consolidated balance sheets as follows; please refer to the consolidated statement of cash flows for the reconciliation information as of June 30, 2020 and 2019:

	December 31, 2019
Cash and cash equivalents in the consolidated balance sheets	$ 8,152,200
Due from the Central Bank and call loans to banks qualifying as cash and cash equivalents under the definition of IAS 7 endorsed by FSC	17,201,021
Securities purchased under agreements to resell qualifying as cash and cash equivalents under the definition of IAS 7 endorsed by FSC	18,686,598
Cash and cash equivalents in the consolidated statements of cash flows	$ 44,039,819

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

	June 30, 2020	December 31, 2019	June 30, 2019
Call loans to banks	$ 27,512,880	$ 10,171,730	$ 19,080,359
Deposit reserve - demand accounts	10,162,143	9,638,736	9,388,256
Deposit reserve - checking accounts	5,571,714	7,029,291	5,146,666
Due from the Central Bank - interbank settlement funds	1,813,652	1,300,735	1,300,191
Deposit reserve - foreign currencies	160,164	162,572	167,789
	$ 45,220,553	$ 28,303,064	$ 35,083,261

Under a directive issued by the Central Bank of the ROC, New Taiwan dollar - denominated deposit reserves are determined monthly at prescribed rates based on average balance of the Bank's deposits. Deposit reserve - demand account should not be used, except for adjusting the deposit reserve monthly.

In addition, separate foreign-currency deposit reserves are determined at prescribed rates based on balances of foreign-currency deposits. These reserves may be withdrawn anytime at no interest.

For the information on due from the Central Bank and call loans to banks pledged as collaterals by the Bank and its subsidiaries, please refer to Note 43.

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2020	December 31, 2019	June 30, 2019
Financial assets mandatorily classified as at FVTPL			
Derivative instruments			
Interest rate swap contracts	$ 54,691,602	$ 18,174,926	$ 28,788,301
Option contracts	11,807,345	2,246,081	2,059,585
Currency swap contracts	5,430,117	9,554,913	8,905,838
Others	560,914	517,407	729,341
Non-derivative financial assets			
Commercial papers	10,100,603	10,882,423	9,905,624
Bank debentures	2,102,900	1,136,171	806,704
Government bonds	1,964,340	2,455,959	56,802
Corporate bonds	422,285	140,011	701,890
Others	285,525	480,119	385,339
	87,365,631	45,588,010	52,339,424
Financial assets designated as at FVTPL			
Government bonds	11,107,474	11,683,340	18,657,942
Corporate bonds	2,649,848	4,983,724	7,723,007
Bank debentures	575,566	1,355,059	4,661,077
Others	177,813	14,498,443	15,410,575
	14,510,701	32,520,566	46,452,601
Financial assets at FVTPL	$ 101,876,332	$ 78,108,576	$ 98,792,025

(Continued)

	June 30, 2020	December 31, 2019	June 30, 2019
Financial liabilities held for trading			
Derivative instruments			
Interest rate swap contracts	$ 49,244,672	$ 20,862,668	$ 28,388,819
Option contracts	16,627,489	14,833,974	14,681,386
Currency swap contracts	6,444,968	9,842,656	8,684,669
Others	466,075	657,669	674,680
	72,783,204	46,196,967	52,429,554
Financial liabilities designated as at FVTPL			
Bank debentures payable	14,115,761	29,558,877	30,420,898
Others	-	991,432	1,012,590
	14,115,761	30,550,309	31,433,488
Financial liabilities at FVTPL	$ 86,898,965	$ 76,747,276	$ 83,863,042

(Concluded)

As of June 30, 2020, December 31, 2019 and June 30, 2019, bank debentures issued by the Bank and designated as at FVTPL were as follows:

Name	June 30, 2020	December 31, 2019	June 30, 2019	Issuance Period	Method of Paying Principal and Interests	Interest Rate
15KGIB1	$ -	$ 3,191,236	$ 3,293,632	2015.03.24-2045.03.24 (Note 1)	Principal due on maturity	0%
P16KGIB1	-	3,311,660	3,417,920	2016.05.03-2046.05.03 (Note 2)	Principal due on maturity	0%
P16KGIB2	-	3,311,660	3,417,920	2016.05.27-2046.05.27 (Note 2)	Principal due on maturity	0%
P16KGIB3	2,372,800	2,408,480	2,485,760	2016.11.08-2046.11.08 (Note 1)	Principal due on maturity	0%
P17KGIB1	-	6,021,200	6,214,400	2017.01.23-2047.01.23 (Note 1)	Principal due on maturity	0%
P18KGIB1	5,932,000	6,021,200	6,214,400	2018.01.30-2048.01.30 (Note 3)	Principal due on maturity	0%
P18KGIB2	4,745,600	4,816,960	4,971,520	2018.02.27-2048.02.27 (Note 3)	Principal due on maturity	0%
	13,050,400	29,082,396	30,015,552			
Valuation adjustments	1,065,361	476,481	405,346			
	$ 14,115,761	$ 29,558,877	$ 30,420,898			

Note 1: Based on 100% of the carrying value of each bond principal plus the interest; the Bank may redeem all the debentures after two years from the issue date (inclusive).

Note 2: Based on 100% of the carrying value of each bond principal plus the interest; the Bank may redeem all the debentures after one year from the issue date (inclusive).

Note 3: Based on 100% of the carrying value of each bond principal plus the interest; the Bank may redeem all the debentures after five years from the issue date (inclusive).

The contract (nominal) amounts of the Bank and its subsidiaries' outstanding derivative financial instruments as of June 30, 2020, December 31, 2019 and June 30, 2019 were summarized as follows:

	Contract Amount		
	June 30, 2020	**December 31, 2019**	**June 30, 2019**
Currency swap contracts	$ 1,394,108,968	$ 1,349,173,615	$ 1,328,772,828
Interest rate swap contracts	975,783,414	1,020,869,807	1,409,720,618
Option contracts	600,157,577	566,169,065	562,217,573
Non-deliverable forward contracts	25,065,397	15,199,191	4,189,969
Forward exchange contracts	21,785,594	38,228,682	53,142,139
Cross-currency swap contracts	19,595,011	23,246,594	27,150,640
Futures contracts	465,976	210,742	363,178
Asset swap contracts	240,580	388,418	344,216
Commodity swap contracts	96,300	197,412	791,860

As of June 30, 2020, December 31, 2019 and June 30, 2019, financial assets at fair value through profit or loss with aggregate carrying values of $5,822,810 thousand, $3,046,369 thousand and $17,120,970 thousand, respectively, had been sold under repurchase agreements (recognized as notes and bonds issued under repurchase agreements).

For the information on financial assets at fair value through profit or loss pledged as collateral for the Bank and its subsidiaries, please refer to Note 43.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	June 30, 2020	**December 31, 2019**	**June 30, 2019**
Investments in equity instruments at FVTOCI	$ 162,262,921	$ 132,194,627	$ 133,235,759
Investments in debt instruments at FVTOCI	2,091,905	3,050,977	4,187,895
	$ 164,354,826	$ 135,245,604	$ 137,423,654

a. Investments in debt instruments at FVTOCI

	June 30, 2020	**December 31, 2019**	**June 30, 2019**
Negotiable certificates of deposit issued by the Central Bank	$ 65,647,739	$ 62,617,894	$ 54,060,962
Government bonds	43,568,667	45,460,922	53,248,087
Corporate bonds	39,854,452	17,623,322	18,255,326
Bank debentures	13,192,063	6,492,489	7,671,384
	$ 162,262,921	$ 132,194,627	$ 133,235,759

As of June 30, 2020, December 31, 2019 and June 30, 2019, investments in debt instruments at FVTOCI, with aggregate carrying values of $51,424,403 thousand, $15,703,472 thousand and $25,809,460 thousand, respectively, had been sold under repurchase agreements (recognized as notes and bonds issued under repurchase agreements).

For the information on financial assets at fair value through other comprehensive income pledged as collateral for the Bank and its subsidiaries, please refer to Note 43.

There was no significant increase in the credit risk of investments in debt instruments at FVTOCI of the Bank and its subsidiaries; therefore, the impairment loss was assessed based on 12 months expected credit losses. An adjustment in the investment portfolio resulted in the recognition of impairment loss of $35,820 thousand, $16,439 thousand and $18,035 thousand on June 30, 2020, December 31, 2019 and June 30, 2019, respectively.

b. Investments in equity instruments at FVTOCI

	June 30, 2020	December 31, 2019	June 30, 2019
Listed and OTC stocks	$ 1,001,600	$ 2,670,233	$ 3,815,337
Unlisted stocks	1,090,305	380,744	372,558
	$ 2,091,905	$ 3,050,977	$ 4,187,895

For the six months ended June 30, 2020 and 2019, the Bank and its subsidiaries sold its shares in order to manage its investment portfolio. The sold shares had a fair value of $2,127,592 thousand and $106,772 thousand and the Bank and its subsidiaries transferred loss of $257,292 thousand and gain of $4,274 thousand from other equity related-unrealized gain (loss) on financial assets at fair value through other comprehensive income to retained earnings.

For the three months and six months ended June 30, 2020 and 2019, dividend income were $18,502 thousand, $72,309 thousand and $32,477 thousand and $72,309 thousand, respectively, and those related to investments held as of June 30, 2020 and 2019 were $26,502 thousand and $72,309 thousand, and those related to investments derecognized as of June 30, 2020 and 2019 were $5,975 thousand and $0 thousand, respectively.

10. DEBT INVESTMENTS MEASURED AT AMORTIZED COST

	June 30, 2020	December 31, 2019	June 30, 2019
Domestic bank debentures	$ 593,200	$ 1,505,300	$ 1,553,600
Foreign bank debentures	10,731,180	9,633,920	10,550,142
	11,324,380	11,139,220	12,103,742
Accumulated impairment	(3,046)	(3,198)	(3,442)
Net amount	$ 11,321,334	$ 11,136,022	$ 12,100,300

As of June 30, 2020, December 31, 2019 and June 30, 2019, debt investments measured at amortized cost, with aggregate carrying values of $281,770 thousand, $0 thousand and $279,648 thousand had been sold respectively under repurchase agreements (recognized as notes and bonds issued under repurchase agreements).

The Bank and its subsidiaries had not pledged any of the debt investments measured at amortized cost as collateral.

There was no significant increase in the credit risk of debt investments measured at amortized cost of the Bank and its subsidiaries; therefore, the impairment loss was assessed based on 12 months expected credit losses. An adjustment in the investment portfolio resulted in the recognition of impairment loss of $3,046 thousand, $3,198 thousand and $3,442 thousand on June 30, 2020, December 31, 2019 and June 30, 2019, respectively.

11. FINANCIAL INSTRUMENTS FOR HEDGING

	June 30, 2020
Financial assets for hedging	
Fair value hedge - interest rate swap	$ 19,688
Financial liabilities for hedging	
Fair value hedge - interest rate swap	$ 944,494

Fair Value Hedges

The Bank and its subsidiaries are exposed to the risk of adverse fair value fluctuations due to changes in interest rates for the debt instruments and bank debentures issued. Since the risk is considered material, the Bank and its subsidiaries enter into interest rate swap contracts to hedge against this risk.

The following tables summarize the information relating to the hedges for interest rate risk.

June 30, 2020

Hedging Instrument	Notional Amount	Maturity	Line Item in Balance Sheet	Carrying Amount Asset	Carrying Amount Liability
Fair value hedge					
Interest rate swap contracts	$ 20,883,388	2022.05.03-2030.03.06	Financial assets and liabilities for hedging	$ 19,688	$ 944,494

Hedged Items	Carrying Amount Asset	Carrying Amount Liability	Accumulated Amount of Fair Value Adjustments Asset	Accumulated Amount of Fair Value Adjustments Liability
Fair value hedge				
Financial assets at fair value through other comprehensive income	$ 16,210,407	$ -	$ 943,012	$ -
Bank debentures	-	6,000,000	-	18,206

12. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

	June 30, 2020	December 31, 2019	June 30, 2019
Commercial papers	$ 30,891,024	$ 11,121,028	$ 11,144,213
Corporate bonds	3,722,169	4,707,118	4,486,625
Bank debentures	785,813	2,308,452	1,576,358
Negotiable certificates of deposit	200,000	400,000	-
Government bonds	-	150,000	1,630,000
	$ 35,599,006	$ 18,686,598	$ 18,837,196
Agreed-upon resell amounts	$ 35,602,824	$ 18,689,967	$ 18,841,966
Last maturity date	July 2020	January 2020	August 2019

13. RECEIVABLES, NET

	June 30, 2020	December 31, 2019	June 30, 2019
Accounts receivable - forfaiting	$ 10,461,942	$ 3,947,653	$ 6,068,832
Accounts receivables factoring without recourse	5,185,575	6,572,390	6,561,896
Installment accounts and lease receivables	4,178,606	3,996,787	3,853,949
Credit cards	3,213,142	3,369,075	3,294,627
Interest receivable	2,868,319	2,671,516	3,001,723
PEM receivable	880,123	893,598	922,271
Rental deposits	467,748	467,748	467,748
Receivable on securities sold	129,569	23,930	2,432,518
Others	1,532,292	804,382	1,334,792
	28,917,316	22,747,079	27,938,356
Less: Unrealized interest	(222,929)	(216,101)	(208,626)
Allowance for bad debts	(1,426,005)	(1,367,578)	(1,466,940)
Net amount	$ 27,268,382	$ 21,163,400	$ 26,262,790

As of June 30, 2020, December 31, 2019 and June 30, 2019, the rental deposits receivable amounting to $467,748 thousand and the allowance for bad debts was $409,848 thousand, resulted from the relocation to Bank-owned property, of which, deposits from Prince Motors and Cosmos Construction Management Corporation amounted to $101,901 thousand, and the allowance for bad debts on these deposits was $44,001 thousand.

On February 14, 2014, the Taiwan District Court had judged that the Bank lost the lawsuit against the third party who claimed that the Bank had fraudulently infringed the rights of the creditors regarding property rights of Dun Nun Building, and the Bank then filed appeal. The court has revoked the original adjudication and rejected the third party appeal on July 26, 2017. Third party then filed appeal for third trial and the case was currently pending with the Supreme Court on November 9, 2018. Please refer to Note 44 for details.

From May 2007 to February 2008, the Bank sold structured notes, which were issued by GVEC Resource Inc. (GVEC), amounting to US$48,920 thousand through a specific trust fund. PEM Group, which GVEC was subordinate to, was found to have committed fraud by the U.S. Securities and Exchange Commission (SEC). In view of its social responsibility, the Bank's board of directors decided to buy back the structured notes before March 31, 2010 and ask for compensation from PEM Group.

PEM Group had invested in life insurance policy products, etc. In order to recover its creditor's rights effectively and to protect shareholders' equity, the Bank's board of directors adopted a resolution on December 21, 2010, to take over all the insurance policies and hold these policies in the form of trust. The Bank completed the transfer of the life insurance policies from PEM Group on March 7, 2011. The Bank measured the policies' cost based on an actuarial report less administration fees, and then recognized the cost amounting to $218,386 thousand (US$7,423 thousand). At the same time, the Bank wrote off the initial cost and provision for life insurance policies amounting to $433,061 thousand (US$14,721 thousand).

As of June 30, 2020, the PEM receivable amounting to $880,123 thousand (US$29,674 thousand) was measured as the abovementioned PEM receivable plus premiums paid thereon, less any recovery amount. After assessing the possibility of recovery based on the latest information provided by the trust entity, the balance of the PEM receivable and its allowance for bad debts were as follows:

(In Thousands of USD/TWD)

	June 30, 2020	
	USD	**TWD**
Life insurance policies	$ 14,108	$ 418,452
Non-life insurance policies	15,566	461,671
	29,674	880,123
Less: Allowance for bad debts	(16,880)	(500,666)
Net amount	$ 12,794	$ 379,457

	December 31, 2019	
	USD	**TWD**
Life insurance policies	$ 14,108	$ 424,744
Non-life insurance policies	15,574	468,854
	29,682	893,598
Less: Allowance for bad debts	(16,212)	(488,079)
Net amount	$ 13,470	$ 405,519

	June 30, 2019	
	USD	**TWD**
Life insurance policies	$ 14,108	$ 438,373
Non-life insurance policies	15,574	483,898
	29,682	922,271
Less: Allowance for bad debts	(16,212)	(503,740)
Net amount	$ 13,470	$ 418,531

Changes in Loss Allowance on Receivables

The reconciliation statements of loss allowance for receivables of the Bank and its subsidiaries were as follows:

For the six months ended June 30, 2020

	Stage 1	Stage 2		Stage 3				
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Impairment in Accordance With IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing /Non-accrual Loans	Total
Balance at January 1	$ 46,283	$ 32,925	$ 1	$ 1,137,187	$ -	$ 1,216,396	$ 151,182	$ 1,367,578
Changes due to financial instruments that have been identified at the beginning of the period:								
Transferred to lifetime ECL	(5,184)	6,612	-	(1,428)	-	-		-
Transferred to credit - impaired financial assets	(818)	(1,832)	-	2,650	-	-		-
Transferred to 12 months ECL	457	(274)	-	(183)	-	-		-
Derecognizing financial assets during the current period	(8,610)	(355)	(1)	(2,956)	-	(11,922)		(11,922)
Purchased or originated new financial assets	15,182	51	-	1,003	-	16,236		16,236
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with non-performing/non-accrual loans							40,672	40,672
Write-off	-	-	-	(24,545)	-	(24,545)		(24,545)
Recovery of written-off	-	-	-	15,017	-	15,017		15,017
Effect of exchange rate changes and others	724	2,020	-	20,225	-	22,969	-	22,969
Balance at June 30	$ 48,034	$ 39,147	$ -	$ 1,146,970	$ -	$ 1,234,151	$ 191,854	$ 1,426,005

For the six months ended June 30, 2019

	Stage 1	Stage 2		Stage 3				
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Impairment in Accordance With IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing /Non-accrual Loans	Total
Balance at January 1	$ 69,740	$ 28,458	$ 5	$ 1,183,155	$ -	$ 1,281,358	$ 237,888	$ 1,519,246
Changes due to financial instruments that have been identified at the beginning of the period:								
Transferred to lifetime ECL	(127)	3,073	-	(2,946)	-	-		-
Transferred to credit - impaired financial assets	(71)	(968)	-	1,039	-	-		-
Transferred to 12 months ECL	278	(188)	-	(90)	-	-		-
Derecognizing financial assets during the current period	(15,369)	(2,700)	(5)	(7,149)	-	(25,223)		(25,223)
Purchased or originated new financial assets	16,711	-	-	-	-	16,711		16,711
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with non-performing/non-accrual loans							(51,185)	(51,185)
Write-off	-	-	-	(1,513)	-	(1,513)		(1,513)
Recovery of written-off	-	-	80	9,206	-	9,286		9,286
Effect of exchange rate changes and others	(10,986)	4,055	(80)	6,629	-	(382)		(382)
Balance at June 30	$ 60,176	$ 31,730	$ -	$ 1,188,331	$ -	$ 1,280,237	$ 186,703	$ 1,466,940

Changes in total carrying amount of receivables of the Bank and its subsidiaries were as follows:

For the six months ended June 30, 2020

	Stage 1	Stage 2		Stage 3		
	12 Months ECL	**Lifetime ECL (Collectively Assessed)**	**Lifetime ECL (Individually Assessed)**	**Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)**	**Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)**	**Total**
Balance at January 1	$ 20,525,328	$ 246,885	$ 6	$ 1,758,759	$ -	$ 22,530,978
Conversion from individual financial instruments to lifetime ECL	-	-	-	-	-	-
Conversion from individual financial instruments to credit-impaired financial assets	-	-	-	-	-	-
Roll-out individual financial instruments from credit-impaired financial assets	-	-	-	-	-	-
Receivables based on collective assessment	(63,960)	27,731	-	36,229	-	-
Purchased or originated new receivables	11,179,494	568	-	2,625	-	11,182,687
Write-off	-	-	-	(24,545)	-	(24,545)
Derecognition	(4,779,554)	(28,432)	(3)	(25,285)	-	(4,833,274)
Effect of exchange rate changes and others	(151,519)	(9)	-	(9,931)	-	(161,459)
Balance at June 30	$ 26,709,789	$ 246,743	$ 3	$ 1,737,852	$ -	$ 28,694,387

For the six months ended June 30, 2019

	Stage 1	Stage 2		Stage 3		
	12 Months ECL	**Lifetime ECL (Collectively Assessed)**	**Lifetime ECL (Individually Assessed)**	**Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)**	**Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)**	**Total**
Balance at January 1	$ 27,184,310	$ 251,010	$ 17	$ 1,891,476	$ -	$ 29,326,813
Conversion from individual financial instruments to lifetime ECL	-	-	2	(2)	-	-
Conversion from individual financial instruments to credit-impaired financial assets	-	-	(2)	2	-	-
Roll-out individual financial instruments from credit-impaired financial assets	-	-	-	-	-	-
Receivables based on collective assessment	(39,342)	19,577	-	19,765	-	-
Purchased or originated new receivables	4,709,627	-	-	2,888	-	4,712,515
Write-off	-	-	-	(2,364)	-	(2,364)
Derecognition	(6,294,016)	(29,940)	(15)	(62,627)	-	(6,386,598)
Effect of exchange rate changes and others	67,270	18	(2)	12,078	-	79,364
Balance at June 30	$ 25,627,849	$ 240,665	$ -	$ 1,861,216	$ -	$ 27,729,730

For the impairment loss analysis of receivables, please refer to Note 46.

For the receivables pledged as collateral for the Bank and its subsidiaries, please refer to Note 43.

14. DISCOUNTS AND LOANS, NET

	June 30, 2020	December 31, 2019	June 30, 2019
Short-term loans	$ 83,418,055	$ 76,377,723	$ 81,221,266
Medium-term loans	208,536,366	195,724,819	207,140,927
Long-term loans	76,356,305	74,566,538	71,203,797
Overdue loans	463,985	376,103	348,258
Export negotiations	24,092	30,866	42,776
	368,798,803	347,076,049	359,957,024
Less: Allowance for bad debts	(4,692,627)	(4,464,618)	(4,566,978)
Less: Discounts on discounts and loans	(86,316)	(109,450)	(122,723)
Net amount	$ 364,019,860	$ 342,501,981	$ 355,267,323

Changes in Loss Allowance on Discounts and Loans

The reconciliation statements of loss allowance for discounts and loans of the Bank were as follows:

For the six months ended June 30, 2020

	Stage 1	Stage 2		Stage 3				
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Impairment in Accordance With IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing /Non-accrual Loans	Total
Balance at January 1	$ 1,450,530	$ 80,266	$ 1,479	$ 597,543	$ -	$ 2,129,818	$ 2,334,800	$ 4,464,618
Changes due to financial instruments that have been identified at the beginning of the period:								
Transferred to lifetime ECL	(1,845)	17,260	-	(15,415)	-	-		-
Transferred to credit - impaired financial assets	(3,821)	(15,131)	-	18,952	-	-		-
Transferred to 12 months ECL	3,199	(2,480)	-	(719)	-	-		-
Derecognizing financial assets during the current period	(322,473)	(5,520)	-	(25,586)	-	(353,579)		(353,579)
Purchased or originated new financial assets	649,125	230	-	172	-	649,527		649,527
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with non-performing/non-accrual loans							595,985	595,985
Write-off	-	-	-	(224,281)	-	(224,281)		(224,281)
Recovery of written-off	-	-	-	354,203	-	354,203		354,203
Effect of exchange rate changes and others	(660,805)	2,656	63	(135,760)	-	(793,846)		(793,846)
Balance at June 30	$ 1,113,910	$ 77,281	$ 1,542	$ 569,109	$ -	$ 1,761,842	$ 2,930,785	$ 4,692,627

For the six months ended June 30, 2019

	Stage 1	Stage 2		Stage 3				
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Impairment in Accordance With IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing /Non-accrual Loans	Total
Balance at January 1	$ 1,415,427	$ 95,618	$ 7,085	$ 495,451	$ -	$ 2,013,581	$ 2,320,761	$ 4,334,342
Changes due to financial instruments that have been identified at the beginning of the period:								
Transferred to lifetime ECL	(1,240)	10,838	4,050	(13,648)	-	-		-
Transferred to credit - impaired financial assets	(2,227)	(19,150)	(2,106)	23,483	-	-		-
Transferred to 12 months ECL	4,762	(3,441)	-	(1,321)	-	-		-
Derecognizing financial assets during the current period	(206,091)	(8,166)	(136)	(81,262)	-	(295,655)		(295,655)
Purchased or originated new financial assets	517,071	-	-	-	-	517,071		517,071
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with non-performing/non-accrual loans							108,969	108,969
Write-off	-	-	-	(239,287)	-	(239,287)		(239,287)
Recovery of written-off	-	-	-	363,981	-	363,981		363,981
Effect of exchange rate changes and others	(191,211)	76,936	235	(108,403)	-	(222,443)		(222,443)
Balance at June 30	$ 1,536,491	$ 152,635	$ 9,128	$ 438,994	$ -	$ 2,137,248	$ 2,429,730	$ 4,566,978

Changes in total carrying amount of discounts and loans of the Bank were as follows:

For the six months ended June 30, 2020

	Stage 1	Stage 2		Stage 3		
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Total
Balance at January 1	$ 343,057,023	$ 1,350,348	$ 7,225	$ 2,591,502	$ 69,951	$ 347,076,049
Conversion from individual financial instruments to lifetime ECL	-	-	-	-	-	-
Conversion from individual financial instruments to credit-impaired financial assets	-	-	-	-	-	-
Roll-out individual financial instruments from credit-impaired financial assets	-	-	-	-	-	-
Discounts and loans based on collective assessment	(564,193)	164,531	-	399,662	-	-
Purchased or originated new discounts and loans	323,014,067	2,096	-	1,152		323,017,315
Write-off	-	-	-	(224,281)	-	(224,281)
Derecognition	(299,274,694)	(141,955)	-	(455,472)	(69,951)	(299,942,072)
Effect of exchange rate changes and others	(1,119,423)	(6,808)	(107)	(1,870)	-	(1,128,208)
Balance at June 30	$ 365,112,780	$ 1,368,212	$ 7,118	$ 2,310,693	$ -	$ 368,798,803

For the six months ended June 30, 2019

	Stage 1	Stage 2		Stage 3		Total
	12 Months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	
Balance at January 1	$ 335,634,535	$ 1,729,750	$ 23,616	$ 2,826,173	$ -	$ 340,214,074
Conversion from individual financial instruments to lifetime ECL	-	-	13,502	(13,502)	-	-
Conversion from individual financial instruments to credit-impaired financial assets	-	-	(7,020)	7,020	-	-
Roll-out individual financial instruments from credit-impaired financial assets	-	-	-	-	-	-
Discounts and loans based on collective assessment	(426,092)	(87,208)	-	513,300	-	-
Purchased or originated new discounts and loans	199,733,617	-	-	-	-	199,733,617
Write-off	-	-	-	(239,287)	-	(239,287)
Derecognition	(180,162,123)	(160,755)	(454)	(260,066)	-	(180,583,398)
Effect of exchange rate changes and others	829,449	1,102	786	681	-	832,018
Balance at June 30	$ 355,609,386	$ 1,482,889	$ 30,430	$ 2,834,319	$ -	$ 359,957,024

For the impairment loss analysis of discounts and loans, please refer to Note 46.

15. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD, NET

Immaterial associates:

	June 30, 2020		December 31, 2019		June 30, 2019	
	Carrying Amount	%	Carrying Amount	%	Carrying Amount	%
CDIB & Partners Investment Holding Corporation	$ 787,160	4.95	$ 963,142	4.95	$ 946,321	4.95
Others	60		61		107	
	$ 787,220		$ 963,203		$ 946,428	

The above investments accounted for using the equity method and the Bank and its subsidiaries' share of earnings and other comprehensive income had been calculated on the basis of the audited financial statements.

The Bank and its subsidiaries had not pledged any of the investments accounted for using equity method as collateral.

16. INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

a. The bank and its subsidiaries have asset securitization products which the bank and its subsidiaries do not have significant influence but rights and obligations in accordance with the contract. The funds of unconsolidated structured entities are from the bank and its subsidiaries and external third parties.

b. The carrying amounts of the bank and its subsidiaries' involvement with the structured entities, which were recognized in the consolidated balance sheet as of June 30, 2020, was as follows:

Asset securitization	June 30, 2020
Financial assets at fair value through profit or loss	$ 1,192,272
Financial assets at fair value through other comprehensive income	298,068
	$ 1,490,340

The amount of the maximum exposure to loss is the carrying amount of the assets held by the Bank and its subsidiaries.

c. The bank and its subsidiaries did not provide any financial support to the unconsolidated structured entities for the six months ended June 30, 2020.

17. OTHER FINANCIAL ASSETS, NET

	June 30, 2020	December 31, 2019	June 30, 2019
Due from banks (original maturities over three months)	$ 1,048,650	$ 1,080,750	$ 1,130,800
Overdue receivables	11,118	16,063	14,443
Pledged time deposits	300	300	300
Call loan to security brokers	-	903,180	-
	1,060,068	2,000,293	1,145,543
Less: Allowance for bad debts - overdue receivables	(11,118)	(16,063)	(14,443)
Net amount	$ 1,048,950	$ 1,984,230	$ 1,131,100

For the information on other financial assets pledged as collateral by the Bank and its subsidiaries, please refer to Note 43.

18. PROPERTY AND EQUIPMENT, NET

	June 30, 2020	December 31, 2019	June 30, 2019
Land	$ 3,270,325	$ 3,310,707	$ 3,310,707
Buildings and facilities	1,529,822	1,569,093	1,579,971
Machinery and computer equipment	652,252	687,986	660,416
Transportation equipment	230,809	284,730	327,851
Leasehold improvements	227,290	241,372	233,805
Miscellaneous equipment	40,309	40,434	39,030
Prepayments for acquisition of properties	17,428	11,113	39,281
	$ 5,968,235	$ 6,145,435	$ 6,191,061

	June 30, 2020	December 31, 2019	June 30, 2019
Assets used by the Bank and its subsidiaries	$ 5,383,293	$ 5,493,469	$ 5,484,557
Assets leased under operating leases	584,942	651,966	706,504
	$ 5,968,235	$ 6,145,435	$ 6,191,061

Except for depreciation recognized, the Bank and its subsidiaries had no significant addition, disposal and impairment of property and equipment during the six months ended June 30, 2020 and 2019.

Property and equipment were depreciated on a straight-line basis over the estimated useful lives as follows:

Buildings and facilities	3-60 years
Machinery and computer equipment	3-10 years
Transportation equipment	5 years
Miscellaneous equipment	3-12 years
Leasehold improvements	Depends on the age or the durable life of the lease, whichever is shorter

The operating leases of the Bank's subsidiaries are mainly based on leased light passenger vehicles with lease terms of 1 to 5 years. The above contracts do not contain market review clauses. The lessees do not have bargain purchase options to acquire the assets at the expiry of the lease periods.

The maturity analysis of lease payments receivable was as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Year 1	$ 86,027	$ 101,268	$ 116,795
Year 2	42,506	58,458	71,338
Year 3	9,919	17,886	32,048
Year 4	602	2,844	7,121
Year 5	-	334	1,084
	$ 139,054	$ 180,790	$ 228,386

The property and equipment leased by the Bank and its subsidiaries under operating leases is depreciated on a straight-line basis over their estimated useful lives as follows:

	Estimated Useful Lives
Machinery equipment	4-20 years
Transportation equipment	2-5 years

For the information on property and equipment pledged as collateral by the Bank and its subsidiaries, please refer to Note 43.

19. LEASE ARRANGEMENTS

a. Right-of-use assets

	June 30, 2020	December 31, 2019	June 30, 2019
Carrying amounts			
Buildings and facilities	$ 1,779,952	$ 2,122,117	$ 2,251,286
Computer equipment	61,700	69,655	77,610
Transportation equipment	6,537	4,194	5,055
Miscellaneous equipment	108	149	-
	$ 1,848,297	$ 2,196,115	$ 2,333,951

	For The Six Months Ended June 30	
	2020	2019
Additions to right-of-use assets	$ 164,101	$ 221,307

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Depreciation of right-of-use assets				
Buildings and facilities	$ 68,178	$ 82,194	$ 153,452	$ 161,084
Computer equipment	3,978	3,977	7,955	7,092
Transportation equipment	677	431	1,206	732
Miscellaneous equipment	21	-	41	-
	$ 72,854	$ 86,602	$ 162,654	$ 168,908

Except for the additions and depreciation recognized above, the Bank and its subsidiaries had no sublease and impairment on right-of-use assets during the six months ended June 30, 2020 and 2019.

b. Lease liabilities

	June 30, 2020	December 31, 2019	June 30, 2019
Carrying amounts	$ 1,864,859	$ 2,196,791	$ 2,328,479

	For The Six Months Ended June 30	
	2020	2019
Interest expense (other interest expenses)	$ 12,829	$ 15,983

Ranges of discount rate for lease liabilities were as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Buildings and facilities	0.71%-3.84%	0.75%-1.31%	0.75%-3.84%
Computer equipment	0.91%-0.92%	0.91%-0.92%	0.91%-0.92%
Transportation equipment	0.71%-0.92%	0.75%-0.92%	0.75%-0.92%
Miscellaneous equipment	1.20%	1.20%	-

The maturity analysis of lease liabilities (undiscounted) were as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Less than 1 year	$ 267,138	$ 293,425	$ 338,835
1 year to 5 years	972,146	1,055,701	1,046,945
Over 5 years	719,744	960,806	1,079,408
	$ 1,959,028	$ 2,309,932	$ 2,465,188

c. Material lease activities and terms

The Bank and its subsidiaries lease buildings and facilities, computer equipment, transportation equipment and miscellaneous equipment with lease terms of 1 to 10 years. In the contracts, the Bank and its subsidiaries have the option to lease the building at the end of the lease terms. The lessees do not have bargain purchase options to acquire the assets at the expiry of the lease periods.

d. Other lease information

For lease arrangements under operating leases for the leasing out of investment properties and freehold property and equipment for the Bank and its subsidiaries, please refer to Notes 18 and 20, respectively.

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Expenses relating to short-term leases	$ 14,930	$ 9,720	$ 17,555	$ 21,328
Expenses relating to low-value asset leases	$ 300	$ 558	$ 642	$ 902
Total cash outflow for leases			$ 173,479	$ 195,361

Short-term lease commitments with lease terms commencing after the balance sheet dates are as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Short-term lease commitments	$ 69,979	$ 8,243	$ 16,069

20. INVESTMENT PROPERTY, NET

	June 30, 2020	December 31, 2019	June 30, 2019
Land	$ 857,137	$ 816,754	$ 816,754
Buildings and facilities	210,785	190,319	194,143
	$ 1,067,922	$ 1,007,073	$ 1,010,897

Except for depreciation recognized, the Bank and its subsidiaries had no significant addition, disposal and impairment of investment property during the six months ended June 30, 2020 and 2019.

Investment property was depreciated on a straight-line basis over the estimated useful lives as follows:

Buildings and facilities	
Main building and parking spaces	30-60 years

The fair value of the Bank and its subsidiaries' investment property was based on the assessment of an external independent appraiser and is reviewed by the Bank and its subsidiaries' management that consider the validity of appraisal report in 2019 and 2018 and regard the fair value as effective. The sales comparison approach and income approach were used in the valuation, whereby the sales comparison approach compares a subject property's characteristics with those of comparable properties which have been recently sold in similar transactions, and the income approach takes the net operating income of the rent collected and divides it by the capitalization rate. Based on these valuations, the fair values of the Bank and its subsidiaries' investment properties as of June 30, 2020, December 31, 2019 and June 30, 2019 were $1,174,639 thousand, $1,087,033 thousand and $1,093,721 thousand, respectively. Investment properties were categorized into Level 3.

The lease terms of the leasing of investment properties is 1 to 10 years. Some lessees have the priority to rent the leased property under the same terms after the leases have expired. The lessees do not have bargain purchase options to acquire the investment property at the expiry of the lease periods.

The maturity analysis of lease payments receivable under operating leases of investment property were as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Year 1	$ 32,809	$ 32,690	$ 32,034
Year 2	28,670	30,170	30,744
Year 3	27,321	28,447	27,486
Year 4	14,148	21,202	26,137
Year 5	12,010	11,959	12,930
Over 5 years	12,263	18,250	23,054
	$ 127,221	$ 142,718	$ 152,385

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

	Estimated Useful Lives
Buildings and facilities	30-60 years

For the information on investment property pledged as collateral by the Bank and its subsidiaries, please refer to Note 43.

21. OTHER ASSETS, NET

	June 30, 2020	December 31, 2019	June 30, 2019
Guarantee deposits paid	$ 8,736,894	$ 7,120,790	$ 4,736,066
Prepaid expenses	374,013	1,138,214	772,747
Operating guarantee deposits and settlement funds	57,100	57,100	57,100
Prepaid pension costs	30,681	24,145	62,658
Others	54,840	97,490	86,677
	$ 9,253,528	$ 8,437,739	$ 5,715,248

For the information on other assets pledged as collateral by the Bank and its subsidiaries, please refer to Note 43.

22. DEPOSITS FROM THE CENTRAL BANK AND BANKS

	June 30, 2020	December 31, 2019	June 30, 2019
Call loans from banks	$ 18,567,160	$ 22,775,114	$ 20,572,084
Deposits from Chunghwa Post Co., Ltd.	190,146	190,146	190,146
	$ 18,757,306	$ 22,965,260	$ 20,762,230

23. NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENTS

	June 30, 2020	December 31, 2019	June 30, 2019
Corporate bonds	$ 36,902,957	$ 8,168,589	$ 25,226,051
Government bonds	10,659,065	7,745,562	7,461,577
Bank debentures	9,667,346	2,480,852	11,431,585
Commercial paper	299,615	354,838	1,513,789
	$ 57,528,983	$ 18,749,841	$ 45,633,002
Repurchase amounts	$ 57,595,343	$ 18,770,951	$ 45,881,120
Last maturity date	October 2020	March 2020	October 2019

24. PAYABLES

	June 30, 2020	December 31, 2019	June 30, 2019
Accrued interest	$ 2,094,696	$ 4,487,675	$ 4,233,675
Accounts payable factoring	1,167,490	1,310,337	961,044
Spot exchange payable, foreign currencies	832,073	72,060	40,923
Accrued expenses	535,341	967,246	579,536
Collection payable	434,826	94,233	83,922
Checks for clearing	133,500	172,725	556,190
Payable for securities purchased	122,047	13,095	3,024,822
Remittances for clearing	62	576,720	3,309
Others	622,808	790,420	954,392
	$ 5,942,843	$ 8,484,511	$ 10,437,813

25. DEPOSITS AND REMITTANCES

	June 30, 2020	December 31, 2019	June 30, 2019
Time deposits	$ 254,325,076	$ 223,721,564	$ 263,530,619
Savings deposits	126,058,040	117,915,084	111,821,286
Demand deposits	93,223,691	64,376,461	54,873,758
Negotiable certificates of deposit	14,256,600	10,380,300	14,344,000
Checking deposits	3,929,458	4,742,175	3,610,485
Remittances	3,042,691	181,673	28,957
	$ 494,835,556	$ 421,317,257	$ 448,209,105

26. BANK DEBENTURES PAYABLE

Name	June 30, 2020	December 31, 2019	June 30, 2019	Issuance Period	Method of Paying Principle and Interests	Interest Rate
P06 KGIB 1	$ -	$ 1,000,000	$ 1,000,000	2017.05.19-2020.05.19	Interest payable annually; principal due on maturity	0.9%
P07 KGIB 1	3,000,000	3,000,000	3,000,000	2018.12.27, no maturity date	Interest payable annually (Note)	2.35%
P07 KGIB 2	3,350,000	3,350,000	3,350,000	2018.12.27-2033.12.27	Interest payable annually; principal due on maturity	1.68%
P08KGIB 1	3,100,000	3,100,000	3,100,000	2019.06.26-2034.06.26	Interest payable annually; principal due on maturity	1.4%
P09KGIB 1	1,200,000	-	-	2020.03.05-2027.03.05	Interest payable annually; principal due on maturity	0.75%
P09KGIB 2	4,800,000	-	-	2020.03.05-2030.03.05	Interest payable annually; principal due on maturity	0.8%
	15,450,000	10,450,000	10,450,000			
Valuation adjustments	18,206	-	-			
Net amount	$ 15,468,206	$ 10,450,000	$ 10,450,000			

Note: The Bank has the right to redeem the bonds after 5 years and 1 month from the issue date if its self-owned capital adequacy ratio is still in compliance with the requirements set by the competent authority. The Bank is allowed to redeem the bonds based on the carrying value of each bond plus interest after approved by the competent authority.

27. COMMERCIAL PAPER PAYABLE, NET

	June 30, 2020	December 31, 2019	June 30, 2019
Commercial paper payable	$ 2,335,000	$ 2,722,000	$ 2,700,000
Less: Unamortized discount	(1,032)	(339)	(367)
	$ 2,333,968	$ 2,721,661	$ 2,699,633
Range of interest rates	0.95%-1.19%	1.02%-1.32%	1.02%-1.09%
Last maturity date	October 2020	October 2020	August 2019

28. OTHER BORROWINGS

	June 30, 2020	December 31, 2019	June 30, 2019
Note issuance facility	$ 1,199,727	$ 699,799	$ 609,954
Short-term secured borrowings	327,343	178,000	180,000
Short-term credit borrowings	-	-	435,339
Long-term credit borrowings	-	-	63,136
	$ 1,527,070	$ 877,799	$ 1,288,429
Range of interest rates	0.95%-2.21%	1.08%-1.31%	1.10%-4.35%
Last maturity date	June 2023	December 2022	July 2021

29. PROVISIONS

	June 30, 2020	December 31, 2019	June 30, 2019
Provisions for guarantee liabilities	$ 191,436	$ 209,308	$ 204,353
Provisions for loan commitments	100,820	93,686	98,041
Provisions for decommissioning, restoration and rehabilitation cost	41,690	41,179	43,099
Provisions for employee benefits	10,358	13,828	13,721
Others	86,952	85,632	86,922
	$ 431,256	$ 443,633	$ 446,136

30. RETIREMENT BENEFIT PLANS

The Bank and its subsidiaries' retirement plans consist of defined contribution and defined benefit plans. For defined benefit plans, employee benefit expenses for the six months ended June 30, 2020 and 2019 were calculated using the actuarially determined pension cost discount rates as of December 31, 2019 and 2018, respectively.

For the three and six months ended June 30, 2020 and 2019, the Bank and its subsidiaries (a) recognized their contributions under the defined benefit plans as pension expenses (recognized as employee benefits expense) of $749 thousand, $819 thousand, $1,495 thousand and $1,638 thousand, respectively, and (b) recognized under the defined contribution plans pension expenses (recognized as employee benefits expense) of $33,572 thousand, $34,464 thousand, $67,197 thousand and $68,511 thousand, respectively.

31. OTHER LIABILITIES

	June 30, 2020	December 31, 2019	June 30, 2019
Guarantee deposits received	$ 8,393,975	$ 3,545,807	$ 2,825,234
Temporary receipts and suspense accounts	2,159,239	2,339,369	322,773
Others	200,252	132,771	178,146
	$ 10,753,466	$ 6,017,947	$ 3,326,153

32. EQUITY

a. Capital

Common stock

	June 30, 2020	December 31, 2019	June 30, 2019
Number of shares authorized (in thousands) (Note)	20,000,000	20,000,000	20,000,000
Shares authorized	$ 200,000,000	$ 200,000,000	$ 200,000,000
Number of shares issued and fully paid (in thousands) (Note)	4,606,162	4,606,162	4,606,162
Shares issued	$ 46,061,623	$ 46,061,623	$ 46,061,623

Note: Par value of shares is NT$10.

b. Capital surplus

	June 30, 2020	December 31, 2019	June 30, 2019
Additional paid-in capital	$ 7,245,723	$ 7,245,723	$ 7,245,723
Issuance of employee share options	5,398	5,398	5,334
Change in capital surplus from investments in associates accounted for using equity method	185	185	185
	$ 7,251,306	$ 7,251,306	$ 7,251,242

The premium of additional paid-in capital (share premium from issuance of common shares, treasury share transactions, and excess of the consideration received over the carrying amount of the subsidiaries' net assets during disposal or acquisition) and donations may be used to offset a deficit; in addition, when the Bank has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital once a year within a certain percentage of the Bank's capital surplus.

The capital surplus from investments under the equity method may not be used for any purpose.

c. Legal and special reserves

Under the Company Act, the Bank may, under a resolution approved in a shareholders' meeting, capitalize the amount of its legal reserve that exceeds 25% of the capital by issuing new shares to shareholders or by distributing a cash dividend when it incurs no loss. In addition, under the Banking Act, the Bank should retain 30% of its after-tax earnings as legal reserve before distributing these earnings. Further, if the amount of legal reserve is less than the total amount of capital, the maximum amount of earnings that may be distributed in cash should not exceed 15% of the total capital. However, this restriction will not apply if the amount of legal reserve equals or exceeds the amount of the total capital or if the Bank is in sound financial condition and is in compliance with the Company Act.

After applying IFRSs, the Bank recognizes and reverses special reserve according to Order No. 1010012865 issued by the FSC on April 6, 2012 and the rule of "Questions and Answers on Special Reserves Appropriated Following the Adoption of IFRSs".

Under Order No. 10510001510 issued by the FSC on May 25, 2016, the Public Bank shall appropriate 2016 to 2018 annual surplus which is based on 0.5% to 1% of net income for special reserve. From fiscal year of 2017, the Bank can reverse the amount of expenditure of employees' transfer arising from financial technology development within the amount of the above special reserve. However, in response of the development of financial technology and the protection of the rights and interests of employees in the domestic banks, it is not applicable to appropriate special reserve in accordance with the Order No. 10802714560 issued by the FSC. When paying the expense of employees turnover or resettlement expenditures and the training in response of financial technology or business development of the bank, the Bank reverses the special reserve within the scope mentioned above.

d. Appropriation of earnings and dividend policy

In order to expand the Bank's operations and consider the benefit of shareholders as well as comply with the Banking Act and relevant regulations, the Bank applies the residual dividend policy. In principle, the Bank pays dividends in the form of cash. The cash dividends should not be more than 15% of paid-in capital when legal reserve is less than paid-in capital.

The current year's earnings will be first applied to offset the prior years' losses as well as settle all taxes payable. After covering losses and settling taxes, the balance will then be used to appropriate legal reserve and special reserve and to reverse a special reserve in accordance with the Banking Act and relevant regulations. The remainder and the prior years' adjusted unappropriation of earnings are subject to the board of directors' decision to propose a distribution plan and to be submitted to the shareholders' meeting for approval.

When the Bank's legal reserve equals its paid-in capital, or when the Bank has complied with the FSC's financial soundness requirements and has provided a legal reserve based on the Company Act and relevant regulations, the Bank is no longer subject to the requirement for legal reserve appropriation and to the 15%-of-paid-in capital limit on cash dividend distribution.

The appropriation of earnings should be presented for approval at the shareholders' meeting in the year following, and given effect to in the financial statements of the year following the year of earnings generation.

Under the Financial Holding Company Act, because the Bank has only one shareholder, CDFH, the Company Act provisions on shareholders' meetings do not apply to the Bank and the board of directors is thus entitled to exercise shareholders' meeting functions.

Appropriation of the 2019 and 2018 earnings for approved by board of directors which entitled to execute shareholders' meeting function on April 23, 2020 and May 23, 2019 respectively were as follows:

	2019	2018
Legal reserve	$ 1,031,266	$ 491,024
Special reserve (reversal on special reserve)	(1,394,438)	1,145,724
Cash dividends	3,800,727	-

Related information can be accessed through the Market Observation Post System website of the Taiwan Stock Exchange.

33. NET INTEREST

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Interest revenues				
Discounts and loans	$ 2,136,361	$ 2,546,180	$ 4,531,718	$ 5,040,061
Securities	616,762	599,892	1,193,004	1,230,945
Due from and call loans to banks	34,655	105,723	95,186	212,922
Others	135,328	225,353	324,304	499,998
	2,923,106	3,477,148	6,144,212	6,983,926
Interest expenses				
Deposits	892,604	1,378,251	1,937,403	2,783,194
Notes and bonds issued under repurchase agreements	100,475	251,179	191,740	501,091
Due to/borrowings from the other banks	52,194	61,055	144,565	159,073
Others	101,134	118,334	219,767	234,162
	1,146,407	1,808,819	2,493,475	3,677,520
	$ 1,776,699	$ 1,668,329	$ 3,650,737	$ 3,306,406

34. SERVICE FEE INCOME, NET

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Service fee revenues				
Loans	$ 81,432	$ 125,396	$ 260,374	$ 280,559
Trust	113,186	112,006	238,015	197,758
Insurance commission	115,847	192,724	228,454	377,879
Credit card	37,845	44,298	77,598	90,587
Others	142,276	125,268	277,673	230,513
	490,586	599,692	1,082,114	1,177,296

(Continued)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Service fee expenses				
Agency	$ 25,819	$ 24,021	$ 51,974	$ 47,401
Interbank	18,379	16,417	36,722	31,871
Others	36,754	38,241	72,796	82,981
	80,952	78,679	161,492	162,253
	$ 409,634	$ 521,013	$ 920,622	$ 1,015,043

(Concluded)

35. GAINS (LOSSES) ON FINANCIAL ASSETS OR LIABILITIES MEASURED AT FVTPL

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Realized gain (loss)				
Derivative instruments	$ (706,927)	$ 619,028	$ (1,722,933)	$ (1,121,168)
Stocks	523	-	(15,075)	(183,105)
Bonds	47,796	(64,214)	(2,780)	(114,132)
Others	17,012	17,841	31,190	33,750
	(641,596)	572,655	(1,709,598)	(1,384,655)
Revaluation gain (loss)				
Derivative instruments	32,253	(720,161)	812,640	1,383,764
Bonds	345,951	(1,036,909)	(651,432)	(2,762,390)
Stocks	464	-	1,003	169,275
Others	989,524	1,709,100	2,510,254	3,270,887
	1,368,192	(47,970)	2,672,465	2,061,536
	$ 726,596	$ 524,685	$ 962,867	$ 676,881

For the three and six months ended June 30, 2020 and 2019, the realized gain or loss on the Bank and its subsidiaries’ financial assets or liabilities at FVTPL included (a) disposal loss of $591,502 thousand, gain of $631,995 thousand, loss of $1,541,096 thousand and loss of $1,251,378 thousand, respectively, (b) interest revenues of $139,329 thousand, $294,693 thousand, $306,982 thousand and $565,762 thousand, respectively, (c) dividend incomes of $0 thousand, $0 thousand, $1,021 thousand and $0 thousand, respectively, and (d) interest expenses of $189,423 thousand, $354,033 thousand, $476,505 thousand and $699,039 thousand, respectively.

36. REALIZED GAINS (LOSSES) ON FINANCIAL ASSETS MEASURED AT FVTOCI

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Gain on disposal of bonds	$ 149,581	$ 192,656	$ 234,615	$ 231,073
Dividend income	18,502	72,309	32,477	72,309
Others	-	(102)	-	(102)
	$ 168,083	$ 264,863	$ 267,092	$ 303,280

37. REVERSAL OF IMPAIRMENT LOSS (IMPAIRMENT LOSS) ON ASSETS

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Debt instruments at fair value through other comprehensive income	$ (5,247)	$ 6,027	$ (19,429)	$ 7,903
Debt investments measured at amortized cost	125	149	151	139
	$ (5,122)	$ 6,176	$ (19,278)	$ 8,042

38. EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Employee benefit expense				
Salaries and wages	$ 792,647	$ 783,369	$ 1,527,256	$ 1,554,940
Employee insurance	57,990	58,840	130,519	130,014
Pension	34,321	35,283	68,692	70,149
Others	52,365	56,293	102,453	124,987
	$ 937,323	$ 933,785	$ 1,828,920	$ 1,880,090
Depreciation and amortization expenses	$ 203,397	$ 201,861	$ 425,408	$ 399,023

The Company's Articles of Incorporation stipulates to distribute compensation of employees at the rates no less than 0.01% and no higher than 3% of net profit before income tax and employees' compensation. However, if the Bank had incurred cumulative losses, the profit should be used to offset the losses first. For the three and six months ended June 30, 2020 and 2019, the employee's compensation were $1,314 thousand, $1,158 thousand, $1,864 thousand and $2,256 thousand, respectively.

The distribution of the compensation of employees for 2019 and 2018 approved by the board of directors on March 26, 2020 and March 21, 2019, respectively, were $4,559 thousand and $2,382 thousand.

There was no difference between the amounts of the employees' compensation resolved by the board of directors and the respective amounts recognized in the financial statements for the years ended December 31, 2019 and 2018.

If there is a change in the proposed amounts after the consolidated financial statements of the fiscal year were authorized for issue, the differences will be recorded as a change in the accounting estimate.

The information on the proposed and approved employees' compensation is available on the Market Observation Post System website of the Taiwan Stock Exchange.

39. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Taxation	$ 106,858	$ 118,817	$ 227,834	$ 244,009
Professional services	40,113	40,680	101,805	78,026
Computer information	66,402	50,951	112,289	94,512
Marketing	40,277	43,026	78,529	78,345
Others	168,338	168,974	319,092	329,580
	$ 421,988	$ 422,448	$ 839,549	$ 824,472

40. INCOME TAX

a. Income tax expense

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Current income tax				
Current year	$ 109,050	$ 70,416	$ 198,215	$ 135,658
Prior year's adjustments	(41,864)	(6,828)	(41,864)	(6,828)
	67,186	63,588	156,351	128,830
Deferred income tax	142,665	150,013	177,783	290,047
Income tax expenses	$ 209,851	$ 213,601	$ 334,134	$ 418,877

b. Income tax expense recognized in other comprehensive income were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Deferred income tax				
Changes in fair value of debt instruments at fair value through other comprehensive income	$ 79,839	$ 52,544	$ 33,437	$ 52,544
Income tax expense	$ 79,839	$ 52,544	$ 33,437	$ 52,544

c. The estimated receivables/payables resulting from the use of the linked-tax system on the Bank's consolidated tax returns were as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Taxes paid to the parent company	$ 664,367	$ 600,802	$ 541,361

d. Income tax assessments

Since 2015, the Bank used the linked-tax system in filing together its income tax and unappropriated earnings returns and those of its parent company and eligible subsidiaries.

The income tax returns of CDIB Management Consulting Corporation and CDC Finance & Leasing Corporation through 2018 had been examined by the tax authorities. The income tax returns of the Bank and formerly Cosmos Insurance Brokers Co., Ltd. through 2014 had been examined by the tax authorities.

41. EARNINGS PER SHARE

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Earnings used in the computation of the EPS	$ 1,214,265	$ 958,655	$ 1,778,824	$ 1,860,971
Weighted average number of common shares outstanding (shares in thousands)	4,606,162	4,606,162	4,606,162	4,606,162
Basic EPS (in dollars)	$0.26	$0.21	$0.39	$0.40

42. RELATED-PARTY TRANSACTIONS

The significant transactions and relationship with related parties (in addition to those disclosed in other notes) are summarized below:

Related Party	Relationship with the Bank and Its Subsidiaries
China Development Financial Holding Corporation	Parent company
CDIB Capital Group and its subsidiaries	Subsidiary of the parent company
KGI Securities Co., Ltd. and its subsidiaries	Subsidiary of the parent company
China Life Insurance Co., Ltd.	Subsidiary of the parent company
Others	Other related parties

a. Future contracts (recognized as cash and cash equivalents and financial assets at fair value through profit or loss)

Cash and cash equivalents

	Amount	%
June 30, 2020	$ 330,400	4
December 31, 2019	178,856	2
June 30, 2019	73,757	1

Financial assets at fair value through profit or loss

	Amount	%
June 30, 2020	$ 14,042	-
December 31, 2019	3,930	-
June 30, 2019	5,291	-

b. Bank debentures (recognized as debt investments measured at amortized cost)

For the three and six months ended June 30, 2019, the interest revenue from bank debentures were $8,211 thousand and $17,946 thousand, respectively.

c. Service fee revenue receivable (recognized as receivables, net)

	Amount	%
June 30, 2020	$ 19,334	-
December 31, 2019	30,691	-
June 30, 2019	14,788	-

d. Credit card receivable (recognized as receivables, net)

	Amount	%
June 30, 2020	$ 7,624	-
December 31, 2019	23,300	-
June 30, 2019	38,741	-

e. Receivables on securities sold (recognized as receivables, net)

	Amount	%
June 30, 2020	$ 3,937	-
December 31, 2019	17,097	-

f. Discounts and loans

	Amount	%	Interest Rate (%)
June 30, 2020	$ 1,049,143	-	0.00-15.00
December 31, 2019	1,140,878	-	1.54-15.00
June 30, 2019	1,123,113	-	1.54-5.99

For the three and six months ended June 30, 2020 and 2019, the interest revenues from discounts and loans were $3,675 thousand, $4,282 thousand, $8,067 thousand and $8,719 thousand, respectively.

June 30, 2020

Category	Number of Accounts or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collateral	Is the Transaction at Arm's Length Commercial Term
Consumer loans	36	$ 27,570	$ 15,803	$ 15,803	$ -	None/SME credit guarantee fund	Yes
Residential mortgage loans	80	1,209,213	1,024,830	1,024,830	-	Real estate	Yes
Others	6	15,502	8,510	8,510	-	Real estate	Yes

December 31, 2019

Category	Number of Accounts or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collateral	Is the Transaction at Arm's Length Commercial Term
Consumer loans	40	$ 38,362	$ 18,667	$ 18,667	$ -	None	Yes
Residential mortgage loans	90	1,437,353	1,110,300	1,110,300	-	Real estate	Yes
Others	7	17,070	11,911	11,911	-	Real estate	Yes

June 30, 2019

Category	Number of Accounts or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collateral	Is the Transaction at Arm's Length Commercial Term
Consumer loans	34	$ 31,039	$ 19,312	$ 19,312	$ -	None	Yes
Residential mortgage loans	82	1,274,425	1,096,100	1,096,100	-	Real estate	Yes
Others	6	9,050	7,701	7,701	-	Real estate	Yes

g. Purchase and sale of bonds

	Purchase of Bonds	Sale of Bonds
For the six months ended June 30, 2020		
Subsidiary of the parent company	$ 300,000	$ 101,400
For the six months ended June 30, 2019		
Subsidiary of the parent company	386,477	702,331

h. Call loans to securities brokers (recognized as other financial assets, net)

	December 31, 2019	
	Amount	%
Subsidiary of the parent company	$ 903,180	46

For the three and six months ended June 30, 2020 and 2019, interest revenue from call loans to securities brokers were $175 thousand, $2,472 thousand, $1,101 thousand and $6,720 thousand, respectively.

i. Lease arrangements (as a lessee)

Acquisition of right-of-use assets

	For the Six Months Ended June 30	
	2020	2019
Subsidiary of the parent company	$ 105,047	$ 16,740

Lease liabilities

	June 30, 2020	December 31, 2019	June 30, 2019
Subsidiary of the parent company	$ 154,125	$ 97,456	$ 154,061

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Interest expense				
Subsidiary of the parent company	$ 326	$ 340	$ 602	$ 901
Lease expense				
Subsidiary of the parent company	12,821	21	12,842	42

The above rental price is determined based on the market price and paid monthly/quarterly.

j. Guarantee deposits paid (recognized as other assets, net)

	Amount	%
June 30, 2020	$ 25,587	-
December 31, 2019	26,327	-
June 30, 2019	26,327	-

k. Call loans from banks (recognized as deposits from the Central Bank and banks)

For the three and six months ended June 30, 2019, the interest expense for call loans from banks were $4,907 thousand and $14,477 thousand, respectively.

l. Payables to parent (recognized as current tax liabilities)

	June 30, 2020		December 31, 2019		June 30, 2019	
	Amount	%	Amount	%	Amount	%
Parent company	$ 664,367	100	$ 600,802	100	$ 541,361	100

The payables resulted from CDFH and its eligible subsidiaries adopting the linked-tax system in the filing of tax returns.

m. Accrued interest (recognized as payables)

	Amount	%
June 30, 2020	$ 12,419	-
December 31, 2019	7,450	-
June 30, 2019	3,333	-

n. Deposits

	Amount	%	Interest Rate (%)
June 30, 2020	$ 29,918,551	6	0-5.58
December 31, 2019	26,822,306	6	0-5.58
June 30, 2019	12,544,677	3	0-5.58

For the three and six months ended June 30, 2020 and 2019, the interest expenses for deposits were $26,544 thousand, $39,006 thousand, $53,279 thousand and $83,722 thousand, respectively.

o. Temporary receipts and suspense accounts (recognized as other liabilities)

	June 30, 2020		December 31, 2019	
	Amount	%	Amount	%
Subsidiary of the parent company	$ 1,903,394	18	$ 2,188,412	36

The above accounts is temporary receipts of Automated Clearing House (ACH).

p. Service fee revenue

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	Amount	%	Amount	%
2020				
Subsidiary of the parent company	$ 67,206	14	$ 120,919	11
Other related parties	5,914	1	5,945	1
2019				
Subsidiary of the parent company	97,281	16	180,668	15
Other related parties	34	-	67	-

Service fee revenue mainly comprised sale of insurance, funds, trust affiliated business and others.

q. Insurance expenses (recognized as employee benefits expenses)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	Amount	%	Amount	%
2020	$ 5,168	1	$ 10,353	1
2019	4,824	1	9,497	1

r. Donations (recognized as other general and administrative expenses)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	Amount	%	Amount	%
2020	$ 10,000	2	$ 26,250	3
2019	10,000	2	10,000	1

s. Other general and administrative expenses

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	Amount	%	Amount	%
2020	$ 25,807	6	$ 51,050	6
2019	23,043	5	44,505	5

t. Outstanding derivative financial instruments

June 30, 2020

Related Party	Contract Type	Contract Period	Contract Amount	Valuation Gain (Loss)	Balance Sheet	
					Account	Balance
Subsidiaries of the parent company	Asset swap - interest rate swap contracts	March 14, 2019 - September 30, 2022	$ 88,600	$ (2,044)	Financial assets at FVTPL	$ 1,817
	Asset swap - option contracts	March 14, 2019 - September 16, 2022	88,600	1,525	Financial liabilities at FVTPL	11,799
	Currency swap contracts	October 3, 2019 - April 13, 2021	13,263,952	(86,242)	Financial assets at FVTPL	155
					Financial liabilities at FVTPL	196,800
	Non-deliverable forward contracts	March 12, 2020 - May 26, 2021	2,290	-	Financial assets at FVTPL	-
	Cross-currency swap contracts	March 12, 2020 - May 26, 2022	555,216	3,761	Financial assets at FVTPL	3,761

December 31, 2019

Related Party	Contract Type	Contract Period	Contract Amount	Valuation Gain (Loss)	Balance Sheet	
					Account	Balance
Subsidiaries of the parent company	Asset swap - interest rate swap contracts	March 12, 2019 - September 30, 2022	$ 190,000	$ 5,980	Financial assets at FVTPL	$ 5,980
	Asset swap - option contracts	March 12, 2019 - September 16, 2022	190,000	(20,442)	Financial liabilities at FVTPL	20,442
	Currency swap contracts	October 3, 2019 - August 26, 2020	14,015,287	(165,646)	Financial assets at FVTPL	4,303
					Financial liabilities at FVTPL	169,949

June 30, 2019

Related Party	Contract Type	Contract Period	Contract Amount	Valuation Gain (Loss)	Balance Sheet	
					Account	Balance
Subsidiaries of the parent company	Asset swap - interest rate swap contracts	March 12, 2019 - February 26, 2022	$ 180,000	$ 7,163	Financial assets at FVTPL	$ 7,163
	Asset swap - option contracts	March 12, 2019 - February 11, 2022	180,000	(13,169)	Financial liabilities at FVTPL	13,169
	Interest rate swap contracts	November 4, 2016 - January 24, 2020	372,864	3,150	Financial liabilities at FVTPL	1,394
	Currency swap contracts	March 27, 2019 - November 15, 2019	15,846,720	12,807	Financial assets at FVTPL	81,025
					Financial liabilities at FVTPL	68,218

u. Compensation of key management personnel

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Salary and short-term employee benefits	$ 39,606	$ 37,738	$ 88,895	$ 74,269
Post-employment benefits	430	432	851	880
Share-based payment	-	62	-	126
	$ 40,036	$ 38,232	$ 89,746	$ 75,275

In addition to the above, the Bank also paid housing rental, car rental and drivers' salaries, which amounted to $769 thousand, $851 thousand, $1,672 thousand and $1,864 thousand for the three and six months ended June 30, 2020 and 2019, respectively.

The terms of transactions with related parties were similar to those for third parties, except for certain preferential interest rate on deposits for the Bank's employees with limited deposit amounts.

Based on Articles 32 and 33 of the Banking Act, except for consumer loans and government loans, credits extended by the Bank to any related party were fully secured, and the other terms for these credits were similar to those for third parties.

43. PLEDGED ASSETS

The assets pledged as collateral of the Bank and its subsidiaries were as follows:

Assets	Object	Purpose	June 30, 2020	December 31, 2019	June 30, 2019
Due from the Central Bank and call loans to banks	Deposit reserve	Financing project of small and medium enterprise loans	$ 500,000	$ -	$ -
Financial assets at fair value through profit or loss	Government bonds	Guarantees for provisional seizure	3,674	12,209	15,850
Installment accounts and lease receivables	Notes receivable	Commercial paper payable and short-term borrowings	2,343,552	2,506,872	2,439,765
Financial assets at fair value through other comprehensive income	Government bonds	Guarantees for provisional seizure	14,408	14,420	20,539
Financial assets at fair value through other comprehensive income	Government bonds	Guarantees and provisions	159,988	159,911	160,675

(Continued)

Assets	Object	Purpose	June 30, 2020	December 31, 2019	June 30, 2019
Financial assets at fair value through other comprehensive income	Negotiable certificates of deposit	As collateral for day-term overdraft and U.S. dollar liquidation and other transactions of the guarantee	$ 17,301,872	$ 18,198,972	$ 17,097,368
Other financial assets, net	Time deposits	As collateral for day-term overdraft	1,048,650	1,080,750	1,130,800
Property and equipment, net	Real estate	Commercial paper payable and short-term borrowings	12,149	12,305	12,462
Investment property, net	Investment property	Commercial paper payable and short-term borrowings	38,160	38,838	39,515
Other financial assets, net	Time deposits	Short-term borrowings	300	300	300
Other assets, net	Cash in banks - impound account	Commercial paper payable and short-term borrowings	40,563	35,255	42,914

(Concluded)

44. COMMITMENTS AND CONTINGENCIES

a. In response to rapid business development, changes in external regulations and IT demands for innovative products and enhanced IT service levels, the Bank planned to outsource its IT operations. Thus, in their meeting held on October 30, 2012, the board of directors approved the plan to outsource the Bank's IT operations to International Business Machines Corp., Taiwan (IBM Taiwan) for the next 10 years, starting from October 31, 2012. Throughout the validity period of the IT outsourcing contract, in addition to paying for extra services in accordance with professional rates, the Bank has to pay, annual service fees for the basic framework, support service, IT application service and integration and transformation of its server and so on. In response to the changes of the information and the improvement of customer service quality, the Bank has continually replaced the core systems and other related systems. On August 21, 2018, the board of directors approved the replacement which the Bank's need of infrastructure and application system services is significantly reduced, and the replacement of the contract was effected from January 1, 2019, with the service fees totaling $181,602 thousand for the remaining contract period starting from June 30, 2020.

b. In December 2012, a third party filed a lawsuit claiming that the Bank fraudulently infringed upon the property rights of creditors on Dun Nan building. On February 14, 2014, the Taipei District Court adjudicated that the Bank has to return the amount of $1,786,318 thousand for re-allocation. The Bank has appealed against this sentence on March 10, 2014. The original adjudication in favor of the third party was revoked by the court. The third party filed a new appeal and the Supreme Court ordered the high court to conduct a new trial on November 9, 2018. The high court is hearing this case on third trial as the consolidated financial statements were reported to the board of directors.

45. FAIR VALUE AND HIERARCHY INFORMATION

a. The fair value hierarchy of financial instruments is defined as follows:

   1) Level 1 fair values are quoted prices in active markets for financial instruments.

   2) Level 2 fair values refer to directly or indirectly observable inputs other than Level 1 quoted prices, such as the quoted prices of similar financial instruments in active markets; in less active markets, fair values are quoted prices of the same or similar financial instruments or financial instruments that can be generated by using pricing models that use inputs such as interest rates and volatility rates, which are derived from or can be corroborated with observable market data.

   3) Level 3 refers to inputs that are not based on observable market data.

b. Financial instruments measured at fair value

1) The fair value hierarchy of financial instruments measured at fair value is as follows:

June 30, 2020

	Level 1	Level 2	Level 3	Total
Measured on a recurring basis				
Non-derivative financial instruments				
Assets				
Financial assets at FVTPL				
Financial assets mandatorily classified as at FVTPL				
Bond investments	$ 2,802,623	$ 1,964,340	$ -	$ 4,766,963
Commercial paper payable	-	10,100,603	-	10,100,603
Others	8,087	-	-	8,087
Financial assets designated as at FVTPL	3,225,414	11,285,287	-	14,510,701
Financial assets at FVTOCI				
Stock investments	1,001,600	-	1,090,305	2,091,905
Debt investments	57,315,805	39,299,377	-	96,615,182
Negotiable certificates of deposit	-	65,647,739	-	65,647,739
Liabilities				
Financial liabilities at FVTPL				
Financial liabilities designated as at FVTPL	-	14,115,761	-	14,115,761
Derivative financial instruments				
Assets				
Financial assets at FVTPL	14,042	72,257,228	218,708	72,489,978
Financial assets for hedging	-	19,688	-	19,688
Liabilities				
Financial liabilities at FVTPL	-	72,564,511	218,693	72,783,204
Financial liabilities for hedging	-	944,494	-	944,494

December 31, 2019

	Level 1	Level 2	Level 3	Total
Measured on a recurring basis				
Non-derivative financial instruments				
Assets				
Financial assets at FVTPL				
Financial assets mandatorily classified as at FVTPL				
Bond investments	$ 1,718,131	$ 2,455,959	$ -	$ 4,174,090
Commercial paper payable	-	10,882,423	-	10,882,423
Others	38,170	-	-	38,170
Financial assets designated as at FVTPL	6,338,783	26,181,783	-	32,520,566
Financial assets at FVTOCI				
Stock investments	2,670,233	-	380,744	3,050,977
Debt investments	26,680,873	42,895,860	-	69,576,733
Negotiable certificates of deposit	-	62,617,894	-	62,617,894
Liabilities				
Financial liabilities at FVTPL				
Financial liabilities designated as at FVTPL	-	30,550,309	-	30,550,309

(Continued)

	Level 1	Level 2	Level 3	Total
Derivative financial instruments				
Assets				
Financial assets at FVTPL	$ 3,930	$ 30,308,768	$ 180,629	$ 30,493,327
Liabilities				
Financial liabilities at FVTPL	-	46,016,523	180,444	46,196,967

(Concluded)

June 30, 2019

	Level 1	Level 2	Level 3	Total
Measured on a recurring basis				
Non-derivative financial instruments				
Assets				
Financial assets at FVTPL				
Financial assets mandatorily classified as at FVTPL				
Bond investments	$ 1,950,735	$ -	$ -	$ 1,950,735
Commercial paper payable	-	9,905,624	-	9,905,624
Financial assets designated as at FVTPL	12,384,084	34,068,517	-	46,452,601
Financial assets at FVTOCI				
Stock investments	3,815,337	-	372,558	4,187,895
Debt investments	27,893,460	51,281,337	-	79,174,797
Negotiable certificates of deposit	-	54,060,962	-	54,060,962
Liabilities				
Financial liabilities at FVTPL				
Financial liabilities designated as at FVTPL	-	31,433,488	-	31,433,488
Derivative financial instruments				
Assets				
Financial assets at FVTPL	5,291	40,371,021	106,753	40,483,065
Liabilities				
Financial liabilities at FVTPL	-	52,323,436	106,118	52,429,554

2) Valuation technique of fair value

For financial assets and liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income, fair value is determined at quoted market prices. When market prices of the Bank’s various financial instruments are not readily available, fair values are estimated by using appropriate valuation models or the counterparties’ transaction prices. The information used by the Bank for fair value estimation is consistent with that generally used in the market, and the pricing models used are commonly recognized by the industry as helpful tools in determining fair value. Related framework of the methodology can be outlined as analytical solution model (such as Black-Scholes model) and numeric method model (such as Monte Carlo simulation).

3) Fair value adjustment

a) The limitation of valuation techniques and uncertain inputs

Valuation techniques incorporate assumptions that depend on the financial instrument type and available market data. However, certain inputs used in valuation techniques may be less readily determinable. In these circumstances, a valuation model would use additional parameters and/or model assumptions-model risk, liquidity risk, and so on to make fair value adjustments. Thus, on the basis of its valuation management policies and relevant control procedures, the management considers valuation adjustments as necessary and appropriate. For the Bank and its subsidiaries to make appropriate valuation adjustments, all parameters and price information are evaluated thoroughly and market conditions are taken into consideration.

b) Credit risk valuation adjustment

Credit risk valuation adjustment consists of credit valuation adjustment and debit valuation adjustment, and definitions are the following:

The credit valuation adjustment is an adjustment to the valuation of OTC derivative contracts to reflect within fair value the possibility that the counterparty may default and that the Corporation may not receive the full market value of the transactions.

The debit valuation adjustment is an adjustment to the valuation of OTC derivative contracts to reflect within fair value the possibility that the Corporation may default, and that the Corporation may not pay full market value of the transactions.

The Bank does credit valuation adjustment using probability of default (PD) multiplied by loss given default (LGD) multiplied by exposure at default (EAD). To estimate the PD to be used as basis for the allowance for doubtful accounts, the Bank refers to the ratings published by international credit rating institutions, valuation models and valuation method specified in IFRS 9.

For EAD calculation, the market values of OTC derivative instruments are estimated in calculating EAD. The Bank uses PD no lower than 60%.

The above parameters used in risk valuation adjustment that is based on the fair values of financial instruments reflect the credit risks of counterparties and the credit quality of the Bank.

4) Transfer between Level 1 and Level 2

There is no transfer of financial instrument between Level 1 and Level 2 for the six months ended June 30, 2020 and 2019.

5) Reconciliation of Level 3 items of financial instruments

The movements of financial assets with Level 3 fair value were as follows:

For the Six Months Ended June 30, 2020

Items	Beginning Balance	Valuation Gains (Losses)		Amount of Increase		Amount of Decrease		Ending Balance
		Profit and Loss	Compre-hensive Income	Purchase or Issue	Transfer to Level 3	Sale, Disposal or Settlement	Transfer from Level 3	
Financial assets at FVTPL	$ 180,629	$ 45,499	$ -	$ -	$ -	$ (7,420)	$ -	$ 218,708
Financial assets at FVTOCI	380,744	-	12,965	700,000	-	(3,404)	-	1,090,305

For the Six Months Ended June 30, 2019

Items	Beginning Balance	Valuation Gains (Losses)		Amount of Increase		Amount of Decrease		Ending Balance
		Profit and Loss	Compre-hensive Income	Purchase or Issue	Transfer to Level 3	Sale, Disposal or Settlement	Transfer from Level 3	
Financial assets at FVTPL	$ 147,234	$ (32,916)	$ -	$ -	$ -	$ (7,565)	$ -	$ 106,753
Financial assets at FVTOCI	381,396	-	(1,525)	-	-	(7,313)	-	372,558

The movements of financial liabilities with Level 3 fair value were as follows:

For the Six Months Ended June 30, 2020

Items	Beginning Balance	Valuation Gains (Losses) Recognized as Profit and Loss	Amount of Increase		Amount of Decrease		Ending Balance
			Purchase or Issue	Transfer to Level 3	Sale, Disposal or Settlement	Transfer from Level 3	
Financial liabilities at FVTPL	$ 180,444	$ 46,303	$ -	$ -	$ (8,054)	$	$ 218,693

For the Six Months Ended June 30, 2019

Items	Beginning Balance	Valuation Gains (Losses) Recognized as Profit and Loss	Amount of Increase		Amount of Decrease		Ending Balance
			Purchase or Issue	Transfer to Level 3	Sale, Disposal or Settlement	Transfer from Level 3	
Financial liabilities at FVTPL	$ 146,087	$ (32,357)	$ -	$ -	$ (7,612)	$ -	$ 106,118

In relation to the above, valuation gains and losses are recognized in gain and loss in the period. As of June 30, 2020 and 2019, the gains and losses on assets and liabilities were gain of $15 thousand and $635 thousand, respectively.

6) Quantitative information about significant unobservable inputs (Level 3) used in the fair value measurement

The table below lists quantitative unobservable inputs of financial instruments with Level 3 fair value:

	Fair Value at June 30, 2020	Valuation Technique(s)	Significant Unobservable Inputs	Interval	The Relationship Between Inputs and Fair Value
Measured on a recurring basis					
Non-derivative financial Instruments					
Financial assets at FVTOCI	$ 1,090,305	Market approach	P/B, P/E, Lack of liquidity discount	0.77-10.93, 26%-27.2%	Multiplier is proportional to fair value, fair value is inversely proportional to discount for lack of liquidity.
		Net asset method	Lack of liquidity discount and control discount	11%	Fair value is inversely proportional to discount for lack of liquidity and control.
		Recent transaction price	-	-	-
Derivative financial instruments					
Financial assets at FVTPL	218,708	HullWhite, Libor market model, discounted cash flow	Quality/factor/ FREQ/simulate method	Adjusted daily based on market information	Inputs of parameters do not contain linear relation, which analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then the Bank and its subsidiaries select the applicable one according to the analysis.
Financial liabilities at FVTPL	218,693	HullWhite, Libor market model, discounted cash flow	Quality/factor/ FREQ/simulate method	Adjusted daily based on market information	Inputs of parameters do not contain linear relation, which analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then the Bank and its subsidiaries select the applicable one according to the analysis.

	Fair Value at December 31, 2019	Valuation Technique(s)	Significant Unobservable Inputs	Interval	The Relationship Between Inputs and Fair Value
Measured on a recurring basis					
Non-derivative financial Instruments					
Financial assets at FVTOCI	$ 380,744	Market approach	P/B, P/E, Lack of liquidity discount	1.06-13.10, 26%-27.2%	Multiplier is proportional to fair value, fair value is inversely proportional to discount for lack of liquidity.
		Net asset method	Lack of liquidity discount and control discount	11%	Fair value is inversely proportional to discount for lack of liquidity and control.
Derivative financial instruments					
Financial assets at FVTPL	180,629	HullWhite, Libor market model, discounted cash flow	Quality/factor/ FREQ/simulate method	Adjusted daily based on market information	Inputs of parameters do not contain linear relation, which analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then the Bank and its subsidiaries select the applicable one according to the analysis.
Financial liabilities at FVTPL	180,444	HullWhite, Libor market model, discounted cash flow	Quality/factor/ FREQ/simulate method	Adjusted daily based on market information	Inputs of parameters do not contain linear relation, which analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then the Bank and its subsidiaries select the applicable one according to the analysis.

	Fair Value at June 30, 2019	Valuation Technique(s)	Significant Unobservable Inputs	Interval	The Relationship Between Inputs and Fair Value
Measured on a recurring basis					
Non-derivative financial Instruments					
Financial assets at FVTOCI	$ 372,558	Market approach	P/B, P/E, Lack of liquidity discount	1.23-5.67, 26%-27.2%	Multiplier is proportional to fair value, fair value is inversely proportional to discount for lack of liquidity.
		Net asset method	Lack of liquidity discount and control discount	11%	Fair value is inversely proportional to discount for lack of liquidity and control.
Derivative financial instruments					
Financial assets at FVTPL	106,753	HullWhite, Libor market model, discounted cash flow	Quality/factor/ FREQ/simulate method	Adjusted daily based on market information	Inputs of parameters do not contain linear relation, which analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then the Bank select the applicable one according to the analysis.
Financial liabilities at FVTPL	106,118	HullWhite, Libor market model, discounted cash flow	Quality/factor/ FREQ/simulate method	Adjusted daily based on market information	Inputs of parameters do not contain linear relation, which analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then the Bank select the applicable one according to the analysis.

7) Pricing process of Level 3 fair value

The Bank’s risk management department is responsible for the pricing process of Level 3 fair value. The pricing models and conditions assumed are conform to market practice; the basis of the theory are commonly recognized by the industry as a basis of valuation in conducting measurement of fair value. Further, the department confirms whether the sources of the information are independent or not, reasonably reflecting the prices in normal circumstances, and examines and adjusts fair value periodically to insure results of the valuation is reasonable.

c. Fair value of financial instruments not carried at fair value

1) Except for debt investments measured at amortized cost and bank debentures payable, the carrying amounts of the financial instruments not measured at fair value are approximate to their fair value; thus, their fair values are not disclosed.

2) Information of fair value hierarchy

June 30, 2020

	Level 1	Level 2	Level 3	Total
Financial assets				
Debt investments measured at amortized cost	$ -	$ 11,307,129	$ -	$ 11,307,129
Financial liabilities				
Bank debentures payable	-	15,643,482	-	15,643,482

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets				
Debt investments measured at amortized cost	$ -	$ 11,139,220	$ -	$ 11,139,220
Financial liabilities				
Bank debentures payable	-	10,641,460	-	10,641,460

June 30, 2019

	Level 1	Level 2	Level 3	Total
Financial assets				
Debt investments measured at amortized cost	$ -	$ 12,103,742	$ -	$ 12,103,742
Financial liabilities				
Bank debentures payable	-	10,449,873	-	10,449,873

3) Valuation techniques

a) Because the maturity date is close to the balance sheet date, the fair value of the financial assets can be reasonably estimated by referring to their book value in the balance sheet. The technique applies to cash and cash equivalent, due from the Central Bank and call loans to banks, securities purchased under resell agreements, receivables, other financial assets, guarantee deposits paid, deposits from the Central Bank and banks, notes and bonds issued under repurchase agreements, payables, deposits and remittances, other financial liabilities and guarantee deposits received, etc.

b) The floating rates are usually adopted as the interest of the loan, which reflects market interest; thus, it is reasonable to estimate the fair value of a loan by referring to its book value together with the consideration in the collectability.

c) The fair value of debt investments measured at amortized cost is estimated by referring to quote price from electronic bond trading system of Taipei Exchange or Bloomberg.

d) The fair value of the payables of the Bank debenture is estimated by referring to the discounted expected cash flow, of which the discount rate is reference to interest rates with similar maturity date.

46. FINANCIAL RISK MANAGEMENT

a. Risk management policies and framework

The Bank has an appropriate risk management system covering market, credit and operating risks and follows risk management procedures.

The Bank also analyzes, monitors and prepares reports on overall risk management. These reports are submitted to senior management, to committees with risk management functions and to the board of directors. Updates on actual risks encountered when there are significant changes in macroeconomic conditions or in the financial market are generated for more effective risk monitoring and handling.

The Bank's risk management focuses not only on individual departments but also the overall impact of risks on a corporate level.

The Bank identifies risks using consistent standard asset portfolio classifications, with classifications correlating with each other, and establishes a consistent measure applicable to the different types of exposure.

The Bank's risk management groupings are as follows:

1) Board of directors

The Bank's board of directors supervises the operation of a risk management structure and promotes a risk management culture, ensures the efficiency of risk management, reviews important risk control reports and bears the ultimate responsibility for risk management.

2) Risk management committee

The risk management committee supervises the implementation of risk management policies, inspects risk control reports and deals with related issues.

3) Business and management departments

The departments are responsible for ensuring compliance with risk management regulations while conducting operations to control daily risks.

4) Risk management department

The risk management department is a unit independent from business departments and is in charge of risk management planning and system operation and providing overall risk management information to senior management and the board of directors.

5) Audit department

The department is in charge of establishing all risk mechanisms and auditing the implementation of and compliance with these mechanisms.

Risk management is a joint duty of all the Bank's departments including business, legal, regulatory compliance, finance, accounting, administration, operating, audit department and so on, that should be done diligently through interdepartmental coordination in overall risk management.

b. Credit risk

1) Definition and source of credit risk

Credit risk is the risk of financial loss to the Bank if a creditor, debtor or counterparty fails to meet its contractual obligations or has negative changes in its credit quality. Credit risk management covers all operating activities that involve credit risk, including credit business, call loans to banks, banking book securities investment, financial derivatives, repurchase agreement transactions and other operating activities.

2) Credit risk management policy

The Bank has standard control procedures for credit risk identification, measurement, and generation of disclosures and reports to be used for a rational identification, measurement, disclosure, and effective control of credit risk. These procedures include applying standard screening criteria for target clients, credit investigations for credit approval or rejection, careful deliberation of applications for certain exceptions, credit review, management of non-performing loans and requests, and control over all related documents and information. The Bank also adjusts the credit risk structure accordingly so that credit portfolios are within the Bank's risk appetite. Further, the Bank assesses the changes in the economy to adjust risk structure and develops strategies in response to these changes to raise shareholders' value and ensure the risk is bearable.

Based on the risk management policies, the management process is carried out as follows:

a) Credit investigation

In screening target clients, the Bank asks for all the necessary documents from the clients in order to get an accurate understanding of their background and control credit portfolios within the acceptable range.

b) Credit approval

Cases that have passed the credit investigation are reviewed by the credit authority of each level. The credit authorities approve credits in accordance with the Bank's credit limit structure and authorization policies. The Bank's credit approval structure and policies are based not only on the Banking Act and other government rules for credit extended to the same person or affiliated enterprises/groups, industry and country, but also on the professionalism of the Bank's credit authorities and the quality of asset control. The amounts of credit authorized are reviewed by the credit authorities occasionally.

c) Post-lending loan review

The corporate banking segment of the Bank tracks the borrowers' financial and business conditions, generates risk assessment reports on credit asset portfolios regularly, operates a risk warning system and adjusts business development strategies as needed to cope with economic conditions and changes in asset quality through the use of an account management scheme and a regular-reassessment system. For consumer banking business, they track and control the changes in asset quality through the use of regular-assessment system, and handle the changes in borrowers' credit quality instantly through the use of regular-reassessment system. For delinquent loans, the Bank uses the concentration management method, together with information systems and analysis models, to enhance and expedite the collection of non-performing loans.

d) Risk report and information disclosures

The risk management department is responsible for measuring risk, preparing quarterly risk report, including all risk management index and risk capital requirement assessment and reporting to risk management committee and board of directors.

3) Credit risk hedge or mitigation policies

Considering the asset hedge market and liquidity, the Bank takes the necessary risk reduction strategies, mainly on credit objects and hedge transactions involving assets with doubtful collectability or a long period of duration, including methods for increasing appropriate collateral with good liquidity, or transferring to credit guarantee institutions such as the Small and Medium Enterprise Credit Guarantee Fund of Taiwan to maximize the collateral. For determining the value of foreclosed collateral, liquid securities will be evaluated at their market value; other collateral will be subject to field surveys by appraisal institution for their fair value assessment, which will be used as a basis for demanding additional collateral or adjusting the credit amount to ensure that risks are within the Bank's tolerance range.

If clients are found to have bad credit features, the Bank will strengthen the monitoring of the credit of borrower and guarantor and take measures, such as demanding an early repayment or additional collateral in mitigating the Bank's credit risk. In addition, the Bank sets different credit limits for counterparties involved in derivative transactions and enters into collateral support agreements with counterparties to ensure that risks are under control.

4) Maximum exposure to credit risk

The maximum exposure to credit risk from on-balance sheet financial assets was equal to their carrying values; without taking into collateral or other credit enhancements and unused revolving credit without credit card and cash card, the maximum exposure of credit risk from irrevocable off-balance sheet financial instruments was as follows:

Items	**June 30, 2020**	**December 31, 2019**	**June 30, 2019**
Irrevocable loan commitments, guarantees and letters of credit issued yet unused	$ 47,378,073	$ 48,223,480	$ 46,269,614

The Bank believes that stringent selection processes and conducting regular review afterwards are the reasons why they can continuously control and minimize the credit risk exposure from their off-balance sheet items.

The Bank and its subsidiaries' carrying amount of maximum exposure credit risk for major credit assets were as follows:

	Discounts and Loans					
	June 30, 2020					
	Stage 1	Stage 2	Stage 3			
	12 Months Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Asset	The Adjustment under the Regulation/ Discount	Total
Short-term loans	$ 57,494,138	$ 777,393	$ 754,088	$ -		$ 59,025,619
Short-term secured loans	24,392,370	66	-	-		24,392,436
Medium-term loans	139,828,722	91,916	281,927	-		140,202,565
Medium-term secured loans	68,202,399	99,806	31,596	-		68,333,801
Long-term loans	2,502,361	322,487	629,849	-		3,454,697
Long-term secured loans	72,668,698	83,662	149,248	-		72,901,608
Overdue loans	-	-	463,985	-		463,985
Export negotiations	24,092	-	-	-		24,092
Total carrying amount	365,112,780	1,375,330	2,310,693	-		368,798,803
Allowance for bad debts	(1,113,910)	(78,823)	(569,109)	-		(1,761,842)
The adjustments under Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans					$ (2,930,785)	(2,930,785)
Discounts on loans					(86,316)	(86,316)
Total	$ 363,998,870	$ 1,296,507	$ 1,741,584	$ -	$ (3,017,101)	$ 364,019,860

	Receivables					
	June 30, 2020					
	Stage 1	Stage 2	Stage 3			
	12 Months Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Asset	The Adjustment under the Regulation	Total
Credit card	$ 2,565,243	$ 178,382	$ 116,583	$ -		$ 2,860,208
Accounts receivable - forfaiting	10,461,942	-	-	-		10,461,942
Accounts receivable factoring without recourse	5,185,342	97	192	-		5,185,631
Acceptances	138,528	-	-	-		138,528
Installment accounts and lease receivables	3,850,615	62,955	42,107	-		3,955,677
Total carrying amount	22,201,670	241,434	158,882	-		22,601,986
Allowance for bad debts	(45,539)	(38,714)	(34,172)	-		(118,425)
The adjustments under Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans					$ (194,437)	(194,437)
Total	$ 22,156,131	$ 202,720	$ 124,710	$ -	$ (194,437)	$ 22,289,124

	Discounts and Loans					
	December 31, 2019					
			Stage 3			
	Stage 1 12 Months Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Asset	The Adjustment under the Regulation/ Discount	Total
Short-term loans	$ 50,171,454	$ 842,330	$ 723,169	$ -		$ 51,736,953
Short-term secured loans	24,640,770	-	-	-		24,640,770
Medium-term loans	128,966,552	106,882	456,700	-		129,530,134
Medium-term secured loans	66,098,880	50,705	45,100	-		66,194,685
Long-term loans	1,675,199	272,462	465,350	-		2,413,011
Long-term secured loans	71,473,302	85,194	525,080	69,951		72,153,527
Overdue loans	-	-	376,103	-		376,103
Export negotiations	30,866	-	-	-		30,866
Total carrying amount	343,057,023	1,357,573	2,591,502	69,951		347,076,049
Allowance for bad debts	(1,450,530)	(81,745)	(597,543)	-		(2,129,818)
The adjustments under Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans					$ (2,334,800)	(2,334,800)
Discounts on loans					(109,450)	(109,450)
Total	$ 341,606,493	$ 1,275,828	$ 1,993,959	$ 69,951	$ (2,444,250)	$ 342,501,981

	Receivables					
	December 31, 2019					
			Stage 3			
	Stage 1 12 Months Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Asset	The Adjustment under the Regulation	Total
Credit card	$ 2,816,692	$ 191,782	$ 104,575	$ -		$ 3,113,049
Accounts receivable - forfaiting	3,947,653	-	-	-		3,947,653
Accounts receivable factoring without recourse	6,572,098	111	214	-		6,572,423
Acceptances	281,925	-	-	-		281,925
Installment accounts and lease receivables	3,668,294	48,705	63,687	-		3,780,686
Total carrying amount	17,286,662	240,598	168,476	-		17,695,736
Allowance for bad debts	(43,103)	(32,391)	(57,586)	-		(133,080)
The adjustments under Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans					$ (135,321)	(135,321)
Total	$ 17,243,559	$ 208,207	$ 110,890	$ -	$ (135,321)	$ 17,427,335

	Discounts and Loans					
	June 30, 2019					
			Stage 3			
	Stage 1 12 Months Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Asset	The Adjustment under the Regulation/ Discount	Total
Short-term loans	$ 58,087,454	$ 939,830	$ 726,968	$ -		$ 59,754,252
Short-term secured loans	21,466,859	155	-	-		21,467,014
Medium-term loans	141,468,956	173,660	331,017	-		141,973,633
Medium-term secured loans	65,091,659	44,540	31,095	-		65,167,294
Long-term loans	1,328,316	239,846	450,440	-		2,018,602
Long-term secured loans	68,123,366	115,288	946,541	-		69,185,195
Overdue loans	-	-	348,258	-		348,258
Export negotiations	42,776	-	-	-		42,776
Total carrying amount	355,609,386	1,513,319	2,834,319	-		359,957,024
Allowance for bad debts	(1,536,491)	(161,763)	(438,994)	-		(2,137,248)
The adjustments under Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans					$ (2,429,730)	(2,429,730)
Discounts on loans					(122,723)	(122,723)
Total	$ 354,072,895	$ 1,351,556	$ 2,395,325	$ -	$ (2,552,453)	$ 355,267,323

	Receivables					
	June 30, 2019					
			Stage 3			
	Stage 1 12 Months Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Asset	The Adjustment under the Regulation	Total
Credit card	$ 2,864,085	$ 190,738	$ 99,310	$ -		$ 3,154,133
Accounts receivable - forfaiting	6,068,832	-	-	-		6,068,832
Accounts receivable factoring without recourse	6,561,544	133	254	-		6,561,931
Acceptances	101,164	-	-	-		101,164
Installment accounts and lease receivables	3,519,029	43,613	82,681	-		3,645,323
Total carrying amount	19,114,654	234,484	182,245	-		19,531,383
Allowance for bad debts	(56,006)	(31,187)	(58,144)	-		(145,337)
The adjustments under Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans					$ (145,327)	(145,327)
Total	$ 19,058,648	$ 203,297	$ 124,101	$ -	$ (145,327)	$ 19,240,719

Maximum exposure to credit risk of financial instrument not applicable to impairment were as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Financial assets at FVTPL			
Debt instruments	$ 29,200,454	$ 33,078,636	$ 42,898,385
Derivatives instruments	72,489,978	30,493,327	40,483,065

5) Collateral and credit enhancements

The Bank and its subsidiaries' pledged collateral associated with credit include discounts, loans and receivables which contain real estate, movable property (e.g.: Machinery), rights certificates and securities (e.g.: Certificates of deposit, stocks), notes receivable arose from borrowing of business transactions, guarantees provided by government public authority at all levels, banks or guarantee institutions authorized by government (e.g.: SME credit guarantee fund and letter of credit guaranteed) and collateral set in accordance with the laws including pledge, registration of land rights. Financial assets held by the Bank are part of corporate bonds guaranteed by financial institutions as credit enhancement.

The Bank and its subsidiaries observe collateral's value of financial instrument closely, and consider recognizing impairment for financial assets with credit impairment. The Bank and its subsidiaries' financial assets with impairment, and collateral's values for mitigation of potential losses were as follows:

	June 30, 2020			
	Total Carrying Amount	**Credit Impairment**	**Amount of Risk Exposure (Amortized Cost)**	**Collateral Value**
Impaired asset:				
Receivables:				
Credit card	$ 116,583	$ 23,242	$ 93,341	$ -
Accounts receivable factoring without recourse	192	22	170	-
Installment accounts and lease receivables	42,107	10,908	31,199	-
Discounts and loans	2,310,693	569,109	1,741,584	310,296
Total amount of impaired asset	$ 2,469,575	$ 603,281	$ 1,866,294	$ 310,296

	December 31, 2019			
	Total Carrying Amount	**Credit Impairment**	**Amount of Risk Exposure (Amortized Cost)**	**Collateral Value**
Impaired asset:				
Receivables:				
Credit card	$ 104,575	$ 27,085	$ 77,490	$ -
Accounts receivable factoring without recourse	214	13	201	-
Installment accounts and lease receivables	63,687	30,488	33,199	-
Discounts and loans	2,661,453	597,543	2,063,910	745,375
Total amount of impaired asset	$ 2,829,929	$ 655,129	$ 2,174,800	$ 745,375

	June 30, 2019			
	Total Carrying Amount	**Credit Impairment**	**Amount of Risk Exposure (Amortized Cost)**	**Collateral Value**
Impaired asset:				
Receivables:				
Credit card	$ 99,310	$ 24,194	$ 75,116	$ -
Accounts receivable factoring without recourse	254	15	239	-
Installment accounts and lease receivables	82,681	33,935	48,746	-
Discounts and loans	2,834,319	438,994	2,395,325	1,084,688
Total amount of impaired asset	$ 3,016,564	$ 497,138	$ 2,519,426	$ 1,084,688

The amount of the Bank and its subsidiaries' financial assets which has been written off and still has recourse activities of outstanding contract amount are $285,964 thousand and $268,574 thousand for the six months ended June 30, 2020 and 2019.

6) Concentration of credit risk

Concentration of credit risk arise when there is only one counterparty, or when there is more than one counterparty but they have comparable economic characteristics, or when 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 concentration can arise from a bank's assets, liabilities, or off-balance sheet items through the execution or processing of transactions (either product or service), or through a combination of exposures across these broad categories. It includes credits, due from and call loans to banks, investments, receivables and derivatives, etc. The Bank maintained a diversified loan portfolio to mitigate the credit risk concentration to same customers; total transaction of same customers in discounts and loans are not material. To manage credit risk concentration, the Bank maintains a diversified portfolio and monitors its exposure continually. The Bank's most significant concentrations of credit risk are summarized as follows:

a) By industry

	June 30, 2020		December 31, 2019		June 30, 2019	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
Public and private enterprises	$ 239,391,460	64.91	$ 220,692,107	63.59	$ 237,796,692	66.06
Natural persons	129,107,343	35.01	126,046,099	36.31	121,801,750	33.84
Non-profit organizations	300,000	0.08	337,843	0.10	358,582	0.10
Total	$ 368,798,803	100.00	$ 347,076,049	100.00	$ 359,957,024	100.00

b) By region

	June 30, 2020		December 31, 2019		June 30, 2019	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
Domestic	$ 282,392,059	76.57	$ 259,269,771	74.70	$ 261,629,853	72.68
Overseas	86,406,744	23.43	87,806,278	25.30	98,327,171	27.32
Total	$ 368,798,803	100.00	$ 347,076,049	100.00	$ 359,957,024	100.00

c) By collateral

	June 30, 2020		December 31, 2019		June 30, 2019	
	Amount	%	Amount	%	Amount	%
Credit	$ 203,053,559	55.06	$ 183,987,284	53.01	$ 204,026,130	56.68
Secured						
Real estate	135,937,889	36.86	130,830,276	37.69	122,948,824	34.16
Guarantees	14,700,080	3.98	16,624,750	4.79	16,806,944	4.67
Financial collateral	7,694,453	2.09	8,251,419	2.38	8,754,169	2.43
Other	7,412,822	2.01	7,382,320	2.13	7,420,957	2.06
Total	$ 368,798,803	100.00	$ 347,076,049	100.00	$ 359,957,024	100.00

7) Management policies on foreclosed collateral

Foreclosed collateral are recorded at cost, using lower-at-cost or net fair value as of the balance sheet date. If collateral were not disposed of within the statutory period, the Bank should apply for an extension of the disposal period and increase its provision for possible losses, if competent authority requires.

	June 30, 2020	December 31, 2019	June 30, 2019
Foreclosed collateral	$ 588,985	$ 588,985	$ 606,487
Allowance for impairment	(588,985)	(588,985)	(606,487)
	$ -	$ -	$ -

Foreclosed collateral will be sold when it is actually available for sale. The foreclosed collateral is classified as other assets in balance sheet. The difference amount between the disposition price and the carrying amount is recognized as net other non-interest income.

8) Disclosures required under the Regulations Governing the Preparation of Financial Reports by Public Banks

a) Asset quality of non-performing loans and overdue receivables

Items			June 30, 2020				
			Non-performing Loan (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)
Corporate banking	Secured		$ 93,314	$ 81,080,607	0.12%	$ 990,642	1,061.62%
	Unsecured		132,038	165,703,751	0.08%	1,859,320	1,408.17%
Consumer banking	Mortgage (Note 4)		23,043	58,113,025	0.04%	873,200	3,789.39%
	Cash card		125,487	12,668,991	0.99%	323,182	257.54%
	Micro credit (Note 5)		201,179	24,648,160	0.82%	365,254	181.56%
	Others (Note 6)	Secured	13,881	26,551,612	0.05%	280,672	2,022.06%
		Unsecured	-	32,657	-	357	-
Total			588,942	368,798,803	0.16%	4,692,627	796.79%
			Overdue Receivables	Accounts Receivable	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio
Credit card			$ 17,729	$ 2,860,208	0.62%	$ 56,751	320.10%
Accounts receivable factoring without recourse (Note 7)			55	5,185,631	0.00%	68,687	124,037.64%

Items			June 30, 2019				
			Non-performing Loan (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)
Corporate banking	Secured		$ 88,125	$ 77,487,189	0.11%	$ 956,926	1,085.88%
	Unsecured		80,419	166,326,512	0.05%	1,887,891	2,347.56%
Consumer banking	Mortgage (Note 4)		21,462	53,097,129	0.04%	657,500	3,063.53%
	Cash card		126,057	13,344,862	0.94%	306,083	242.81%
	Micro credit (Note 5)		158,696	24,331,714	0.65%	343,582	216.50%
	Others (Note 6)	Secured	21,741	25,346,576	0.09%	411,112	1,890.98%
		Unsecured	619	23,042	2.69%	3,884	626.88%
Total			497,119	359,957,024	0.14%	4,566,978	918.69%
			Overdue Receivables	Accounts Receivable	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio
Credit card			$ 20,656	$ 3,154,133	0.65%	$ 59,062	285.93%
Accounts receivable factoring without recourse (Note 7)			35	6,561,931	0.00%	90,308	258,421.22%

Note 1: Non-performing loans are reported in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans". Overdue credit card receivables are regulated by Order No. 0944000378 announced by the FSC on July 6, 2005.

Note 2: NPL ratio = NPL/Total loans. For credit card business: Delinquency ratio = Overdue credit card receivables/Credit card receivables balance.

Note 3: Coverage ratio = LLR/NPL. Coverage ratio of credit receivables: Allowance for credit losses/Overdue credit card receivables.

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

Note 5: Micro credit is covered by a Banking Bureau pronouncement dated December 19, 2005 (Order No. 09440010950) and is excluded from credit card and cash card loans.

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

Note 7: As required by the Banking Bureau in its letter dated July 19, 2005 (Order No. 0945000494), allowance for bad debt is recognized once no compensation is made by a factor or insurance company within three months for accounts receivable factoring without recourse.

b) Exemption on non-performing loans and overdue receivables

Items	June 30, 2020		June 30, 2019	
	Excluded NPL	Excluded Overdue Receivables	Excluded NPL	Excluded Overdue Receivables
Amounts of executed contracts on negotiated debts not reported (Note 1)	$ 7,226	$ 91	$ 9,556	$ 121
Amounts of executed debt settlement program and rehabilitation program not reported (Note 2)	54,286	6,520	48,919	5,857
Total	$ 61,512	$ 6,611	$ 58,475	$ 5,978

Note 1: The disclosure of excluded NPLs and excluded overdue receivables resulting from debt negotiations and loan agreements is based on the Banking Bureau letter dated April 25, 2006 (Order No. 09510001270).

Note 2: The disclosure of excluded NPLs and excluded overdue receivables resulting from consumer debt clearance is based on the Banking Bureau letters dated September 15, 2008 (Order No. 09700318940) and dated September 20, 2016 (Order No. 10500134790).

c) Concentration of credit risk

June 30, 2020

Top 10 Ranking	Group (Industry Category)	Total Credit	Percentage of Net Worth (%)
1	A Group - wireless telecommunications activities	$ 8,956,209	14.56
2	B Group - real estate activities for sale and rental	7,928,735	12.89
3	C Group - activities of other holding companies	6,833,693	11.11
4	D Group - manufacture of other computer peripheral equipment	5,807,281	9.44
5	E Group - real estate development activities	4,920,000	8.00
6	F Group - real estate activities for sale and rental	4,613,587	7.50
7	G Group - manufacture of monitors and terminals	4,334,261	7.04
8	H Group - manufacture of integrated circuit	4,329,470	7.04
9	I Group - smelting and refining of iron and steel	4,029,807	6.55
10	J Group - manufacture of electric wires and cables	3,686,020	5.99

June 30, 2019

Top 10 Ranking	Group (Industry Category)	Total Credit	Percentage of Net Worth (%)
1	A Group - manufacture of cement	$ 8,009,288	12.76
2	B Group - real estate activities for sale and rental	7,680,700	12.24
3	D Group - manufacture of other electronic parts and components	6,876,198	10.95
4	K Group - packaging and testing of semiconductors	5,430,698	8.65
5	F Group - real estate activities for sale and rental	4,978,477	7.93
6	L Group - manufacture of computers	4,638,863	7.39
7	C Group - activities of other holding companies	4,526,000	7.21
8	M Group - air transport	4,065,514	6.48
9	I Group - smelting and refining of iron and steel	3,848,880	6.13
10	E Group - real estate development activities	3,720,000	5.93

9) Judgements of a significant increase in credit risk since initial recognition

Credit business

The Bank assesses changes in credit quality during the expected lifetime of various types of credit assets on each reporting date to determine if there has been a significant increase in credit risk since initial recognition, main indicators considered and supporting information (including prospective information) were as follows:

a) Quantitative index

When the contractual payments are overdue for more than 30 days, the credit risk of the credit assets are considered to be significantly increased since the initial recognition.

b) Qualitative index

i. Changes in the current or predicted operating, financial, or economic conditions that are expected to cause a significant change in the ability of the borrower to perform debt obligations.

ii. Actual or expected significant changes in borrower's operating results.

iii. The credit risk of other credit contracts of the same borrower has increased significantly.

iv. After evaluation, it can be included if the borrowers do not suffer from difficulties at the time of negotiation in individual credit assets.

The various types of credit assets of the Bank which are not regarded as low credit risk can be assumed that the credit risk of such assets has not increased significantly since initial recognition.

10) Definition of default and credit impaired financial assets

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

a) Quantitative index

i. When the borrower's payment of the contract is overdue for more than 90 days.

ii. Changes in external rating of guarantor or issuer of the notes or bonds.

b) Qualitative index

For credit assets, if there is evidence that the borrower will be unable to settle the loan, or has significant financial difficulties, such as:

i. Borrower has been bankrupt or may file a petition for bankruptcy or financial restructuring.

ii. Borrower's loan contract has been reclassified to non-performing loans or has been written off as bad debts by the Bank.

iii. Due to financial or contractual reasons related to the financial difficulties of the borrower, the creditor gives the borrower concessions that would not have been considered or agreed (agreements).

iv. For cases involving the sale of non-performing loans and suits.

v. Payment by the Bank to fulfill off-balance sheet financial contracts (e.g., guarantee advances).

The aforementioned definition of default and credit impairment applied to the credit assets held by the Bank is consistent with the definition used for internal credit risk management purposes, and is used in the relevant impairment assessment model.

The credit asset will be restored to the state of compliance and is not considered as the credit asset of default and credit impairment if it no longer meets the definition of default and credit impairment.

The debt instrument investment may also be deemed to have a credit impairment if the rating of the notes or bonds of the guarantor or issuer downgrade significantly, for example, from an investment grade to a junk bond rating, or if one or more of the following conditions are met:

i. The guarantor or issuer cannot repay the principal or interest on the maturity date of the note or bond.

ii. Before the maturity of the note or bond, it can be objectively determined that the guarantor or issuer may not be able to repay the principal and interest on time.

iii. Before the maturity of the note or bond, the guarantor or issuer is in bankruptcy or in reorganization or taken over due to financial difficulties.

iv. Before the maturity of the note or bond, the guarantor or issuer closes down or is in the process of other financial restructuring.

11) Write-off policy

The Bank shall write off non-performing loans and overdue receivables that meet at least one of the following requirements:

a) When the timing for statutory write-off is reached.

b) There is a need to expedite the reduction of non-performing loans or for certain businesses that need to comply with the requirements of the governing authorities.

c) Written off by the governing authorities or the financial inspection authorities.

d) If it is difficult to dispose of the collateral or it may take a long time to recover the loan, the creditor's balance shall be written off as bad debt within the period which is specified in a).

e) Obtaining the debt certificate or supporting documents with the assessment that credit assets evaluated as impossible to obtain repayment.

12) Amendment of contract cash flows of financial assets

The Bank may amend the contract cash flows of loans as a result of financial difficulties of borrowers or improvement of problematic debtors' recovery rates, etc. The amendments to contract cash flows include the extension of the contract period, interest payment time modification, contract interest modification, or exemption of part of the debts.

13) Measurement of expected credit losses

For the purpose of measuring expected credit losses, the Bank divides credit assets into the following groups; for corporate banking, they are grouped according to scale, while for consumer banking, they are grouped according to product characteristics:

Business	Group	Definition
Corporate banking	Large enterprises + Stage 1	Credit risk has not increased significantly
	Small and medium enterprises + Stage 1	
	Large enterprises + Stage 2	Credit risk has increased significantly
	Small and medium enterprises + Stage 2	
	Large enterprises + Stage 3	Credit impaired
	Small and medium enterprises + Stage 3	
Consumer banking	Product + Stage 1	Credit risk has not increased significantly
	Product + Stage 2	Credit risk has increased significantly
	Product + Stage 3	Credit impaired

The Bank measures the allowance loss for financial instruments that did not have a significant increase in credit risk since initial recognition based on the 12-month expected credit loss model. For financial instruments that had a significant increase in credit risk or are credit impaired since initial recognition, lifetime expected credit losses are applied.

To measure the expected credit losses, the Bank takes into account the borrower's probability of default ("PD") for the next 12 months and the period of existence, and includes the loss given default ("LGD") and exposure at default ("EAD"), taking into account the impact of the time value of money when calculating the 12 month and lifetime expected credit losses, respectively.

Probability of default is the probability of default of a borrower or counterparty over a period of time; the loss given default refers to the probability of loss of the borrower or counterparty due to inability to recover the debt at the end of the reminder procedures. The probability of default and loss given default used in the impairment assessment of the Bank's credit business are based on internal historical information (such as credit loss experience, etc.) of each group, adjusted based on the current observable data and forward-looking general economic information (such as GDP and employment rate, etc.) which are used to calculate the probability of default on expected losses.

The exposure at default means that the Bank can claim compensation for the carrying amount held by borrowers or the counterparty after borrowers or the counterparty have defaulted. The Bank has taken into account the amount of credits that have been used and the amounts that may be used in the future for the exposure at default amount. The amount of credits is used as an assessment of exposure at default of on-balance sheet credits; off-balance sheet or committed credits that are not yet used are based on the corresponding credit conversion factor (CCF) which considered the credits that are expected to be used within 12 months or expected lifetime, to calculate exposure at default of expected credit loss.

14) Considerations of forward-looking information

The Bank incorporates forward-looking information when measuring expected credit losses on loans and receivables. Based on the business characteristics, the Bank selected the overall indicators that are appropriate as adjustment parameters for default probability of lending. Based on the type of business, the Bank used different overall indicators. The Corporate banking business takes the economic growth rate (GDP) as an adjustment parameter; the consumer banking business takes employment rate variation as adjustment parameter. The Bank also makes reference to external information (predicted value of renowned economic forecasting institutions at home and abroad) or group expert assessments to provide forecasting information on economic factors quarterly, such as using the change of Leading Index or Interbank offered rate as basic economic conditions; it contains the best estimate of the economic situation in the next five years.

The Bank on a quarterly basis adjusts the parameters of the credit assets risks. The overall indicators mentioned above, such as GDP, changes of employment rate, and basic economic conditions etc. have been adjusted due to COVID-19.

The measurement of expected credit loss of the Bank's debt instruments is based an external credit migration matrix method to calculate the Probability of default (PD), which is incorporated in the information of forward-looking factors.

15) Changes of provisions for off-balance-sheet guarantees and loan commitments

For the six months ended June 30, 2020:

	Stage 1	Stage 2		Stage 3				
	12 months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Impairment in Accordance With IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
Balance at January 1	$ 108,889	$ 727	$ -	$ 1,757	$ -	$ 111,373	$ 192,447	$ 303,820
Changes due to financial instruments that have been identified at the beginning of the period:								
Transferred to lifetime ECL	(9)	9	-	-	-	-		-
Transferred to credit-impaired financial assets	(4)	-	-	4	-	-		-
Transferred to 12 months ECL	384	(130)	-	(254)	-	-		-
Derecognized financial assets in the current period	(6,011)	(432)	-	(1,151)	-	(7,594)		(7,594)
Purchased or originated new financial assets	6,704	-	-	193	-	6,897		6,897
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with non-performing/non-accrual loans							(16,299)	(16,299)
Write-off	-	-	-	-	-	-		-
Recovery of written-off	-	-	-	-	-	-		-
Effect of exchange rate changes and others	6,236	226	-	391	-	6,853		6,853
Balance at June 30	$ 116,189	$ 400	$ -	$ 940	$ -	$ 117,529	$ 176,148	$ 293,677

There was no significant increase in the expected credit loss of the Bank and its subsidiaries' credit assets during the duration of the off-balance-sheet guarantees and loan commitments for the six months ended June 30, 2020. A net decrease in the total carrying amount of $60,100,963 thousand resulted in an decrease of $10,143 thousand in the above-mentioned provisions compared to the prior period.

For the six months ended June 30, 2019:

	Stage 1	Stage 2		Stage 3				
	12 months ECL	Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Lifetime ECL (Non-purchased or Originated Credit-impaired Financial Assets)	Lifetime ECL (Purchased or Originated Credit-impaired Financial Assets)	Impairment in Accordance With IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
Balance at January 1	$ 150,970	$ 896	$ -	$ 1,670	$ -	$ 153,536	$ 62,440	$ 215,976
Changes due to financial instruments that have been identified at the beginning of the period:								
Transferred to lifetime ECL	(292)	292	-	-	-	-		-
Transferred to credit-impaired financial assets	(379)	(6)	-	385	-	-		-
Transferred to 12 months ECL	538	(310)	-	(228)	-	-		-
Derecognized financial assets in the current period	(46,657)	(458)	-	-	-	(47,115)		(47,115)
Purchased or originated new financial assets	31,091	-	-	-	-	31,091		31,091
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with non-performing/non-accrual loans							92,030	92,030
Write-off	-	-	-	-	-	-		-
Recovery of written-off	-	-	-	-	-	-		-
Effect of exchange rate changes and others	12,088	(369)	-	(222)	-	11,497		11,497
Balance at June 30	$ 147,359	$ 45	$ -	$ 1,605	$ -	$ 149,009	$ 154,470	$ 303,479

There was no significant increase in the expected credit loss of the Bank and its subsidiaries' credit assets during the duration of the off-balance-sheet guarantees and loan commitments for the six months ended June 30, 2019. A net increase in the total carrying amount of $32,103,788 thousand resulted in an increase of $87,503 thousand in the above-mentioned provisions compared to the prior period.

c. Liquidity risk

1) Definition and source of liquidity risk

Liquidity risk of the Bank refers to the risks of bearing financial loss because of the inability to liquidate assets or obtain financing to provide funds to meet the financial obligation, such as early termination of deposits, deteriorating of the source and condition of financing from banks influenced by specific market, abnormal recover of funds due to default from borrowers, inability to liquidate financial instruments and early exertion of rights of rescission of interest sensitive product by the assured. The aforementioned situation may reduce cash source of loan, transactions and investment. In some extreme cases, the lack of liquidity may result in a decrease in the overall position of the balance sheet, sale of assets and failure to perform loan commitments.

2) Management policies of liquidity risk

To control liquidity risk, the Bank calculates the maximum cumulative cash outflow (MCO) to monitor the daily funding gap by each major currency. The Bank also actively deconcentrates funding sources, due dates of funding settlement, and the counterparties to the due from other banks and call loans to other banks, as well as maintains an adequate amount of corporate cash in banks to enhance its liquidity position.

3) Financial assets held for liquidity management and maturity analysis of non-derivative financial liabilities

a) Financial assets held for liquidity management

The Bank holds cash and highly liquid and high-grade assets to pay off obligations and meet any potential emergency funding needs. The assets held for liquidity management include cash and cash equivalents, due from the Central Bank and call loans to banks, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, securities purchased under resell agreements, receivables and discounts and loans, etc.

b) Maturity analysis of non-derivative financial liabilities

The following tables show the cash outflows on the Bank's non-derivative financial liabilities based on contract maturities. However, because the amounts disclosed were based on contractual cash flows, some of them will not match the amounts shown in the balance sheets.

Maturity analysis of non-derivative financial liabilities (NTD)

June 30, 2020	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	$ -	$ 9,590	$ 157,260	$ 23,296	$ -	$ 190,146
Notes and bonds issued under repurchase agreements	7,036,791	-	-	-	-	7,036,791
Deposits and remittances	75,035,227	93,048,984	57,128,383	80,123,193	21,440,326	326,776,113
Borrowings	-	-	-	15,850	15,516,667	15,532,517
Other capital outflow on maturity	2,606,046	374,566	466,164	1,821,100	2,085,167	7,353,043
Total	$ 84,678,064	$ 93,433,140	$ 57,751,807	$ 81,983,439	$ 39,042,160	$ 356,888,610

December 31, 2019	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	$ 10,123,296	$ -	$ -	$ 166,850	$ -	$ 10,290,146
Notes and bonds issued under repurchase agreements	5,791,571	-	-	-	-	5,791,571
Deposits and remittances	56,190,343	73,918,182	63,886,282	71,397,928	17,967,649	283,360,384
Borrowings	-	-	1,000,000	-	9,450,000	10,450,000
Other capital outflow on maturity	3,174,240	977,602	610,172	632,082	2,508,531	7,902,627
Total	$ 75,279,450	$ 74,895,784	$ 65,496,454	$ 72,196,860	$ 29,926,180	$ 317,794,728

June 30, 2019	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	$ 2,500,000	$ 2,009,590	$ 157,260	$ 23,296	$ -	$ 4,690,146
Notes and bonds issued under repurchase agreements	7,148,788	-	-	-	-	7,148,788
Deposits and remittances	72,556,592	81,210,898	45,434,980	80,390,111	17,540,854	297,133,435
Borrowings	-	-	-	1,000,000	9,450,000	10,450,000
Other capital outflow on maturity	1,150,234	379,336	578,725	825,540	2,586,510	5,520,345
Total	$ 83,355,614	$ 83,599,824	$ 46,170,965	$ 82,238,947	$ 29,577,364	$ 324,942,714

Maturity analysis of non-derivative financial liabilities (USD)

(In Thousands of U.S. Dollars)

June 30, 2020	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	$ 146,000	$ 460,000	$ 20,000	$ -	$ -	$ 626,000
Notes and bonds issued under repurchase agreements	329,343	706,980	185,281	-	-	1,221,604
Deposits and remittances	1,653,625	939,524	1,107,565	1,157,212	10,305	4,868,231
Borrowings	-	-	-	-	475,919	475,919
Other capital outflow on maturity	122,383	20,944	9,339	295	325,921	478,882
Total	$ 2,251,351	$ 2,127,448	$ 1,322,185	$ 1,157,507	$ 812,145	$ 7,670,636

(In Thousands of U.S. Dollars)

December 31, 2019	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	$ 196,000	$ 185,000	$ 30,000	$ -	$ -	$ 411,000
Notes and bonds issued under repurchase agreements	34,308	129,787	-	-	-	164,095
Deposits and remittances	1,475,688	1,040,336	497,607	710,207	16,677	3,740,515
Borrowings	-	-	-	-	1,014,758	1,014,758
Other capital outflow on maturity	23,118	31,544	7,225	460	235,970	298,317
Total	$ 1,729,114	$ 1,386,667	$ 534,832	$ 710,667	$ 1,267,405	$ 5,628,685

(In Thousands of U.S. Dollars)

June 30, 2019	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	$ 10,000	$ 247,000	$ 200,000	$ -	$ -	$ 457,000
Notes and bonds issued under repurchase agreements	190,281	700,200	153,361	-	-	1,043,842
Deposits and remittances	1,726,986	709,851	400,534	1,075,781	13,858	3,927,010
Borrowings	-	-	-	-	1,011,634	1,011,634
Other capital outflow on maturity	112,984	25,343	6,336	2,121	178,587	325,371
Total	$ 2,040,251	$ 1,682,394	$ 760,231	$ 1,077,902	$ 1,204,079	$ 6,764,857

4) Maturity analysis of derivative instruments

Contractual maturities were assessed to have an understanding of derivative instruments presented in the consolidated balance sheet. Amounts disclosed in the table were based on contractual cash flows; however, some of these amounts did not match those in the balance sheets.

Maturity analysis of derivative instruments (NTD)

June 30, 2020	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial instruments at FVTPL						
Foreign exchange derivatives instruments						
Cash outflow	$ (197,677,649)	$ (228,463,512)	$ (151,295,671)	$ (112,183,858)	$ (1,059,605)	$ (690,680,295)
Cash inflow	182,780,439	199,588,971	152,630,140	101,189,259	2,349,730	638,538,539
Interest rate derivatives instruments						
Cash outflow	(147,675)	(287,905)	(18,749)	-	(15,001,916)	(15,456,245)
Cash inflow	146,242	272,036	22,556	-	-	440,834
Hedging derivatives instrument						
Cash outflow	-	(7,402)	-	-	-	(7,402)
Cash inflow	-	-	-	47,952	-	47,952
Cash outflow subtotal	(197,825,324)	(228,758,819)	(151,314,420)	(112,183,858)	(16,061,521)	(706,143,942)
Cash inflow subtotal	182,926,681	199,861,007	152,652,696	101,237,211	2,349,730	639,027,325
Net cash flow	$ (14,898,643)	$ (28,897,812)	$ 1,338,276	$ (10,946,647)	$ (13,711,791)	$ (67,116,617)

December 31, 2019	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial instruments at FVTPL						
Foreign exchange derivatives instruments						
Cash outflow	$ (164,347,333)	$ (268,369,855)	$ (133,746,346)	$ (83,336,388)	$ (981,280)	$ (650,781,202)
Cash inflow	151,878,212	246,852,094	130,914,798	78,914,741	-	608,559,845
Interest rate derivatives instruments						
Cash outflow	(191,930)	(404,974)	(11,308)	-	(23,503,490)	(24,111,702)
Cash inflow	166,765	379,890	11,010	-	-	557,665
Cash outflow subtotal	(164,539,263)	(268,774,829)	(133,757,654)	(83,336,388)	(24,484,770)	(674,892,904)
Cash inflow subtotal	152,044,977	247,231,984	130,925,808	78,914,741	-	609,117,510
Net cash flow	$ (12,494,286)	$ (21,542,845)	$ (2,831,846)	$ (4,421,647)	$ (24,484,770)	$ (65,775,394)

June 30, 2019	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial instruments at FVTPL						
Foreign exchange derivatives instruments						
Cash outflow	$ (215,023,098)	$ (254,182,804)	$ (127,721,398)	$ (58,102,983)	$ (8,665,500)	$ (663,695,783)
Cash inflow	200,156,348	221,168,818	123,910,681	54,216,579	7,065,180	606,517,606
Interest rate derivatives instruments						
Cash outflow	(155,544)	(430,582)	(353,311)	(401)	(13,102,796)	(14,042,634)
Cash inflow	138,990	415,328	53,758	-	-	608,076
Cash outflow subtotal	(215,178,642)	(254,613,386)	(128,074,709)	(58,103,384)	(21,768,296)	(677,738,417)
Cash inflow subtotal	200,295,338	221,584,146	123,964,439	54,216,579	7,065,180	607,125,682
Net cash flow	$ (14,883,304)	$ (33,029,240)	$ (4,110,270)	$ (3,886,805)	$ (14,703,116)	$ (70,612,735)

Maturity analysis of derivative instruments (USD)

(In Thousands of U.S. Dollars)

June 30, 2020	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial instruments at FVTPL						
Foreign exchange derivatives instruments						
Cash outflow	$ (7,080,728)	$ (7,397,287)	$ (5,534,263)	$ (3,705,009)	$ (101,977)	$ (23,819,264)
Cash inflow	8,048,101	8,636,443	5,406,701	3,961,715	56,978	26,109,938
Interest rate derivatives instruments						
Cash outflow	(52,946)	(56,983)	(49,239)	(40,931)	(41,413)	(241,512)
Cash inflow	31,985	56,780	46,249	2,472	-	137,486
Others						
Cash outflow	(836)	-	-	-	-	(836)
Cash inflow	1,863	-	-	-	-	1,863
Hedging derivatives instrument						
Cash outflow	(612)	(1,062)	(1,583)	-	-	(3,257)
Cash inflow	668	279	4	-	-	951
Cash outflow subtotal	(7,135,122)	(7,455,332)	(5,585,085)	(3,745,940)	(143,390)	(24,064,869)
Cash inflow subtotal	8,082,617	8,693,502	5,452,954	3,964,187	56,978	26,250,238
Net cash flow	$ 947,495	$ 1,238,170	$ (132,131)	$ 218,247	$ (86,412)	$ 2,185,369

(In Thousands of U.S. Dollars)

December 31, 2019	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial instruments at FVTPL						
Foreign exchange derivatives instruments						
Cash outflow	$ (5,750,775)	$ (9,001,291)	$ (4,941,888)	$ (3,195,125)	$ (39,760)	$ (22,928,839)
Cash inflow	6,494,421	9,827,038	4,757,470	3,276,983	71,760	24,427,672
Interest rate derivatives instruments						
Cash outflow	(64,773)	(104,723)	(61,874)	(7,424)	(59,508)	(298,302)
Cash inflow	42,890	93,676	46,775	2,148	-	185,489
Others						
Cash outflow	(42)	-	-	-	-	(42)
Cash inflow	301	-	-	-	-	301
Cash outflow subtotal	(5,815,590)	(9,106,014)	(5,003,762)	(3,202,549)	(99,268)	(23,227,183)
Cash inflow subtotal	6,537,612	9,920,714	4,804,245	3,279,131	71,760	24,613,462
Net cash flow	$ 722,022	$ 814,700	$ (199,517)	$ 76,582	$ (27,508)	$ 1,386,279

(In Thousands of U.S. Dollars)

June 30, 2019	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial instruments at FVTPL						
Foreign exchange derivatives instruments						
Cash outflow	$ (7,395,764)	$ (7,785,297)	$ (4,334,490)	$ (2,450,473)	$ (472,832)	$ (22,438,856)
Cash inflow	8,148,400	8,952,660	4,346,739	2,254,422	524,832	24,227,053
Interest rate derivatives instruments						
Cash outflow	(51,471)	(146,373)	(98,772)	(60,601)	(71,103)	(428,320)
Cash inflow	61,977	144,988	100,253	3,160	71	310,449
Others						
Cash outflow	(6,696)	-	-	-	-	(6,696)
Cash inflow	4,575	-	-	-	-	4,575
Cash outflow subtotal	(7,453,931)	(7,931,670)	(4,433,262)	(2,511,074)	(543,935)	(22,873,872)
Cash inflow subtotal	8,214,952	9,097,648	4,446,992	2,257,582	524,903	24,542,077
Net cash flow	$ 761,021	$ 1,165,978	$ 13,730	$ (253,492)	$ (19,032)	$ 1,668,205

5) Maturity analysis of off-balance sheet items

The table below shows the Bank's maturity analysis of the off-balance sheet items based on the remaining time between the reporting date and the contractual period. For the financial guarantee contracts issued, the maximum guaranteed amount included in the guarantee may be required to be fulfilled in the earliest period.

June 30, 2020	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments, guarantees and letters of credit issued yet unused	$ 14,143,836	$ 4,074,996	$ 6,749,851	$ 8,519,872	$ 13,889,518	$ 47,378,073

December 31, 2019	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments, guarantees and letters of credit issued yet unused	$ 15,435,073	$ 4,342,895	$ 3,866,860	$ 11,583,264	$ 12,995,388	$ 48,223,480

June 30, 2019	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments, guarantees and letters of credit issued yet unused	$ 13,517,032	$ 4,397,934	$ 3,945,402	$ 9,695,705	$ 14,713,541	$ 46,269,614

6) Summary of required disclosures under the Regulations Governing the Preparation of Financial Reports by Public Banks:

a) Maturity analysis of assets and liabilities of the Bank (NTD)

June 30, 2020	0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Main capital inflow on maturity	$ 183,252,879	$ 163,061,379	$ 253,491,170	$ 192,444,937	$ 149,284,625	$ 179,895,445	$ 1,121,430,435
Main capital outflow on maturity	131,755,378	165,831,566	351,378,925	232,374,938	243,655,424	205,327,970	1,330,324,201
Gap	51,497,501	(2,770,187)	(97,887,755)	(39,930,001)	(94,370,799)	(25,432,525)	(208,893,766)

June 30, 2019	0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Main capital inflow on maturity	$ 163,377,004	$ 224,831,101	$ 263,434,658	$ 163,132,285	$ 98,196,717	$ 148,658,699	$ 1,061,630,464
Main capital outflow on maturity	117,362,855	200,400,851	367,232,557	199,052,990	192,812,622	203,519,178	1,280,381,053
Gap	46,014,149	24,430,250	(103,797,899)	(35,920,705)	(94,615,905)	(54,860,479)	(218,750,589)

b) Maturity analysis of assets and liabilities of the Bank (USD)

(In Thousands of U.S. Dollars)

June 30, 2020	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Main capital inflow on maturity	$ 9,400,319	$ 9,149,929	$ 5,681,416	$ 4,507,028	$ 3,166,215	$ 31,904,907
Main capital outflow on maturity	9,514,140	9,837,932	7,141,750	5,350,045	1,938,861	33,782,728
Gap	(113,821)	(688,003)	(1,460,334)	(843,017)	1,227,354	(1,877,821)

(In Thousands of U.S. Dollars)

June 30, 2019	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Main capital inflow on maturity	$ 9,522,320	$ 10,047,020	$ 4,758,180	$ 2,723,082	$ 3,198,110	$ 30,248,712
Main capital outflow on maturity	9,704,362	10,034,149	5,554,289	4,269,947	3,210,077	32,772,824
Gap	(182,042)	12,871	(796,109)	(1,546,865)	(11,967)	(2,524,112)

d. Market risk

1) Definition and source of market risk

Market risk is defined as an unfavorable change in macroeconomic and financial market variables (such as interest rates, exchange rates, stock prices and commodity prices), which may cause a potential loss on financial assets held for trading.

2) Risk management policies

In order to have a common-language of market risk management, definition, communication and measurement, then comply with the requirements of the governing authorities, the Bank has developed “Market Risk Management Standard” based on Regulations Governing the Capital Adequacy Ratio of Banks (the CAR Regulations) related market risk calculation tables announced by the FSC, international standards, and CDFH’s market risk management policy framework.

The “Market Risk Management Standard” is applicable to “Trading Book” positions defined by the Regulations Governing the Capital Adequacy Ratio of the Bank related market risk calculation tables and the Bank’s book management approach to financial instrument handling.

Following the “Market Risk Management Standard”, the Bank sets up the “Market Risk Management Procedure to Trading Activities” to manage market risk. This procedure includes risk identification and assessment, risk measurement, risk monitoring and response, risk reporting and contingency management processes.

3) Procedures for market risk measuring, monitoring, and reporting

The Bank’s market risk limits include position sensitivities, stop-loss limits and value-at-risk (VaR).

Risk factors analyzed through the Bank’s risk measurement systems are sufficient to determine all market risks of trading positions on the balance sheet, including interest rate risk, foreign exchange risk, equity securities risk, and price of commodity risks, as well as volatility risks which arise out of the option transactions.

The Bank’s market risk reports include profit or loss on trading positions, limit usage, stress testing, and trading portfolio risk assessment, as well as significant exceptions if any.

The risk management department of the Bank independently performs daily market risk limit controls, and regularly reports to both the Risk Management Committee and CDFH’s Risk Management Committee. Besides, the above reports are presented to the Board quarterly for reference.

4) Mitigation of risks or hedging of market risk

The Bank’s market risk positions or hedging positions are marked to market on a daily basis through techniques such as model valuation. All market parameters are updated at least daily in accordance with changes in market conditions to conduct value assessment of products. Market Risk Limits are reviewed and controlled based on the valuation results of traders’ position risk value, position sensitivity and profit and loss figure on a daily basis.

5) Valuation techniques of market risk

The Bank uses the VaR model and stress testing to evaluate the potential and extreme risk on trading portfolios. Through variations of the assumptions on market conditions, these techniques are used to assess the market risk of positions held and the maximum expected loss.

VaR is calculated using a one-day time horizon with a 95% confidence level.

	For the Six Months Ended June 30, 2020			For the Year Ended December 31, 2019			For the Six Months Ended June 30, 2019		
	Average	Highest	Lowest	Average	Highest	Lowest	Average	Highest	Lowest
Interest rate risk	$ 74,715	$ 195,476	$ 30,509	$ 139,196	$ 226,896	$ 66,552	$ 167,324	$ 226,896	$ 97,544
Equity securities risk	1,468	20,852	-	1,145	10,137	-	331	3,764	95
Foreign exchange risk	12,220	148,483	2,163	5,129	12,638	1,458	5,092	10,628	3,164

6) Interest rate risk in the banking book

The scope of interest rate risk in banking book includes interest rate sensitivity of assets and liabilities, but do not include risk management of trading book. Interest rate risk in banking book measures the adverse effects on net interest income of assets, liabilities and off-balance sheet as a result of adverse fluctuations in interest. Risk assessment not only builds the sensitivity gap between assets and liabilities, but also quantifies through the dimension of retained earnings and economic value perspectives.

7) Interest rate risk management of the banking book

The interest rate risk management strategy involving the Bank's banking book is to minimize the negative impact of changes in interest rates on net interest income and the net economic value of equity. The asset-liability management committee (ALMCO) approves the annual banking book interest rate risk limits and monitors the Bank's interest rate risk exposures every day. The interest rate risk management processes include risk identification, risk measurement, risk control, risk monitoring and others. The unit monitoring the banking book interest rate risks reports interest rate risk exposures regularly to ALMCO, and adjusts the structure of assets and liabilities according to the reports, lowering the amount of exposure. For risk monitoring, the asset and liability management system outputs and analysis reports, which is provided to the interest rate risk execution units and senior management. If risk missing or excess of limit occur from monitor, written notices will be passed to the interest rate risk assessment units to adjust and improve the program reported to ALMCO.

8) Concentration of foreign currency risk information

The financial assets and liabilities denominated in foreign currencies and with material influence on the Bank and its subsidiaries were as follows:

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	June 30, 2020		
	Foreign Currency	**Exchange Rate**	**New Taiwan Dollar**
Financial assets			
Monetary items			
USD	$ 7,965,806	29.66	$ 236,265,805
EUR	793,903	33.29	26,429,037
HKD	3,701,573	3.83	14,165,920
CNY	905,914	4.19	3,799,947
ZAR	2,143,694	1.71	3,665,717
GBP	87,569	36.43	3,190,143
JPY	9,397,421	0.28	2,587,110
CAD	63,800	21.69	1,383,816
AUD	44,550	20.34	906,154
SGD	18,128	21.25	385,215

(Continued)

	June 30, 2020		
	Foreign Currency	Exchange Rate	New Taiwan Dollar
Financial liabilities			
Monetary items			
USD	$ 10,149,344	29.66	$ 301,029,541
EUR	475,307	33.29	15,822,981
CNY	3,511,376	4.19	14,728,817
ZAR	3,175,107	1.71	5,429,433
AUD	97,853	20.34	1,990,333
JPY	4,110,052	0.28	1,131,497
HKD	110,231	3.83	421,853
GBP	5,195	36.43	189,242
NZD	6,693	19.02	127,301

(Concluded)

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	December 31, 2019		
	Foreign Currency	Exchange Rate	New Taiwan Dollar
Financial assets			
Monetary items			
USD	$ 5,748,558	30.11	$ 173,066,073
EUR	459,981	33.76	15,528,947
HKD	3,767,759	3.87	14,566,157
CNY	1,005,243	4.32	4,345,667
ZAR	1,003,988	2.14	2,149,539
JPY	7,580,733	0.28	2,100,621
GBP	42,533	39.55	1,682,188
CAD	60,132	23.08	1,387,854
AUD	26,957	21.10	568,800
SGD	18,231	22.37	407,817
NZD	19,918	20.27	403,736
Financial liabilities			
Monetary items			
USD	7,193,801	30.11	216,576,559
CNY	4,143,416	4.32	17,911,985
EUR	290,357	33.76	9,802,438
ZAR	3,007,386	2.14	6,438,814
AUD	111,802	21.10	2,359,021
JPY	5,261,286	0.28	1,457,902
HKD	252,039	3.87	974,382
GBP	8,083	39.55	319,679
NZD	5,250	20.27	106,419

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	June 30, 2019		
	Foreign Currency	**Exchange Rate**	**New Taiwan Dollar**
Financial assets			
Monetary items			
USD	$ 6,903,296	31.07	$ 214,499,204
HKD	3,752,128	3.98	14,929,716
EUR	344,673	35.38	12,194,534
CNY	1,133,883	4.52	5,128,781
JPY	14,156,101	0.29	4,086,866
ZAR	667,560	2.20	1,467,964
GBP	37,235	39.38	1,466,301
AUD	41,536	21.80	905,490
SGD	18,824	22.97	432,389
Financial liabilities			
Monetary items			
USD	8,495,481	31.07	263,971,579
CNY	3,961,984	4.52	17,920,846
EUR	215,366	35.38	7,619,661
JPY	23,930,069	0.29	6,908,611
ZAR	2,281,445	2.20	5,016,898
AUD	134,914	21.80	2,941,128
HKD	389,309	3.98	1,549,060
GBP	5,958	39.38	234,636
NZD	5,475	20.85	114,150

9) Disclosures required by the Regulations Governing the Preparation of Financial Reports by Public Banks

a) Analysis of interest rate-sensitive assets and liabilities (NTD)

June 30, 2020

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	$ 348,866,499	$ 27,827,105	$ 21,829,051	$ 61,098,359	$ 459,621,014
Interest rate-sensitive liabilities	175,683,628	130,767,358	34,357,476	19,797,584	360,606,046
Interest rate sensitivity gap	173,182,871	(102,940,253)	(12,528,425)	41,300,775	99,014,968
Net worth					60,021,405
Ratio of interest rate-sensitive assets to liabilities (%)					127.46
Ratio of interest rate-sensitive gap to net worth (%)					164.97

June 30, 2019

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	$ 304,038,760	$ 20,713,703	$ 15,602,428	$ 85,137,300	$ 425,492,191
Interest rate-sensitive liabilities	156,135,218	105,645,598	41,481,096	12,549,940	315,811,852
Interest rate sensitivity gap	147,903,542	(84,931,895)	(25,878,668)	72,587,360	109,680,339
Net worth					60,898,670
Ratio of interest rate-sensitive assets to liabilities (%)					134.73
Ratio of interest rate-sensitive gap to net worth (%)					180.10

Note 1: The above amounts included only New Taiwan dollar amounts held by the Bank excluded contingent assets and contingent liabilities.

Note 2: Interest rate-sensitive assets and liabilities refer to interest-earning assets and interest-bearing liabilities with revenues or costs affected by interest rate changes.

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

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

b) Analysis of interest rate-sensitive assets and liabilities (USD)

June 30, 2020

(In Thousands of U.S. Dollars)

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	$ 3,419,161	$ 148,379	$ 54,828	$ 1,602,865	$ 5,225,233
Interest rate-sensitive liabilities	5,489,340	1,018,150	273,122	486,224	7,266,836
Interest rate sensitivity gap	(2,070,179)	(869,771)	(218,294)	1,116,641	(2,041,603)
Net worth					50,692
Ratio of interest rate-sensitive assets to liabilities (%)					71.91
Ratio of interest rate-sensitive gap to net worth (%)					(4,027.47)

June 30, 2019

(In Thousands of U.S. Dollars)

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	$ 3,267,235	$ 159,843	$ 45,985	$ 1,413,429	$ 4,886,492
Interest rate-sensitive liabilities	4,005,545	648,589	759,862	992,903	6,406,899
Interest rate sensitivity gap	(738,310)	(488,746)	(713,877)	420,526	(1,520,407)
Net worth					60,245
Ratio of interest rate-sensitive assets to liabilities (%)					76.27
Ratio of interest rate-sensitive gap to net worth (%)					(2,523.71)

Note 1: The above amounts included only U.S. dollar amounts held by the Bank excluded contingent assets and contingent liabilities.

Note 2: Interest rate-sensitive assets and liabilities refer to interest-earning assets and interest-bearing liabilities with revenues or costs affected by interest rate changes.

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

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

e. Transfers of financial assets

Transferred financial assets not qualifying for full derecognition

Among daily operations of the Bank, most of the transactions of transferred financial assets not qualifying for full derecognition are debt securities under repurchase agreements. As the Bank's right to receive cash flows of the financial assets transferred to the counterparties, and reflecting the obligation to repurchase the transferred financial assets for a fixed price at a future date, the transferred financial assets cannot be used, sold or pledged in the duration of the transaction. The Bank does not derecognize it entirely because the Bank remains exposed to interest rate risk and credit risk on these pledged instruments.

Related information of financial assets and liabilities not qualifying for full derecognition are listed below:

June 30, 2020					
Category	**Carrying Amount of Transferred Financial Assets**	**Carrying Amount of Related Financial Liabilities**	**Fair Value of Transferred Financial Assets**	**Fair Value of Related Financial Liabilities**	**Fair Value of Net Position**
Notes and bonds issued under repurchase agreements					
Debt investments measured at amortized cost	$ 296,525	$ 281,770	$ 296,600	$ 281,770	$ 14,830
Financial assets at FVTPL	6,165,504	5,822,810	6,165,504	5,822,810	342,694
Financial assets at FVTOCI	56,838,725	51,424,403	56,838,725	51,424,403	5,414,322

December 31, 2019					
Category	**Carrying Amount of Transferred Financial Assets**	**Carrying Amount of Related Financial Liabilities**	**Fair Value of Transferred Financial Assets**	**Fair Value of Related Financial Liabilities**	**Fair Value of Net Position**
Notes and bonds issued under repurchase agreements					
Financial assets at FVTPL	$ 3,210,485	$ 3,046,369	$ 3,210,485	$ 3,046,369	$ 164,116
Financial assets at FVTOCI	16,624,605	15,703,472	16,624,605	15,703,472	921,133

June 30, 2019					
Category	**Carrying Amount of Transferred Financial Assets**	**Carrying Amount of Related Financial Liabilities**	**Fair Value of Transferred Financial Assets**	**Fair Value of Related Financial Liabilities**	**Fair Value of Net Position**
Notes and bonds issued under repurchase agreements					
Debt investments measured at amortized cost	$ 310,641	$ 279,648	$ 310,720	$ 279,648	$ 31,072
Financial assets at FVTPL	18,218,274	17,120,970	18,218,274	17,120,970	1,097,304
Financial assets at FVTOCI	28,224,686	25,809,460	28,224,686	25,809,460	2,415,226
Securities purchased under resell agreements	2,422,983	2,422,924	2,422,983	2,422,924	59

f. Offsetting financial assets and financial liabilities

The Bank and its subsidiaries have enforceable master netting arrangements or similar agreements signed with counterparty but do not meet the offsetting criteria, and the financial assets and financial liabilities can be offset when both sides of the transaction have decided to, but gross settlements if have not. One can choose net settlement if the other side of the transaction is in the breach of contract.

Related information of offsetting of financial assets and financial liabilities are as follows:

June 30, 2020						
Financial Assets Under Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Financial Assets	**Gross Amounts of Recognized Financial Assets (a)**	**Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)**	**Net Amount of Recognized Financial Assets Presented in the Balance Sheet (c)=(a)-(b)**	**Related Amount Not Offset in the Balance Sheet (d)**		**Net Amount (e)=(c)-(d)**
				Financial Instruments (Note 1)	**Cash Collateral Received**	
Securities purchased under resell agreements	$ 35,599,006	$ -	$ 35,599,006	$ 34,236,163	$ 1,362,843	$ -
Derivative financial instruments (Note 2)	72,509,666	-	72,509,666	17,977,903	6,760,729	47,771,034
Total	$ 108,108,672	$ -	$ 108,108,672	$ 52,214,066	$ 8,123,572	$ 47,771,034

June 30, 2020						
Financial Liabilities Under Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Financial Liabilities	**Gross Amounts of Recognized Financial Liabilities (a)**	**Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)**	**Net Amount of Recognized Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)**	**Related Amount Not Offset in the Balance Sheet (d)**		**Net Amount (e)=(c)-(d)**
				Financial Instruments (Note 1)	**Cash Collateral Pledged**	
Notes and bonds issued under repurchase agreements	$ 57,528,983	$ -	$ 57,528,983	$ 57,519,644	$ 9,339	$ -
Derivative financial instruments (Note 2)	73,727,698	-	73,727,698	17,977,903	8,368,493	47,381,302
Total	$ 131,256,681	$ -	$ 131,256,681	$ 75,497,547	$ 8,377,832	$ 47,381,302

December 31, 2019						
Financial Assets Under Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Financial Assets	**Gross Amounts of Recognized Financial Assets (a)**	**Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)**	**Net Amount of Recognized Financial Assets Presented in the Balance Sheet (c)=(a)-(b)**	**Related Amount Not Offset in the Balance Sheet (d)**		**Net Amount (e)=(c)-(d)**
				Financial Instruments (Note 1)	**Cash Collateral Received**	
Securities purchased under resell agreements	$ 18,686,598	$ -	$ 18,686,598	$ 18,655,848	$ 30,750	$ -
Derivative financial instruments	30,493,327	-	30,493,327	5,239,990	3,229,772	22,023,565
Total	$ 49,179,925	$ -	$ 49,179,925	$ 23,895,838	$ 3,260,522	$ 22,023,565

December 31, 2019						
Financial Liabilities Under Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Financial Liabilities	Gross Amounts of Recognized Financial Liabilities (a)	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)	Net Amount of Recognized Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)	Related Amount Not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note 1)	Cash Collateral Pledged	
Notes and bonds issued under repurchase agreements	$ 18,749,841	$ -	$ 18,749,841	$ 18,745,805	$ 4,036	$ -
Derivative financial instruments	46,196,967	-	46,196,967	5,239,990	6,207,146	34,749,831
Total	$ 64,946,808	$ -	$ 64,946,808	$ 23,985,795	$ 6,211,182	$ 34,749,831

June 30, 2019						
Financial Assets Under Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Financial Assets	Gross Amounts of Recognized Financial Assets (a)	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)	Net Amount of Recognized Financial Assets Presented in the Balance Sheet (c)=(a)-(b)	Related Amount Not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note 1)	Cash Collateral Received	
Securities purchased under resell agreements	$ 18,837,196	$ -	$ 18,837,196	$ 18,837,196	$ -	$ -
Derivative financial instruments	40,483,065	-	40,483,065	5,980,011	1,854,319	32,648,735
Total	$ 59,320,261	$ -	$ 59,320,261	$ 24,817,207	$ 1,854,319	$ 32,648,735

June 30, 2019						
Financial Liabilities Under Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Financial Liabilities	Gross Amounts of Recognized Financial Liabilities (a)	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)	Net Amount of Recognized Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)	Related Amount Not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note 1)	Cash Collateral Pledged	
Notes and bonds issued under repurchase agreements	$ 45,633,002	$ -	$ 45,633,002	$ 45,606,591	$ 26,411	$ -
Derivative financial instruments	52,429,554	-	52,429,554	5,980,011	3,314,830	43,134,713
Total	$ 98,062,556	$ -	$ 98,062,556	$ 51,586,602	$ 3,341,241	$ 43,134,713

Note 1: Financial instruments include master netting arrangements and non-cash collateral.

Note 2: Derivative financial instruments include hedging derivative financial instruments.

47. CAPITAL MANAGEMENT

a. Objective of capital management

The calculation methods of self-owned capital should be conducted according to the regulations of authorities. The basic management objective includes sufficient capital to meet the requirements of the regulation and achieve the minimum capital adequacy ratio so as to control all risks within the risk appetite.

In order to undertake all kinds of risk, the Bank conducts risk management based on the risk portfolio and the assessment of risk characteristics to design the best capital allocation.

b. Capital management procedures

The Bank had met the authorities' requirements for capital adequacy ratio and reported to the authority quarterly. Eligible capital is calculated according to the "Regulations Governing the Capital Adequacy and Capital Category of Banks".

c. Capital adequacy ratio

Items \ Year			June 30, 2020	December 31, 2019	June 30, 2019
Eligible capital	Common equity Tier 1 capital		$ 57,468,493	$ 61,407,180	$ 59,120,825
	Additional Tier 1 capital		2,799,780	2,758,339	2,744,922
	Tier 2 capital		11,459,750	8,967,084	9,062,412
	Eligible capital		71,728,023	73,132,603	70,928,159
Risk-weighted assets	Credit risk	Standardized approach	445,417,081	402,609,068	424,687,206
		Internal rating-based approach	-	-	-
		Securitization	-	-	-
	Operational risk	Basic indicator approach	19,501,634	19,501,634	18,688,007
		Standardized approach/ alternative standardized approach	-	-	-
		Advanced measurement approach	-	-	-
	Market risk	Standardized approach	37,022,663	53,279,138	56,458,113
		Internal model approach	-	-	-
	Total risk-weighted assets		501,941,378	475,389,840	499,833,326
Capital adequacy ratio			14.29%	15.38%	14.19%
Ratio of common equity to risk-weighted assets			11.45%	12.92%	11.83%
Ratio of Tier 1 capital to risk-weighted assets			12.01%	13.50%	12.38%
Leverage ratio			7.59%	8.56%	7.73%

Note: 1) Eligible capital = Common equity capital+ Additional Tier 1 capital + Tier 2 capital.

2) Total risk-weighted asset = Risk-weighted assets for credit risk + (Capital requirements for operational risk + Capital requirements for market risk) × 12.5.

3) Capital adequacy ratio = Eligible capital/Total risk-weighted assets.

4) Ratio of common equity capital to risk-weighted assets = Common equity capital/Total risk-weighted assets.

5) Ratio of Tier 1 capital to risk-weighted assets = (Common equity capital + Additional Tier 1 capital)/Total risk-weighted assets.

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

48. TRUST BUSINESS OPERATIONS UNDER THE TRUST ENTERPRISES ACT

The balance sheets and income statements of the trust accounts and trust property accounts were as follows:

Balance Sheets of Trust Accounts

(In Thousands of New Taiwan Dollars)

Trust Assets	June 30, 2020	December 31, 2019	June 30, 2019	Trust Liabilities	June 30, 2020	December 31, 2019	June 30, 2019
Bank deposits	$ 1,597,209	$ 1,838,862	$ 1,008,955	Payables	$ 146,319	$ 149,274	$ 149,782
Short-term investment	27,240,226	27,804,068	27,998,568	Account payable on securities			
Financial assets at FVTPL	10,440	10,440	10,440	under custody	5,149,788	5,664,385	3,683,987
Receivables	13,277	25,931	38,826	Other liabilities	61,014	74,328	87,351
Other financial assets	16,545	16,545	16,450	Donations	1,906	1,906	1,811
Real estate, net	13,642,848	13,522,176	843,343	Trust capital	43,491,388	43,984,697	30,024,113
Intangible assets - surface rights	984,534	984,534	984,534	Accumulated earnings	(153,656)	33,505	680,723
Securities under custody	5,149,788	5,664,385	3,683,987				
Others	41,892	41,154	42,664				
Total	$ 48,696,759	$ 49,908,095	$ 34,627,767	Total	$ 48,696,759	$ 49,908,095	$ 34,627,767

Income Statements of Trust Accounts

(In Thousands of New Taiwan Dollars)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Trust income and gains				
Dividend income	$ 889	$ 614	$ 1,869	$ 1,945
Interest income	320,406	363,441	599,365	706,443
Rental income	6,826	6,986	13,613	14,105
Other income	960	2,106	4,945	3,922
Total trust income and gains	329,081	373,147	619,792	726,415
Trust expenses				
Property transaction losses	(386,856)	(1,320,252)	(905,358)	(1,471,210)
Administrative expenses	(4,663)	(15,147)	(18,397)	(21,794)
Other expenses	(3,147)	(2,212)	(202,158)	(4,761)
Total trust expenses	(394,666)	(1,337,611)	(1,125,913)	(1,497,765)
Net income	$ (65,585)	$ (964,464)	$ (506,121)	$ (771,350)

The above income from trust operations were excluded from the Banks' income.

Trust Property Accounts

(In Thousands of New Taiwan Dollars)

Investment Portfolio	**June 30, 2020**	**December 31, 2019**	**June 30, 2019**
Bank deposits	$ 1,597,209	$ 1,838,862	$ 1,008,955
Short-term investments			
Funds	24,666,176	25,711,359	26,318,473
Bonds	2,336,054	1,824,642	1,390,577
Common shares	54,100	70,200	73,200
Structured notes	-	93,766	93,766
ETF	183,896	104,101	122,552
Financial assets at FVTPL	10,440	10,440	10,440
Other financial assets	29,822	42,476	55,276
Real estate, net	13,642,848	13,522,176	843,343
Intangible assets - surface rights	984,534	984,534	984,534
Securities under custody	5,149,788	5,664,385	3,683,987
Other assets	41,892	41,154	42,664
Total	$ 48,696,759	$ 49,908,095	$ 34,627,767

49. ALLOCATION OF REVENUE, COST AND EXPENSE RESULTING FROM INTERCOMPANY COOPERATION AND RESOURCE SHARING

a. Business or trading behaviors

Please refer to Note 42 for related-party transactions.

b. Integration of business activities

The Bank has become a full-functioning financial platform for customers by conducting cross-selling activities with the subsidiaries of the parent company through the banking, securities and life insurance channels.

c. Cross utilization of information or locations and business utilities

In compliance with Article 43 of the “Financial Holding Companies Act”, “Financial Holding Subsidiaries Cross-selling Activities Acts”, “Self-disciplinary Standards” and other related regulations from the FSC, the Bank has advocated cross-selling activities among the subsidiaries of the parent company. In addition, the Bank, which joined the cross selling business, discloses protection measures of customer information on the official website to limit the use of the data and secure customer information and related rights when handling cross-selling activities.

d. Allocation of revenues, costs, expenses, profits and losses

Revenue, costs, expenses, profits and losses arising from integrated business activities among the Bank and the subsidiaries of the parent company are allocated to each counterparty based on the cross-selling contract or other reasonable allocation methods.

50. PROFITABILITY

(%)

Items		June 30, 2020	June 30, 2019
Return on total assets	Before income tax	0.59	0.65
	After income tax	0.49	0.53
Return on net worth	Before income tax	6.72	7.52
	After income tax	5.66	6.14
Profit margin		33.15	34.11

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

Note 2: Return on net worth = Income before (after) income tax/Average net worth.

Note 3: Profit margin = Income after income tax/Total net revenues.

Note 4: Income before (after) income tax means income accumulated in the current year.

Note 5: Return on total assets and return on net worth are expressed on an annual basis.

51. ADDITIONAL DISCLOSURES

a. Information about significant transactions:

1) Financing provided: The Bank: Not applicable. For subsidiaries' information: None.

2) Endorsements/guarantees provided: The Bank: Not applicable. For subsidiaries' information: None.

3) Marketable securities held: The Bank: Not applicable. For subsidiaries' information: Table 1 (attached).

4) Derivative transactions: The Bank: Not applicable. For subsidiaries' information: None.

5) Marketable securities acquired or disposed of at costs or prices of at least NT$300 million or 10% of the issued capital (for subsidiaries acquired and disposed of marketable securities, at cost or price of at least NT$300 million or 10% of the issued capital): The Bank: Table 2 (attached). For subsidiaries' information: None.

6) Acquisition of individual real estate at cost of at least NT$300 million or 10% of the issued capital: None.

7) Disposal of individual real estate at price of at least NT$300 million or 10% of the issued capital: None.

8) Discount on service fees received from related parties amounting to NT$5 million: None.

9) Receivables from related parties amounting to NT$300 million or 10% of the issued capital: None.

10) Sale of non-performing loans: None.

11) Financial asset securitization: None.

12) Other significant transactions which may affect the decisions of the consolidated financial statements users: None.

b. Related information and proportionate share in investees: Table 3 (attached).

c. Information on investments in Mainland China: Table 4 (attached).

d. Business relationships and significant transactions among the Bank and its subsidiaries: Table 5 (attached).

52. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance according to the characteristics of the business and profits and losses. The reportable segments of the Bank and its subsidiaries were as follows:

a. Retail banking segment: The segment mainly provides cash cards, credit cards, personal loans, mortgages, deposits, remittances, wealth management, etc.

b. Corporate banking segment: The segment mainly provides services such as processing deposits and credit business of large-scale enterprises and small and medium enterprises.

c. Global markets segment: The segment's services include the distribution of funds, issuance of bank debentures, commodities, equity, handling money market and bond market transactions, foreign exchange handling, and dealing with other financial market-related products (such as derivative instruments) and transactions.

d. Others: Mainly include the administration segment of head office and summarized of other non-independent segments.

The accounting policies of the operating segments are the same as the accounting policies described in Note 4. The Bank and its subsidiaries use income before income tax as the measurement for segment profit and the basis of performance assessment. The net revenue and income before income tax are composed of revenues and expenses directly attributable to an operating segment.

Segment revenues and results

The following is an analysis of the Bank and its subsidiaries' revenue and results of operations by reportable segment:

	Retail Banking Segment	Corporate Banking Segment	Global Markets Segment	Others	Total
For the three months ended June 30, 2020					
Interest revenue, net	$ 799,193	$ 522,651	$ 418,970	$ 35,885	$ 1,776,699
Net revenue (loss) - intersegment	194,629	105,235	(370,184)	70,320	-
Non-interest profits and gains, net	262,762	150,084	878,709	99,257	1,390,812
Net revenue	1,256,584	777,970	927,495	205,462	3,167,511
Provision of allowance for bad debts expense, commitments, and guarantee liability provision	(22,839)	(135,293)	(115)	(20,227)	(178,474)
Operating expenses	(743,668)	(202,609)	(78,984)	(537,447)	(1,562,708)
Income (loss) before income tax	490,077	440,068	848,396	(352,212)	1,426,329
Income tax expense	-	-	-	(209,851)	(209,851)
Net income (loss)	$ 490,077	$ 440,068	$ 848,396	$ (562,063)	$ 1,216,478

(Continued)

	Retail Banking Segment	Corporate Banking Segment	Global Markets Segment	Others	Total
For the three months ended June 30, 2019					
Interest revenue, net	$ 769,175	$ 534,472	$ 333,862	$ 30,820	$ 1,668,329
Net revenue (loss) - intersegment	229,089	263,324	(526,981)	34,568	-
Non-interest profits and gains, net	350,397	174,395	556,994	66,722	1,148,508
Net revenue	1,348,661	972,191	363,875	132,110	2,816,837
Reversal (provision) of allowance for bad debts expense, commitments, and guarantee liability provision	(5,810)	(84,951)	79	6,930	(83,752)
Operating expenses	(773,991)	(207,519)	(84,024)	(492,560)	(1,558,094)
Income (loss) before income tax	568,860	679,721	279,930	(353,520)	1,174,991
Income tax expense	-	-	-	(213,601)	(213,601)
Net income (loss)	$ 568,860	$ 679,721	$ 279,930	$ (567,121)	$ 961,390
For the six months ended June 30, 2020					
Interest revenue, net	$ 1,620,246	$ 1,164,822	$ 794,946	$ 70,723	$ 3,650,737
Net revenue (loss) - intersegment	445,048	400,154	(779,651)	(65,551)	-
Non-interest profits and gains, net	542,642	393,074	726,538	66,048	1,728,302
Net revenue	2,607,936	1,958,050	741,833	71,220	5,379,039
Reversal (provision) of allowance for bad debts expense, commitments, and guarantee liability provision	29,287	(232,276)	(38)	35,228	(167,799)
Operating expenses	(1,506,201)	(413,121)	(156,365)	(1,018,190)	(3,093,877)
Income (loss) before income tax	1,131,022	1,312,653	585,430	(911,742)	2,117,363
Income tax expense	-	-	-	(334,134)	(334,134)
Net income (loss)	$ 1,131,022	$ 1,312,653	$ 585,430	$ (1,245,876)	$ 1,783,229
For the six months ended June 30, 2019					
Interest revenue, net	$ 1,544,429	$ 1,011,762	$ 692,006	$ 58,209	$ 3,306,406
Net revenue (loss) - intersegment	445,005	534,126	(1,062,619)	83,488	-
Non-interest profits and gains, net	679,675	359,239	940,623	184,611	2,164,148
Net revenue	2,669,109	1,905,127	570,010	326,308	5,470,554
Reversal (provision) of allowance for bad debts expense, commitments, and guarantee liability provision	47,673	(137,829)	203	7,772	(82,181)
Operating expenses	(1,549,918)	(414,740)	(168,929)	(969,998)	(3,103,585)
Income (loss) before income tax	1,166,864	1,352,558	401,284	(635,918)	2,284,788
Income tax expense	-	-	-	(418,877)	(418,877)
Net income (loss)	$ 1,166,864	$ 1,352,558	$ 401,284	$ (1,054,795)	$ 1,865,911

(Concluded)

KGI BANK CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
JUNE 30, 2020
(In Thousands of New Taiwan Dollars)

Holding Company	Security Type and Issuer	Relationship with the Holding Company	Financial Statement Account	June 30, 2020				Note
				Shares/Face Value/Units	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
CDIB Management Consulting Corporation	Stock							
	CDC Finance & Leasing Corporation	Subsidiary	Investments accounted for using equity method	58,328,460	$ 634,826	76.04	$ 634,826	
	CDIB International Leasing Corporation	Subsidiary	Investments accounted for using equity method	-	67,139	100.00	67,139	
CDC Finance & Leasing Corporation	Stock							
	Hwahong Corporation	Associate	Investments accounted for using equity method	23,750	60	19.00	60	
	Pacific Electric Wire and Cable Co., Ltd.	-	Financial assets at fair value through other comprehensive income	546,231	-	0.07	-	

Note 1: The Bank and its subsidiaries recognized the related income or loss of investees as required by regulations.

Note 2: No securities were treated as collateral or pledge.

Note 3: The above companies which are the subsidiaries of the Bank were eliminated from the consolidated financial statements.

TABLE 2

KGI BANK CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 10% OF THE ISSUED CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares	Amount
KGI Bank CO., LTD	Stock Next Commercial Bank Co., Ltd.	Financial assets at FVTOCI	-	-	-	$ -	70,000,000	$ 700,000	-	$ -	$ -	$ -	70,000,000	$ 700,000

KGI BANK CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES
JUNE 30, 2020
(In Thousands of New Taiwan Dollars)

Investee Company	Location	Main Business	Balance as of June 30, 2020			Consolidated Investment (Note 1)				Note
			Percentage of Ownership (%)	Carrying Value	Investment Gain (Loss)	Shares Currently Held	Virtual Shares (Note 2)	Number of Shares	Percentage of Ownership (%)	
Financial industry-related										
Taipei Foreign Exchange Inc.	Taipei City, Taiwan	Foreign exchange trading, financial derivatives trading	0.40	$ 3,032	$ 480	80,000	-	80,000	0.40	
Taiwan Futures Exchange	Taipei City, Taiwan	Futures exchange and settlement	0.51	109,065	4,719	21,682,077	-	21,682,077	6.12	
Financial Information Service Co., Ltd.	Taipei City, Taiwan	Telecommunication service; information system service	1.23	145,230	-	6,410,160	-	6,410,160	1.23	
Taiwan Asset Management Co., Ltd.	Taipei City, Taiwan	Purchasing for financial institutions’ loans	0.57	72,530	3,900	6,000,000	-	6,000,000	0.57	
Sunlight Asset Management Co., Ltd.	Taipei City, Taiwan	Purchasing for financial institutions’ loans	5.74	3,649	850	344,476	-	344,476	5.74	
Taiwan Financial Asset Service Company	Taipei City, Taiwan	Other activities auxiliary to financial service activities	2.94	47,584	-	5,000,000	-	5,000,000	2.94	
Taiwan Mobile Payment	Taipei City, Taiwan	Communication and IT service	1.00	3,315	-	600,000	-	600,000	1.00	
CDIB Management Consulting Corporation	Taipei City, Taiwan	Management consultancy activities	100.00	800,882	21,231	153,171,873	-	153,171,873	100.00	
Euroc II Venture Capital Corp.	Taipei City, Taiwan	Venture capital corporation	7.50	2,716	324	439,038	-	439,038	7.50	
Euroc III Venture Capital Corp.	Taipei City, Taiwan	Venture capital corporation	5.00	2,069	229	155,925	-	155,925	5.00	
Next Commercial Bank Co., Ltd.	Taipei City, Taiwan	Commercial banking	7.00	700,000	-	70,000,000	-	70,000,000	7.00	
Non-financial industry-related										
Cosmos Construction Management Corporation	Taipei City, Taiwan	Valuation on real estate, contract evaluation	9.39	-	-	6,991,000	-	6,991,000	9.39	
Lieu-An Service Co.	Taipei City, Taiwan	ATM cash cartridge replacement and service provision	5.00	1,115	-	125,000	-	125,000	5.00	
CDIB & Partners Investment Holding Corp.	Taipei City, Taiwan	General investment corporation	4.95	787,160	(13,776)	367,200,000	-	367,200,000	33.66	

Note 1: All present shares or virtual shares of the Bank, directors, supervisors, the Bank’s managers, and affiliates should be included.

Note 2: (1) virtual shares refer to equity-type securities or derivative financial instrument contracts that are not transferred to common shares. Based on the transaction terms and the holding purposes of the Bank, the two types of instruments are linked to the equity of investees and are recognized as investments accounted, in accordance with Article 74 of the Securities and Exchange Act. (2) The equity securities, such as convertible bonds and warrants, are regulated by Article 11 Paragraph 1 of the Securities and Exchange Act Enforcement Rules. (3) The derivative instrument contracts are those defined under IFRS 9, such as stock options.

Note 3: The above companies which are the subsidiaries of the Bank were eliminated from the consolidated financial statements.

KGI BANK CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
JUNE 30, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company Name	Main Businesses and Products	Total Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2020	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2020	Net Gain of the investee (Note 2)	% Ownership of Direct or Indirect Investment	Investment Gain (Note 2)	Carrying Value as of June 30, 2020	Accumulated Inward Remittance of Earnings as of June 30, 2020
					Outflow	Inflow						
CDIB International Leasing Corporation	Financial leasing and management business consulting	CNY 187,750 thousand	Note 1 (a)	US$ 30,000 thousand	$ -	$ -	US$ 30,000 thousand	$ 8,059	100	$ 8,059	$ 67,139	$ -

Accumulated Investment in Mainland China as of June 30, 2020	Investment Amount Authorized by the Investment Commission, MOEA	Limit on Investment
$889,800 (US$30,000 thousand)	US$30,000 thousand	$480,581

Note 1: The investment types are as follows:

a. Direct investments.
b. Reinvested through an investee company in a third area.
c. Others.

Note 2: Financial statements audited by the CPA firm of the parent company in Taiwan.

Note 3: Exchange rate as of reporting date of the financial statement was used in translating foreign currency.

TABLE 5

KGI BANK CO., LTD. AND SUBSIDIARIES

BUSINESS RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2020
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Trading Company	Related Party	Flow of Transactions (Note 2)	Content of Transaction (Note 5)			
				Financial Statement Accounts	Amounts	Trading Terms	Transaction Amount/Total Consolidated Revenue or Total Consolidated Assets (Note 3)
0	KGI Bank Co., Ltd.	CDC Finance & Leasing Corporation	1	Deposit and remittances	$ 49,892	Note 4	0.00
1	CDC Finance & Leasing Corporation	KGI Bank Co., Ltd.	2	Cash and cash equivalents	49,892	Note 4	0.00
0	KGI Bank Co., Ltd.	CDIB Management Consulting Corporation	1	Deposit and remittances	102,553	Note 4	0.01
2	CDIB Management Consulting Corporation	KGI Bank Co., Ltd.	2	Cash and cash equivalents	102,553	Note 4	0.01

Note 1: The consolidated entities are identified in the No. column as follows: Parent company - “0”; subsidiaries - numbered from 1 by company.

Note 2: Transaction flows are as follows: (1) from parent to subsidiary; (2) from subsidiary to parent; and (3) between subsidiaries.

Note 3: The ratio is calculated as follows: For asset and liability accounts - Transaction amount in the ending period/Total consolidated assets; for income and expense accounts - Transaction amount in the annual/Total consolidated revenue.

Note 4: The transaction criteria for related parties are similar to those for third parties.

Note 5: Transactions each amounted to at least NT$10 million.

Note 6: The above transactions and balances were eliminated from the consolidated financial statements.