Mega International Commercial Bank

Annual Report 2019

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Notice

This English version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English version and the Chinese version, the Chinese version shall prevail.

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Service Network

Refer to Service Network Section for details of domestic and overseas business units

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S&P Global Ratings (Taiwan Office)
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Auditor of Financial Report

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Contents

In recent years, the Bank has been committed to the improvement of legal compliance, money laundering prevention and management. This transformation – starting from our all-new internal re-organization, continuous construction of the legal compliance system and strengthening of money laundering prevention system and ending at becoming a national representative team to accept APG (Asia/Pacific Group on Money Laundering) evaluation – did not come easily. But our determination and commitment to reform are very firm, and various efforts have gradually achieved results.

In 2019, the global economic growth slowed down and the international financial market became more volatile, also, the cost of the establishment of the Bank's money laundering prevention system and human resources continued to increase. However, in addition to our outstanding performance in financial operations, the Bank's operations remain the leading position in the domestic banking industry.

The Bank's total net revenue in 2019 reached NTD54.423 billion, representing an increase of 2,417 million over 2018, and the net profit after tax reached 24.645 billion, representing an increase of 473 million over 2018, and the earnings per share after tax hit NTD2.89. All profitability indicators are among the best in the domestic banks. Moreover, the Bank recorded non-performing loans ratio at the end of 2019 of 0.14%, the coverage rate of allowance for bad debts of 1,120.08%, and the capital adequacy ratio of 13.92%. The control of relevant management indicators was better than the average of domestic banks with stable overall asset quality and appropriate capital adequacy.

Looking forward to 2020, the Bank will continue to strengthen legal compliance and pay attention to money laundering prevention and take them and internal audit and internal control as the foundation of our prudent operation. In terms of business development, we will expand our business with all-new ideas and a forward-looking approach, so as to diversify the sources of profit. In addition, we will promote the continuous optimization of re-organizational, so as to effectively give full play to the comprehensive operation effect of the “business group structure”. Only in this way can we continue to make positive innovations and achieve better results.

Operation Results of 2019

I. Global & Domestic Economic Dynamics

1. Economic Growth

According to the IMF World Economic Outlook Reports, the global economic growth rate was 2.9% in 2019, down 0.7 percentage points compared with that in 2018. It is mainly due to the weak global trade momentum caused by the US-China trade war, the decline of the effect of US fiscal stimulus, the reduction of credit provided by non-bank financial institutions in China and India, and social unrest or natural disasters in some countries.

In terms of domestic economy, in 2019, the domestic economic growth rate rose from 1.84% in the first quarter to 3.31% in the fourth quarter and the annual economic growth rate was 2.71%, close to the level in 2018, according to the Directorate General of Budget, Accounting and Statistics, Executive Yuan, R.O.C (DGBAS). Among which, the performance of private consumption in the second half of the year is better than that of the first half. In addition to the lower basis for comparison, the main reasons are the rebound of automobile purchase and the active performance of the stock market in the fourth quarter to drive consumer confidence. The strong performance of fixed capital formation is mainly derived from the growth of investment by overseas Taiwanese investors back to Taiwan and the rebound of construction investment. It shows that the effect of regional supply chain relocation is gradually become apparent. Although the global economy and trade momentum are slowing down, Taiwan benefits from the transfer-of-orders effect and return of production capacity, which cause the net demand of foreign countries to make a positive contribution to our economic growth.

Chairman
Chao-Shun Chang

2. Financial Market

In terms of interest rate, as the global economy slowed down, uncertainties increased and no inflation occurred, the central banks of major countries adopted a loose monetary policy and most emerging countries also followed up with interest rate reductions. Although Taiwan's economic growth was relatively strong, the output gap was still negative. Considering that the real interest rates in major economies were still moderate and inflation pressure was moderate, the central bank's policy interest rate remained unchanged, and the monetary policy remained moderately loose. The average overnight lending rate in 2019 was 0.182%, slightly lower than the 0.183% rate in 2018, and the overall interest rate level remained relatively low.

In terms of exchange rates, from January to April of 2019, the NT dollar fluctuated in a narrow range against the US dollar around the point of NT$30.8/dollar. Afterwards, as the US-China trade conflict escalated in May and August, the devaluation of the RMB affected the main Asian currencies, and the market risk aversion increased. In addition, July and August were the main dividend payment season for Taiwan stocks, which resulted in the net outbound remittance by foreign investors in the amount of nearly 10 billion US dollars from May to August and causing the decline of the NT dollar against the US dollar. However, due to Taiwan's relatively strong economic performance and the three interest rate cuts of the United States Federal Reserve in the second half of the year, the state of the capital market triggered net inbound foreign investment of 14 billion US dollars from September to December, causing the NT dollar to gradually recover against the US dollar and ending at 30.106 at the end of 2019. In summary, the average exchange rate between NT dollar and US dollar in 2019 was 30.92, 2.4% lower than that in 2018 (30.19).

II. Change in Organization Structure

In view of the fact that the Bank's foreign exchange business volume is relatively higher than that of other financial institutions, and adhering to the requirements of legal compliance and relevant regulations on money laundering prevention, the management of relevant operations has become increasingly important. In order to improve the overall efficiency of the Bank's operation and management of foreign exchange business, in April 2019, the Bank set up an independent "Foreign Exchange Business Management Department" to manage the foreign exchange related business instead of maintaining it under the charge of the "Business Administration Department".

Moreover, in order to avoid the overlapping of credit management and business development roles of the Bank's "Regional Business Centers", which results in the conflicts of duties, starting from 2020, the Bank renamed the original "Regional Business Centers" as the "Regional Credit Management Center". The organization role is adjusted to be a credit management unit under the Risk Management Administration Group, which is fully responsible for credit analysis, collaterals' valuation, credit review, loan review and debt collection, so as to improve its management's distribution and independence. The original marketing and business development function are abolished.

In addition, in order to enhance the competitiveness of the Bank's wealth management business, the Bank successfully applied to the Financial Supervisory Commission for approval to concurrently operate the personal insurance agency business. We expect to merge Mega Life Insurance Agency Co., Ltd., which is 100% owned by the same parent company, Mega Financial Holding Co., Ltd., in the second quarter of 2020, and set up the "Insurance Agency Department" to manage relevant business.

III. Operating Results in 2019

Units: millions in N.T. dollars, except as indicated

Item \ Year	2019	2018	Change
Deposits (including due to Chunghwa Post Co., Ltd)	2,406,806	2,354,393	2.23%
Loans	1,841,478	1,824,721	0.92%
Corporate Financing	1,436,729	1,405,758	2.20%
Consumers Financing (excluding credit card loans)	404,749	418,963	-3.39%
Foreign Exchange Business (millions in US$)	880,043	893,678	-1.53%
Securities Purchased	564,119	529,031	6.63%
Long-term Equity Investments	19,059	19,411	-1.81%
Credit Card Loans	1,274	1,140	11.75%

Note 1: All figures above are average balance, except foreign exchange business.

Note 2: At the end of 2019, the amount of the Bank's non-performing loans was NT$2,614 million, NPL ratio 0.14%, and coverage ratio was 1,120.08%.

Note 3: From January 2019, the Bank reclassified personal land and construction loans (not for self-use) from consumers financing to corporate financing. At the end of 2018, the balance of said business was NT$26,819 million.

IV. Budget Implementation

2019 Pretax Income (millions in NT dollars)	2019 Pretax Income Budget (millions in NT dollars)	Budget Achievement Rate (%)
28,302	28,200	100.36

President
Yong-Yi Tsai

Summary of Business Plan for 2020

I. Business Plan

- Continuously strengthen the legal compliance and internal control system, and improve the anti-money laundering and counter terrorist financing mechanism.
- Strengthen risk control mechanism to balance reward pursuit and risk taking.
- Enhance the efficiency of the Head Office's operation and management, and strengthen the supervision over overseas business units.
- Consolidate the corporate banking niche market and foreign exchange professional advantages. Expand business scale and consider interest margin.
- Carry out flexible financial operations and optimize asset allocation to create sound investment returns.
- Expand all kinds of consumer banking business, and adjust the Bank's profit structure and increase income sources.
- Develop customer-oriented digital services and strengthen data management and application capabilities.
- Implement the corporate governance system and improve the Bank's overall corporate image.

II. Business Objectives

With consideration of current economic and financial developments, the Bank has set up the following business targets based on competitive strategies for the year of 2020: total deposits of NT$2,416,398 million, total loans of NT$1,957,245 million and foreign exchange business of US$860,776 million.

Development Strategies

The Bank's medium and long-term development strategy, detailed implementation plan, various businesses and financial objectives are based on the nine outlines of the conglomerate's medium and long-term development strategy disclosed by the Bank's parent company Mega Financial Holding Co., Ltd.

- Promote corporate governance standards and deepen corporate social responsibility.
- Grasp the business opportunities in Asia-Pacific regions and innovate the model of growing operation.
- Increase the foreign exchange advantages and invest in potential star industries.
- Deepen the wealth management business and develop digital service channels.
- Accelerate the reform of business channels and expand the integration of digital platforms.
- Strengthen business integration and enhance joint marketing's comprehensive efficiency.
- Enrich the international talent pool, encourage and enhance employees' value.
- Expand the scale of capital assets and improve the efficiency of capital utilization.
- Adjust the global operating framework and improve risk management skills.

Major Regulatory Changes and Influences

- The Financial Supervisory Commission will amend "The Act Governing Electronic Payment Institutions", promote the integration of the regulatory regimes of e-payment and electronic stored value cards, and establish a "cross-institution payment platform". The relevant documents are expected to be sent to the Legislative Yuan in the first half of 2020. At the same time, completely online banks will also officially roll out. It will form a more diversified payment environment, and will become tough competition for the digital financial services of the existing traditional banks.
- In order to prevent systemic risks, the Financial Supervisory Commission has revised the "Regulations Governing the Capital Adequacy and Capital Category of Banks", requiring larger domestic banks to increase their capital. Some of the measures will be launched in the first quarter of 2020. Although the capital threshold is raised, this will help strengthen financial stability.
- The Financial Supervisory Commission said that it would continue to review and amend relevant laws and regulations on the use of insurance funds. On the premise of considering the supervision intensity, safety and efficiency of fund utilization, the Financial Supervisory Commission will seek to increase the foreign investment pipeline and improve the efficiency of fund utilization in Taiwan's insurance industry.
- The Financial Supervisory Commission said that in response to the increasing demand of domestic institutional investors for investment in foreign bonds, it would assist Taiwan's banks to make full use of their interest rate and credit risk control expertise, establish a large-scale bond self-trading inventory position, relax the "same bond" limit by calculating it with the net value of the Bank, so as to meet the needs of investors and improve the competitiveness of Taiwan's banks.

Credit Rating

Credit Rating Institute	Credit Rating		Outlook	Publication Date (Year/Month)
	Long-term	Short-term		
Moody's	A1	P-1	Stable	2020/2
S&P	A	A-1	Stable	2020/4
Taiwan Ratings Corp.	twAA+	twA-1+	Stable	2019/10

Chao-Shun Chang

Chairman

Yong-Yi Tsai

President

Historical Overview

Mega International Commercial Bank Co., Ltd. (Mega Bank) has come into being as a result of the merger of The International Commercial Bank of China and Chiao Tung Bank, effective on August 21, 2006. Both banks have been proud of their longtime histories of outstanding track records in our country.

In 1971, The Bank of China was privatized to become The International Commercial Bank of China Co., Ltd. (ICBC), whose origin dates back to the Ta Ching Bank and its predecessor, the Hupu Bank (the bank under the finance arm of the imperial court in the Ching Dynasty). The Bank of China had been entrusted with the mission to serve as an agent of the Treasury and a note-issuing bank before the establishment of the Central Bank of China in 1928. The Bank of China was designated as a licensed specialized bank for international trade and foreign exchange thereafter. Taking advantage of its specialization in foreign exchange, worldwide network of outlets and correspondence banks, superb bank assets, and excellent business performance, ICBC has become a top-notch bank in the Republic of China.

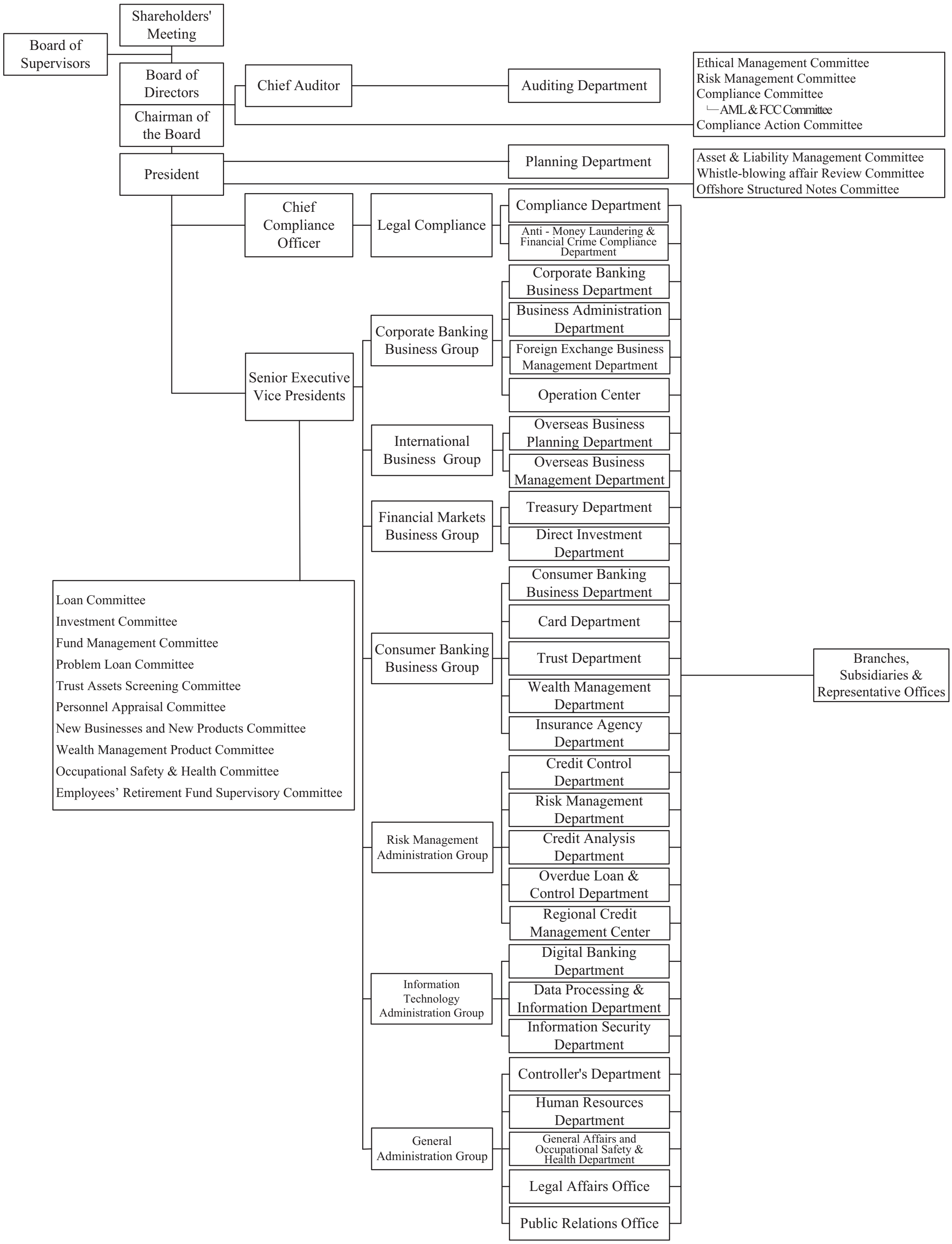
Set up five years before the founding of the Republic of China, Chiao Tung Bank Co., Ltd. (CTB) had also been delegated to act as an agent of the government coffer and a note-issuing bank in concert with the Bank of China at the outset of the Republic. Transforming from a licensed bank for industries in 1928, an industrial bank in 1975, and a development bank in 1979, CTB turned from a state-controlled bank into a privately–owned one in 1999. It has engaged in loan extensions for medium- and long-term development, innovation and guidance investment (equity investment), and venture capital ever since. For years, CTB has made significant contributions to the improvement of industrial structure and the promotion of the upgrading of industry by assisting in the development of strategic and vital industries in line with the economic policy and the economic development plan of the government.

CTB and International Securities Company formed the CTB Financial Holding Company in 2002. Late on, Chung Hsing Bills Finance Corporation and Barits International Securities Company came under the financial umbrella. On December 31, 2002, Chung Kuo Insurance Company and ICBC joined forces with the Company to form a conglomerate named Mega Financial Holding Company.

With a view to enlarging the business scale and increasing the market share, ICBC and CTB formally merged into one bank under the name of Mega International Commercial Bank Co., Ltd. on August 21, 2006. By the end of 2019, the Bank has 108 branches (including Foreign Department) at home, and 23 branches, 5 sub-branches, and 3 representative offices (including marketing office) abroad. Together with the network are wholly-owned bank subsidiaries in Thailand, along with their branches, bringing the number of overseas outposts to 36 in total. It has manpower 6,762 and an aggregate paid-in capital of NT$85.362 billion.

As of May 12, 2020

Organization Chart



Directors, Supervisors & Major Shareholders of the Institutional Shareholders

I. Board of Directors and Supervisors

As of December 31, 2019

Title	Name	Current Position / Occupation
Chairman of the Board	Chao-Shun Chang	Chairman of the Board Mega Financial Holding Company and Mega Bank
Managing Director	Kuang-Hua Hu	President Mega Financial Holding Company
Managing Director& President	Yong-Yi Tsai	President Mega Bank
Managing Director	Chien-Liang Chiu	Professor Department of Banking and Finance, Tamkang University
Independent Managing Director	Fu-Long Chen	
Independent Director	Shyue-Shing Liao	President Reason Law Office
Independent Director	Chih-Jen Hsu	Chairman of the Board Spring House Entertainment Technology Incorporation
Director	Ching-Wen Lin	Professor CTBC Business School
Director	Shao-Pin Lin	Associate Professor Department of Finance and Banking, Shih Chien University
Director	Chao-Huang Kuo	President TAIWAN-CA Inc.
Director	Sui-Chang Liang	Principal Attorney Liang & Associates, Attorneys-At-Law
Director	Wen-Ling Hung	Professor Department of Administration Police, Central Police University
Director	Cheng-Chiang Hsu	Assistant Vice President Mega Bank
Resident Supervisor	Sheng-Chang Liu	Director C.H. CHANG & Co. Certified Public Accountants
Supervisor	Tai-Long Lee	Chief Counselor Fidelity Law Partners
Supervisor	Yu-Ling Hung	CPA Earnest & Co., CPAs
Supervisor	Jiin-Feng Chen	Associate Professor and Director English Taught Program in International Business, College of Management, Shih Chien University

II. Professional Qualifications and Independence Analysis of Directors and Supervisors

As of December 31, 2019

Name \ Criteria	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note)												Number of other public companies in which the individual is concurrently serving as an Independent Director
	An instructor or higher position in a Department of Commerce, Law, Finance, Accounting, or other academic department related to the business needs of the bank in a public or private Junior College, College, or University	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist, who has passed a national examination and been awarded a certificate in a profession necessary for the business of the bank	Have work experience in the areas of commerce, law, finance, accounting, or otherwise necessary for the business needs of the bank	1	2	3	4	5	6	7	8	9	10	11	12	
Chao-Shun Chang	✓	✓	✓	✓		✓	✓					✓	✓	✓		
Kuang-Hua Hu			✓	✓		✓	✓					✓	✓	✓		
Yong-Yi Tsai			✓			✓						✓	✓	✓		
Chien-Liang Chiu	✓		✓	✓		✓	✓		✓	✓	✓	✓	✓	✓		1
Fu-Long Chen			✓	✓		✓	✓		✓	✓	✓	✓	✓	✓		
Shyue-Shing Liao		✓	✓	✓		✓	✓		✓	✓	✓	✓	✓	✓		
Chih-Jen Hsu	✓		✓	✓		✓	✓		✓	✓	✓	✓	✓	✓		2
Ching-Wen Lin	✓		✓	✓		✓	✓		✓	✓	✓	✓	✓	✓		
Shao-Pin Lin	✓		✓	✓		✓	✓		✓	✓	✓	✓	✓	✓		
Chao-Huang Kuo			✓	✓		✓	✓		✓	✓			✓	✓		
Sui-Chang Liang		✓	✓	✓		✓	✓		✓	✓	✓	✓	✓	✓		
Wen-Ling Hung	✓		✓	✓		✓	✓				✓	✓	✓	✓		
Cheng-Chiang Hsu			✓			✓	✓		✓	✓	✓	✓	✓	✓		
Sheng-Chang Liu		✓	✓	✓		✓	✓		✓	✓	✓	✓	✓	✓		
Tai-Long Lee		✓	✓	✓		✓	✓		✓	✓	✓	✓	✓	✓		
Yu-Ling Hung	✓	✓	✓	✓		✓	✓		✓	✓	✓	✓	✓	✓		
Jiin-Feng Chen	✓	✓	✓	✓		✓	✓		✓	✓	✓	✓	✓	✓		1

Note: Check ("✓") the corresponding boxes if directors or supervisors have been any of the following during the two years prior to being elected or during the term of office.

1. Not an employee of the Bank or any of its affiliates.
2. Not a director or supervisor of the Bank or any of its affiliates (except where the person is simultaneously an independent director of the bank and its parent company, a subsidiary or another subsidiary of the same parent company appointed pursuant to the Securities and Exchange Act or local regulations).
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of issued shares of the Bank or ranking in the top 10 in holdings.
4. Not a manager listed in (1) or a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship or closer to anyone listed in (2) or (3).
5. Not a director, supervisor or employee of an institutional shareholder holding directly 5% or more of the Bank's shares, being one of the top five shareholders, or being appointed a director or supervisor of the Bank pursuant to Article 27, Paragraph 1 of the Securities and Exchange Act (except where the person is simultaneously an independent director of the Bank and its parent company, a subsidiary or another subsidiary of the same parent company appointed pursuant to the Securities and Exchange Act or local regulations).
6. Not a director, supervisor or employee of another company that has the same directors as the company or is controlled by the same person that has more than half of the voting power in the Bank (except where the person is simultaneously an independent director of the Bank or its parent company, a subsidiary or another subsidiary of the same parent company appointed pursuant to the Securities and Exchange Act or local regulations).
7. Not a director, supervisor or employee of another company or institution that has the same chairman, president, or the equivalent or a spouse in one of the roles as the Bank (except where the person is simultaneously an independent director of the Bank and its parent company, a subsidiary or another subsidiary of the same parent company appointed pursuant to the Securities and Exchange Act or local regulations).
8. Not a director, supervisor, manager or shareholder holding 5% or more of the company's shares of certain company or institution that has a financial or business relationship with the Bank (except where the certain company or institution holds 20% or more but no more than 50% of the Bank's shares and is simultaneously an independent director of the Bank and its parent company, a subsidiary or another subsidiary of the same parent company appointed pursuant to the Securities and Exchange Act or local regulations).
9. Not a professional who provides audit or receives no more than NT$500,000 in cumulative compensation in the last two years for commercial, legal, financial, or accounting services to the Bank or its affiliates, nor is an owner, partner, director, supervisor, or manager, or the spouse of any of the above, of a sole proprietorship, partnership, company, or organization that provides such services to the Bank or its affiliates. However, exception applies to members of a remuneration committee, a public tender review committee, or a special committee for merger, consolidation and acquisition exercising their authority pursuant to the Securities and Exchange Act or the Business Mergers and Acquisitions Act.
10. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Bank.
11. Not been a person of any conditions defined in Article 30 of the Company Law.
12. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

III. Major Shareholders of the Institutional Shareholders

As of December 31, 2019

Name of the Institutional Shareholders	Top Shareholders (Percentage of Shares Ownership)
Mega Financial Holding Co., Ltd.	Ministry of Finance, R.O.C. (8.40%)
	National Development Fund, Executive Yuan, R.O.C. (6.11%)
	Chunghwa Post Co., Ltd. (3.61%)
	Fubon Life Insurance Co., Ltd. (3.47%)
	Bank of Taiwan Co., Ltd. (2.46%)
	Taiwan Life Insurance Co., Ltd. (2.42%)
	China Life Insurance Co., Ltd. (2.08%)
	Shin Kong Life Insurance Co., Ltd. (1.98%)
	Government of Singapore Investment Co. Pte Ltd. (GIC) in custody by Citibank (1.53%)
	Old Labor Pension Fund (1.43%)

IV. Policies for Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is distributed by shares, the Bank and subsidiaries calculate the number of shares based on the closing price at the previous day of the Board of Directors' resolution day.

Execution of Corporate Governance

I. Attendance Record

A total of forty-two meetings of the Board of Directors were held in 2019. The attendance of directors and supervisors was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance rate (%)	Remarks
Chairman of the Board	Chao-Shun Chang	40	2	95.2%	
Managing Director	Kuang-Hua Hu	41	1	97.6%	
Managing Director	Yong-Yi Tsai	39	3	92.9%	
Managing Director	Chien-Liang Chiu	40	2	95.2%	
Independent Managing Director	Fu-Long Chen	41	1	97.6%	
Independent Director	Shyue-Shing Liao	12	1	92.3%	
Independent Director	Chih-Jen Hsu	12	1	92.3%	
Director	Ching-Wen Lin	9	2	69.2%	
Director	Shao-Pin Lin	13	0	100%	
Director	Chao-Huang Kuo	13	0	100%	
Director	Sui-Chang Liang	13	0	100%	
Director	Jhy-Yuan Shieh	1	0	100%	Resigned on Jan. 31, 2019
Director	Chia-Feng Leou	4	0	100%	Assumed on Mar. 27, 2019 Resigned on Jul. 1, 2019
Director	Wen-Ling Hung	13	0	100%	
Director	Chuen-Wen Jung	8	0	100%	Resigned on Aug. 15, 2019
Director	Cheng-Chiang Hsu	13	0	100%	
Resident Supervisor	Sheng-Chang Liu	42	0	100%	
Supervisor	Tai-Long Lee	10	0	76.9%	
Supervisor	Tzyy-Jane Lai	9	0	81.8%	Resigned on Oct. 25, 2019
Supervisor	Yu-Ling Hung	13	0	100%	
Supervisor	Jiin-Feng Chen	12	0	92.3%	

Note: 1. The Bank's directors and supervisors are appointed by the Mega Financial Holding Company. The term in office for 16th Board of Directors is from Oct. 1, 2018 to Sep. 30, 2021.
2. None of the independent directors has a dissenting opinion or qualified opinion on the resolutions.
3. The attendance rate is calculated as the ratio of the number of Board of Directors meetings attended to the number held during the term in office.
4. The Board of Directors has performed its duties in compliance with the related laws and regulations.

II. Corporate Governance Implementation Status and Deviations from "Corporate Governance Best-Practice Principles for Banks"

As of December 31, 2019

Evaluation Item	Implementation Status		
	Yes	No	Abstract Illustration
A. Ownership Structure and Shareholders' Equity 1. Does the Bank establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure?	✓		■ The Bank is a 100% owned subsidiary of Mega Financial Holding Company ("Mega FHC"). The Bank's operation and management, financial business information and audit management are handled in accordance with the "Regulations on Supervision of Mega FHC's Subsidiaries". Recommendations or questions regarding the Bank's operations may be conveyed through formal letters, telephones, emails, etc. The Bank's business supervisory units will handle or explain the case, in accordance to the internal operating procedures. ■ Mega FHC is the Bank's sole shareholder. Any shareholders' dispute or litigation shall be handled by the supervisory units. However, if it is necessary to engage a lawyer, the units, according to the Bank's Directions for Handling Legal Cases, shall request for approval from the authorized level before engaging a lawyer.
2. Does the Bank possess the identities of its major shareholders as well as the ultimate owners of those shares?	✓		■ Mega FHC is the Bank's sole shareholder and ultimate controller.
3. Does the Bank establish and execute the risk management and firewall system within its conglomerate structure?	✓		■ The responsibilities for the management and risk control mechanism of personnels, assets and financial matters of the Bank and affiliated companies are completely independent; and tight firewall mechanisms are established and executed. ● Information security: The internet between the Bank and affiliated companies is connected directly through peer-to-peer which is the safest way of internet connection, and controlled by Firewall to avoid unauthorized connection. ● Client confidentiality: An internal control process has been set for person in charge of processing, using customer information and entering and removing customers' personal particulars, and a post-execution supervision mechanism is in place to ensure the appropriateness of authorization. ● Stakeholder transactions: The Bank has established "Rules on Handling Stakeholder Transaction". Also, in accordance with the relevant laws and regulations, the stakeholder transaction balance is submitted to the parent company, Mega FHC, regularly. Mega FHC then discloses the related information and submits it to the competent authority.
B. Composition and Responsibilities of the Board of Directors 1. Does the Bank voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?		✓	■ After joining Mega FHC, the Bank is delisted from the stock market and is not mandatory to set up a Remuneration Committee. The design and adjustment of the Bank's remuneration is submitted to Mega FHC for approval. ■ Mega FHC has set up an Audit Committee. According to the regulations issued by Financial Supervisory Commission, a financial institution 100% owned by a financial holding company

Evaluation Item	Implementation Status		
	Yes	No	Abstract Illustration
			may choose to set up an audit committee or appoint supervisors, and the Bank has adopted the latter. The Bank's supervisors may communicate with the Bank's employees, head of internal audit and shareholders at any time, and convene supervisors meetings from time to time, with the attendance of a CPA where necessary. ■ The Bank has set up the committees under the Board of Directors, including the Risk Management Committee, Compliance Committee, Compliance Action Committee, and Ethical Management Committee to enhance the supervision and management mechanism of the Board of Directors.
2. Has the listed bank established and implemented methods for assessing the performance of the Board of Directors, conducted performance evaluation annually, presented the performance evaluation results to the Board of Directors, and used the results as reference for remuneration and re-election nominations of individual director?		✓	■ The Bank is not listed and not traded OTC and is a 100% owned subsidiary of Mega Financial Holding Co., Ltd. Evaluation rules for the board of directors' performance have been formulated by Mega Financial Holdings Co., Ltd., and the board of directors' performance evaluation methods, periods and results have been standardized. ■ In order to establish a sound corporate governance system, the Bank formulated the "Corporate Governance Best Practice Principles" to build an effective corporate governance framework. Reference was made to the relevant provisions of the "Corporate Governance Best Practice Principles for Banks" promulgated by the Bankers Association of the Republic of China.
3. Does the Bank regularly evaluate the independence of CPAs?	✓		■ When appointing a CPA, the Bank shall assess its independence and request it to provide "Independence Declaration on the Auditing and Attestation of Financial Report by the Certified Public Accountant".
C. Has the Bank established adequate number of competent corporate governance personnel and officer who are in charge of corporate governance-related matters (including but not limited to providing information for directors and supervisors to perform their functions, assisting directors and supervisors in complying with laws and regulations, handling matters related to Board meetings and shareholders' meetings according to the law, and producing minutes of the Board meetings and shareholders' meetings, etc.)?	✓		■ The Bank has a chief corporate governance officer and relevant personnel of corporate governance. The Bank's General Affairs and Occupational Safety & Health Department is in charge of matters related to company registration and registration change. The Secretarial Unit of the Bank's Board of Directors is in charge of matters related to the board of directors meetings, providing information regarding professional practice to directors and supervisors, and according to the requirements or regulations of the competent authority, notifying the directors and supervisors of relevant laws and regulations, restrictions or precautions in a timely manner, and cooperating in formulating internal relevant norms, such as the code of conduct for directors, the management guidelines for concurrent office-holding of persons-in-charge and the guidelines for the scope of duties of independent directors, so as to facilitate the compliance with laws and regulations.

Evaluation Item	Implementation Status		
	Yes	No	Abstract Illustration
D. Does the Bank set up channels of communication for stakeholders (including but not limited to shareholders, employees, customers and suppliers), dedicated a section of the company's website for stakeholder affairs and adequately responded to stakeholders' inquiries on significant corporate social responsibility issues?	✓		■ The Bank's website provides service or complaint channels such as contact email and customer service hotline, as well as disclosure of legal issues, including information related to related party transactions, whistleblower hotline and email for violation of the ethical corporate management best practice principles, etc. Additionally, there are shareholder area and fair principle area for customers, consumers, related parties and employees to keep in touch with the Bank, inquire and use relevant information. ■ In terms of communicating with interested parties defined in The Banking Act and Financial Holding Company Act, the Bank's Head Office request all unites to provide the interested parties list according to The Banking Act of The Republic of China and Financial Holding Company Act to related interested parties for confirmation. Upon confirmation by the related interested parties, the interested parties profile shall be maintained in the Bank's e-Loan System and Mega Financial Holding Company's network information system. Should there be any change in the duties of the interested parties, the person concerned shall be communicated, and the profile updated immediately.
E. Information Disclosure 1. Does the Bank have a corporate website to disclose both financial standings and the status of corporate governance?	✓		■ The Bank's official website (https://www.megabank.com.tw) is maintained by dedicated personnels regularly to disclose information regarding the Bank's business, financials and corporate governance.
2. Does the Bank have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	✓		■ The Bank's official website has an English version, https://www.megabank.com.tw/en/. If there's information needed to be made public in accordance with the relevant laws and regulations, the Bank shall, within the legal time limit, designate a personnel to report and disclose immediately. ■ The Bank has established "Procedures for Releasing Information by Spokesperson and Acting Spokesperson". The Spokesperson and Deputy Spokesperson speak publicly on behalf of the Bank by means of press release, website disclosure or disclosure of information. ■ The investor conference is handled by the parent company, Mega FHC.
3. Does the Bank disclose its annual financial report at the end of the accounting year within the prescribed time limit in accordance with the Banking Act and the Securities and Exchange Act, and publicly disclose its Q1, Q2, and Q3 financial reports and monthly operation status ahead of the prescribed time limit?	✓		■ In addition to making public announcement in accordance with Article 36 of the Securities and Exchange Act and relevant decrees, the Bank also publishes individual financial business information on the Bank's website within three months after the end of each fiscal year, within two months after the end of each half year and within 45 days after the end of the first quarter and the third quarter in accordance with Article 32 of the Regulations Governing the Preparation of Financial Reports by Public Banks.

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Illustration</th></tr>
<tr><td>F. Is there any other important information to facilitate a better understanding of the Bank’s corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, rights of stakeholders, directors’ and supervisors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors, and donations to political parties, stakeholders, and charity organizations)?</td><td>✓</td><td></td><td>■ Employees’ rights: The Bank shall inform the employees in advance of any job relocation. If the change of business nature results in no suitable jobs for the employee, or the employee is incompetent in taking up the job, the Bank shall, according to the Labor Standards Act, inform the employee in advance of the termination of employment contract at least 10 to 30 days. In addition, the Bank and the Union have established a collective agreement. The Bank has set up the Personnel Appraisal Committee, formed by the Bank and union representatives, responsible for the review of awards and penalties of the employees. It has also established the Occupational Safety & Health Committee, responsible for the planning and handling, review and supervision of matters related to labor safety, hygiene and health. Employees’ Retirement Fund Supervisory Committee is also set up to safeguard employees’ pension.
■ Employee welfare: The Bank has set up the Employee Welfare Committee, responsible for the review and planning of employee welfare services and fund allocation. In addition, the Bank conducts regular employees’ health checkup and seminars. Employees can also obtain health knowledge through e-learning to achieve the objective of preventive health care.
■ Investor relationship: The Bank is fully answerable to its parent company, Mega FHC, for its business performance.
■ Directors to recuse themselves from cases in which they have a material interest: As per Rules and Procedures of shareholders meeting of the Bank, interested parties with respect to proposals shall recuse themselves from discussions or voting to avoid the conflict of interest.
■ Advanced studies of directors and supervisors: the Bank provides directors and supervisors with opportunities enhancing their professional competency.
■ Execution of customer policies: According to the various regulations of the competent authority and bank union, the Bank shall state in the contract, regulations to be complied, whereby customers can claim the right based on the contracts.
■ Purchasing liability insurance for directors and supervisors: The Bank purchases “Directors’ and Officers’ Liability and Company Reimbursement Insurance” for all directors and supervisors.
■ Donations: The Bank has, over the years, organized various activities and donated to charities and non-profit organizations. The donation process strictly complies with the various internal and external laws and regulations.</td></tr>
</table>

The above mentioned corporate governance implementation status of the Bank has no deviation from the “Corporate Governance Best-Practice Principles for Banks”.

Capital & Shares

I. Source of Capital Stock

Unit: NT$; share

Year/Month	Par Value (NT$)	Authorized Capital		Paid-in Capital		Remark
		Shares	Amount (NT$)	Shares	Amount (NT$)	Source of Capital
2002/12	10	3,726,100,000	37,261,000,000	3,726,100,000	37,261,000,000	Public offering
2006/08	10	2,684,887,838	26,848,878,380	2,684,887,838	26,848,878,380	Issuance of new shares for merger
2011/10	10	389,012,162	3,890,121,620	389,012,162	3,890,121,620	Transference of un-appropriated earnings
2012/09	10	300,000,000	3,000,000,000	300,000,000	3,000,000,000	Issuance of common stock (Private placement)
2013/12	10	600,000,000	6,000,000,000	600,000,000	6,000,000,000	Issuance of common stock (Private placement)
2015/06	10	300,000,000	3,000,000,000	300,000,000	3,000,000,000	Issuance of common stock (Private placement)
2015/12	10	536,233,631	5,362,336,310	536,233,631	5,362,336,310	Issuance of common stock (Private placement)

II. Type of Stock

Unit: share

Type	Authorized Capital			Remark
	Outstanding Shares	Unissued Shares	Total Shares	
Common Shares	8,536,233,631	0	8,536,233,631	Public offering

Note: Shares have been stopped listed since the Bank joined Mega Financial Holding Co., Ltd. on December 31, 2002.

III. Structure of Shareholders

As of December 31, 2019

	Government Agencies	Financial Institutions	Other Institutional Investors	Individuals	Foreign Institutional Investors & Foreigners	Total
Number of Shareholders		1				1
Shareholding (shares)		8,536,233,631				8,536,233,631
Percentage		100.00%				100.00%

Note: 100% shares are held by Mega Financial Holding Co., Ltd.

IV. List of Major Shareholders

As of December 31, 2019

Shareholder's Name	Shareholding	
	Shares	Percentage
Mega Financial Holding Co., Ltd.	8,536,233,631	100.00%

Other Fund-Raising Activities

Issuance of preferred shares, global depository receipts, and employee share subscription warrants: None.

Business Activities

I. Business Scope

1. Commercial Banking Business:
   - Deposits
   - Loans & Guarantees
   - Import & Export Financing & Guarantees
   - Remittance
   - Offshore Banking Business
   - Short Term Bills Business
   - Foreign Exchange Business
   - Safety Boxes Services
   - Book Entry Business for the Central Government Bonds
   - ATM Business
   - Electronic Banking & Internet Banking Business
2. Consumer Finance and Wealth Management Business:
   - Credit Cards
   - Consumer Loans
   - Student Loan for Studying Overseas
   - Mortgage Loans
   - Non-Discretionary Money Trust Investments in Domestic and Foreign Securities
   - Trust Business
3. Investment & Agency Services:
   - Direct Equity Investment
   - Securities Underwriting
   - Agency for Selling Gold & Silver Coins
   - Agency for Securities Issuance
   - Agency for Payment of Interest & Dividend
4. Other Business Approved by the Competent Authority

II. Distribution of Mega Bank's Net Operating Revenue

As of December 31, 2019

Item	Amount (thousands in NT$)	As percentage of Net Operating Income (%)
NET INTEREST REVENUE (EXPENSE)	33,433,903	61.43
NET REVENUE OTHER THAN INTEREST	20,989,184	38.57
Net service fee revenue	6,533,589	12.00
Gain (loss) on financial assets or liabilities measured at fair value through profit or loss	9,081,885	16.69
Realized gains on financial assets at fair value through other comprehensive income	2,262,424	4.16
Gain (loss) arising from derecognition of financial assets measured at amortised cost	(4)	0.00
Foreign exchange gain (loss)	2,091,636	3.84
(Impairment loss on assets) reversal of impairment loss on assets	(82,507)	-0.15
Share of profit (loss) of associates and joint ventures accounted for using equity method	445,946	0.82
Net other revenue other than interest income	656,215	1.21
NET REVENUE	**54,423,087**	**100.00**

Taiwanese Banking Industry & Market Overview

- **Competition in the domestic banking industry is intense, and amplifying deposit spreads is not easy.**

  Due to the excessive number of domestic banks and hot money, the importance of overseas market is increasing. However, under the interest rate cut by the central banks of the United States and most countries in 2019, the advantage of overseas interest margin was slightly reduced. On the other hand, the growth rate of loans of all monetary institutions in Taiwan in 2019 was greater than that of deposits for four consecutive years, indicating that the pressure of excessive funds was slightly reduced.

- **The development of financial technology causes the number of branches to decrease.**

  At the end of 2019, the number of branches of domestic banks increased by 2 compared with the end of last year, but still decreased by 55 compared with the peak of 2014, reflecting the effect of financial technology and internet banking replacing some functions of physical branches. The continuous optimization of the user experience, consideration of the usage habits of different customer base and increasing the adhesion of existing customers by banks are helpful to enhance the competitiveness of digital financial services.

- **Trade friction between the United States and China causes regional supply chains to relocate.**

  Although the US-China trade frictions have weakened the global economic and trade momentum, Taiwan's exports and domestic investments have performed relatively well thanks to the transfer-of-orders effect and investment by overseas Taiwanese investors back to Taiwan. In fact, major institutions including the United Nations have pointed out that Taiwan is one of the major beneficiaries of the US-China trade war, and it is expected that this advantage will continue as long as the disputes between the US and China remain unresolved.

- **External demand is weak and domestic demand continues to be the growth engine.**

  As the COVID-19 epidemic has spread all over the world, it has resulted in a sharp decline in economic activity. This indicates that the external environment is not conducive to Taiwan’s export performance. However, Taiwan’s epidemic situation is relatively mild, and the expected investment in public construction continues to increase, indicating that domestic demand is the main growth momentum.

I. Positive Factors

- The first phase of trade agreement between the United States and China slightly mitigated the downside risk of global prosperity. However, because the core issues of the two sides have not yet been resolved and with the outbreak of COVID-19 epidemic in China, we expect that the regional supply chain will still gradually shift to achieve risk diversification. The situation indicates that Taiwan is still expected to continue to benefit and that, by increasing the use of domestic bank funds, as well as increasing the lending opportunities to emerging Asian countries outside China, this will help spread overseas risks.

- The sustainable development of global artificial intelligence and its incorporation into 5G emerging applications will help increase the demand for electronic terminal products and drive the export growth of Taiwan's relevant supply chain products.

- When APG (Asia/Pacific Group on Money Laundering) issued the third round of preliminary mutual evaluation report on Taiwan in June 2019, Taiwan achieved the result of “regular follow-up”. At the annual meeting in August, the member states agreed to adopt the mutual evaluation report on Taiwan. Especially in the technical compliance part, there were three items that were overwhelmingly supported during the conference. They were successfully upgraded from the “partially compliant” result of the preliminary evaluation to “largely compliant”. Among the 41 member states/regions, only Macao, Indonesia, Hong Kong and Cook Islands have achieved the same “regular follow-up” results as Taiwan. The improvement of money laundering prevention contributes to the international development of Taiwan’s financial industry.

II. Negative Factors

- It is expected that the economic growth of Taiwan's two major trading partners, US and China, will slow down. The prospect of economic interaction between the two countries is not clear, including the possibility that the US side may restrict the export of high-tech products to China. These factors will affect Taiwan's export performance.
- It is difficult to estimate the impact of the COVID-19 epidemic on economic activities. Together with increasing economic uncertainty, its negative spillover effect may damage the stability of regional economy.
- New Southbound countries still have great potential for growth, however, most countries are financially fragile and vulnerable to the impact of the international financial situation. Moreover, China, Japan and other 15 countries are expected to complete the signing of RCEP agreement in 2020, which may be detrimental to Taiwan's export competitiveness.

III. Winning Strategies

- As there are still many variables in the global economy, the Bank will strengthen various relevant risk control and compliance mechanisms and pay attention to principles of risk diversification while laying out overseas markets and developing businesses.
- Through continuous improvement of money laundering prevention and operation procedures will help improve the image of Taiwan's financial industry and enhance its competitiveness.
- Due to the increasing attention paid to the issue of information security, and extensive room for growth in digital financial services, recruiting relevant talents and strengthening on-the-job training of employees are helpful to optimize the overall operation mode.

Business Plan

The Bank's operating priority and work centrality for the year 2020 will focus on the following six major aspects:

- **Business**
  - In line with the government's major economic development policies, such as the "New Southbound", "Five Plus Two Innovative Industries", "Urban Renewal and Reconstruction of Unsafe and Old Buildings", and "Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan", timely launch corresponding project products and services, so as to fully grasp market opportunities and boost lending momentum.
  - In line with the trend of digital finance and mobile banking, develop related applications of FinTech and optimize the content of the Bank's digital services, such as online loans, online card application, real estate online valuation, mobile payment, intelligent financial management by robots, and social media operation, so as to comprehensively promote the innovation of consumer banking business.
  - Pay attention to each country's trend of monetary policy and the pulse of international stock and bond markets. Actively and flexibly adjust the investment positions of the Bank's stocks and bonds. Moderately increase the investment position of high quality and high-yield rate stocks to improve financial performance and increase the Bank's income.
  - Proactively build "data intelligence conversion" and "technology platform conversion" to gradually achieve the goals of driving business development through information and data and responding quickly to market trends. Through the introduction of innovative technology and development of technology, create distinctive services and customer digital experience and achieve the result of "service innovation".
- **Management**
  - On the premise of conforming to the Bank's risk appetite and the government's supervision requirement for progressively strengthening the capital adequacy of D-SIBs (Domestic Systematically Important Banks), promote the development of various businesses and optimize the allocation of risk-weighted assets in order to improve the efficiency of capital use. In addition, regularly monitor the capital adequacy ratio, review the actual implementation of risk-weighted assets in different businesses and conduct dynamic management.
  - Carry out the "risk-oriented internal auditing system" to implement the structure of three lines of defense for internal control. Master the operational risks across the Bank, and improve the efficiency of the use of audit resources.

Human Resources Profile

Item		As of December 31,	
		2019	2018
Number of Employees	Domestic	5,918	5,586
	Overseas	844	780
	Total	6,762	6,366
Average Age		40.15	40.84
Average Years of Services		13.45	14.37
Education	Ph.D.	2	4
	Master’s Degree	1,731	1,601
	Bachelor’s Degree	4,811	4,532
	Senior High School	195	208
	Below Senior High School	23	21

Social Responsibility

In addition to strengthening the operation, the Bank, adhering to the concept of “Contributing to Society”, actively participated in various social public welfare activities, and set up the International Commercial Bank of China Cultural and Educational Foundation (now renamed Mega Bank C&E Foundation) as a financial group with NTD200 million in 1992 to handle various public welfare activities with its yields. From 2006 to 2019, a total of NTD163.7 million was donated to facilitate the operation of the Foundation. The aim of the Foundation is to engage in cultural, educational and public welfare undertakings and care for social education of the disadvantaged. In 2019, the Bank participated in sponsoring various activities, including education, sports, arts and culture, and public welfare.

The related marketing and advertisements of the previous sponsorship activities all listed the Bank as the sponsor, which has significant benefits for the Bank's overall image promotion and academic and cultural contribution, and also helps to create intangible value for the Bank’s shareholders. Therefore, the Bank will continue to support Mega Bank C&E Foundation in handling various public welfare activities in order to fulfill corporate social responsibilities.

Credit Risk Management System

Year 2019

Item	Content
A. Credit Risk Strategies, Goals, Policies, and Procedures	1. When developing the Bank's credit and investment businesses, besides complying with the relevant laws and regulations such as the Banking Act of the Republic of China, the business supervisory units shall set risk management targets (capital adequacy ratio, non-performing loans ratio, NPL coverage ratio, etc.), and the Risk Management Department compiles and submits reports to the Bank's Risk Management Committee, Risk Management Committee of Mega Financial Holding Company and the Bank's Board of Directors for approval. The Bank also sets its risk appetite by establishing various credit and investment regulations, maintaining a sound credit risk management framework and standard. 2. In response to the implementation of New Basel Capital Accord, the Bank has been gradually developing models and evaluation mechanisms for estimating various credit risk component, such as implementation of internal rating system linked to probability of default (PD), to predict customer's PD with quantitative analysis tools, etc., so as to strengthen the existing credit rating system of credit analysis procedures, and thereby enhance the management efficiency of credit risk. 3. Before engaging in credit and investment businesses, the Bank shall ensure thorough credit investigation and review with clear authorization limits by a hierarchical delegation framework to enhance service efficiency and shorten operating processes. Regular review is also conducted by establishing a reporting mechanism to report irregular or emergent incidents within the stipulated time. 4. The Overdue Loan & Control Department is in charge of non-performing/non-accrual loans management. Proper guidelines, rules and procedures have been set to ensure effective monitoring and collection of NPLs.
B. Organization of Credit Risk Management	1. The Board of Directors has the ultimate responsibility for the Bank's credit risk management, in charge of approval of entire Bank's credit risk policies, framework, strategies/goals and important credit risk management regulations of the Bank. The Risk Management Committee is delegated by the Board of Directors and is convened by Chairman of the Board with the responsibility to review and discuss risk management policies, regulations, etc. 2. The Loan Committee and Investment Committee are in charge of reviewing credit and investment cases, related policies and implementation status in this regard. The Problem Loan Committee manages problem loans and debt collection, and reviews related policies of non-performing/non-accrual loans. 3. Each Head Office department in charge of credit risk shall, according to their duties, implement credit risk management procedures such as identification, measurement, monitoring, reporting, etc., and continue to enhance risk management mechanism. 4. The Risk Management Department shall coordinate and supervise the various units in establishing the credit risk management mechanism, and gradually develop tools such as internal rating system to enhance credit risk management, and submits risk management report to the Board of Directors and Mega Financial Holding Company regularly.
C. Scope and Characteristics of the Credit Risk, Reporting and Measuring System	1. The Bank's credit risk management objectives are set annually using a bottom-up method, and are submitted to the Board of Directors for approval. The implementation progress and status are evaluated regularly according to economic conditions, the Bank's financial status and risk exposure, etc., so as to strengthen the Bank's overall risk management. Meanwhile, in accordance with the regulations of the competent authority, related credit risk information is disclosed on the Bank's website. 2. To control the same concerned party (groups of related counterparties), industries, country risk, etc., and prevent over-concentration of risk, the Bank has set various credit and investment limits for the same concerned party (groups of related counterparties), industries, etc., according to economic performance, industry outlook and credit risk level, and reports

Item	Content
	to the senior management regularly on the implementation status and compliance status of the laws and regulations, such as the Banking Act of the Republic of China, and internal credit and investment related regulations of the Bank. 3. Conducts regular credit review to better understand customers, increases the frequency of review for loan customers with high and abnormal credit risk, and reports the review status to the senior management after annual analysis and review. 4. Visits the invested enterprises at least once per year, and takes note of their operation, capital flow and execution of business plan, helps solve various problems, analyzes the operations, and reports to the Board of Managing Directors. 5. Different units are responsible for the investment and evaluation of long-term equity, and the fair value of investment positions is regularly evaluated by appropriate methods according to the characteristics of investment objects. 6. Irregularity reporting system: if loan or investment customers encounter irregular operation, financial difficulty or other unexpected material incident that would affect the company's operation, the business unit shall immediately report to the senior management through the departments in charge, and to Mega Financial Holding Company through the Risk Management Department, so that related information can be relayed and necessary measures carried out immediately. 7. Asset evaluation: for the various credit assets, investments, other assets and contingent assets, business supervisory units shall base on the Bank's historical loss experience on bad debts write-off, provision, bad debt recovery, etc., current non-performing loans ratio, collection status and the competent authority's regulations, generally accepted accounting principles, etc., to evaluate the possible loss and provide for bad debts or cumulative impairment.
D. Credit Risk Hedging or Mitigation Policy, and Strategies and Procedures for Monitoring the Continuing Effectiveness of Hedging and Mitigation Instruments	Through prudent credit investigation and review mechanism with fully understanding of customers' financial and operation status, the following countermeasures are adopted: 1. When the probability of loss occurrence of loans or transactions is high, and the severity of expected losses is significant, e.g. a newly incorporated company with low credit rating and with credit risk higher than profit, the Bank does not undertake such business. 2. When the probability of loss occurrence of loans or transactions is low, but the severity of expected losses is high, such business can be undertaken by self-liquidating trade finance, account receivable finance, etc., and strengthen foreign exchange transactions, and manage cash flow to further reduce risk. Major credit exposures, housing loans, etc., may be undertaken by requesting for collateral or guarantor, or through a syndicated loan, or selling off part of positions in the secondary market after undertaking, or engaging in debt securitization, so as to reduce or transfer risk. 3. When the probability of loss occurrence of loans or transactions is high, but the severity of expected losses is minor, the Bank shall sign agreements with the clauses such as financial or non-financial covenants and prohibition on sale of assets or mortgage so as to control the credit risk of the borrower or counterparty. 4. When the probability of loss occurrence of loans or transactions is low, and the severity of expected losses is minor, the Bank shall undertake such business if upon assessment, the profit is higher than risk borne. 5. For collaterals such as securities, real estates, etc., the Bank regularly monitor loan-to-value ratios for each case. For guarantors' creditworthiness, the Bank monitor through measures such as credit review to ensure the effectiveness of risk mitigation tools.
E. Method of Legal Capital Allocation	1. The Bank currently adopts the Standardized Approach for credit risk regulatory capital charge. 2. In order to quantify risk so as to effectively measure risk and enhance management, the Bank has progressively developed various credit rating models, introduced aforementioned models linked to probability of default into credit investigation process, and gradually developing a system complied with the credit risk Internal Ratings-Based Approach_under the New Basel Capital Accord.

Operational Risk Management System

Year 2019

Item	Content
A. Operational Risk Management Strategies and Procedures	1. Strategies ■ Establish an effective framework and formulate internal control procedures for each level. ■ Enhance employee training in laws, regulations and business. ■ Strengthen control of operating procedures. ■ Implement internal and external audit and supervision measures to reduce the entire bank's operational risk loss. 2. Procedures ■ Conduct risk identification and assessment, suitability analysis and planning of information system, before launching new products or businesses or establishing new overseas branches, and hold a review council, in accordance with the Bank's "Operational Directions for Launching New Businesses, New Products and New Overseas Operations". ■ Formulate business management regulations, operational specifications, and establish them in the computer system to allow staff to inquire timely and to comply with, when performing their duties. ■ Conduct self-assessment of operational risk to identify and measure the degree of operational risk exposure, strengthen risk management awareness, and improve current control mechanism. ■ Conduct self-reviews to understand the implementation of various business control mechanism, and rectify the deficiencies immediately. ■ Submit and compile operational risk loss incidents based on the 8 major industry types and 7 major loss incident types stipulated in Basel II, and conduct reviews on the factors of occurrence of the loss and improve them. ■ Establish key indicators for operational risk to monitor potential risk, and apply appropriate management measures where necessary.
B. Organization of Operational Risk Management	1. Board of Directors: approve operational risk management policies. 2. Auditing Department: conduct regular reviews on the effectiveness of operational risk management mechanism to each unit. 3. Risk Management Department: formulate operational risk management policies and concrete targets, design and implement operational risk assessment and management mechanism, summarize and submit reports on the operational risk loss regularly. 4. Head Office's business supervisory units: identify operational risk, formulate respective business management regulations and operational specification, as well as establish control mechanism. 5. All units of the Bank: perform various operations according to the various control mechanisms, conduct regular self-reviews and self-assessment of operational risk, and submit reports on loss incidents.
C. Scope and Characteristics of the Operational Risk Reporting and Measurement System	1. The Bank submits a report to the Board of Directors regularly on the results of self-assessment of operational risk, occurrence of operational risk loss incidents, implementation of regulatory compliance system, and audit and self-review status. 2. The Bank's reporting on operational risk loss incidents, the implementation of law compliance system and the performance of audit system apply to each unit of the Bank. Self-review system is conducted by related units and subsidiary banks. 3. When deficiencies are discovered, the units shall review and improve immediately, and make regular reports to Head Office. 4. Related units of the Bank conduct annual operational risk self-assessment to measure the

Item	Content
	Bank's operational risk exposure and, based on the recommendations from the various units, validate the improvement of the existing control mechanism for preventing the occurrence of operational risk.
D. Operational Risk Hedging or Mitigation Policy, and Strategies and Procedures for Monitoring the Continuing Effectiveness of Hedging and Mitigation Instruments	1. The Bank transfers the possible operational risk loss from the Bank's employees, financial affairs and equipment through insuring on banker's blanket bond insurance, fire insurance, earthquake insurance, third-party liability insurance, group personal accident insurance, etc. The Bank also reviews and renews annually to maintain the effectiveness of risk transfer. 2. The contract that the Bank signs with contractors for outsourced operations shall specify the scope of outsourced operations and the relevant regulations so as to clarify the attributions of responsibilities and transfer possible operational risk. Also, regular evaluations are conducted on the contractors for outsourced operations to ensure that the outsourced operations are in compliance with the relevant regulations of the competent authority.
E. Method of Legal Capital Allocation	The Bank currently adopts the Basic Indicator Approach (BIA) for operational risk regulatory capital charge.

Market Risk Management System

Year 2019

Item	Content
A. Market Risk Management Strategies and Procedures	1. Strategies: ■ According to the risk management objectives and risk limits approved by the Board of Directors, supervise the entire bank's market risk position and tolerable loss. ■ According to the Bank's "Principles of Market Risk Management" and other relevant regulations, implement market risk management in order to attain operational objectives and maintain a healthy capital adequacy ratio. ■ Establish market risk information system to enable effective monitoring of limit management, profit and loss assessment, sensitivity factor analysis, execution of stress test, etc., of the financial products' position, and compile a risk report to be submitted to the head for review and use as reference for decision-making. 2. Procedures: Set different types of risk management rules for financial products based on their different business natures and include the process for risk identification, measurement, monitoring and reporting into the regulations. The Risk Management Department monitors the compliance status of the transaction unit. ■ Daily transactions: Prepare daily market risk position and income statement, compile and analyze domestic and overseas transaction unit data, summarize and analyze various financial products' position, assess profit and loss, sensitivity risk factor analysis, and submit monthly stress test results to enable the top management to understand the entire bank's market risk exposure; and regularly compile the balances, gains and losses, and market assessments of investments in securities and trades of derivative financial products and submit to the (Managing) Board of Directors for the Board of Directors to understand the market risk control of the Bank. ■ Exception management: Each transaction has limits and stop-loss rules. If the transaction reaches the stop-loss limit, action shall be taken immediately. If stop-loss is not executed, the transaction unit shall state the reason for not executing stop-loss and the contingency plan, submit to top management for approval, and report to the Risk Management Committee and Board of Directors based on the type of financial products.

Item	Content
B. Organization of Market Risk Management	1. The Board of Directors is the Bank's highest supervisory unit for market risk, in charge of the approval of risk strategies and various risk limits, and of the Risk Management Committee which supervises market risk. 2. Conduct Risk Management Committee council regularly, and the Risk Management Department shall submit a report on the management of the Bank's various financial products position for reference by the committee. Besides submitting report on the Bank's management status such as market risk and liquidity risk, the business supervising unit shall submit a special report on the current period's major extraordinary event. 3. Risk Management Department is in charge of establishing risk control mechanism and formulating internal regulations. It compiles and analyzes data such as position, assesses the profit and loss, sensitivity risk factor analysis and stress test of various financial products regularly, and reports to the supervisory top management and Mega Financial Holding Company. 4. Stress test is conducted on market risk factor changes on a monthly basis. Also, the Risk Management Department shall, according to market conditions, set the stress scenario every half a year and submit this to the top management for approval for execution of the stress test. The results are then submitted to the top management for review, and then to the competent authority according to the regulations of the competent authority. 5. Risk Management Department compiles and submits the balances, gains and losses, and market assessments of securities investments and derivative financial products to the (Managing) Board of Directors regularly to enable them to understand the Bank's market risk management status. 6. The Treasury Department, the Direct Investment Department, Offshore Banking Branch, and overseas branches (including subsidiary banks) shall comply with relevant regulations and operating rules on market risks of the Bank and execute risk control based on business characteristics and scales; overseas branches (including subsidiary banks) shall also comply with the regulations of local supervisory authorities.
C. Scope and Characteristics of Market Risk Reporting and Measurement	1. The content of the Bank's market risk report includes exchange rate, interest rate, as well as the position, profit and loss assessment and sensitivity factor analysis of financial products such as equity securities, credit default swap, etc. 2. The domestic transaction units shall submit the financial products' positions and gain or loss to the management on a daily basis. When positions are near to stop-loss alert indicator, close monitoring of market changes will be carried out. 3. The risk management unit conducts monthly stress test and submits reports to the Risk Management Committee meetings regularly. 4. For non-hedging transactions of derivative financial products, the risk is assessed based on daily market price; for hedging transactions, the risk is assessed twice per month. 5. When stop-loss limits for loss assessment of securities such as shares, mutual funds, bonds, etc. and derivative financial products are reached, stop-loss shall be executed immediately. The transaction unit shall state the reasons for not executing stop-loss and the response measures, and submit the status to the management or the top management for approval. When these products exceeded a certain amount of loss, such incident shall be reported to the Risk Management Committee and Board of Directors based on the type of financial product.
D. Market Risk Hedging or Mitigation Policy, and Strategies and Procedures for Monitoring the	1. The hedging strategy of the Bank is to use spot or derivative financial products as hedging tools to avoid market risk. Targeting the financial products to be hedged and the tools used to hedge, the Bank combines positions and profit/loss stop limits of both and evaluates whether if they are within acceptable range and whether the currently used risk management measures are appropriate. 2. If the assessed risk is too high, the Bank will transfer the risk by reducing the exposure or adopting other approved hedging methods to reduce the risk to a tolerable range.

Item	Content
Continuing Effectiveness of Hedging and Mitigation Instruments	
E. Method of Legal Capital Allocation	1. The Bank adopts the Standardized Approach for market risk capital charge. 2. In terms of risk management, SUMMIT Market Risk Information System provides limit management, profit and loss assessment, sensitivity factor analysis, stress test, and risk value calculation. The Bank is gradually managing market risk through information generated from SUMMIT. In the future, it shall decide whether to adopt Internal Models Approach for capital charge based on business requirements and complexity of the financial products.

Liquidity Risk Management System

Year 2019

Item	Content
A. Liquidity Risk Management Strategies and Procedures	1. Strategies: ■ Monitor the Bank's overall liquidity risk limit according to the risk management objectives approved by the Board of Directors. ■ According to the regulations of the Bank's "Liquidity Risk Management Guidelines", "Operational Directions for Contingency Funding Plan", and "Directions Governing Stress Test of Liquidity Risk", implement liquidity risk management to ensure the Bank's payment ability. ■ Conduct stress test regularly to ensure that when the Bank's internal operation or external financial environment suffers severe impact, under any circumstance whether at present or in the future, the Bank's liquid funds are sufficient to meet asset increase requirements or fulfill due obligations, so that the Bank can attain sustainable operation. 2. Process: ■ According to the Bank's "Liquidity Risk Management Guidelines", Treasury Department shall control intra-day liquidity positions and risks of NTD and foreign currencies held by domestic units on a daily basis, set aside deposit reserves and maintain liquidity reserves as per the regulations of the Central Bank of the Republic of China (Taiwan), and adjust the liquidity gap based on changes in daily cash flows and market status to ensure the proper liquidity. Overseas branches shall abide by the rules of the home country and the competent authority and hold proper liquid assets to maintain the sufficient liquidity. ■ Risk Management Department monitors the liquidity risk management indicators of major currencies, inspects regulatory compliance regularly, and reports to the Fund Management Committee, Risk Management Committee and the Board of Directors. ■ Risk Management Department sets stress scenario for specific event crisis for individual organizations or overall market environmental crisis. When setting stress scenarios, it takes into consideration the impact on intraday liquidity position due to liquidity risks, collateral multiplier effect, and breach of contract by customer or counterparty due to liquidity shortage. Stress tests shall be conducted regularly, and the results submitted to the Asset & Liability Management Committee and the Board of Directors.

Item	Content
B. Organization of Liquidity Risk Management	1. The Board of Directors is the Bank's highest supervisory unit for liquidity risk, and is in charge of the approval of risk strategies and limits. 2. Treasury Department is the executive unit for managing liquidity risk. 3. Risk Management Department is the supervising unit responsible for monitoring all risk limits and reviewing the appropriateness of the implementation procedures by the implementing units on a regular basis. It shall, on a regular basis, report the monitoring results of the liquidity risk to the Fund Management Committee, the Asset & Liability Management Committee and the Board of Directors.
C. Scope and Characteristics of Liquidity Risk Reporting and Measurement	1. The main purpose of the Bank's liquidity risk report is to estimate the impact of various businesses' future cash flow on the Bank's capital movement, and control the cash flow gap or ratio under a tolerable risk limit. 2. When the liquidity indicator reaches an alert level, the Risk Management Department shall immediately report to the Chairman of the Fund Management Committee, and report at the meeting of the Fund Management Committee. 3. When the level for activating contingency plan is reached, the Risk Management Department shall immediately request the Chairman of the Fund Management Committee to convene a special meeting to review the liquidity contingency plan and implement it upon approval by the President. 4. Upon approval of the plan, the Treasury Department shall immediately implement liquidity contingency plan and the Risk Management Department shall request overseas branches to cooperate according to the plan, so as to fill the funding gap. 5. The Bank conducts stress test regularly and analyzes test results from the perspective of cash flow, liquidity position, repayment ability, etc. If the test results are not up to expectation, and if the liquidity gap is mild, adjust the fund structure as a response measure within stipulated time. In case of high liquidity gap or difficulty in raising short-term funds in the market, activate fund emergency contingency plan to reduce the impact of liquidity risk.
D. Liquidity Risk Hedging or Mitigation Policy, and Strategies and Procedures for Monitoring the Continuing Effectiveness of Hedging and Mitigation Instruments	In response to liquidity crisis such as abnormal deposit withdrawal, huge drain of funds, other serious shortage of liquidity, etc., the Bank has formulated "Operational Directions for Contingency Funding Plan" to fill the funding gap, reduce liquidity risk, maintain normal operation of the entire Bank and the goal of sustainable operation.

Condensed Consolidated Balance Sheets

Unit: Thousands in NT dollars

Item	As of December 31,	
	2019	2018
Cash and cash equivalents, and due from the Central Bank and call loans to banks	634,980,987	643,497,316
Financial assets at fair value through profit or loss	63,905,347	63,084,629
Financial assets at fair value through other comprehensive income	387,478,611	263,821,804
Investment in debt instruments at amortised cost	271,134,095	269,663,886
Securities purchased under resell agreements	7,533,579	3,994,470
Receivable, net	60,936,001	60,754,166
Current tax assets	71,575	98,117
Discounts and loans, net	1,873,677,834	1,864,447,103
Investments measured by equity method, net	3,011,603	3,085,560
Other financial assets, net	2,537,684	30,662
Property and equipment, net	14,960,999	14,956,947
Right-of-use assets, net	1,902,983	-
Investment property, net	583,973	584,291
Deferred income tax assets	5,407,003	6,744,130
Other assets, net	6,170,658	2,821,698
Total assets	3,334,292,932	3,197,584,779
Deposits from the Central Bank and banks	413,193,185	394,662,026
Due to the Central Bank and banks	21,161,321	53,920,881
Financial liabilities at fair value through profit or loss	21,372,746	26,692,987
Securities sold under repurchase agreements	32,011,462	26,921,643
Payables	35,786,043	34,307,027
Current tax liabilities	7,396,473	7,824,532
Deposits and remittances	2,461,114,068	2,322,578,994
Bank notes payable	12,000,000	13,300,000
Other financial liabilities	10,266,531	10,529,402
Provisions	16,289,343	15,424,809
Lease liabilities	1,928,148	-
Deferred income tax liabilities	2,828,278	2,436,593
Other liabilities	7,265,191	6,125,151
Total liabilities	3,042,612,789	2,914,724,045
Equity attributable to owners of parent	291,680,143	282,860,734
Capital	85,362,336	85,362,336
Capital surplus	62,219,540	62,219,540
Retained earnings	137,069,817	130,016,615
Other equity interest	7,028,450	5,262,243
Total equity	291,680,143	282,860,734

Condensed Consolidated Statements of Comprehensive Income

Unit: Thousands in NT dollars

Item	2019	2018
Interest income	68,496,356	64,961,286
Less: interest expense	(34,458,122)	(28,422,899)
Net interest revenue (expense)	34,038,234	36,538,387
Net revenue other than interest	20,840,816	15,875,614
Net revenue	54,879,050	52,414,001
Bad debts expense, commitment and guarantee liability provision	(746,859)	(2,045,773)
Operating expenses	(25,751,611)	(23,649,277)
Consolidated income from continuing operations before tax	28,380,580	26,718,951
Income tax expense	(3,735,704)	(2,546,739)
Consolidated income from continuing operations, net of tax	24,644,876	24,172,212
Other comprehensive income, net of tax	905,551	632,746
Consolidated comprehensive income attributable to owners of the parent	25,550,427	24,804,958

Major Financial Analysis

Item		Consolidated		Standalone	
		2019	2018	2019	2018
Financial Structure	Total Liabilities to Total Assets (%)	91.16	91.05	91.11	91.01
	Property and Equipment to Total Equity (%)	5.13	5.29	5.12	5.27
Solvency	Liquidity Reserve Ratio (%)	29.87	29.47	29.87	29.47
Operating Performance Analysis	Loans to Deposits Ratio (%)	77.62	82.08	77.21	81.73
	NPL Ratio (%)	0.14	0.15	0.14	0.14
	Total Assets Turnover (Number of Times)	0.02	0.02	0.02	0.02
	Average Profit per Employee (Thousands in NT Dollars)	3,536	3,685	3,625	3,778
Profitability Analysis	Return on Tier 1 Capital (%)	10.44	10.18	10.52	10.27
	ROA (%)	0.75	0.76	0.76	0.76
	ROE (%)	8.58	8.73	8.58	8.73
	Net Income to Net Operating Income (%)	44.91	46.12	45.28	46.48
	Earnings per Share (NT Dollars)	2.89	2.83	2.89	2.83
	Cash Dividends per Share (NT Dollars)	1.92	1.96	1.92	1.96
	Equity per Share Before Appropriation (NT Dollars)	34.17	33.14	34.17	33.14
Capital Adequacy Ratio (%)		14.04	14.03	13.92	13.86

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REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR19002868

To the Board of Directors and Stockholders of Mega International Commercial Bank Co., Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of Mega International Commercial Bank Co., Ltd. and subsidiaries (collectively the "Bank and subsidiaries") as at December 31, 2019 and 2018, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and 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 subsidiaries as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Public Banks", and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

For the year ended December 31, 2019, we conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants", Jin-Guan-Yin-Fa-Zi Letter No.10802731571 and generally accepted auditing standards in the Republic of China (ROC GAAS); for the year ended December 31, 2018, we conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements of Financial Institutions by Certified Public Accountants" and ROC GAAS. Our responsibilities under those standards are further described in the Auditor's 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 Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

The Bank and subsidiaries' key audit matters for the year ended December 31, 2019 are addressed as follows:

Recognition and measurement of expected credit losses on discounts and loans

Description

The recognition and measurement of expected credit losses on discounts and loans complies with the regulations under IFRS 9 "Financial Instruments" and relevant regulations issued by the competent authority. For the accounting policy of recognition and measurement of expected credit losses on discounts and loans, please refer to Note 4(9); for critical accounting judgements, estimates, and assumption uncertainty of the recognition and measurement of expected credit losses on discounts and loans, please refer to Note 5(2). For information on gross discounts and loans and allowance for bad debts, which amounted to NT$1,903,261,265 thousand and NT$29,583,431 thousand, respectively, as at December 31, 2019, please refer to Note 6(7); for disclosures of related credit risks, please refer to Note 8(3).

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The Bank and subsidiaries assesses the impairment of its discounts and loans based on the expected credit loss model. At each financial reporting date, financial instruments are categorized into three stages based on the degree of change in its credit risk since initial recognition. Provision for impairment loss is measured either using 12-month expected credit losses (i.e. stage 1, there has been no significant increase in credit risk since initial recognition) or lifetime expected credit losses (i.e. stage 2, there has been a significant increase in credit risk since initial recognition; or stage 3, the credit has impaired). The measurement of expected credit losses is based on a complex model, which includes various parameters and assumptions and reflects reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. For example, the probability of default and loss given default are estimated using grouping and historical data and subsequently calibrated according to forward-looking information.

The aforementioned recognition and measurement of expected credit losses on discounts and loans use a complex model, which involves various assumptions, estimates, and judgements, as well as predictions and assessments of future economic conditions and credit behavior of debtors. The amounts, recognized in a manner consistent with regulations and interpretations, are directly subject to the measurement results. Thus, we have included recognition and measurement of expected credit losses on discounts and loans as one of the key audit matters in our audit.

How our audit addressed the matter

We performed the following audit procedures on the key audit matter mentioned above:

1. Obtained an understanding and assessed the related written policies and internal control system of discounts and loans, the expected credit loss impairment model and methodology (including various parameters and assumptions, reasonableness of the measurement criteria for the three stages of credit risk, and the relevancy of future economic condition criteria in forward-looking information), and the approval process.
2. Sampled and tested the implementation effectiveness of internal controls related to the recognition and measurement of expected credit losses, including management of collateral and its value assessment, controls for changes in parameters, and approval for provisioning of expected credit losses.
3. Sampled and tested the consistency of measurement criteria for the samples in the three stages of expected credit loss with the judgement results of the system.
4. Sampled and tested probability of default, loss given default, exposure at default, and the discount rate
   (1) Sampled and tested assumptions for the parameters of the expected credit loss model, including the reasonableness of historical data on probability of default, loss given default, and exposure at default.
   (2) Sampled and tested whether the calculation method of the discount rate of loss given default is in accordance with existing policy.
5. Sampled and tested forward-looking information
   (1) Sampled and tested the reliability of data on historical economic conditions (economic growth rate, annual inflation rate, etc.) adopted by management to measure expected credit losses under IFRS 9.
   (2) Assessed the reasonableness of the forward-looking scenarios and their respective weights adopted by the management.
6. Assessed cases in stage 3 (credit impaired) with material amounts that were previously assessed individually.
   Assessed the reasonableness and calculation accuracy of the various assumed parameter values (including the borrower's time of past due, financial and operational conditions, guarantees by external parties and historical data) adopted in the estimation of future cash flows.

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Fair value measurement of unlisted stocks without an active market

Description

For the accounting policy for unlisted stocks without an active market (included financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income), please refer to Note 4(7) ; for critical accounting judgements, estimates, and assumption uncertainty of unlisted stocks without an active market, please refer to Note 5(1); for details on financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income, please refer to Notes 6(3) and (4). The fair values of unlisted stocks without an active market were classified as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income as at December 31, 2019, and amounted to NT$5,500,194 thousand and NT$11,815,235 thousand, respectively.

The fair value of unlisted stocks is determined by valuation methods since these financial instruments have no quoted prices from active market. Management uses the market approach and net asset approach to measure the fair value. The market approach is based on the fair value of comparable listed companies in similar industries or recently published price-to-book ratios of industries in which the valuation target operates, and incorporates discounting according to market liquidity or specified risk.

The aforementioned fair value measurement involves various assumptions and significant inputs that are not observable. This leads to estimates that are highly uncertain and rely on the subjective judgement of management. Any changes to the judgements and estimates will affect the final measurement results, and in turn affect the financial condition of the Bank and subsidiaries. Thus, we have included the fair value measurement of unlisted stock without active market as one of the key audit matters in our audit.

How our audit addressed the matter

We performed the following audit procedures on the key audit matter mentioned above:

1. Obtained an understanding and assessed the related written policies, internal control system, fair value measurement models, and approval process of the fair value measurement of stocks of unlisted companies.
2. Ascertained whether the measurement used by the management is commonly utilized by the industry.
3. Assessed the reasonableness of similar and comparable companies used by management.
4. Examined inputs and calculation formulas used in valuation methods and agreed such data to their supporting documents.

Other matter- Parent company only financial report

We have audited and expressed an unqualified opinion on the parent company only financial statements as at and for the years ended December 31, 2019 and 2018, prepared by the Bank.

Responsibilities of management and those charged with governance for the consolidated financial statement

Management is responsible for the preparation and fair representation of the consolidated financial statements in accordance with "Regulations Governing the Preparation of Financial Reports by Public Banks", and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, 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.

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

Those charged with governance is responsible for overseeing the Bank and subsidiaries' financial reporting process.

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the 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 Bank and subsidiaries' internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank and subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 auditor's report. However, future events or conditions may cause the Bank and 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 subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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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 of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The consolidated financial statements as at and for the year ended December 31, 2019 expressed in US dollars were translated from the New Taiwan dollar consolidated financial statements using the exchange rate of US$1：NT$29.987 at December 31, 2019 solely for the convenience of the readers. This basis of translation is not in accordance with generally accepted accounting principles in the Republic of China.

Chi, Shu-Mei

Chi, Shu-Mei

Lai, Chung-Hsi

For and on behalf of PricewaterhouseCoopers, Taiwan
March 13, 2020

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.
As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

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MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(EXPRESSED IN THOUSANDS OF DOLLARS)

		December 31, 2019		December 31, 2018
Assets	Notes	NT$	US$ (Unaudited-Note 4)	NT$
Assets				
Cash and cash equivalents	6(1)	$ 141,035,478	$ 4,703,221	$ 123,184,884
Due from the Central Bank and call loans to banks	6(2) and 11(3)	493,945,509	16,471,988	520,312,432
Financial assets at fair value through profit or loss	6(3)	63,905,347	2,131,102	63,084,629
Financial assets at fair value through other comprehensive income	6(4)	387,478,611	12,921,553	263,821,804
Investment in debt instruments at amortised cost	6(5)	271,134,095	9,041,721	269,663,886
Securities purchased under resell agreements	11(3) and 13(2)	7,533,579	251,228	3,994,470
Receivables, net	6(6)	60,936,001	2,032,081	60,754,166
Current tax assets		71,575	2,387	98,117
Discounts and loans, net	6(7) and 11(3)	1,873,677,834	62,483,004	1,864,447,103
Investments measured by equity method, net	6(8)	3,011,603	100,430	3,085,560
Other financial assets, net	6(9)	2,537,684	84,626	30,662
Property and equipment, net	6(10)	14,960,999	498,916	14,956,947
Right-of-use assets, net	6(11) and 11(3)	1,902,983	63,460	-
Investment property, net	6(13)	583,973	19,474	584,291
Deferred income tax assets	6(36)	5,407,003	180,312	6,744,130
Other assets, net	6(14)	6,170,658	205,778	2,821,698
Total assets		$ 3,334,292,932	$ 111,191,281	$ 3,197,584,779
Liabilities and equity				
Liabilities				
Deposits from the Central Bank and banks	6(15) and 11(3)	$ 413,193,185	$ 13,779,077	$ 394,662,026
Due to the Central Bank and banks	6(16) and 11(3)	21,161,321	705,683	53,920,881
Financial liabilities at fair value through profit or loss	6(17) (20)	21,372,746	712,734	26,692,987
Securities sold under repurchase agreements	6(3)(4) and 13(2)	32,011,462	1,067,511	26,921,643
Payables	6(18)	35,786,043	1,193,385	34,307,027
Current tax liabilities	11(3)	7,396,473	246,656	7,824,532
Deposits and remittances	6(19) and 11(3)	2,461,114,068	82,072,701	2,322,578,994
Bank notes payable	6(20)(38)	12,000,000	400,173	13,300,000
Other financial liabilities	6(22)	10,266,531	342,366	10,529,402
Provisions	6(21)	16,289,343	543,214	15,424,809
Lease liabilities	6(11)	1,928,148	64,299	-
Deferred income tax liabilities	6(36)	2,828,278	94,317	2,436,593
Other liabilities	6(23)	7,265,191	242,278	6,125,151
Total liabilities		3,042,612,789	101,464,394	2,914,724,045
Equity attributable to owners of parent				
Capital				
Common stock	6(24)	85,362,336	2,846,645	85,362,336
Capital surplus	6(24)	62,219,540	2,074,884	62,219,540
Retained earnings				
Legal reserve	6(24)	93,399,533	3,114,667	86,147,870
Special reserve	6(24)	4,289,719	143,053	4,535,074
Unappropriated earnings		39,380,565	1,313,255	39,333,671
Other equity interest	6(26)	7,028,450	234,383	5,262,243
Total equity		291,680,143	9,726,887	282,860,734
Total liabilities and equity		$ 3,334,292,932	$ 111,191,281	$ 3,197,584,779

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

MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(EXPRESSED IN THOUSANDS OF DOLLARS, EXCEPT FOR EARNINGS PER SHARE AMOUNTS)

		For the years ended December 31,			Changes
		2019		2018	Percentage
	Notes	NT$	US$ (Unaudited-Note 4)	NT$	(%)
Interest income	6(27) and 11(3)	$ 68,496,356	$ 2,284,202	$ 64,961,286	5
Less: interest expense	6(27) and 11(3)	(34,458,122)	(1,149,102)	(28,422,899)	21
Net interest revenue (expense)		34,038,234	1,135,100	36,538,387	(7)
Net revenue other than interest					
Net service fee revenue (charge)	6(28) and 11(3)	6,590,169	219,767	6,930,097	(5)
Gain (loss) on financial assets or liabilities measured at fair value through profit or loss	6(29)	9,094,375	303,277	4,721,819	93
Realized gains on financial assets at fair value through other comprehensive income	6(30)	2,262,424	75,447	955,315	137
Gain (loss) arising from derecognition of financial assets measured at amortised cost	6(5)	(4)	-	1,064	(100)
Foreign exchange gains (losses)		2,189,034	72,999	2,652,330	(17)
(Impairment losses on assets) reversal of impairment losses on assets	6(31)	(82,507)	(2,751)	82,888	(200)
Share of profit (loss) of associates and joint ventures accounted for using equity method	6(8)	130,642	4,357	179,679	(27)
Net other revenue other than interest income	6(32)	656,683	21,899	352,422	86
Net revenue		54,879,050	1,830,095	52,414,001	5
Bad debts expense, commitment and guarantee liability provision	8(3)	(746,859)	(24,906)	(2,045,773)	(63)
Operating expenses					
Employee benefits expenses	6(33) and 11(3)	(16,009,344)	(533,876)	(14,763,337)	8
Depreciation and amortization expenses	6(34)	(1,301,986)	(43,418)	(627,254)	108
Other general and administrative expenses	6(35) and 11(3)	(8,440,281)	(281,465)	(8,258,686)	2
Consolidated income from continuing operations before tax		28,380,580	946,430	26,718,951	6
Income tax expense	6(36)	(3,735,704)	(124,578)	(2,546,739)	47
Consolidated income from continuing operations, net of tax		$ 24,644,876	$ 821,852	$ 24,172,212	2
Other comprehensive income					
Components of other comprehensive income that will not be reclassified to profit or loss					
Gains (losses) on remeasurements of defined benefit plans	6(21)	($ 883,550)	($ 29,464)	($ 757,090)	17
Revaluation gains (losses) on investments in equity instruments measured at fair value through other comprehensive income	6(4)(26)	741,168	24,716	66,523	1,014
Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	6(8)(26)	1,493	50	(2,634)	(157)
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(36)	177,009	5,903	325,670	(46)
Components of other comprehensive income that will be reclassified to profit or loss					
Exchange differences on translation	6(26)	(771,311)	(25,722)	1,100,821	(170)
Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	6(8)(26)	21,269	709	(33,551)	(163)
Revaluation gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	6(4)(26)	1,604,024	53,491	(71,641)	(2,339)
Impairment losses (reversal of impairment losses) from investments in debt instruments measured at fair value through other comprehensive income	6(4)(26)	30,733	1,025	(27,161)	(213)
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	6(36)	(15,284)	(510)	31,809	(148)
Other comprehensive income, net of tax		$ 905,551	$ 30,198	$ 632,746	43
Total comprehensive income		$ 25,550,427	$ 852,050	$ 24,804,958	3
Consolidated profit attributable to:					
Owners of the parent		$ 24,644,876	$ 821,852	$ 24,172,212	2
Consolidated comprehensive income attributable to:					
Owners of the parent		$ 25,550,427	$ 852,050	$ 24,804,958	3
Consolidated earnings per share					
Basic and diluted earnings per share (in dollars)	6(37)	$ 2.89	$ 0.10	$ 2.83	

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

MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(EXPRESSED IN THOUSANDS OF DOLLARS)

		Equity attributable to owners of the parent								
				Retained earnings			Other equity interest			
	notes	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealised gains (losses) on financial assets measured at fair value through other comprehensive income	Others	Total
For the year ended December 31, 2019(NT Dollars)										
Balance, January 1, 2019		$ 85,362,336	$ 62,219,540	$ 86,147,870	$ 4,535,074	$ 39,333,671	($ 1,608,022)	$ 6,921,933	($ 51,668)	$ 282,860,734
Profit		-	-	-	-	24,644,876	-	-	-	24,644,876
Other comprehensive income (loss)		-	-	-	-	(706,541)	(774,615)	2,362,965	23,742	905,551
Total comprehensive income (loss)		-	-	-	-	23,938,335	(774,615)	2,362,965	23,742	25,550,427
Disposal of investments in equity instruments designated at fair value through other comprehensive income	6(4)	-	-	-	-	(154,115)	-	154,115	-	-
Reversal of special reserve	6(24)	-	-	-	(6,389)	6,389	-	-	-	-
Earnings distribution for 2018	6(25)									
Cash dividends		-	-	-	-	(16,731,018)	-	-	-	(16,731,018)
Legal reserve		-	-	7,251,663	-	(7,251,663)	-	-	-	-
Special reserve		-	-	-	155,416	(155,416)	-	-	-	-
Reversal of special reserve		-	-	-	(394,382)	394,382	-	-	-	-
Balance, December 31, 2019		$ 85,362,336	$ 62,219,540	$ 93,399,533	$ 4,289,719	$ 39,380,565	($ 2,382,637)	$ 9,439,013	($ 27,926)	$ 291,680,143
For the year ended December 31, 2019 (US Dollars - Unaudited-Note 4)										
Balance, January 1, 2019		$ 2,846,645	$ 2,074,884	$ 2,872,840	$ 151,235	$ 1,311,691	($ 53,624)	$ 230,831	($ 1,723)	$ 9,432,779
Profit		-	-	-	-	821,852	-	-	-	821,852
Other comprehensive income (loss)		-	-	-	-	(23,562)	(25,832)	78,800	792	30,198
Total comprehensive income (loss)		-	-	-	-	798,290	(25,832)	78,800	792	852,050
Disposal of investments in equity instruments designated at fair value through other comprehensive income		-	-	-	-	(5,139)	-	5,139	-	-
Reversal of special reserve		-	-	-	(213)	213	-	-	-	-
Earnings distribution for 2018										
Cash dividends		-	-	-	-	(557,942)	-	-	-	(557,942)
Legal reserve		-	-	241,827	-	(241,827)	-	-	-	-
Special reserve		-	-	-	5,183	(5,183)	-	-	-	-
Reversal of special reserve		-	-	-	(13,152)	13,152	-	-	-	-
Balance, December 31, 2019		$ 2,846,645	$ 2,074,884	$ 3,114,667	$ 143,053	$ 1,313,255	($ 79,456)	$ 314,770	($ 931)	$ 9,726,887

(Continued)

MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(EXPRESSED IN THOUSANDS OF DOLLARS)

		Equity attributable to owners of the parent									
				Retained earnings			Other equity interest				
	notes	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Unrealised gains (losses) on financial assets measured at fair value through other comprehensive income	Others	Total
For the year ended December 31, 2018 (NT Dollars)											
Balance, January 1, 2018		$ 85,362,336	$ 62,219,540	$ 79,690,847	$ 4,000,055	$ 35,028,439	($ 2,713,370)	$ 295,026	$ -	$ -	$ 263,882,873
Effects of retrospective application and retrospective restatement		-	-	-	-	533,042	-	(295,026)	6,771,816	(32,579)	6,977,253
Balance at January 1 after adjustments		85,362,336	62,219,540	79,690,847	4,000,055	35,561,481	(2,713,370)	-	6,771,816	(32,579)	270,860,126
Profit		-	-	-	-	24,172,212	-	-	-	-	24,172,212
Other comprehensive income (loss)		-	-	-	-	(431,420)	1,105,348	-	(22,093)	(19,089)	632,746
Total comprehensive income (loss)		-	-	-	-	23,740,792	1,105,348	-	(22,093)	(19,089)	24,804,958
Disposal of investments in equity instruments designated at fair value through other comprehensive income	6(4)	-	-	-	-	(172,210)	-	-	172,210	-	-
Earnings distribution for 2017	6(25)										
Cash dividends		-	-	-	-	(12,804,350)	-	-	-	-	(12,804,350)
Legal reserve		-	-	6,457,023	-	(6,457,023)	-	-	-	-	-
Special reserve		-	-	-	535,745	(535,745)	-	-	-	-	-
Reversal of special reserve		-	-	-	(726)	726	-	-	-	-	-
Balance, December 31, 2018		$ 85,362,336	$ 62,219,540	$ 86,147,870	$ 4,535,074	$ 39,333,671	($ 1,608,022)	$ -	$ 6,921,933	($ 51,668)	$ 282,860,734

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

MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(EXPRESSED IN THOUSANDS OF DOLLARS)

	For the years ended December 31, 2019 NT$	2019 US$ (Unaudited -Note 4)	2018 NT$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax	$ 28,380,580	$ 946,430	$ 26,718,951
Adjustments			
Adjustments to reconcile profit (loss)			
Bad debts expense, commitment and guarantee liability provision	746,859	24,906	2,045,773
Depreciation expense	1,296,427	43,233	621,657
Amortization expense	5,559	185	5,597
Interest income	(68,496,356)	(2,284,202)	(64,961,286)
Dividend income	(1,301,251)	(43,394)	(1,296,312)
Interest expense	34,458,122	1,149,102	28,422,899
Share of profit of associates and joint ventures accounted for using equity method	(130,642)	(4,357)	(179,679)
Gain on disposal of property and equipment	(611)	(20)	(1,498)
Impairment loss (reversal of impairment loss) on assets	82,507	2,751	(82,888)
Loss on retirement of property and equipment	657	22	3,965
Loss on disposal of foreclosed properties	5,960	199	-
Changes in operating assets and liabilities			
Decrease in due from the Central Bank and call loans to banks	19,115,755	637,468	17,384,939
Increase in financial assets at fair value through profit or loss	(820,718)	(27,369)	(10,298,745)
Increase in financial assets at fair value through other comprehensive income	(121,311,616)	(4,045,473)	(20,685,498)
(Increase) decrease in investments in debt instruments measured at amortised cost	(1,479,599)	(49,341)	52,939,587
Increase in receivables	(659,113)	(21,980)	(991,330)
Increase in discounts and loans	(10,377,993)	(346,083)	(104,662,417)
Increase in other financial assets	(2,507,006)	(83,603)	(24,850)
(Increase) decrease in other assets	(3,372,343)	(112,460)	121,251
Increase in deposits from the Central Bank and banks	18,531,159	617,973	19,847,810
(Decrease) increase in financial liabilities at fair value through profit or loss	(5,320,241)	(177,418)	17,917,661
Increase in securities sold under repurchase agreements	5,089,819	169,734	26,073,518
Increase (decrease) in payable	1,081,290	36,058	(2,210,072)
Increase (decrease) in deposits and remittances	138,535,074	4,619,838	(66,657,247)
(Decrease) increase in other financial liabilities	(262,871)	(8,766)	1,559,761
Increase in provisions for employee benefits	454,306	15,150	154,544
Increase (decrease) in other liabilities	983,785	32,807	(604,549)
Interest received	69,093,584	2,304,118	64,352,866
Dividends received	1,449,549	48,339	1,462,571
Interest paid	(34,060,096)	(1,135,829)	(27,444,752)
Income taxes paid	(2,423,694)	(80,825)	(2,443,050)
Net cash flows from (used in) operating activities	66,786,842	2,227,193	(42,910,823)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property and equipment	(745,435)	(24,858)	(677,172)
Proceeds from disposal of property and equipment	611	20	9,519
Proceed from disposal of foreclosed collateral	11,864	396	-
Proceeds from capital reduction of liquidation	75,754	2,526	-
Net cash flows used in investing activities	(657,206)	(21,916)	(667,653)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in guarantee deposits received	158,133	5,273	310,294
(Decrease) increase in due to the Central Bank and banks	(32,759,560)	(1,092,459)	24,287,913
Cash dividends paid	(16,731,018)	(557,942)	(12,804,350)
Decrease in bank notes payable	(1,300,000)	(43,352)	(12,600,000)
Payments of lease liabilities	(587,214)	(19,582)	-
Net cash flows used in financing activities	(51,219,659)	(1,708,062)	(806,143)
EFFECT OF EXCHANGE RATE CHANGES	(757,068)	(25,247)	1,083,967
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	14,152,909	471,968	(43,300,652)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	488,132,765	16,278,146	531,433,417
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 502,285,674	$ 16,750,114	$ 488,132,765
CASH AND CASH EQUIVALENTS COMPOSITION:			
Cash and cash equivalents reported in the statement of financial position	$ 141,035,478	$ 4,703,221	$ 123,184,884
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	353,716,617	11,795,665	360,953,411
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7	7,533,579	251,228	3,994,470
CASH AND CASH EQUIVALENTS AT END OF REPORTING PERIOD	$ 502,285,674	$ 16,750,114	$ 488,132,765

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

MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANISATION

(1) Mega International Commercial Bank Co., Ltd. (the "Bank"; formerly The International Commercial Bank of China Co., Ltd.) was reorganized on December 15, 1971 in accordance with the "Law for International Commercial Bank of China" as announced by the President of the Republic of China (R.O.C.) (which was then abolished in December, 2005) and other related regulations. As of December 31, 2002, the Bank became an unlisted wholly owned subsidiary of Mega Financial Holding Co. Ltd., through a share swap transaction. With the view to enlarging business scale and increasing market share, the Bank entered into a merger agreement with Chiao Tung Bank Co., Ltd. on August 21, 2006, the effective date of the merger. The Bank was later renamed Mega International Commercial Bank Co., Ltd. Mega Financial Holding Co., Ltd. holds 100% equity interest in the Bank and is the Bank's ultimate parent company.

(2) The Bank engages in the following operations: (a) commercial banking operations authorized by the R.O.C. Banking Law; (b) foreign exchange and related operations; (c) import and export financing and guarantees; (d) financial operations related to international trade; (e) trust operations; (f) investment services on consignments by clients; (g) loan operations, including mid-term to long-term development loan and guarantee operations; (h) venture capital activities; and (i) other related operations approved by the R.O.C. government.

(3) The Bank's business and operations are widely managed by the head office. The Bank expands its network by opening branches at key locations in both domestic and foreign markets. The Bank was incorporated as company limited by shares under the provisions of the Company Law of the Republic of China (R.O.C.). As of December 31, 2019, in addition to Offshore Banking Unit, the Bank had 108 domestic branches (excluding Head Office business unit), 23 overseas branches, 1 oversea subsidiary (excluding Mega International Commercial Bank (Canada) which was dissolved on April 29, 2019), 5 overseas sub-branches, 2 overseas representative offices, and 1 marketing office.

(4) The Trust Department of the Bank is primarily responsible for planning, management and operation of trust investment businesses regulated by the R.O.C. Banking Law.

(5) As of December 31, 2019 and 2018, the Bank and subsidiaries had 6,970 and 6,560 employees, respectively.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were authorized for issuance by the Board of Directors on March 13, 2020.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments endorsed by the FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
IFRS 16, 'Leases'	January 1, 2019
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Bank and subsidiaries' financial condition and financial performance based on the Bank and subsidiaries' assessment.

IFRS 16, 'Leases'

A. IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

B. The Bank and subsidiaries has elected to apply IFRS 16 by not restating the comparative information (referred herein as the 'modified retrospective approach') when applying "IFRSs" effective in 2019 as endorsed by the FSC. Accordingly, the Bank and subsidiaries increased 'right-of-use asset' by NT$1,782,562 thousand and increased 'lease liability' by NT$1,782,562 thousand with respect to the lease contracts of lessees on January 1, 2019.

C. The Bank and subsidiaries has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:

(a) The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.

(b)The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

D. The Bank and subsidiaries calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate of 1.4343%.

E. The Bank and subsidiaries recognised lease liabilities which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate and lease liabilities recognised as of January 1, 2019 is as follows:

Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	$	1,903,274
Less: Short-term leases	(	2,153)
Less: Low-value assets	(	16,566)
Total lease contracts amount recognised as lease liabilities by applying IFRS 16 on January 1, 2019		1,884,555
Incremental borrowing interest rate at the date of initial application		1.4343%
Lease liabilities recognised as at January 1, 2019 by applying IFRS 16	$	1,782,562

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Bank and subsidiaries

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Amendment to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, 'Interest rate benchmark reform'	January 1, 2020

The above standards and interpretations have no significant impact to the Bank and subsidiaries' financial condition and financial performance based on the Bank and subsidiaries' assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
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 International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021
Amendments to IAS 1,'Classification of liabilities as current or non-current'	January 1, 2022

The above standards and interpretations have no significant impact to the Bank and subsidiaries' financial condition and financial performance based on the Bank and subsidiaries' assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Bank and subsidiaries have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Public Banks", International Financial Reporting Standards, International Accounting standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis for preparation

A. Except for financial assets and financial liabilities (including derivatives) recognised at fair value, financial assets at fair value through other comprehensive income, and defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation, and these consolidated financial statements have been prepared under the historical cost convention.

B. The analysis of expense is classified based on the nature of expenses.

C. The management has to make certain significant accounting estimates based on their professional judgment and decide the accounting policy according to the IFRSs as endorsed by the FSC. Any change in the assumption could result in a significant change in the financial statements. The management of the Bank and subsidiaries believes that the assumptions used in the consolidated statements are appropriate. For highly complicated matters, matters requiring high level of judgments, significant judgments that could have an impact on the consolidated financial statements and estimates and key sources of assumption uncertainty, please refer to Note 5 for further details.

(3) Basis for preparation of consolidated financial statements

A. All subsidiaries are included in the Bank and subsidiaries' consolidated financial statements. Subsidiaries are all entities controlled by the Bank. The Bank controls an entity when the Bank is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Bank obtains control of the subsidiaries and ceases when the Bank loses control of the subsidiaries.

Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Bank and subsidiaries are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Bank.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent. Total comprehensive income is also attributed to the owners of the parent.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiaries	Major business activities	Percentage of holding shares (%)	
			December 31, 2019	December 31, 2018
The Bank	Mega International Commercial Bank (Canada) (Note)	Commercial Banking	-	100.00
The Bank	Mega International Commercial Public Co., Ltd.(Thailand)	Commercial Banking	100.00	100.00

Note: Mega International Commercial Bank (Canada) was transformed into a full-function commercial bank branch following an approval from the local competent authority on March 13, 2018. The bank was fully opened on April 16, 2018. Mega International Commercial Bank (Canada) was dissolved on April 29, 2019.

C. Subsidiaries not included in the consolidated financial statements:

Name of investor	Name of subsidiaries	Major business activities	Percentage of holding shares (%)	
			December 31, 2019	December 31, 2018
The Bank	Cathay Investment & Development Corporation (Bahamas)(Note)	International Investment & Exploration	-	100.00
The Bank	Mega Management Consulting Co., Ltd.	Venture capital and management consulting etc.	100.00	100.00
The Bank	Cathay Investment & Warehousing Co., S.A.	1.Storage and warehousing of imported commodities 2.Manage and make the investment for the business in foreign trade business	100.00	100.00
The Bank	Ramlett Finance Holdings Inc.	Real estate investment industry	100.00	100.00
The Bank	Yung-Shing Industries Co.	Packaging, printing and agency of manpower service	99.56	99.56
The Bank	China Products Trading Company	Investments in products businesses, storage businesses and other businesses	68.27	68.27
Yung-Shing Industries Co.	Win Card Co., Ltd.	Corporate management consulting, data processing business and general advertising services	100.00	100.00
Yung-Shing Industries Co.	ICBC Asset Management & Consulting Co., Ltd.	Investment consulting, corporate management consulting and venture investment management consulting	100.00	100.00

Note：In 2018, the investee was dissolved as resolved by the stockholders at their meeting, and the liquidation was completed on February 27, 2019.

As the individual total assets or operating revenue amounts of the above subsidiaries are immaterial, the accounts of these subsidiaries are not included in the Bank's consolidated financial statements although the Bank holds more than 50% equity interest in these subsidiaries. The investments of certain subsidiaries are accounted for using equity method.

D. Adjustments for subsidiaries with different balance sheet dates：None.

E. Nature and extent of the restrictions on fund remittance from subsidiaries to the parent company：None.

(4) Foreign currency translations

A. Functional and presentation currency

Items included in the financial statements of each of the Bank and subsidiaries' entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan Dollars, which is the Bank's functional and the Bank and subsidiaries' presentation currency.

B. Transactions and balances

The transactions denominated in foreign currency or to be settled in foreign currency are translated into a functional currency at the spot exchange rate between the functional currency and the underlying foreign currency on the date of the transaction.

Foreign currency monetary items should be reported using the closing rate (market exchange rate) at the date of each balance sheet. When multiple exchange rates are available for use, they should be reported using the rate that would be used to settle the future cash flows of the foreign currency transactions or balances at the measurement date. Foreign currency non-monetary items measured at historical cost should be reported using the exchange rate at the date of the transaction. Foreign currency non-monetary items measured at fair value should be reported at the rate that existed when the fair values were determined.

Exchange differences arising when foreign currency transactions are settled or when monetary items are translated at rates different from those at which they were translated when initially recognized or in previous financial statements are reported in profit or loss in the period.

If a gain or loss on a non-monetary item is recognized in other comprehensive income, any foreign exchange component of that gain or loss is also recognized in other comprehensive income. Conversely, if a gain or loss on a non-monetary item is recognized in profit or loss, any foreign exchange component of that gain or loss is also recognized in profit or loss.

C. Translation of foreign operations

The operating results and financial position of the entire Bank and subsidiaries' entities in the consolidated financial statements that have a functional currency (which is not the currency of a hyperinflationary economy) different from the presentation currency are translated into the presentation currency as follows:

(A) Assets and liabilities presented are translated at the Bank and subsidiaries' closing exchange rate at the date of that balance sheet;

(B) The profit and loss presented is translated by the average exchange rate in the period (except for the situation that the exchange rate on the trade date shall be adopted when the exchange rate fluctuate rapidly); and

(C) All resulting exchange differences are recognized in other comprehensive income.

The translation differences arising from above processes are recognized as 'Cumulative translation differences of foreign operations' under equity items.

(5) Cash and cash equivalents

"Cash and cash equivalents" in the consolidated balance sheet includes cash on hand, due from other banks, short-term highly liquid investments that are readily convertible to known amount of cash and subject to an insignificant risk of changes in value. In respect of the consolidated statements of cash flows, cash and cash equivalents include cash and cash equivalents in the consolidated balance sheet, due from the Central Bank and call loans to banks meeting the definition of cash and cash equivalents as stated in IAS No.7 "Cash Flow Statements", and securities purchased under resell agreements meeting the definition of cash and cash equivalents as stated in IAS No. 7 "Cash Flow Statements" as endorsed by the FSC.

(6) Securities sold under repurchase or resell agreements

The transactions of bills and bonds with a condition of repurchase agreement or resell agreement are accounted for under the financing method. The interest expense and interest income are recognized as incurred at the date of sale and purchase and the agreed period of sale and purchase. The repo trade liabilities, bond liabilities, reverse repo trade bills and bond investments are recognized at the date of sale or purchase.

(7) Financial assets or liabilities

A. Financial assets

Financial assets owned by the Bank and subsidiaries are classified based on both the Bank and subsidiaries' business model for managing the financial assets and the contractual cash flow characteristics of the financial assets into 'discounts and loans', 'receivables', 'financial assets at fair value through profit or loss', 'financial assets at fair value through comprehensive income', and 'investments in debt instrument at amortised cost'.

Business model refers to the method by which the Bank and subsidiaries manages the financial assets to generate cash flows, which originates from collecting contractual cash flows, selling financial assets, or both. When determining whether the contractual cash flows of the asset are solely payments of principal and interest on principal amount outstanding, the Bank and subsidiaries assesses whether the contractual cash flows are consistent with those required in a basic loan agreement. In other words, the Bank and subsidiaries determines whether interest is solely based on the time value of money, credit risk related to the principal amount outstanding on specified dates, other risks and costs associated with the basic loan agreement, and marginal profits consideration.

(A) A regular way purchase or sale

The Bank and subsidiaries recognises a regular way purchase or sale of financial assets using trade date accounting based on their category and accounting classification.

(B) Discounts and loans

Discounts and loans consist of export bills negotiation, export bills discount, loans, and overdue receivables arising from loans. Discounts and loans are measured at amortised cost using the effective interest rate method. Measurement at initial investment amount is allowed if effect of discounting is immaterial.

If a discount and loan held by the Bank and subsidiaries is renegotiated or has its terms modified due to financial difficulties of the borrower, so that it is required to be derecognised, entirely or partially, in accordance with IFRS 9, the old financial assets is derecognised, and a new financial asset and related gains or losses are recognised.

If a discounts and loans held by the Bank and subsidiaries is renegotiated or has its terms modified due to financial difficulties of the borrower, but is not required to be derecognised, or if renegotiations or modification of terms are for reasons other than financial difficulties, which rarely results in the derecognition of the asset, the carrying amount of the asset is recalculated and resulting gains or losses are recognised in profit or loss.

Interest arising from discounts and loans is recognised as 'interest income'.

(C) Receivables, net

Receivables include receivables originated and not originated by the Bank and subsidiaries. Receivables originated by the entity arising from a direct provision of money, goods or services to debtors while receivables not originated by the Bank and subsidiaries include otherwise.

Receivables are measured at amortised cost using the effective interest method. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

The Bank and subsidiaries determines whether the receivables that has been discounted or transferred qualify derecognition under IFRS 9 based on how much control over the risks and rewards of the receivables it has retained.

Significant amounts of receivables due from related parties are shown separately.

Interest arising from receivables are recognised as 'interest income'.

(D) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income. Financial assets at amortised cost or fair value through other comprehensive income are designated as at fair value through profit or loss at initial recognition when they eliminate or significantly reduce a measurement or recognition inconsistency.

At initial recognition, the Bank and subsidiaries measures the financial assets at fair value. All related transaction costs are recognised in profit or loss. The Bank and subsidiaries subsequently measures these financial assets at fair value with any gain or loss recognised in profit or loss.

Dividends are recognised as gain (loss) on financial assets or liabilities at fair value through profit or loss - dividend revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and its subsidiaries and the amount of the dividend can be measured reliably.

(E) Investments in debt instruments at amortised cost

a. Financial assets at amortised cost are those that meet all of the following criteria:

(a) The objective of the Bank and subsidiaries' business model is achieved by collecting contractual cash flows.

(b) The assets' contractual cash flows represent solely payments of principal and interest.

b. At initial recognition, the Bank and subsidiaries measure the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in derecognition designated as gain (loss) on financial assets at amortised cost when the asset is derecognised or impaired.

(F) Financial assets at fair value through other comprehensive income

a. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Bank and subsidiaries has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:

(a) The objective of the Bank and subsidiaries' business model is achieved both by collecting contractual cash flows and selling financial assets; and

(b) The assets' contractual cash flows represent solely payments of principal and interest.

b. At initial recognition, the Bank and subsidiaries measures the financial assets at fair value plus transaction costs. The Bank and subsidiaries subsequently measures the financial assets at fair value:

(a) The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as realised gains (losses) on financial assets at fair value through other comprehensive income-dividend revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Bank and subsidiaries and the amount of the dividend can be measured reliably.

(b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial assets is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

(G) Reclassification of financial assets

When, and only when, the Bank and subsidiaries changes its business model for managing financial assets it reclassifies all affected financial assets except for equity instruments and financial assets designated as at fair value through profit or loss. The Bank and subsidiaries applies the reclassification prospectively from the reclassification date and does not restate any previously recognised gains, losses or interest.

B. Financial liabilities

Financial liabilities held by the Bank and subsidiaries comprise financial liabilities at fair value through profit or loss and financial liabilities measured at amortized cost.

(A) Financial liabilities at fair value through profit or loss

Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges. Or financial liabilities at fair value through profit or loss. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss at initial recognition:

a. Hybrid (combined) contracts; or

b. They eliminate or significantly reduce a measurement or recognition inconsistency; or

c. They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.

At initial recognition, the Bank and subsidiaries measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Bank and subsidiaries subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

If the credit risk results in fair value changes in financial liabilities designated as at fair value through profit or loss, they are recognised in other comprehensive income in the circumstances other than avoiding accounting mismatch or recognising in profit or loss for loan commitments or financial guarantee contracts.

(B) Financial liabilities measured at amortized cost

Liabilities not classified as financial liabilities at fair value through profit or loss and financial guarantee contracts are all included in financial liabilities carried at amortised cost.

C. Decision of fair value

Fair value and level information of financial instruments are provided in Note 7.

D. Derecognition of financial instruments

(A) The Bank and subsidiaries derecognize a financial asset when one of the following conditions is met:

a. The contractual rights to receive cash flows from the financial assets expire.

b. The contractual rights to receive cash flows from the financial assets have been transferred and the Bank and subsidiaries have transferred substantially all risks and rewards of ownership of the financial assets.

c. The contractual rights to receive cash flows from the financial assets have been transferred; however, it has not retained control of the financial assets.

(B) A financial liability is derecognized when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(C) In case of securities lending or borrowing by the Bank and subsidiaries or provision of bonds or stocks as security for repo trading, the Bank and subsidiaries does not derecognize the financial assets, because substantially all risks and rewards of ownership of the financial assets are still retained in the Bank and subsidiaries.

(8) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the consolidated balance sheet when (A) there is a legally enforceable right to offset the recognized amounts and (B) there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(9) Impairment of financial assets

For discounts and loans, receibables, debt instruments measured at fair value through other comprehensive income, financial assets at amortised cost, loan commitments and financial guarantee contracts, at each reporting date, the Bank and subsidiaries recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs); if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts.

The Bank and subsidiaries measures expected credit losses in a way that reflects:

A. An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

B. The time value of money; and

C. Reasonable and supportable information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date.

For loan assets, the Bank and subsidiaries assesses the loss allowance at the balance sheet date in accordance with "Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" as issued by the FSC, "Financial-Supervisory-Banks Letter No. 10300329440" issued on December 4, 2014 relating to the strengthening of domestic banks' risk endurance to real estate loans, "Financial-Supervisory-Banks Letter No. 10410001840" issued on April 23, 2015 relating to the strengthening of domestic banks' risk endurance to management of exposures in China as well as IFRS 9 requirements. The loss allowance is provisioned at the higher of the amounts assessed in compliance with the aforementioned domestic regulations and IFRS 9 and then presented at net value.

(10) Non-hedging and embedded derivatives

A. Non-hedging derivatives are initially recognised at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognised in profit or loss.

B. Under the financial assets, the hybrid contracts embedded with derivatives are initially recognized as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost based on the contract terms.

C. Under the non-financial assets, whether the hybrid contracts embedded with derivatives are accounted for separately at initial recognition is based on whether the economic characteristics and risks of an embedded derivatives are closely related in the host contract. When they are closely related, the entire hybrid instrument is accounted for by its nature in accordance with the applicable standard. When they are not closely related, the derivatives is accounted for differently from the host contract as derivatives while the host contract is accounted for by its nature in accordance with the applicable standard. Alternatively, the entire hybrid instrument is designated as a derivative instrument included in financial liabilities at fair value through profit or loss upon initial recognition, and no separate accounting is required.

(11) Leasing arrangements (lessor)－operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(12) Investments measured by equity method

A. Associates are all entities over which the Bank and subsidiaries have significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using equity method and are initially recognized at cost.

B. The Bank and subsidiaries' share of its associates' post-acquisition profits or losses is recognized in profits or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Bank and subsidiaries' share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Bank and subsidiaries do not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

C. Unrealized gains on transactions between the Bank and subsidiaries and its associates are eliminated to the extent of the Bank and subsidiaries' interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Bank and subsidiaries.

D. When changes in an associate's equity that are not recognized in profit or loss or other comprehensive income of the associates and such changes not affecting the Bank and subsidiaries' ownership percentage of the associate, the Bank and subsidiaries recognized the Bank and subsidiaries' share of change in equity of the associate in 'capital reserve' in proportion to its ownership.

E. When the Bank and subsidiaries disposes its investment in an associate, if it loses significant influence over this associate, the amounts previously recognized as other comprehensive income in relation to the associate are transferred to profit or loss. If it still retains significant influence over this associate, then the amounts previously recognized as other comprehensive income in relation to the associate are transferred to profit or loss proportionately.

(13) Property and equipment

The property and equipment of the Bank and subsidiaries are recognized on the basis of the historical cost less accumulated depreciation. Historical cost includes all costs directly attributable to the acquisition of the assets.

Such assets are subsequently measured using the cost model. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and subsidiaries and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Land is not affected by depreciation. Depreciation for other assets is provided on a straight-line basis over the estimated useful lives of the assets till residual value. If each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Item	Year
Buildings and accessory equipment	1~60
Machinery and computer equipment	1~20
Transportation equipment	1~10
Other equipment	3~10

(14) Investment property

The properties held by the Bank and subsidiaries, with an intention to obtain long-term rental profit or capital increase or both and not being used by any other enterprises of the consolidated entities, are classified as investment property. Investment property includes the office building and land leased out in a form of operating lease.

Part of the property may be held by the Bank and subsidiaries and the remaining will be used to generate rental income or capital appreciation. If the property held by the Bank and subsidiaries can be sold individually, then the accounting treatment should be made respectively.

When the future economic benefit related to the investment property is highly likely to flow into the Bank and subsidiaries and the costs can be reliably measured, the investment property shall be recognized as assets. When the future economic benefit generated from subsequent costs is highly likely to flow into the entity and the costs can be reliably measured, the subsequent expenses of the assets shall be capitalized. All maintenance cost are recognized as incurred in the consolidated statement of comprehensive income.

An investment property is stated initially at its cost and measured subsequently using the cost model. The depreciation method, remaining useful life and residual value should apply the same rules as applicable for property and equipment.

(15) Leasing arrangements (lessee)－right-of-use assets/ lease liabilities

Effective 2019

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Bank and subsidiaries. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate.

Lease payments are comprised of the following:

(a) Fixed payments, less any lease incentives receivable;

(b) Variable lease payments that depend on an index or a rate;

(c) Amounts expected to be payable by the lessee under residual value guarantees;

(d) The exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and

(e) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The Bank and subsidiaries subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

(a) The amount of the initial measurement of lease liability;

(b) Any lease payments made at or before the commencement date;

(c) Any initial direct costs incurred by the lessee; and

(d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(16) Leasing arrangements (lessee)- operating leases (lessee)

Prior to 2019

Payments made under an operating lease (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the lease term.

(17) Foreclosed properties

Foreclosed properties are stated at the lower of carrying amount or fair value less selling cost on the financial reporting date.

(18) Impairment of non-financial assets

The Bank and subsidiaries assess at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss shall be reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(19) Provisions for liabilities, contingent liabilities and contingent assets

When all the following criteria are met, the Bank and subsidiaries shall recognize a provision:

A. A present obligation (legal or constructive) as a result of a past event;

B. It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and

C. The amount of the obligation can be reliably estimated.

If there are several similar obligations, the outflow of economic benefit as a result of settlement is determined based on the overall obligation. Provisions for liabilities should be recognized when the outflow of economic benefits is probable in order to settle the obligation as a whole even if the outflow of economic benefits from any one of the obligation is remote.

Provisions are measured by the present value of expense which is required for settling the anticipated obligation. The pre-tax discount rate is used with timely adjustment that reflects the current market assessments on the time value of money and the risks specific to the obligation.

Contingent liability is a possible obligation that arises from past event, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank and subsidiaries. Or it could be a present obligation as a result of past event but the payment is not probable or the amount cannot be measured reliably. The Bank and subsidiaries did not recognize any contingent liabilities but made appropriate disclosure in compliance with relevant regulations.

Contingent asset is a possible asset that arises from past event, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank and subsidiaries. The Bank and subsidiaries did not recognize any contingent assets and made appropriate disclosure in compliance with relevant regulations when the economic inflow is probable.

(20) Financial guarantee contracts and loan commitments

A financial guarantee contract is a contract that requires the Bank and subsidiaries to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A loan commitment is an agreement to provide credit under predetermined terms and conditions.

The Bank and subsidiaries initially recognize financial guarantee contracts at fair value on the date of issuance. The Bank and subsidiaries charge a service fee when the contract is signed and therefore the service fee income charged is the fair value at the date that the financial guarantee contract is signed. Service fee received in advance is recognized in deferred accounts and amortized through straight-line method during the contract term.

Loss provisions are recognised for financial guarantee contracts and loan commitments, and the amounts of loss allowance are determined by expected credit losses.

Subsequently, the Bank and subsidiaries should measure the financial guarantee contract issued at the higher of:

A. The amount of loss allowance is determined by using an expected-credit-loss model; and

B. The initially recognised amount less the cumulative gains that were recognised under IFRS 15‘Revenue from contracts with customers’.

Loss allowance for the aforementioned reserve for guarantee liabilities is assessed in accordance with “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans” as issued by the FSC and IFRS 9 requirements. A provision is then recognised at the higher of the amounts assessed in compliance with the aforementioned domestic regulations and IFRS 9.

The Bank and subsidiaries determines loss allowance for the loan commitments based on expected credit loss.

The loss allowance is recognized as provision for loan commitments and financial guarantee contracts. If the financial instrument contains both a loan (i.e. financial assets) and an undrawn commitment (i.e. loan commitment) component and the Bank and subsidiaries is unable to identify the expected credit losses (ECLs) of the financial assets and loan commitment component, the ECLs of loan commitment is recognised together with the loss allowance for financial assets. A provision is recognised for the aggregate ECLs exceeding the carrying amount of the financial assets.

The increase in liabilities due to financial guarantee contracts and loan commitments is recognised in ‘bad debts expense, commitment and guarantee liability provision’.

(21) Employee benefits

A. Short-term employee benefits

The Bank and subsidiaries should recognize the undiscounted amount of the short-term benefits expected to be paid in the future as expenses in the period when the employees render service.

B. Employee preferential savings

The Bank provides preferential interest rate for employees, including flat preferential savings for current employees and flat preferential savings for retired employees and current employees. The difference gap compared to market interest rate is deemed as employee benefits.

According to Regulation Governing the Preparation of Financial Statements by Public Banks, the preferential monthly interest paid to current employees is calculated based on accrual basis, and the difference between the preferential interest rate and the market interest rate is recognized under “employee benefit expense”. According to Article 30 of “Regulation Governing the Preparation of Financial Statements by Public Banks”, the excessive interest arising from the interest rate upon retirement agreed with the employees in excess of general market interest rate should be recognized in accordance with IAS 19, “Employee Benefits”, as endorsed by the FSC. However, various parameters should be in compliance with competent authorities if indicated otherwise.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the decisions of the Bank and subsidiaries to terminate an employee’s employment before the normal retirement date, or an employee’s decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Bank and subsidiaries recognizes expense as it can no longer withdraw an offer of termination benefits or it recognizes relating restructuring costs, whichever is earlier.

Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Post-employment benefit

The pension plan of the Bank and subsidiaries includes both Defined Contribution Plan and Defined Benefit Plan. In addition, defined contribution plan is adopted for employees working overseas according to the local regulations.

(A) Defined Contribution Plan

The contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(B) Defined Benefit Plan

a. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Bank and subsidiaries in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Bank and subsidiaries uses interest rates of government bonds (at the balance sheet date) instead.

b. Remeasurement arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

c. Past service costs are recognized immediately in profit or loss.

E. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is distributed by shares, the Bank and subsidiaries calculate the number of shares based on the closing price at the previous day of the Board of Directors' resolution day.

(22) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. And ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.

(23) Revenue and expense

Income and expense of the Bank and subsidiaries are recognized as incurred. Expenses consist of employee benefit expense, depreciation and amortization expense and other business and administration expenses. Dividend revenues are recognized within 'financial assets and liabilities at fair value through profit or loss' and 'financial assets and liabilities at fair value through other comprehensive income' in the consolidated statement of comprehensive income when the right to receive dividends is assured.

A. Other than those classified as financial assets and liabilities at fair value through profit and loss, all the interest income and interest expense generated from interest-bearing financial assets are calculated by effective interest rate according to relevant regulations and recognized as "interest income" and "interest expense" in the consolidated statement of comprehensive income.

B. Service fee income and expense are recognised upon the completion of services of loans or other services; service fee earned from performing significant items shall be recognised upon the completion of the service, such as syndication loan service fee received from sponsor, service fee income and expense of subsequent services of loans are amortized or included in the calculation of effective interest rate of loans and receivables during the service period.

(24) Income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Bank and subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the following year after the Board of Directors make resolution in respect of earnings appropriation proposal on behalf of stockholders.

The earnings appropriation from 2018 is imposed with an additional 5% tax on unappropriated retained earnings in accordance with the amendments to the Income Tax Act enacted on February 7, 2018.

Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Bank and subsidiaries and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.

Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current income tax assets against current income tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(25) Share capital and dividends

Dividends on ordinary shares are recognized in the financial statements in the period in which they are approved by the shareholders. Cash dividends are recorded as liabilities. Stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance; they are not recognized and only disclosed as subsequent event in the notes if the dividend declaration date is later than the consolidated balance sheet date.

(26) Operating segments

Information of operating segments of the Bank and subsidiaries is reported in the same method as the internal management report provided to the chief operating decision-maker (CODM). The CODM is the person or group in charge of allocating resources to operating segments and evaluating their performance. The CODM of the Bank and subsidiaries is the Board of Directors.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Bank and subsidiaries' accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors.

Management's critical judgements in applying the Bank and subsidiaries' accounting policies that have significant impact on the consolidated financial statements are outlined below:

(1) Fair value measurement of investment in unlisted stock

The fair value of unlisted stocks without an active market is determined by using valuation techniques such as market approach and net asset approach. The measurement of fair value may adopt observable information or models of similar financial instruments or use assumptions in an appropriate manner if the observable parameters are unavailable in the market. Observable information is the primary source of reference. When valuation models are used for the measurements, calibration are performed to ensure its accountability in reflecting real information and market price.

In the fair value measurement, the Bank and subsidiaries primarily uses reference of the latest updated market multipliers of similar listed stocks in the industry alike and takes into account marketability discount and discount in the specialised risks. Any changes in these judgements and estimates will impact the fair value measurement of these unlisted stocks. Please refer to Note 7 for the financial instruments fair value information.

(2) Expected credit losses

For financial assets at amortised cost and financial assets at fair value through other comprehensive income, the measurement of expected credit losses (ECLs) involves complex model and various assumptions associated with macro-economic projections and borrowers' situation in terms of the probability of default and losses-given-default. Information relating to parameters, assumptions, methods of estimation, ECL's sensitivity analysis corresponding to the aforementioned factors is provided in Note 8(3).

The measurement of ECLs in accordance with the framework of accounting principles involves several significant judgements, such as:

A. Criteria in determining whether there has been a significant increase in credit risk;

B. A selection of appropriate models and assumptions in ECLs measurement;

C. Forward-looking information to be taken into consideration in terms of different products; and

D. Grouping the financial instruments to include financial assets with the same credit risk characteristics into one group.

Please refer to Note 8(3) for the aforementioned judgements and estimates with respect of ECLs.

(3) Post-employment benefit

The present value of post-employment benefit obligations are estimated based on several assumptions. Any changes in those assumptions will affect the carrying amounts of post-employment benefit obligations.

The assumptions used to determine net pension cost (revenue) comprise discount rate. The Bank and subsidiaries determine the appropriate discount rate at the end of each year, and use the discount rate in calculating the present value of future cash outflow of post-employment benefit obligations. The discount rate is chosen by reference to the rate of government bonds where the currency and maturity date of government bonds are in agreement with those of post-employment benefit obligations. Any changes in these assumptions could significantly impact the carrying amount of defined pension obligations.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2019		December 31, 2018
	NT$	US$	NT$
Cash on hand and petty cash	$ 20,558,491	$ 685,580	$ 15,371,091
Checks for clearance	1,037,136	34,586	805,723
Due from banks	119,439,851	3,983,055	107,008,070
Total	$ 141,035,478	$ 4,703,221	$ 123,184,884

Information relating to credit risk is provided in Note 8(3).

(2) Due from the Central Bank and call loans to banks

	December 31, 2019	
	NT$	US$
Reserve for deposits - category A	$ 12,811,817	$ 427,246
Reserve for deposits - category B	39,604,012	1,320,706
Reserve for deposits - general	284	9
Reserve for deposits - foreign currency	631,211	21,049
Deposits of overseas branches with foreign Central Banks	228,656,079	7,625,174
Interbank settlement fund of Fund Center	4,005,092	133,561
Call loans to banks and bank overdrafts	208,251,579	6,944,729
Import and export loans from banks	-	-
Participate in interbank financing with risk	-	-
Subtotal	493,960,074	16,472,474
Less: Allowance for bad debt- call loans to banks	(14,565)	(486)
Less: Allowance for bad debt - import and export loans from banks	-	-
Total	$ 493,945,509	$ 16,471,988

	December 31, 2018
	NT$
Reserve for deposits-category A	$ 16,741,743
Reserve for deposits-category B	39,410,360
Reserve for deposits-general	291
Reserve for deposits-foreign currency	754,965
Deposits of overseas branches with foreign Central Banks	247,344,272
Interbank settlement fund of Fund Center	5,878,089
Call loans to banks and bank overdrafts	208,443,344
Import and export loans from banks	202,838
Participate in interbank financing with risk	1,536,650
Subtotal	520,312,552
Less: Allowance for bad debt- call loans to banks	-
Less: Allowance for bad debt - import and export loans from banks	(120)
Total	$ 520,312,432

A. As required by relevant laws, the reserves for deposits are calculated at required reserve ratios based on the monthly average balances of various deposit accounts. Reserve for deposits - category B cannot be used except upon the monthly adjustment of the reserve.

B. On December 31, 2019, and December 31, 2018, due from the Central Bank and call loans to banks of the Bank and subsidiaries that were in accordance to the definition of cash and cash equivalents under IAS 7, which included the total of the above-listed Reserve for depositcategory A, Reserve for deposit-general, Call loans to banks and bank overdrafts, Reserve for deposit-foreign currency and a portion of Deposit of overseas branches with foreign Central Banks that are highly liquid and readily convertible to cash, was NT$353,716,617 thousand and NT$360,953,411 thousand, respectively.

C. Information relating to credit risk is provided in Note 8(3).

(3) Financial assets at fair value through profit or loss

	December 31, 2019	
	NT$	US$
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	$ 11,189,199	$ 373,135
Emerging stocks	967,543	32,265
Unlisted stocks	5,482,489	182,829
Asset securitization	14,205	474
Beneficiary certificates	171,830	5,730
Derivatives	4,754,538	158,553
Government bonds	1,258,598	41,972
Corporate bonds	27,933,201	931,510
Bank notes	8,228,913	274,416
Subtotal	60,000,516	2,000,884
Valuation adjustment	3,904,831	130,218
Total	$ 63,905,347	$ 2,131,102

	December 31, 2018
	NT$
Financial assets mandatorily measured at fair value through profit or loss	
Listed stocks	$ 8,999,229
Emerging stocks	741,766
Unlisted stocks	5,543,483
Asset securitization	-
Beneficiary certificates	488,000
Derivatives	4,735,350
Government bonds	1,228,205
Corporate bonds	32,741,866
Bank notes	9,290,469
Subtotal	63,768,368
Valuation adjustment	(683,739)
Total	$ 63,084,629

A. Gain or loss on financial assets mandatorily measured at fair value through profit or loss recognized for the years ended December 31, 2019 and 2018 are provided in Note 6(29).

B. As of December 31, 2019 and 2018, the above financial assets were not pledged to other parties as collateral for business reserves and guarantees.

C. As of December 31, 2019 and 2018, the above financial assets used as underlying assets for repurchase agreements held by the Bank and subsidiaries were NT$6,242,069 thousand and NT$2,255,767 thousand, respectively.

D. Information relating to credit risk is provided in Note 8(3).

(4) Financial assets at fair value through other comprehensive income

	December 31, 2019		December 31, 2018
	NT$	US$	NT$
Debt instruments			
Corporate bonds	$ 109,723,928	$ 3,659,050	$ 89,452,374
Government bonds	103,850,629	3,463,188	63,663,987
Bank notes	99,397,068	3,314,672	87,585,526
Asset securitization	46,438,486	1,548,621	-
Bank's certificates of deposit	11,176,373	372,707	9,726,068
Treasury securities	-	-	671,415
Subtotal	370,586,484	12,358,238	251,099,370
Valuation adjustment	2,242,532	74,783	659,976
Debt instruments, net	372,829,016	12,433,021	251,759,346
Equity instruments			
Listed stocks	2,611,487	87,087	986,467
Unlisted stocks	4,742,462	158,151	4,675,602
Other securities	300,000	10,005	300,000
Subtotal	7,653,949	255,243	5,962,069
Valuation adjustment	6,995,646	233,289	6,100,389
Equity instruments, net	14,649,595	488,532	12,062,458
Total	$ 387,478,611	$ 12,921,553	$ 263,821,804

A. The Bank and subsidiaries has elected to classify investments that are considered to be strategic investments and with steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to NT$14,649,595 thousand and NT$12,062,458 thousand as at December 31, 2019 and 2018, respectively.

B. As result of the completion of liquidations for investees, ARCH IV and HCV VII, the Bank and subsidiaries have cumulative loss on disposal amounting to NT$91,302 thousand for the year ended December 31, 2019. Furthermore, because the US-China trade war leads great changes in global politics and economic, to avoid the unreasonable decline of Taiwan stock market, the Bank and subsidiaries sold equity instruments – investments in listed stocks at fair value amounting to NT$1,930,261 thousand with cumulative loss on disposal amounting to NT$59,504 thousand.

As result of the completion of liquidations for investees, Asiatech and HCV VI, the Bank and subsidiaries have cumulative loss on disposal amounting to NT$132,523 thousand for the year ended December 31, 2018. Furthermore, in order to accelerate recovery of investments, the Bank and subsidiaries sold equity instruments – unlisted, over-the-counter and emerging stocks at fair value amounting to NT$8,346 thousand with cumulative loss on disposal amounting to NT$41,512 thousand as the investee, Huacheng Venture Capital, has ceased to make new investments and expected to liquidate in the future. Besides, in response to raising uncertainty of the global situation and avoid short-term market fluctuation, the fair value of equity instruments – investments in listed stocks were sold with amount of NT$4,288,950 thousand and the cumulative gain on disposal amounted to NT$1,825 thousand.

C. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	December 31, 2019		December 31, 2018
	NT$	US$	NT$
Equity instruments at fair value through other comprehensive income			
Fair value change recognised in other comprehensive income	$ 744,477	$ 24,827	$ 66,523
Cumulative losses reclassified to retained earnings due to derecognition	$ 150,806	$ 5,029	$ 172,210
Dividend income recognised in profit or loss			
Held at end of year	$ 590,847	$ 19,703	$ 616,781
Derecognised during the year	32,540	1,085	48,625
	$ 623,387	$ 20,788	$ 665,406
Debt instruments at fair value through other comprehensive income			
Fair value change recognised in other comprehensive income	$ 3,243,061	$ 108,149	$ 218,268
Cumulative other comprehensive income reclassified to profit or loss			
Reclassified due to impairment recognition (reversal)	$ 30,733	$ 1,025	($ 27,161)
Reclassified due to derecognition	(1,639,037)	(54,658)	(289,909)
	($ 1,608,304)	($ 53,633)	($ 317,070)
Interest income recognised in profit or loss	$ 6,272,824	$ 209,185	$ 5,317,445

D. As of December 31, 2019 and 2018, the aforementioned financial assets at fair value through other comprehensive income amounted to NT$9,337,239 thousand and NT$5,600,720 thousand was pledged to other parties as collateral for business reserves and guarantees, respectively.

E. As of December 31, 2019 and 2018, financial assets at fair value through other comprehensive income undertaken for repurchase agreements were NT$27,870,473 thousand and NT$26,308,420 thousand, respectively.

F. Information relating to credit risk is provided in Note 8(3).

(5) Investments in debt instruments at amortised cost

	December 31, 2019		December 31, 2018
	NT$	US$	NT$
Central Bank's certificates of deposit	$ 179,271,045	$ 5,978,292	$ 157,480,933
Short-term notes and bills	54,958,282	1,832,737	85,007,066
Bank's certificates of deposit	6,302,756	210,183	6,535,758
Bank notes	27,543,713	918,522	17,468,020
Government bonds	2,868,058	95,643	2,880,780
Corporate bonds	211,571	7,055	303,653
Subtotal	271,155,425	9,042,432	269,676,210
Accumulated impairment	(21,330)	(711)	(12,324)
Total	$ 271,134,095	$ 9,041,721	$ 269,663,886

A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

	December 31, 2019		December 31, 2018
	NT$	US$	NT$
Interest income	$ 2,395,261	$ 79,877	$ 2,213,713
Gains (losses) on disposal	(4)	-	1,064
Gains (losses) on reversal of impairment	(9,391)	(313)	392
	$ 2,385,866	$ 79,564	$ 2,215,169

B. Because of the issuer's credit downgrade, the Bank sold the investments in debt instrument and recognised a (loss) gain of NT($4) thousand and NT$1,064 thousand for the years ended December 31, 2019 and 2018, respectively.

C. As of December 31, 2019 and 2018, the aforementioned debt investments amounted to NT$6,875,628 thousand and NT$6,450,860 thousand was pledged to other parties as collateral for business reserves and guarantees, respectively.

D. Please refer to Note 8(3) for the movement information on accumulated loss for the years ended December 31, 2019 and 2018.

E. Information relating to credit risk is provided in Note 8(3).

(6) Receivables, net

	December 31, 2019		December 31, 2018
	NT$	US$	NT$
Factoring receivable	$ 28,218,088	$ 941,011	$ 36,041,881
Accounts receivable for bonds settlement	11,594,295	386,644	-
Accounts receivable - Credit card	7,597,716	253,367	5,338,509
Accrued interest	5,957,943	198,684	6,555,171
Acceptances receivable	5,638,677	188,037	7,586,118
Accrued income	1,065,787	35,542	1,013,319
Accounts receivable - Usance L/C buyout	-	-	1,942,918
Other receivables	2,166,233	72,239	3,681,330
Subtotal	62,238,739	2,075,524	62,159,246
Less: Allowance for bad debts	(1,302,738)	(43,443)	(1,405,080)
Receivables, net	$ 60,936,001	$ 2,032,081	$ 60,754,166

A. Please refer to Note 8(3) for the movement information on loss allowance for the years ended December 31, 2019 and 2018.

B. Information relating to credit risk is provided in Note 8(3).

(7) Discounts and loans, net

	December 31, 2019		December 31, 2018
	NT$	US$	NT$
Bills and notes discounted	$ 12,949	$ 432	$ 11,987
Overdrafts	1,320,257	44,028	1,844,152
Short-term loans	559,609,907	18,661,750	566,576,301
Medium-term loans	727,534,712	24,261,671	721,009,290
Long-term loans	604,855,982	20,170,607	591,959,717
Export bills negotiated	7,613,470	253,892	11,196,406
Loans transferred to non-accrual loans	2,313,988	77,166	2,108,497
Subtotal	1,903,261,265	63,469,546	1,894,706,350
Less: Allowance for bad debts	(29,583,431)	(986,542)	(30,259,247)
Discounts and loans, net	$ 1,873,677,834	$ 62,483,004	$ 1,864,447,103

A. As of December 31, 2019 and 2018, the amounts of reclassified non-performing loans to overdue loans were NT$2,313,988 thousand and NT$2,108,497 thousand, including interest receivable of NT$14,229 thousand and NT$14,362 thousand, respectively.

B. Please refer to Note 8(3) for the movement information on loss allowance for the years ended December 31, 2019 and 2018.

C. The amount of recovery of write-off for years ended December 31, 2019 and 2018 was NT$459,473 thousand and NT$993,366 thousand, respectively.

D. Information relating to credit risk is provided in Note 8(3).

(8) Investments measured by equity method, net

	December 31, 2019		
Investee Company	NT$	US$	Percentage of Shareholding (%)
Mega Management Consulting Co., Ltd.	$ 60,680	$ 2,023	100.00
Cathay Investment & Warehousing Co., S.A.	41,043	1,369	100.00
Ramlett Finance Holdings Inc.	5,396	180	100.00
Yung-Shing Industries Co.	695,046	23,178	99.56
China Products Trading Company	28,057	936	68.27
An Feng Enterprise Co., Ltd.	11,918	397	25.00
Taiwan Finance Corporation	1,676,448	55,906	24.55
Everstrong Iron & Steel Foundry & Mfg. Corporation	45,156	1,506	22.22
China Real Estate Management Co., Ltd.	177,461	5,918	20.00
Universal Venture Capital Investment Corporation	122,616	4,089	11.84
Mega Growth Venture Capital Co., Ltd.	147,782	4,928	11.81
Cathay Investment & Development Corporation (Bahamas)(Note 1)	-	-	-
Mega 1 Venture Capital Co., Ltd.(Note 2)	-	-	-
Total	$ 3,011,603	$ 100,430	

Investee Company	December 31, 2018 NT$	Percentage of Shareholding (%)
Mega Management Consulting Co., Ltd.	$ 68,089	100.00
Cathay Investment & Warehousing Co., S.A.	49,438	100.00
Ramlett Finance Holdings Inc.	5,654	100.00
Yung-Shing Industries Co.	689,681	99.56
China Products Trading Company	27,819	68.27
An Feng Enterprise Co., Ltd.	11,914	25.00
Taiwan Finance Corporation	1,650,156	24.55
Everstrong Iron & Steel Foundry & Mfg. Corporation	46,049	22.22
China Real Estate Management Co., Ltd.	179,080	20.00
Universal Venture Capital Investment Corporation	124,267	11.84
Mega Growth Venture Capital Co., Ltd.	142,659	11.81
Cathay Investment & Development Corporation (Bahamas)(Note 1)	73,363	100.00
Mega 1 Venture Capital Co., Ltd.(Note 2)	17,391	25.00
Total	$ 3,085,560	

Note 1: In 2018, the investee was dissolved as resolved by the stockholders at their meeting, and the liquidation was completed on February 27, 2019.

Note 2: On June 27, 2019, the investee was dissolved as resolved by the stockholders at their meeting, and the liquidation was completed on November 20, 2019.

A. The carrying amount of the Bank and subsidiaries' interests in all individually immaterial associates and the Bank and subsidiaries' share of the operating results are summarized as follows:

	For the years ended December 31, 2019 NT$	2019 US$	2018 NT$
Profit for the year	$ 130,642	$ 4,357	$ 179,679
Other comprehensive income (loss) (after income tax)	22,762	759	(36,185)
Total comprehensive income	$ 153,404	$ 5,116	$ 143,494

B. The shares of associates and joint ventures that the Bank and subsidiaries own have no quoted market price available in an active market. There is no significant restriction on fund transfer from the associates to their shareholders, i.e. distribution of cash dividends, repayment of loans or money advanced.

C. As of December 31, 2019 and 2018, investments measured by equity method were not pledged as collateral.

D. The ownership percentage of the Bank investment in Universal Venture Capital Investment Corporation is 11.84%. However, due to the Bank occupying 2 board seats of Universal Venture Capital Investment Corporation's total 11 board seats, and the Bank being elected as the chairman of the board, the Bank has influence over decision-making. Therefore, valuations are accounted for using equity method.

E. The Bank's investment in Mega Growth Venture Capital Co., Ltd. accounted for an ownership percentage of 11.81%. However, the combined ownership percentage of the Bank, the Bank's subsidiaries was over 20%, thus the investment is accounted for using equity method.

(9) Other financial assets, net

	December 31, 2019 NT$	December 31, 2019 US$	December 31, 2018 NT$
Prepaid investment	$ 2,510,000	$ 83,703	$ -
Nonaccrual loans transferred from overdue receivables	32,392	1,080	33,713
Remittance purchased	2,485	83	4,144
Subtotal	2,544,877	84,866	37,857
Less: Allowance for bad debts - Remittance purchased	(25)	(1)	(41)
Less: Allowance for bad debts - Nonaccrual loans transferred from overdue receivables	(7,168)	(239)	(7,154)
Total	$ 2,537,684	$ 84,626	$ 30,662

A. Information relating to credit risk is provided in Note 8(3).

B. In January 2019, the Board of Directors of the Bank resolved to establish an internet-only bank, Next Bank, with Chunghwa Telecom, which has been approved by FSC in July 2019. The registration of establishment was completed on January 31, 2020. As of December 31, 2019, the prepayment for this investment amounted to NT$25.1 billion. In addition, the Bank has provided the necessary financial support letter to Next Bank and promised to maintain the equity interest at 25.1%.

(10) Property and equipment, net

	December 31, 2019 Cost	Accumulated Depreciation	Accumulated Impairment	Net Book Value
	(In NT Thousand Dollars)			
Land and land improvements	$ 9,486,039	$ -	($ 42,383)	$ 9,443,656
Buildings and auxiliary equipment	10,473,996	(6,312,780)	-	4,161,216
Computers and peripheral equipment	3,909,653	(2,822,545)	-	1,087,108
Transportation and communication equipment	120,669	(98,390)	-	22,279
Miscellaneous equipment	1,558,638	(1,311,898)	-	246,740
	$ 25,548,995	($ 10,545,613)	($ 42,383)	$ 14,960,999

	December 31, 2019			
	Cost	Accumulated Depreciation	Accumulated Impairment	Net Book Value
	(In US Thousand Dollars)			
Land and land improvements	$ 316,338	$ -	($ 1,413)	$ 314,925
Buildings and auxiliary equipment	349,285	(210,517)	-	138,768
Computers and peripheral equipment	130,378	(94,126)	-	36,252
Transportation and communication equipment	4,024	(3,281)	-	743
Miscellaneous equipment	51,977	(43,749)	-	8,228
	$ 852,002	($ 351,673)	($ 1,413)	$ 498,916

	December 31, 2018			
	Cost	Accumulated Depreciation	Accumulated Impairment	Net Book Value
	(In NT Thousand Dollars)			
Land and land improvements	$ 9,486,629	$ -	$ -	$ 9,486,629
Buildings and auxiliary equipment	10,401,146	(6,131,325)	-	4,269,821
Computers and peripheral equipment	3,590,129	(2,619,442)	-	970,687
Transportation and communication equipment	126,355	(104,601)	-	21,754
Miscellaneous equipment	1,503,096	(1,295,040)	-	208,056
	$ 25,107,355	($ 10,150,408)	$ -	$ 14,956,947

	2019					
	Land and land improvements	Buildings and auxiliary equipment	Computers and peripheral equipment	Transportation and communication equipment	Miscellaneous equipment	Total
	(In NT Thousand Dollars)					
Cost						
Balance at January 1, 2019	$ 9,486,629	$ 10,401,146	$ 3,590,129	$ 126,355	$ 1,503,096	$ 25,107,355
Additions for the year	-	124,037	514,987	9,147	97,264	745,435
Disposals for the year	-	(34,445)	(179,293)	(14,505)	(40,217)	(268,460)
Transfers in the current period	-	(2,163)	(170)	-	2,333	-
Exchange adjustments	(590)	(14,579)	(16,000)	(328)	(3,838)	(35,335)
Balance at December 31, 2019	9,486,039	10,473,996	3,909,653	120,669	1,558,638	25,548,995
Accumulated depreciation						
Balance at January 1, 2019	-	(6,131,325)	(2,619,442)	(104,601)	(1,295,040)	(10,150,408)
Depreciation for the year	-	(231,681)	(398,210)	(8,588)	(58,916)	(697,395)
Disposals for the year	-	34,445	178,752	14,506	40,100	267,803
Transfers in the current period	-	1,527	292	-	(1,819)	-
Exchange adjustments	-	14,254	16,063	293	3,777	34,387
Balance at December 31, 2019	-	(6,312,780)	(2,822,545)	(98,390)	(1,311,898)	(10,545,613)
Accumulated impairment						
Balance at January 1, 2019	-	-	-	-	-	-
Loss on reversal of impairment loss	(42,383)	-	-	-	-	(42,383)
Balance at December 31, 2019	(42,383)	-	-	-	-	(42,383)
	$ 9,443,656	$ 4,161,216	$ 1,087,108	$ 22,279	$ 246,740	$ 14,960,999

	2019					
	Land and land improvements	Buildings and auxiliary equipment	Computers and peripheral equipment	Transportation and communication equipment	Miscellaneous equipment	Total
	(In US Thousand Dollars)					
Cost						
Balance at January 1, 2019	$ 316,358	$ 346,855	$ 119,723	$ 4,214	$ 50,125	$ 837,275
Additions for the year	-	4,136	17,174	305	3,243	24,858
Disposals for the year	-	(1,148)	(5,979)	(484)	(1,341)	(8,952)
Transfers in the current period	-	(72)	(6)	-	78	-
Exchange adjustments	(20)	(486)	(534)	(11)	(128)	(1,179)
Balance at December 31, 2019	316,338	349,285	130,378	4,024	51,977	852,002
Accumulated depreciation						
Balance at January 1, 2019	-	(204,466)	(87,353)	(3,488)	(43,187)	(338,494)
Depreciation for the year	-	(7,726)	(13,279)	(287)	(1,965)	(23,257)
Disposals for the year	-	1,149	5,961	484	1,337	8,931
Transfers in the current period	-	51	9	-	(60)	-
Exchange adjustments	-	475	536	10	126	1,147
Balance at December 31, 2019	-	(210,517)	(94,126)	(3,281)	(43,749)	(351,673)
Accumulated impairment						
Balance at January 1, 2019	-	-	-	-	-	-
Loss on reversal of impairment loss	(1,413)	-	-	-	-	(1,413)
Balance at December 31, 2019	(1,413)	-	-	-	-	(1,413)
	$ 314,925	$ 138,768	$ 36,252	$ 743	$ 8,228	$ 498,916

	2018					
	Land and land improvements	Buildings and auxiliary equipment	Computers and peripheral equipment	Transportation and communication equipment	Miscellaneous equipment	Total
Cost	(In NT Thousand Dollars)					
Balance at January 1, 2018	$ 9,480,212	$ 10,398,402	$ 3,446,970	$ 134,860	$ 1,524,567	$ 24,985,011
Additions for the year	36,622	95,375	468,189	8,661	68,325	677,172
Disposals for the year	(2,348)	(89,200)	(330,477)	(18,345)	(96,692)	(537,062)
Transfers in the current period	(28,915)	(29,975)	(1)	-	1,112	(57,779)
Exchange adjustments	1,058	26,544	5,448	1,179	5,784	40,013
Balance at December 31, 2018	9,486,629	10,401,146	3,590,129	126,355	1,503,096	25,107,355
Accumulated depreciation						
Balance at January 1, 2018	-	(5,969,540)	(2,611,668)	(113,512)	(1,325,429)	(10,020,149)
Depreciation for the year	-	(223,357)	(329,521)	(8,441)	(60,006)	(621,325)
Disposals for the year	-	84,416	325,832	18,345	96,483	525,076
Transfers in the current period	-	490	-	-	(490)	-
Exchange adjustments	-	(23,334)	(4,085)	(993)	(5,598)	(34,010)
Balance at December 31, 2018	-	(6,131,325)	(2,619,442)	(104,601)	(1,295,040)	(10,150,408)
Accumulated impairment						
Balance at January 1, 2018	(53,395)	(1,940)	-	-	-	(55,335)
Gain on reversal of impairment loss	53,395	1,940	-	-	-	55,335
Balance at December 31, 2018	-	-	-	-	-	-
	$ 9,486,629	$ 4,269,821	$ 970,687	$ 21,754	$ 208,056	$ 14,956,947

(11) Leasing arrangements－lessee

Effective 2019

A. The Bank and subsidiaries leases various assets including land and land improvements, buildings and auxiliary equipment, machinery and equipment. Rental contracts are typically made for periods of 1 to 30.3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. The carrying amount of right-of-use assets and the depreciation expense are as follows:

	December 31, 2019		For the year ended December 31, 2019	
	Carry amount		Depreciation expense	
	NT$	US$	NT$	US$
Land and land improvements	$ 498,451	$ 16,622	$ 26,122	$ 871
Buildings and auxiliary equipment	1,290,987	43,052	519,546	17,326
Machinery and equipment	112,216	3,742	51,945	1,732
Other equipment	1,329	44	1,084	36
Total	$ 1,902,983	$ 63,460	$ 598,697	$ 19,965

C. The information on income and expense accounts and cashflow relating to lease contracts is as follows:

	For the year ended December 31, 2019	
	NT$	US$
Items affecting profit or loss		
Interest expense on lease liabilities	$ 26,796	$ 894
Expense on short-term lease contracts	5,926	198
Expense on leases of low-value assets	7,628	254
Other disclosures		
Addition of right-of-use assets	$ 810,459	$ 27,027
Cash outflow for leases	(627,564)	(20,928)

D. Variable lease payments

(a) Some of the Bank and subsidiaries' lease contracts contain variable lease payment terms that are linked to consumer price index. For buildings, up to 11.84% of lease payments are on the basis of variable payment terms and are accrued based on the consumer price index and the wholesale price index.

(b) A 1% increase in consumer price index with such variable lease contracts would increase' the Bank and subsidiaries' total lease payments by approximately 0.1%.

(12) Leasing arrangements – lessor

Effective 2019

A. The Bank and subsidiaries' leases various assets including land and land improvements, buildings and auxiliary equipment, machinery and equipment. Rental contracts are typically made for periods of 1 and 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. To protect the lessor's ownership rights on the leased assets, leased assets may not be used as security for borrowing purposes, or a residual value guarantee was required.

B. For the year ended December 31, 2019 and 2018, the Bank and subsidiaries recognised rental income in the amount of NT$158,825 thousand and NT$166,440 thousand based on the operating lease agreement, of which variable lease payments amounted to NT$1,616 thousand and NT$3,181 thousand, respectively.

C. The maturity analysis of the lease payments under the operating leases is as follows:

	For the year ended December 31,		
	2019		2018
	NT$	US$	NT$
Within 1 year	$ 160,140	$ 5,340	$ 157,715
1-2 years	129,671	4,324	125,907
2-3 years	43,596	1,454	99,393
3-4 years	18,126	604	20,202
4-5 years	10,809	360	4,282
After 5 years	17,853	595	11,027
Total	$ 380,195	$ 12,677	$ 418,526

(13) Investment property, net

	December 31, 2019			
	Cost	Accumulated Depreciation	Accumulated Impairment	Net Book Value
	(In NT Thousand Dollars)			
Land and land improvements	$ 574,770	$ -	$ -	$ 574,770
Buildings and auxiliary equipment	21,540	(12,337)	-	9,203
	$ 596,310	($ 12,337)	$ -	$ 583,973

	December 31, 2019			
	Cost	Accumulated Depreciation	Accumulated Impairment	Net Book Value
	(In US Thousand Dollars)			
Land and land improvements	$ 19,167	$ -	$ -	$ 19,167
Buildings and auxiliary equipment	718	(411)	-	307
	$ 19,885	($ 411)	$ -	$ 19,474

	December 31, 2018			
	Cost	Accumulated Depreciation	Accumulated Impairment	Net Book Value
	(In NT Thousand Dollars)			
Land and land improvements	$ 574,770	$ -	$ -	$ 574,770
Buildings and auxiliary equipment	21,498	(11,977)	-	9,521
	$ 596,268	($ 11,977)	$ -	$ 584,291

A. The fair value of the investment property held by the Bank and subsidiaries as of December 31, 2019 and 2018 was NT$3,034,172 thousand and NT$2,980,724 thousand, respectively, according to the result of valuation by an independent valuation expert using the comparison method and land development analysis approach, which is considered to be Level 2 within the fair value hierarchy.

B. Rental income from the lease of the investment property for the years ended December 31, 2019 and 2018 was NT$13,977 thousand and NT$13,841 thousand, respectively; direct operating expenses incident to current rental income from investment property was NT$6,769 thousand and NT$6,916 thousand, respectively.

C. For the rental revenue from the lease of the investment property among related parties, please refer to Note 11(3).

D. None of the Bank's and its subsidiaries' investment property as at December 31, 2019 and 2018 have been pledged or provided as guarantees.

	2019		
	Land and land improvements	Buildings and auxiliary equipment	Total
	(In NT Thousand Dollars)		
Original cost			
Balance at January 1, 2019	$ 574,770	$ 21,498	$ 596,268
Exchange adjustments	-	42	42
Balance at December 31, 2019	574,770	21,540	596,310
Accumulated depreciation			
Balance at January 1, 2019	-	(11,977)	(11,977)
Depreciation for the year	-	(335)	(335)
Exchange adjustments	-	(25)	(25)
Balance at December 31, 2019	-	(12,337)	(12,337)
	$ 574,770	$ 9,203	$ 583,973

	2019		
	Land and land improvements	Buildings and auxiliary equipment	Total
		(In US Thousand Dollars)	
Original cost			
Balance at January 1, 2019	$ 19,167	$ 717	$ 19,884
Exchange adjustments	-	1	1
Balance at December 31, 2019	19,167	718	19,885
Accumulated depreciation			
Balance at January 1, 2019	-	(399)	(399)
Depreciation for the year	-	(11)	(11)
Exchange adjustments	-	(1)	(1)
Balance at December 31, 2019	-	(411)	(411)
	$ 19,167	$ 307	$ 19,474

	2018		
	Land and land improvements	Buildings and auxiliary equipment	Total
		(In NT Thousand Dollars)	
Original cost			
Balance at January 1, 2018	$ 574,770	$ 21,550	$ 596,320
Exchange adjustments	-	(52)	(52)
Balance at December 31, 2018	574,770	21,498	596,268
Accumulated depreciation			
Balance at January 1, 2018	-	(11,674)	(11,674)
Depreciation for the year	-	(332)	(332)
Exchange adjustments	-	29	29
Balance at December 31, 2018	-	(11,977)	(11,977)
	$ 574,770	$ 9,521	$ 584,291

(14) Other assets, net

	December 31, 2019		December 31, 2018
	NT$	US$	NT$
Refundable deposits	$ 4,520,516	$ 150,749	$ 1,327,168
Temporary payments	863,146	28,784	882,147
Computer software	502,082	16,743	382,964
Prepaid expenses	124,942	4,167	132,564
Others	159,972	5,335	96,855
Total	$ 6,170,658	$ 205,778	$ 2,821,698

(15) Deposits from the Central Bank and banks

	December 31, 2019		December 31, 2018
	NT$	US$	NT$
Call loans from the Central Bank and banks	$ 175,091,254	$ 5,838,905	$ 138,646,172
Deposits from the Central Bank	174,826,666	5,830,082	192,698,628
Deposits from banks	58,859,396	1,962,831	56,656,601
Overdrafts on banks	4,344,459	144,878	5,840,512
Deposits transferred from Chunghwa Post Co., Ltd.	71,410	2,381	820,113
Total	$ 413,193,185	$ 13,779,077	$ 394,662,026

(16) Due to the Central Bank and banks

	December 31, 2019		December 31, 2018
	NT$	US$	NT$
Due to the banks	$ 17,392,460	$ 580,000	$ 49,208,266
Collateral loans transferred to the Central Bank	3,768,861	125,683	4,712,615
Total	$ 21,161,321	$ 705,683	$ 53,920,881

(17) Financial liabilities at fair value through profit or loss

	December 31, 2019		December 31, 2018
	NT$	US$	NT$
Financial liabilities held for trading:			
Derivatives	$ 2,853,050	$ 95,143	$ 2,228,708
Financial liabilities designated as at fair value through profit or loss:			
Bank notes	17,362,339	578,996	24,488,891
Valuation adjustment	1,157,357	38,595	(24,612)
Subtotal	18,519,696	617,591	24,464,279
Total	$ 21,372,746	$ 712,734	$ 26,692,987

A. Gain (loss) on financial liabilities held for trading and gain (loss) on financial liabilities designated at fair value through profit or loss recognized for the years ended December 31, 2019 and 2018 are provided in Note 6(29).

B. Financial liabilities designated at fair value through profit or loss by the Bank is for the purpose of eliminating recognition inconsistency.

(18) Payables

	December 31, 2019		December 31, 2018
	NT$	US$	NT$
Accounts payable	$ 11,714,037	$ 390,637	$ 8,344,206
Dividends and bonus payable	5,679,263	189,391	5,679,263
Bankers' acceptances	5,670,515	189,099	7,648,114
Accrued expenses	5,158,690	172,031	5,212,220
Accrued interest	4,371,022	145,764	3,972,996
Collections payable for customers	1,177,884	39,280	1,530,511
Other payables	2,014,632	67,183	1,919,717
Total	$ 35,786,043	$ 1,193,385	$ 34,307,027

(19) Deposits and remittances

	December 31, 2019		December 31, 2018
	NT$	US$	NT$
Time deposits	$ 1,018,539,250	$ 33,966,027	$ 932,550,326
Demand deposits	656,968,394	21,908,440	626,125,615
Demand savings deposits	466,103,601	15,543,522	454,457,238
Time savings deposits	282,924,395	9,434,902	264,706,605
Checking deposits	26,496,329	883,594	28,545,558
Remittances	9,222,599	307,553	14,170,652
Negotiable certificates of deposit	859,500	28,663	2,023,000
Total	$ 2,461,114,068	$ 82,072,701	$ 2,322,578,994

(20) Bank notes payable

	December 31, 2019		December 31, 2018
	NT$	US$	NT$
Subordinated Bonds	$ 12,000,000	$ 400,173	$ 13,300,000

Bank notes were as follows:

Name of bond	Issuing period	Interest rate %	Total issued amount	December 31, 2019 NT$	December 31, 2019 US$	Remark
101-1 Development Bank Notes	2012.05.18-2019.05.18	1.48%	NT$ 1,300,000	$ -	$ -	Interest is paid annually. The principal is repaid at maturity.
103-1 Development Bank Notes	2014.03.28-2021.03.28	1.70%	4,900,000	4,900,000	163,404	Interest is paid annually. The principal is repaid at maturity.
103-2 Development Bank Notes	2014.06.24-2021.06.24	1.65%	7,100,000	7,100,000	236,769	Interest is paid annually. The principal is repaid at maturity.
Total				$ 12,000,000	$ 400,173	

Name of bond	Issuing period	Interest rate %	Total issued amount	December 31, 2019 US$	Remark
103-5 Bank Notes	2014.11.19-2034.11.19	0.00%	US$ 130,000	$ -	The principal is repaid at maturity.
103-7 Bank Notes	2014.11.19-2044.11.19	0.00%	75,000	-	The principal is repaid at maturity.
107-1 Bank Notes	2018.03.01-2048.03.01	0.00%	330,000	330,000	The principal is repaid at maturity.
107-2 Bank Notes	2018.05.17-2048.05.17	0.00%	164,000	164,000	The principal is repaid at maturity.
107-3 Bank Notes	2018.11.28-2048.11.28	0.00%	45,000	45,000	The principal is repaid at maturity.
Total				$ 539,000	

Name of bond	Issuing period	Interest rate %	Total issued amount	December 31, 2018 NT$	Remark
101-1 Development Bank Notes	2012.05.18-2019.05.18	1.48%	NT$ 1,300,000	$ 1,300,000	Interest is paid annually. The principal is repaid at maturity.
103-1 Development Bank Notes	2014.03.28-2021.03.28	1.70%	4,900,000	4,900,000	Interest is paid annually. The principal is repaid at maturity.
103-2 Development Bank Notes	2014.06.24-2021.06.24	1.65%	7,100,000	7,100,000	Interest is paid annually. The principal is repaid at maturity.
Total				$ 13,300,000	

Name of bond	Issuing period	Interest rate %	Total issued amount	December 31, 2018 US$	Remark
103-5 Bank Notes	2014.11.19-2034.11.19	0.00%	US$ 130,000	$ 130,000	The principal is repaid at maturity.
103-7 Bank Notes	2014.11.19-2044.11.19	0.00%	75,000	75,000	The principal is repaid at maturity.
107-1 Bank Notes	2018.03.01-2048.03.01	0.00%	330,000	330,000	The principal is repaid at maturity.
107-2 Bank Notes	2018.05.17-2048.05.17	0.00%	164,000	164,000	The principal is repaid at maturity.
107-3 Bank Notes	2018.11.28-2048.11.28	0.00%	45,000	45,000	The principal is repaid at maturity.
Total				$ 744,000	

As of December 31, 2019 and 2018, the outstanding balances of the above mentioned bank notes amounted to US$539 million and US$744 million, and NT$12.0 billion and NT$13.3 billion, respectively. In addition, among the above bank notes, the senior bank notes with face value of US$539 million and US$744 million were designated as financial liabilities at fair value through profit or loss and hedged by interest rate swap contracts. As such interest rate swap contracts were valued at fair value with changes in fair value recognized as profit or loss, the bank notes stated above were designated as financial liabilities at fair value through profit or loss in order to eliminate or significantly reduce recognition inconsistency.

(21) Provisions

	December 31, 2019 NT$	December 31, 2019 US$	December 31, 2018 NT$
Provisions for employee benefits	$ 13,233,516	$ 441,308	$ 12,072,670
Provisions for guarantee liabilities	2,956,406	98,590	3,248,056
Provisions for loan commitments	97,542	3,253	104,083
Provisions for others	1,879	63	-
Total	$ 16,289,343	$ 543,214	$ 15,424,809

Provisions for employee benefits are as follows:

	December 31, 2019 NT$	December 31, 2019 US$	December 31, 2018 NT$
Recognized in consolidated balance sheet:			
-Defined benefit plans	$ 8,501,937	$ 283,521	$ 7,757,638
-Employee preferential savings plans	4,731,579	157,787	4,315,032
Total	$ 13,233,516	$ 441,308	$ 12,072,670

A. Defined benefit plans

(A) The Bank has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Bank and subsidiaries contribute monthly an amount equal to 12.197% (the contribution percentage from January 2018 to May 2018 was 9.622%; the contribution percentage from June 2018 to May 2019 was 11.654%) of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Bank would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Bank will make contributions to cover the deficit by next March.

(B) The amounts recognized in the balance sheet are determined as follows:

	December 31, 2019 NT$	December 31, 2019 US$	December 31, 2018 NT$
Present value of funded obligations	$ 17,508,168	$ 583,859	$ 16,909,423
Fair value of plan assets	(9,006,231)	(300,338)	(9,151,785)
Net defined benefit liability	$ 8,501,937	$ 283,521	$ 7,757,638

(C) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
		(In NT Thousand Dollars)	
2019			
Balance at January 1	$ 16,909,423	($ 9,151,785)	$ 7,757,638
Current service cost	514,327	-	514,327
Interest expenses (income)	165,187	(90,683)	74,504
Past service cost	163,077	-	163,077
	17,752,014	(9,242,468)	8,509,546
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expenses)	-	(326,716)	(326,716)
Change in financial assumptions	722,064	-	722,064
Experience adjustments	489,696	-	489,696
	1,211,760	(326,716)	885,044
Pension fund contribution	-	(892,653)	(892,653)
Paid Pension	(1,455,606)	1,455,606	-
Balance at December 31	$ 17,508,168	($ 9,006,231)	$ 8,501,937

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
		(In US Thousand Dollars)	
2019			
Balance at January 1	$ 563,892	($ 305,192)	$ 258,700
Current service cost	17,152	-	17,152
Interest expenses (income)	5,508	(3,024)	2,484
Past service cost	5,438	-)	5,438
	591,990	(308,216)	283,774
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expenses)	-	(10,895)	(10,895)
Change in financial assumptions	24,079	-	24,079
Experience adjustments	16,331	-	16,331
	40,410	(10,895)	29,515
Pension fund contribution	-	(29,768)	(29,768)
Paid Pension	(48,541)	48,541	-
Balance at December 31	$ 583,859	($ 300,338)	$ 283,521

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
		(In NT Thousand Dollars)	
2018			
Balance at January 1	$ 16,470,771	($ 9,311,484)	$ 7,159,287
Current service cost	502,408	-	502,408
Interest expenses (income)	161,037	(92,031)	69,006
	17,134,216	(9,403,515)	7,730,701
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expenses)	-	(287,739)	(287,739)
Change in financial assumptions	326,372	-	326,372
Experience adjustments	718,457	-	718,457
	1,044,829	(287,739)	757,090
Pension fund contribution	-	(730,153)	(730,153)
Paid Pension	(1,269,622)	1,269,622	-
Balance at December 31	$ 16,909,423	($ 9,151,785)	$ 7,757,638

(D) The Bank of Taiwan was commissioned to manage the Fund of the Bank's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.), and the performance of fund utilization is supervised by the Labor Funds Supervisory Committee. With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Bank has no right to participate in managing and operating that fund and hence the Bank is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2019 and 2018 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

(E) The principal actuarial assumptions used were as follows:

	For the years ended December 31, 2019	2018
Discount rate	0.70%	1.00%
Rate of future salary increases	3.36%	3.21%

Assumptions regarding future mortality rate are set based on the 5th Chart of Life Span Estimate Used by the Taiwan Life Insurance Enterprises.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Rate of future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
	(In NT Thousand Dollars)			
December 31, 2019				
Effect on present value of defined benefit obligation	($ 409,789)	$ 425,041	$ 412,889	($ 400,380)

	Discount rate		Rate of future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
	(In US Thousand Dollars)			
December 31, 2019				
Effect on present value of defined benefit obligation	($ 13,666)	$ 14,174	$ 13,769	($ 13,352)

	Discount rate		Rate of future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
	(In NT Thousand Dollars)			
December 31, 2018				
Effect on present value of defined benefit obligation	($ 394,959)	$ 409,808	$ 399,886	($ 387,575)

The sensitivity analysis above is based on other conditions that are unchanged but only one assumption is changed. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

(F) Expected contributions to the defined benefit pension plans of the Bank for the year ending December 31, 2020 amounts to NT$498,000 thousand.

(G) As of December 31, 2019, the weighted average duration of that retirement plan is 9.1 years.

B. Defined contribution plans

(A) Effective July 1, 2005, the Bank has established a funded defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"). Employees have the option to be covered under the New Plan. Under the New Plan, the Bank contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The payment of pension benefits is based on the employees' individual pension fund accounts and the cumulative profit in such accounts, and the employees can choose to receive such pension benefits monthly or in lump sum.

(B) The pension costs under the defined contribution pension plan for the years ended December 31, 2019 and 2018 were NT$141,557 thousand and NT$113,583 thousand, respectively. For employees working overseas, pension expenses under defined contribution plans are recognized according to the respective local regulations. For the years ended December 31, 2019 and 2018, pension expenses were NT$47,453 thousand and NT$32,332 thousand, respectively.

C. The Bank's payment obligations of fixed-amount preferential savings of retired employees and current employees after retirement are in compliance with the internal "Rules Governing Pension Preferential Savings of Staff of Mega International Commercial Banks". The excessive interest arising from the interest rate upon retirement agreed with the employees in excess of general market interest rate should be accounted for in accordance with IAS 19, "Employee Benefits".

(A) Adjustment of assets and liabilities recognized in the consolidated balance sheets, present value of defined benefit obligation, and fair value of plan assets:

	December 31, 2019		December 31, 2018
	NT$	US$	NT$
Present value of defined benefit obligation	$ 4,731,579	$ 157,787	$ 4,315,032
Less: Fair value of plan assets	-	-	-
	$ 4,731,579	$ 157,787	$ 4,315,032

(B) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligation	Fair value of plan assets (In NT Thousand Dollars)	Net defined benefit liability
2019			
Balance at January 1	$ 4,315,032	$ -	$ 4,315,032
Interest expense	164,618	-	164,618
	4,479,650	-	4,479,650
Remeasurements:			
Change in demographic assumptions	545,544	-	545,544
Experience adjustments	574,868	-	574,868
	1,120,412	-	1,120,412
Pension fund contribution	-	(868,483)	(868,483)
Paid Pension	(868,483)	868,483	-
Balance at December 31	$ 4,731,579	$ -	$ 4,731,579

	Present value of defined benefit obligation	Fair value of plan assets (In US Thousand Dollars)	Net defined benefit liability
2019			
Balance at January 1	$ 143,896	$ -	$ 143,896
Interest expense	5,490	-	5,490
	149,386	-	149,386
Remeasurements:			
Change in demographic assumptions	18,193	-	18,193
Experience adjustments	19,170	-	19,170
	37,363	-	37,363
Pension fund contribution	-	(28,962)	(28,962)
Paid Pension	(28,962)	28,962	-
Balance at December 31	$ 157,787	$ -	$ 157,787

	Present value of defined benefit obligation	Fair value of plan assets (In NT Thousand Dollars)	Net defined benefit liability
2018			
Balance at January 1	$ 4,001,749	$ -	$ 4,001,749
Interest expense	152,747	-	152,747
	4,154,496	-	4,154,496
Remeasurements:			
Change in demographic assumptions	457,576	-	457,576
Experience adjustments	492,165	-	492,165
	949,741	-	949,741
Pension fund contribution	-	(789,205)	(789,205)
Paid Pension	(789,205)	789,205	-
Balance at December 31	$ 4,315,032	$ -	$ 4,315,032

(C) Actuarial assumptions are as follows:

	For the years ended December 31,	
	2019	2018
Discount rate for employee preferential interest savings	4.00%	4.00%
Return rate on capital deposited	2.00%	2.00%
Annual decreasing ratio for account balance	1.00%	1.00%
Probability of change in preferential savings system in the future	50.00%	50.00%

Because the main actuarial assumption changed, the present value of employee preferential interest savings obligation is affected. The analysis was as follows:

	Discount rate		Rate of deposit cost	
	Increase 0.25%	Decrease 0.25%	Increase 0.05%	Decrease 0.05%
	(In NT Thousand Dollars)			
December 31, 2019				
Effect on present value of defined benefit obligation	($ 94,797)	$ 98,340	($ 34,433)	$ 34,433

	Discount rate		Rate of deposit cost	
	Increase 0.25%	Decrease 0.25%	Increase 0.05%	Decrease 0.05%
	(In US Thousand Dollars)			
December 31, 2019				
Effect on present value of defined benefit obligation	($ 3,161)	$ 3,279	($ 1,148)	$ 1,148

	Discount rate		Rate of deposit cost	
	Increase 0.25%	Decrease 0.25%	Increase 0.05%	Decrease 0.05%
	(In NT Thousand Dollars)			
December 31, 2018				
Effect on present value of defined benefit obligation	($ 86,997)	$ 90,263	($ 31,099)	$ 31,099

(D) The Bank and subsidiaries recognized employee benefit expenses of NT$1,533,094 thousand and NT$1,326,021 thousand for the years ended December 31, 2019 and 2018, respectively.

D. Please refer to Note 8(3) for the movement information on provisions for loan commitments and guarantee liabilities for the years ended December 31, 2019 and 2018.

E. Information relating to credit risk of provisions for loan commitments and guarantee liabilities is provided in Note 8(3).

(22) Other financial liabilities

	December 31, 2019		December 31, 2018
	NT$	US$	NT$
Cumulative earnings on appropriated loan fund	$ 620,221	$ 20,683	$ 898,051
Principal received on structured notes	9,646,310	321,683	9,631,351
Total	$ 10,266,531	$ 342,366	$ 10,529,402

(23) Other liabilities

	December 31, 2019		December 31, 2018
	NT$	US$	NT$
Guarantee deposits received	$ 3,192,529	$ 106,464	$ 3,034,397
Temporary credits	2,007,525	66,946	852,134
Advance receipt	1,451,333	48,399	1,566,385
Other liabilities to be settled	425,622	14,194	426,053
Others	188,182	6,275	246,182
Total	$ 7,265,191	$ 242,278	$ 6,125,151

(24) Equity

A. Common stock

As of December 31, 2019 and 2018, the Bank's authorized and paid-in capital was NT$85,362,336 thousand and outstanding shares were 8,536,234 thousand, with a par value of NT$10 per share.

B. Capital reserve

(A) Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Bank has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(B) On December 31, 2019 and 2018, the details of the Bank's capital surplus are as follows:

	December 31, 2019		December 31, 2018
	NT$	US$	NT$
Additional paid-in capital	$ 31,495,952	$ 1,050,320	$ 31,495,952
Consolidation surplus arising from share conversion	30,109,277	1,004,078	30,109,277
Changes in additional paid-in capital of investees accounted for using equity method	375,908	12,536	375,908
Share-based payment (Note)	238,403	7,950	238,403
Total	$ 62,219,540	$ 2,074,884	$ 62,219,540

Note: above-mentioned share-based payment includes the subsidiaries.

C. Legal reserve and Special reserve

(A) Legal reserve

Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Bank's paid-in capital. As of December 31, 2019 and 2018, the Bank's legal reserves are NT$93,399,533 thousand and NT$86,147,870 thousand, respectively.

(B) Special reserve

In accordance with Financial-Supervisory-Securities-Corporate No. 1010012865 of the FSC dated on April 6, 2012, upon the first-time adoption for IFRSs, equivalent amounts of special reserve with regard to the unrealized revaluation increment under the stockholders' equity and cumulative translation adjustment (gains) transferred to retained earnings should be set aside. For the said special reserve, reversal of distributed earnings shall be based on the proportion of the original ratio of special reserve provision in the subsequent use, disposal or reclassification for the related assets. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land. If the assets are investment property other than land, the amounts are reversed over the use period and should be reversed by amortized balance upon disposal. Amount to NT$6,389 thousand previously set aside by the Bank as special reserve in accordance with Financial-Supervisory-Securities-Corporate No. 1010012865 are reversed proportionally due to disposal of investments measured by equity method- Cathy Investment & Development Corporation (Bahamas) for the year ended 2019. As of December 31, 2019 and 2018, the special reserve of the Bank were NT$4,289,719 thousand and NT$4,535,074 thousand, respectively.

In accordance with the regulations, the Bank shall set aside an equivalent amount of special reserve from earnings after tax of the current year and the undistributed earnings of the prior period based on the net decreased amount of other stockholders' equity in the current period before distributing earnings. If there is any reversal of decrease in other stockholders' equity, the earnings may be distributed based on the reversal proportion.

In accordance with Financial-Supervisory-Banks Letter No. 10510001510, as a response to the development of financial technology, and to ensure the rights of bank practitioners, the Bank shall, upon appropriating the earnings of 2016 to 2018, provision 0.5% to 1% of income after taxes as special reserve. Starting from the 2017 accounting year, public banks may reverse an amount of the aforementioned special reserve commensurate to employee termination or arrangement expenditures resulting from the development of financial technology.

(25) Retained earnings and dividend policies

A. The current year's earnings, if any, shall first be used to pay all taxes and offset prior year's operating loss, and the remaining amount should then be set aside as legal reserve and special reserve in accordance with provisions under the applicable laws and regulations. The remaining earnings plus prior year's accumulated unappropriated earnings are subject to the Board of Directors' proposal for a distribution plan and approval by the stockholders at the Ordinary Stockholders' Meeting.

B. The legal reserve is to be used exclusively to offset any deficit or to increase capital by issuing new shares or distribute cash dividends according to original shareholders in proportion to the number of shares being held by each of them and is not to be used for any other purposes. For the legal reserve to be used for issuing new shares or distributing cash dividends, only the portion of the legal reserve exceeding 25% of paid-in capital may be capitalized or released.

C. The appropriations and distributions for 2018 and 2017 approved by the Bank's Board of Directors on the stockholders' behalf on May 10, 2019 and May 11, 2018, respectively, were as follows:

	For the years ended December 31,			
	2018		2017	
	NT$		NT$	
Legal reserve	$	7,251,663	$	6,457,023
Special reserve (Note)		155,416		535,745
Cash dividends (NT$1.96 and NT$1.50 dollar per share)		16,731,018		12,804,350
	$	24,138,097	$	19,797,118

Note: The special reserves were reversed amounting to NT$394,382 thousand and NT$726 thousand for the years ended December 31, 2018 and 2017, respectively.

Information on the appropriation of the Bank's earnings as approved by the Board of Directors and during the shareholders' meeting is posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

D. The appropriation of 2019 earnings resolved by the Board of Directors on March 13, 2020 is set forth below:

	For the year ended December 31, 2019			
	NT$		US$	
Legal reserve	$	7,393,463	$	246,556
Special reserve (Note)		34,209		1,141
Cash dividends (NT$1.92 dollar per share)		16,389,569		546,556
	$	23,817,241	$	794,253

Note: The special reserve was reversed amounting to NT$89,350 thousand for the years ended December 31, 2019.

E. For information related to employees' compensation, please refer to Note 6(33).

(26) Other equity

	Exchange differences on translation of foreign financial statements	Gain (loss) on financial assets at fair value through other comprehensive income	Other equity-other	Total
	(In NT Thousand Dollars)			
January 1, 2019	($ 1,608,022)	$ 6,921,933	($ 51,668)	$ 5,262,243
Financial assets at fair value through other comprehensive income				
Evaluation adjustment for the year	-	3,984,229	-	3,984,229
Changed in accumulated impairments in the period	-	30,733	-	30,733
Realized gain and loss in the period	-	(1,484,922)	-	(1,484,922)
Translation gain and loss on the financial statements of foreign operating entities in the period	(771,311)	-	-	(771,311)
Share of other comprehensive income of associates and joint ventures accounted for using equity method	(3,304)	2,324	23,742	22,762
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	(15,284)	-	(15,284)
December 31, 2019	($ 2,382,637)	$ 9,439,013	($ 27,926)	$ 7,028,450

	Exchange differences on translation of foreign financial statements	Gain (loss) on financial assets at fair value through other comprehensive income	Other equity-other	Total
	(In US Thousand Dollars)			
January 1, 2019	($ 53,624)	$ 230,831	($ 1,723)	$ 175,484
Financial assets at fair value through other comprehensive income				
Evaluation adjustment for the year	-	132,865	-	132,865
Changed in accumulated impairments in the period	-	1,025	-	1,025
Realized gain and loss in the period	-	(49,518)	-	(49,518)
Translation gain and loss on the financial statements of foreign operating entities in the period	(25,722)	-	-	(25,722)
Share of other comprehensive income of associates and joint ventures accounted for using equity method	(110)	77	792	759
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	(510)	-	(510)
December 31, 2019	($ 79,456)	$ 314,770	($ 931)	$ 234,383

	Exchange differences on translation of foreign financial statements	Gain (loss) on financial assets at fair value through other comprehensive income	Other equity-other	Total
	(In NT Thousand Dollars)			
January 1, 2018	($ 2,713,370)	$ 6,771,816	($ 32,579)	$ 4,025,867
Financial assets at fair value through other comprehensive income				
Evaluation adjustment for the year	-	284,791	-	284,791
Changed in accumulated impairments in the period	-	(27,161)	-	(27,161)
Realized gain and loss in the period	-	(117,699)	-	(117,699)
Translation gain and loss on the financial statements of foreign operating entities in the period	1,100,821	-	-	1,100,821
Share of other comprehensive income of associates and joint ventures accounted for using equity method	4,527	(21,623)	(19,089)	(36,185)
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	31,809	-	31,809
December 31, 2018	($ 1,608,022)	$ 6,921,933	($ 51,668)	$ 5,262,243

(27) Net interest revenue (expense)

	For the years ended December 31, 2019 NT$	2019 US$	2018 NT$
Interest income			
Interest income, discounts and loans	$ 45,564,938	$ 1,519,490	$ 44,424,272
Interest income, due from banks	13,200,824	440,218	12,019,172
Interest income, securities investment	8,668,085	289,061	7,531,159
Interest income, accounts receivable factoring	484,244	16,149	515,643
Interest income, credit card recurrence	172,644	5,757	176,345
Interest income, others	405,621	13,527	294,695
Subtotal	68,496,356	2,284,202	64,961,286
Interest expenses			
Interest expenses, deposit	(25,227,988)	(841,298)	(20,680,781)
Interest expenses, deposits from the Central Bank and banks	(7,940,539)	(264,799)	(6,796,259)
Interest expenses, repurchase	(865,071)	(28,848)	(428,782)
Interest expenses, bond and bill	(207,772)	(6,929)	(356,920)
Interest expenses, others	(216,752)	(7,228)	(160,157)
Subtotal	(34,458,122)	(1,149,102)	(28,422,899)
Total	$ 34,038,234	$ 1,135,100	$ 36,538,387

(28) Net service fee revenue (charge)

	For the years ended December 31, 2019 NT$	2019 US$	2018 NT$
Service fee			
Service fee, trust	$ 1,558,730	$ 51,980	$ 1,676,048
Service fee, agency	1,328,758	44,311	1,015,793
Service fee, loan	1,273,493	42,468	1,582,271
Service fee, guarantee	881,384	29,392	817,710
Service fee, remittances	745,611	24,864	805,831
Service fee, credit cards	605,044	20,177	608,542
Service fee, import and export	486,669	16,229	519,497
Service fee, others (Note)	1,005,667	33,537	1,053,939
Subtotal	7,885,356	262,958	8,079,631
Service charges			
Service charge, agency	(901,989)	(30,079)	(924,827)
Service charge, custodian	(64,756)	(2,159)	(57,070)
Service charge, others	(328,442)	(10,953)	(167,637)
Subtotal	(1,295,187)	(43,191)	(1,149,534)
Total	$ 6,590,169	$ 219,767	$ 6,930,097

The Bank and subsidiaries provide custody, trust, and investment management and consultation service to the third party, and therefore the Bank and subsidiaries are involved with the exercise of planning, managing and trading decision of financial instruments. In relation to the management and exercise of trust fund and portfolio for brokerage, the Bank and subsidiaries record and prepare the financial statements independently for internal management purposes, which are not included in the financial statements of the Bank and subsidiaries.

Note:

A. As of December 31, 2019 and 2018, the fee income generated by the Bank and subsidiaries concurrently in electronic payment business were amounted to NT$9,802 thousand and NT$4,287 thousand, respectively.

B. Due to the Bank and subsidiaries concurrently in electronic payment business, as of December 31, 2019 and 2018, the interest earned from utilizing funds received from users amounted to NT$54 and NT$89, respectively, based on the calculation required in Article 4 of “Regulations Governing the Organization and Administration of Sinking Fund Established by Electronic Payment Institutions”.

(Blank below)

(29) Gain (Loss) on financial assets or liabilities measured at fair value through profit or loss

	For the year ended December 31,		
	2019		2018
	NT$	US$	NT$
Gains (losses) on disposal of financial assets or liabilities measured at fair value through profit or loss			
Bond	$ 22,517	$ 751	$ 28,452
Stock	(564,874)	(18,837)	(793,107)
Interest rate	654,027	21,810	(2,061)
Exchange rate	4,923,306	164,181	3,996,763
Options	43,427	1,448	37,657
Futures	(1,842)	(61)	(1,718)
Asset swap contracts	337,979	11,271	221,245
Credit default swap	199,113	6,640	162,012
Fund	3,863	129	54
Currency swap	62,630	2,089	-
Others	6,010	200	(2,746)
Subtotal	5,686,156	189,621	3,646,551
Revaluation gains (losses) on financial assets or liabilities measured at fair value through profit or loss			
Bond	1,046,621	34,902	(585,924)
Stock	2,405,452	80,216	(107,644)
Interest rate	207,077	6,905	477,956
Exchange rate	294,448	9,819	276,363
Options	(13,772)	(459)	(3,141)
Asset swap contracts	(1,463,735)	(48,812)	410,918
Credit default swap	33,399	1,114	(107,443)
Currency swap	291,568	9,723	-
Fund	1,856	62	2,440
Others	(5,318)	(177)	5,046
Subtotal	2,797,596	93,293	368,571
Dividend income from financial assets measured at fair value through profit or loss	677,864	22,605	630,905
Interest income from financial assets measured at fair value through profit or loss	935,083	31,183	853,978
Interest expenses from financial liabilities measured at fair value through profit or loss	(1,002,324)	(33,425)	(778,186)
Total	$ 9,094,375	$ 303,277	$ 4,721,819

Net income on the exchange rate instrument includes realized and unrealized gains and losses on forward exchange agreement, FX options, and exchange rate futures.

Interest-linked instruments include interest rate swap contracts, money market instruments, interest linked-options and other interest related instruments.

(30) Realized gains on financial assets at fair value through other comprehensive income

	For the years ended December 31,		
	2019		2018
	NT$	US$	NT$
Dividend income	$ 623,387	$ 20,789	$ 665,406
Gains on disposal			
Bond	1,639,037	54,658	289,909
Total	$ 2,262,424	$ 75,447	$ 955,315

(31) (Impairment losses on assets) reversal of impairment losses on assets

	For the years ended December 31,		
	2019		2018
	NT$	US$	NT$
(Impairment losses) reversal of impairment losses on investment in debt instruments measured at fair value through other comprehensive income	($ 30,733)	($ 1,025)	$ 27,161
(Impairment losses) reversal of impairment losses on investments in debt instruments measured at amortised cost	(9,391)	(313)	392
(Impairment losses) reversal on impairment losses on property and equipment	(42,383)	(1,413)	55,335
Total	($ 82,507)	($ 2,751)	$ 82,888

(32) Net other revenue other than interest income

	For the years ended December 31		
	2019		2018
	NT$	US$	NT$
Net income from rent	$ 173,286	$ 5,779	$ 180,497
Net gain (loss) on sale of non-performing loans	70,942	2,366	-
Gain on disposal of property and equipment	611	20	1,498
Loss on retirement of assets	(657)	(22)	(3,965)
Other revenue	412,501	13,756	174,392
Total	$ 656,683	$ 21,899	$ 352,422

(33) Employee benefits expenses

	For the years ended December 31,		
	2019		2018
	NT$	US$	NT$
Payroll expenses	$ 11,607,567	$ 387,087	$ 11,000,945
Preferential interest deposit for retired employees	1,533,094	51,125	1,326,021
Pension	940,918	31,377	717,329
Staff insurance	761,035	25,379	690,784
Other staff expenses	1,166,730	38,908	1,028,258
Total	$ 16,009,344	$ 533,876	$ 14,763,337

A. Please refer to Note 1(5) for information on number of employee, the calculating basis was in agreement with employee benefit expense excluding preferential interest deposit for retired employees.

B. The Board of Directors of the Bank has approved the amended Articles of Incorporation of the Bank on October 20, 2017. According to the amended articles, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation. In case there are earnings at the end of each fiscal year, the employees' compensation of the Bank shall be 2~6% of the amount of net profit before income tax and employees' compensation, under the Board's discretion after taking into account the performance indicators and industry benchmark.

C. For the years ended December 31, 2019 and 2018, employees' compensation was accrued at NT$1,489,561 thousand and NT$1,401,947 thousand, respectively. The above-mentioned amounts were recognized in salary expenses.

D. The actual distributed amount of employees' compensation for 2018 resolved at the Board of Directors' annual meeting were NT$1,401,947 thousand, which is in agreement with those amounts recognised in the 2018 financial statements.

E. Information about employees' compensation of the Bank as resolved by the Board of Directors and the shareholders at the shareholders' meeting will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(34) Depreciation and amortization expenses

	For the year ended December 31,		
	2019		2018
	NT$	US$	NT$
Depreciation expense	$ 1,296,427	$ 43,233	$ 621,657
Amortization expense	5,559	185	5,597
Total	$ 1,301,986	$ 43,418	$ 627,254

(35) Other general and administrative expenses

	For the year ended December 31,		
	2019		2018
	NT$	US$	NT$
Professional expenses	$ 2,846,546	$ 94,926	$ 1,973,838
Taxes	1,981,063	66,064	2,035,974
Computer software maintenance fees	700,561	23,362	558,054
Insurance charges	453,758	15,132	446,996
Business development	298,123	9,942	291,929
Postage	270,301	9,014	249,523
Shipping expenses	234,797	7,830	227,763
Advertising and printing cost	208,083	6,939	208,757
Water and electricity	135,161	4,507	132,456
Traveling expenses	118,211	3,942	118,968
Employee training expenses	89,184	2,974	141,877
Donation expenses	82,505	2,752	162,760
Rental	13,554	452	703,652
Others	1,008,434	33,629	1,006,139
Total	$ 8,440,281	$ 281,465	$ 8,258,686

(36) Income tax expense

A. Income tax expense

(A) Components of income tax expenses:

	For the year ended December 31, 2019		2018
	NT$	US$	NT$
Current income tax:			
Income tax from current income	$ 2,844,111	$ 94,845	$ 3,759,561
Tax on undistributed surplus earnings	19,623	654	31,652
Prior year income tax over estimate	(29,603)	(987)	(654,882)
Total current income tax	2,834,131	94,512	3,136,331
Deferred income tax:			
Impact of change in tax rate	-	-	(536,701)
Origination and reversal of temporary differences	901,573	30,066	(52,891)
Total deferred tax	901,573	30,066	(589,592)
Income tax expense	$ 3,735,704	$ 124,578	$ 2,546,739

(B) The income tax relating to components of other comprehensive income is as follows:

	For the year ended December 31, 2019		2018
	NT$	US$	NT$
Changes in fair value of financial assets at fair value through other comprehensive income	($ 15,284)	($ 510)	$ 31,809
Remeasurement on defined benefit plan	177,009	5,903	325,670
	$ 161,725	$ 5,393	$ 357,479

B. Reconciliation between income tax expense and accounting profit:

	For the year ended December 31, 2019		2018
	NT$	US$	NT$
Income tax calculated based on pre-tax income using statutory tax rate enacted in the country where the branch operates	$ 6,211,539	$ 207,141	$ 5,406,624
Effects of items not recognized under relevant regulations	4,736	158	3,049
Additional 5% tax payment levied on undistributed earnings	19,623	654	31,652
Effect of income basic tax	221,107	7,374	-
Prior year income tax over estimate	(29,603)	(987)	(654,882)
Adjusted effects on income tax exemption and other adjustments	(2,691,698)	(89,762)	(2,239,704)
Income tax expenses	$ 3,735,704	$ 124,578	$ 2,546,739

C. Deferred tax assets or liabilities arising from the temporary differences are as follows:

	2019 (In NT Thousand Dollars)			
Temporary differences:	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred income tax assets				
Allowance for doubtful accounts in excess of limit	$ 3,359,973	($ 1,066,120)	$ -	$ 2,293,853
Reserve of guarantees in excess of limit	234,820	-	-	234,820
Employee benefit liabilities reserve	1,704,369	(203,961)	177,009	1,677,417
Unrealized impairment loss	859,376	8,477	-	867,853
Others	585,592	(237,248)	(15,284)	333,060
	$ 6,744,130	($ 1,498,852)	$ 161,725	$ 5,407,003
Deferred income tax liabilities				
Land value increment tax	($ 1,053,300)	$ -	$ -	($ 1,053,300)
Unrealized exchange gains	(540,181)	(74,037)	-	(614,218)
Investment income accounted for using equity method	(766,056)	(61,813)	-	(827,869)
Others	(77,056)	(255,835)	-	(332,891)
	($ 2,436,593)	($ 391,685)	$ -	($ 2,828,278)

Temporary differences:	2019 (In US Thousand Dollars) January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred income tax assets				
Allowance for doubtful accounts in excess of limit	$ 112,048	($ 35,553)	$ -	$ 76,495
Reserve of guarantees in excess of limit	7,831	-	-	7,831
Employee benefit liabilities reserve	56,837	(6,802)	5,903	55,938
Unrealized impairment loss	28,658	283	-	28,941
Others	19,528	(7,911)	(510)	11,107
	$ 224,902	($ 49,983)	$ 5,393	$ 180,312
Deferred income tax liabilities				
Land value increment tax	($ 35,125)	$ -	$ -	($ 35,125)
Unrealized exchange gains	(18,014)	(2,469)	-	(20,483)
Investment income accounted for using equity method	(25,546)	(2,061)	-	(27,607)
Others	(2,570)	(8,532)	-	(11,102)
	($ 81,255)	($ 13,062)	$ -	($ 94,317)

Temporary differences:	2018 (In NT Thousand Dollars) January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred income tax assets				
Allowance for doubtful accounts in excess of limit	$ 2,874,343	$ 485,630	$ -	$ 3,359,973
Reserve of guarantees in excess of limit	199,597	35,223	-	234,820
Employee benefit liabilities reserve	1,494,236	(115,537)	325,670	1,704,369
Unrealized impairment loss	712,839	146,537	-	859,376
Others	282,336	271,447	31,809	585,592
	$ 5,563,351	$ 823,300	$ 357,479	$ 6,744,130
Deferred income tax liabilities				
Land value increment tax	($ 1,053,300)	$ -	$ -	($ 1,053,300)
Unrealized exchange gains	(437,870)	(102,311)	-	(540,181)
Investment income accounted for using equity method	(601,117)	(164,939)	-	(766,056)
Others	(110,598)	33,542	-	(77,056)
	($ 2,202,885)	($ 233,708)	$ -	($ 2,436,593)

D. As of December 31, 2014, the income tax return of the Bank and its subsidiaries has been approved by National Taxation Bureau of Taipei. However, the Bank and its subsidiaries disagreed with the results of the 2014 income tax return. As a result, the parent company, Mega Financial Holding Co., Ltd, had appealed for a review.

E. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China in February 7, 2018, the Bank's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Bank has assessed the impact of the change in income tax rate.

(37) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to ordinary shareholders of the parent by the weighted-average number of ordinary shares in issue during the period.

	For the years ended December 31, 2019 NT$	2019 US$	2018 NT$
Weighted-average number of shares outstanding common stock (Unit: Thousand)	8,536,234		8,536,234
Profit attributable to ordinary shareholders of the Bank and subsidiaries	$ 24,644,876	$ 821,852	$ 24,172,212
Basic earnings per share (in dollars)	$ 2.89	$ 0.10	$ 2.83

(38) Change in liabilities from financing activities

	Bank notes payable NT$	Bank notes payable US$
January 1, 2019	$ 13,300,000	$ 443,525
Repayment of bank notes payable	(1,300,000)	(43,352)
December 31, 2019	$ 12,000,000	$ 400,173
January 1, 2018	$ 25,900,000	
Repayment of bank notes payable	(12,600,000)	
December 31, 2018	$ 13,300,000	

7. FAIR VALUE INFORMATION OF FINANCIAL INSTRUMENTS

(1) Overview

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial instruments are recorded at fair value upon their initial recognition, where often fair value refers to the transaction price; for subsequent measurements, other than a portion of financial instruments being measured at amortized cost, fair value is elected for measurements. The best evidence for fair value is a public quote in an active market. If the market of a financial instrument is not active, the Bank elects valuation techniques or references Bloomberg or the quotes of counterparties to measure the fair value of the financial instrument. In addition, through the valuation process, information on the counterparty's and the Bank's credit risk is also considered.

(2) Fair value information of financial instruments

Except for those listed in the table below, the carrying amount of some of certain financial instruments held by the Bank and subsidiaries (e.g. cash and cash equivalents, due from the Central Bank and call loans to banks, securities purchased under resell agreements, receivables, discounts and loans, investments in debt instruments at amortised cost-Central Bank's certificates of deposit and short-term notes and bills , deposits from the Central Bank and banks, due to the Central Bank and banks, securities sold under repurchase agreements, payables, deposits and remittances, bank notes payable and other financial liabilities) are approximate to their fair value (please refer to Note 7 (5)). The fair value information of financial instruments measured at fair value is provided in Note 7(6).

	NT$	
	Book Value	Fair Value
December 31, 2019		
Investments in debt instruments at amortised cost	$ 30,616,578	$ 30,782,766

	US$	
	Book Value	Fair Value
December 31, 2019		
Investments in debt instruments at amortised cost	$ 1,020,995	$ 1,026,537

	NT$	
	Book Value	Fair Value
December 31, 2018		
Investments in debt instruments at amortised cost	$ 20,647,674	$ 20,624,888

The fair values of the above-mentioned investments in debt instruments at amortised cost are classified as Level 1 and Level 2.

(3) Financial instruments measured at fair value

If the market quotation from the Taiwan Stock Exchange Corporation, brokers, underwriters, Industrial Trade Unions, pricing service agencies or competent authorities can be frequently obtained on time, and the price represents the actual and frequent transactions at arm's length, then a financial instrument is deemed to have an active market. If the above condition cannot be met, the market is deemed inactive. In general, significant price variance between the purchase price and selling price, significantly increasing price variance or extremely low trading volume are all indicators of an inactive market.

If the quoted market price of a financial instrument is available in an active market, the quoted price is the fair value, usually the fair value is measured using the market price, interest rate, foreign exchange central parity rate shown in Reuters quotation system, partially using the quoted prices from Bloomberg, OTC, and the basis for valuation is maintained consistently. If there is no quoted market price for reference, a valuation technique or quoted price offer by the counterparties will be adopted to measure the fair value. Fair value measured by a valuation technique is usually estimated by reference to the fair values of other financial instruments with similar terms and characteristics, or by using cash flows discounting method, or using model calculation based on the market information (such as yield rate curves from OTC, average interest rate of TAIBOR from Reuters) available on the balance sheet date.

When assessing non-standardized financial instruments with lower complexity, derivatives such as interest rate swap contracts, foreign exchange swap contracts, options, the Bank and subsidiaries use valuation techniques and models which are extensively used by the market to estimate their fair value. The parameters used in the valuation model for these kinds of financial instruments usually use the observable information as the input.

For more complicated financial instruments, such as debt instruments with embedded derivatives or securitization products, the Bank and subsidiaries develop its own valuation models to estimate fair value by reference to the valuation techniques and methods which are extensively used by the same trade. Parts of parameters used in these valuation models are not observable from the market; they must be estimated by using some assumptions.

A. NTD Central Government Bond: the yield rates across different contract length and one-hundred price bulletined by Over-The-Counter (hereinafter OTC) are used.

B. NTD corporate bonds, financial debentures, government bonds, bond-type beneficiary securities and designated financial debentures issued by the Bank and subsidiaries: the present value of future estimated cash flows is calculated by using the yield rate curve.

C. NTD short-term bills and NTD bill-type beneficiary securities: the present value of future estimated cash flows of NTD and USD short-term bills is calculated by using average interest rate of TAIBOR and TAIFX3 central parity rate from Reuters, respectively.

D. Foreign securities: quoted prices from Bloomberg are adopted.

E. Listed stock and emerging stock in active market：The closing price being listed in TSE or OTC is adopted.

F. Emerging stock not in active markets: The Bank shall first adopt the 30 days average price or representative trading in the recent half year in accordance with the classifications of transaction volume, amount and turnover rates during the month. The trading price might be the best estimate of stocks' fair value; secondly adopt the 30 days average price, net of the discount on liquidity as stocks' fair value, of which the discount on liquidly is calculated based on the market liquidity condition under a 30 days average price basis.

G. Unlisted stock: The sale price in the most recent year or rights offering price is adopted as stock's fair value if they were available for the objective company's stocks and its stock price or operation and industry has no significant change; the average price is adopted for more than one sale price or rights offering price available; otherwise, the fair value is estimated through the market approach or net asset approach under the consideration of life cycle, profitability and asset and liability structure of the objective company. The fair value of stock is measured at equity value that has taken into consideration the discount on liquidity and materialisation adjustments if the market approach is adopted by the objective company or the fair value is equivalent to the book value if the objective company adopted the net asset approach.

H. Funds：net assets value is adopted.

I. Derivatives:

(A) Foreign exchange forward contract, currency swaps, forward rate agreement, interest rate swaps and cross currency swaps: the discounting future cash flow is adopted.

(B) Options: Black-Scholes model is mainly adopted for valuation.

(C) Some structured derivatives are valued by using Bloomberg.

(D) Some foreign-currency derivatives are valued by using the quoted prices from Bloomberg.

(4) Credit risk value adjustment

A. Credit risk value adjustments can be primarily classified as either credit value adjustments or debit value adjustments. The definitions are as follows:

(A) Credit value adjustments refer to adjustments through fair value, which reflect the possibility that a counterparty may default on repayments and that an entity may not be able to recover, in full, the market value, for transactions in non-centralized markets (i.e. valuation adjustments on derivative contracts traded over-the-counter).

(B) Debit value adjustments refer to adjustments through fair value, which reflect the possibility that the Bank may default on repayments and that the Bank may not be able to pay, in full, the market value, for transactions in non-centralized markets (i.e. valuation adjustments on derivative contracts traded over-the-counter).

B. The Bank and subsidiaries has incorporated credit risk value adjustments in the considerations for calculating the fair value of financial instruments in order to respectively reflect the counterparty's credit risk and the Bank's and its subsidiaries' credit quality.

(5) Financial instruments not measured at fair value through profit or loss

A. In relation to cash and cash equivalents, securities purchased under resell agreements, due from the Central Bank and call loans to banks, receivables, refundable deposits, deposits from the Central Bank and banks, due to the Central Bank and banks, securities sold under repurchase agreements, payables and guarantee deposits received, the book value of the financial instruments which have a short maturity period will be considered as their fair value. While the maturities are quite closed or the future payment or receipt is closed to the carrying amount, the carrying amount at the consolidated balance sheet date is used to estimate the fair value.

B. Interest rates of the Bank and subsidiaries' discounts and loans (including non-performing loans) are generally based on the benchmark interest rate plus or minus certain adjustment to reflect the market interest rate. Thus, their fair values are based on the book value after adjustments of estimated recoverability. Fair values for long-term loans with fixed interest rates shall be estimated using their discounted values of expected future cash flows. However, as such loans account for only a small portion of all loans, book value was used to estimate the fair value.

C. When there is a quoted market price available in an active market, the fair value of financial assets measured at amortised cost is determined using the market price. If there is no quoted market price for reference, a valuation technique or quoted price offer by the counterparties will be adopted to measure the fair value.

D. The fair value of deposits and remittances are represented by the book value.

E. The coupon rate of bank notes payable issued by the Bank and subsidiaries is equivalent to market interest rate; therefore, fair value estimated based on the present value of future cash flows is equivalent to book value.

F. For other financial assets, such as investments in debt instruments without active market, as they have no quoted price in active market and their valuation results by using different valuation methods are significantly different, their fair value cannot be measured reliably and is not disclosed here.

(6) Level information of financial instrument at fair value

A. Three definitions of the Bank and subsidiaries' financial instruments at fair value

(A) Level 1

Level 1 is quoted prices (unadjusted) in active markets for identical assets or liabilities. An active market refers to a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Bank and subsidiaries' investment in listed stock, beneficiary certificates, popular Taiwan government bonds and the derivatives with a quoted price in an active market are deemed as Level 1.

(B) Level 2

Level 2 inputs are observable prices other than quoted prices included in Level 1, including observable direct (e.g. prices) or indirect (e.g. those inferred prom prices) inputs in an active market. The Bank and subsidiaries' investments in non-popular government bonds, corporate bonds, bank debentures, convertible bonds, derivatives and corporate bonds issued by the Bank and subsidiaries belong to this category.

(C) Level 3

Level 3 inputs are inputs for assets or liabilities that are unobservable in the market (unobservable inputs, e.g. option pricing model using history volatility rate, because history volatility rate cannot represent the expectation value of market participants for future volatility rate).

B. Information of fair value hierarchy of financial instruments

(In NT Thousand Dollars)

Recurring fair value measurements	December 31, 2019 Total	Level 1	Level 2	Level 3
Non-derivatives				
Assets				
Financial assets at fair value through profit or loss				
Investment in stock	$ 19,818,275	$ 10,994,354	$ 3,907,115	$ 4,916,806
Investment in bonds	39,156,408	1,925,183	37,231,225	-
Beneficiary certificates	176,126	176,126	-	-
Financial assets at fair value through other comprehensive income				
Investment in stock	14,342,095	2,526,860	4,804,514	7,010,721
Investment in bonds	361,635,641	29,767,247	331,868,394	-
Bank's certificates of deposit and treasury securities	11,193,375	-	11,193,375	-
Other securities	307,500	307,500	-	-
Liabilities				
Financial liabilities at fair value through profit or loss	(18,519,696)	-	(18,519,696)	-
Derivatives				
Assets				
Financial assets mandatorily measured at fair value through profit or loss	4,754,538	-	4,754,538	-
Liabilities				
Financial liabilities held for trading	(2,853,050)	-	(2,853,050)	-
Total	$ 430,011,212	$ 45,697,270	$ 372,386,415	$ 11,927,527

(In US Thousand Dollars)

Recurring fair value measurements	December 31, 2019 Total	Level 1	Level 2	Level 3
Non-derivatives				
Assets				
Financial assets at fair value through profit or loss				
Investment in stock	$ 660,896	$ 366,637	$ 130,294	$ 163,965
Investment in bonds	1,305,780	64,201	1,241,579	-
Beneficiary certificates	5,873	5,873	-	-
Financial assets at fair value through other comprehensive income				
Investment in stock	478,277	84,265	160,220	233,792
Investment in bonds	12,059,747	992,672	11,067,075	-
Bank's certificates of deposit and treasury securities	373,274	-	373,274	-
Other securities	10,255	10,255	-	-
Liabilities				
Financial liabilities at fair value through profit or loss	(617,591)	-	(617,591)	-
Derivatives				
Assets				
Financial assets mandatorily measured at fair value through profit or loss	158,553	-	158,553	-
Liabilities				
Financial liabilities held for trading	(95,143)	-	(95,143)	-
Total	$ 14,339,921	$ 1,523,903	$ 12,418,261	$ 397,757

(In NT Thousand Dollars)

Recurring fair value measurements	December 31, 2018			
	Total	Level 1	Level 2	Level 3
Non-derivatives				
Assets				
Financial assets at fair value through profit or loss				
Investment in stock	$ 15,058,070	$ 6,891,224	$ 3,295,025	$ 4,871,821
Investment in bonds	42,800,769	2,809,282	39,991,487	-
Beneficiary certificates	490,440	490,440	-	-
Financial assets at fair value through other comprehensive income				
Investment in stock	11,760,958	986,494	5,637,116	5,137,348
Investment in bonds	241,355,657	24,800,557	216,555,100	-
Bank's certificates of deposit and treasury securities	10,403,689	-	10,403,689	-
Other securities	301,500	301,500	-	-
Liabilities				
Financial liabilities at fair value through profit or loss	(24,464,279)	-	(24,464,279)	-
Derivatives				
Assets				
Financial assets mandatorily measured at fair value through profit or loss	4,735,350	-	4,735,350	-
Liabilities				
Financial liabilities held for trading	(2,228,708)	-	(2,228,708)	-
Total	$ 300,213,446	$ 36,279,497	$ 253,924,780	$ 10,009,169

C. Transfer between Level 1 and Level 2

On December 31, 2019, the balance of the bank and subsidiaries' held 2018 Fiscal Year Order 9 Category 1 Central Government Construction Bonds was NT$865,000 thousand. Due to the bonds becoming inactive securities in the Index, thus the bonds were transferred from Level 1 to Level 2.

On December 31, 2018, the Bank has no transfer between Level 1 and Level 2.

(Blank below)

D. Movements of financial instruments classified into Level 3 of fair value are as follows:

(A) Movements of financial assets classified into Level 3 of fair value are as follows:

For the year ended December 31, 2019: (In NT Thousand Dollars)

Items	Beginning Balance	Gain and loss on valuation: Recognised as gain and loss	Gain and loss on valuation: Recognised as other comprehensive income	Addition: Purchased or issued	Addition: Transferred to Level 3	Reduction: Sold, disposed or settled	Reduction: Transferred from Level 3	Ending balance
Financial assets at fair value through profit or loss								
Investment in stock	$ 4,871,821	$ 145,337	$ -	$ 82,024	$ 413,235	($ 90,580)	($ 505,031)	$ 4,916,806
Financial assets at fair value through other comprehensive income								
Investment in stock	5,137,348	-	651,493	-	1,746,046	(233,166)	(291,000)	7,010,721
Total	$ 10,009,169	$ 145,337	$ 651,493	$ 82,024	$ 2,159,281	($ 323,746)	($ 796,031)	$ 11,927,527

For the year ended December 31, 2019: (In US Thousand Dollars)

Items	Beginning Balance	Gain and loss on valuation: Recognised as gain and loss	Gain and loss on valuation: Recognised as other comprehensive income	Addition: Purchased or issued	Addition: Transferred to Level 3	Reduction: Sold, disposed or settled	Reduction: Transferred from Level 3	Ending balance
Financial assets at fair value through profit or loss								
Investment in stock	$ 162,465	$ 4,847	$ -	$ 2,735	$ 13,781	($ 3,021)	($ 16,842)	$ 163,965
Financial assets at fair value through other comprehensive income								
Investment in stock	171,319	-	21,726	-	58,227	(7,776)	(9,704)	233,792
Total	$ 333,784	$ 4,847	$ 21,726	$ 2,735	$ 72,008	($ 10,797)	($ 26,546)	$ 397,757

For the year ended December 31, 2018: (In NT Thousand Dollars)

Items	Beginning Balance	Gain and loss on valuation: Recognised as gain and loss	Gain and loss on valuation: Recognised as other comprehensive income	Addition: Purchased or issued	Addition: Transferred to Level 3	Reduction: Sold, disposed or settled	Reduction: Transferred from Level 3	Ending balance
Financial assets at fair value through profit or loss								
Investment in stock	$ 5,048,252	($ 245,980)	$ -	$ 1,088	$ 284,121	($ 101,538)	($ 114,122)	$ 4,871,821
Financial assets at fair value through other comprehensive income								
Investment in stock	10,599,949	-	48,755	6,598	400,000	(498,020)	(5,419,934)	5,137,348
Total	$ 15,648,201	($ 245,980)	$ 48,755	$ 7,686	$ 684,121	($ 599,558)	($ 5,534,056)	$ 10,009,169

On January 1, 2018, the unlisted stocks held by the Bank amounted to $5,534,056 thousand, the most recent year's market transaction prices were used as the fair values, thus the stocks were transferred from Level 3 to Level 2.

(B) Movements of financial liabilities classified into Level 3 of fair value are as follows:

For the year ended December 31, 2019 and 2018: No relevant balance.

E. Fair value measurement to Level 3, and the sensitivity analysis of the substitutable appropriate assumption made on fair value.

The Bank and subsidiaries' fair value measurement of financial instruments was reasonable, if valued using different model or parameters, it would obtain different results. For Level 3, if the parameters of valuation varied up or down by 10%, the effect on profit or loss would be shown as follows:

(In NT Thousand Dollars)

December 31, 2019	Changes in the fair value recognized in the current profit or loss: Favorable changes	Changes in the fair value recognized in the current profit or loss: Unfavorable changes	Changes in the fair value recognized in the comprehensive income or loss: Favorable changes	Changes in the fair value recognized in the comprehensive income or loss: Unfavorable changes
Financial assets at fair value through profit or loss				
Investment in stock	$ 491,681	($ 491,681)	$ -	$ -
Financial assets at fair value through other comprehensive income				
Investment in stock	-	-	701,072	(701,072)

(In US Thousand Dollars)

December 31, 2019	Changes in the fair value recognized in the current profit or loss: Favorable changes	Changes in the fair value recognized in the current profit or loss: Unfavorable changes	Changes in the fair value recognized in the comprehensive income or loss: Favorable changes	Changes in the fair value recognized in the comprehensive income or loss: Unfavorable changes
Financial assets at fair value through profit or loss				
Investment in stock	$ 16,396	($ 16,396)	$ -	$ -
Financial assets at fair value through other comprehensive income				
Investment in stock	-	-	23,379	(23,379)

(In NT Thousand Dollars)

December 31, 2018	Changes in the fair value recognized in the current profit or loss		Changes in the fair value recognized in the comprehensive income or loss	
	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
Financial assets at fair value through profit or loss				
Investment in stock	$ 487,182	($ 487,182)	$ -	$ -
Financial assets at fair value through other comprehensive income				
Investment in stock	-	-	513,735	(513,735)

The favorable changes and unfavorable changes meant the fluctuation of fair value, and the fair value was calculated by the unobservable parameters in different levels, if the fair value of financial instrument was affected by one of the above parameters, the favorable changes and unfavorable changes would not consider the correlation and variability in the table.

F. Quantitative information of fair value measurement of significant unobservable inputs (level 3)

Fair value of the Bank and subsidiaries belongs to level 3 because of equity investments-unlisted stocks.

Fair value belongs to equity investments of level 3 have several significant unobservable inputs, but they are independent from each other, the inputs have no relation.

Table below summaries quantitative information of significant unobservable inputs:

December 31, 2019	Fair value (In NT Thousand Dollars)	Fair value (In US Thousand Dollars)	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Financial assets measured at fair value through profit or loss						
Equity investment- unlisted stock	$ 4,410,350	$ 147,076	Market approach	Lack of liquidity discount Price-book value ratio multiple	15%-30% 0.83-2.85	The higher liquidity discount, the lower fair value. The higher price-book value ratio multiple, the higher fair value.
	506,456	16,889	Net asset approach	N/A	N/A	N/A
Financial assets at fair value through other comprehensive income						
Equity investment- unlisted stock	4,763,514	158,853	Market approach	Lack of liquidity discount Price-book value ratio multiple	10%-30% 0.78-3.18	The higher liquidity discount, the lower fair value. The higher price-book value ratio multiple, the higher fair value.
	2,247,207	74,939	Net asset approach	N/A	N/A	N/A

December 31, 2018	Fair value (In NT Thousand Dollars)	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Financial assets measured at fair value through profit or loss					
Equity investment- unlisted stock	$ 4,654,184	Market approach	Lack of liquidity discount Price-book value ratio multiple	15%-30% 0.72-7.82	The higher liquidity discount , the lower fair value. The higher price-book value ratio multiple, the lower fair value.
	217,637	Net asset approach	N/A	N/A	N/A
Financial assets at fair value through other comprehensive income					
Equity investment- unlisted stock	2,540,521	Market approach	Lack of liquidity discount Price-book value ratio multiple	10%-30% 0.73-1.26	The higher liquidity discount , the lower fair value. The higher price-book value ratio multiple, the lower fair value.
	2,596,827	Net asset approach	N/A	N/A	N/A

8. MANAGEMENT OBJECTIVE AND POLICY FOR FINANCIAL RISK

(1) Overview

The Bank and subsidiaries earn profits mainly from lending, financial instruments trading and investments. The Bank and subsidiaries are supposed to bear and manage any risks from these business activities. These risks include credit risk, market risk, operating risk and liquidity risk. Among those risks, credit risk, market risk and liquidity risk have greatest impact.

The Bank and subsidiaries regard any potential factors that might negatively affect earnings and reputation as risks. To maintain steady profits and good reputation and avoid losses from incidental events, the Bank and subsidiaries' risk management policies focus on prevention and reduction of anticipated business risks and increase of capital in response to future anticipated risks. In order to meet the solid operating requirements by the competent authorities, depositors and other stakeholders for management objectives for risks, business risks are controlled within the tolerable scope.

(2) The organisation framework of risk management

The Bank and subsidiaries established risk management policies and guidelines and whole risk tolerance of the Bank and subsidiaries. Subsidiaries therefore follow the Bank's instructions in setting risk management organisation, policies, objectives, procedures, internal control operation, risk monitor mechanism and risk limits, and report to the parent company on risk management issues.

The Board of Directors is the highest instruction unit of the Bank and subsidiaries' risk management organisation structure and is responsible for establishing risk management system, including risk management policies, organisation structure, risk preference, internal control system and management of significant business cases.

Under the head office, the Risk Management Committee is established. The Risk Management Committee is responsible for review and monitor of risk management. Under the management, several committees and other administrative units are established. They are responsible for assessing and monitoring the related risk of loans, investments, trading of financial products.

The Bank has the Risk Management Committee established beneath its management, which is responsible for supervising the establishment of risk management mechanism, risk limits setting, risk monitoring and reporting. Each business management unit is responsible for identifying possible risks that may be generated within their respective jurisdictions, establishing internal control procedures and regulations, periodically measuring risk degrees and adopting response measures for possible negative effects.

Business units follow operating procedures and report to the management units directly. Risk management unit is responsible for monitor of overall risk positions and concentration and reporting to the management or Board of Directors.

Auditing office examines the operations of business and administration units regularly or irregularly to ensure the three risk management defense lines operate normally.

The Bank has assigned personnel to sit on the Board of Directors of each subsidiary to monitor the governance of each subsidiary.

(3) Credit risk

A. The source and definition of credit risk

Credit risk pertains to the risk of loss that the borrowers, issuers or counterparties might default on contracts due to deterioration in their finance or other factors.

The Bank and subsidiaries are exposed to credit risk mainly on businesses of corporate and individual loans, guarantees, trade financing, interbank deposits and call loans and securities investments.

Credit risk is the primary risk of the Bank and subsidiaries' capital charge.

B. Credit risk management policies

The objectives of the Bank and subsidiaries' credit risk management are to maintain stable asset allocation strategy, careful loaning policy and excellent asset quality to secure assets and earnings.

The management mechanism of the Bank and subsidiaries for credit risk includes:

The establishment of Risk Management, Loan and Investment committees which adopt responding measures to market environment, changes in industry, and capital limits, and review relevant regulations and cases of significant lending and investments.

Setting careful prior review procedures for lending and criteria of handling subsequent matters, regular post-lending follow-up, understanding of clients' operation and capital outflows, and increase in the frequency of review on clients with higher risk.

Classifying credit ratings based on clients' probability of default or behavior scoring with management put in practice.

Controlling concentration of credit risk by setting credit limits for individuals, corporate groups, industries, areas, and different types of collaterals.

Setting credit risk limits by reference to external ratings and prospects with attention to changes in market credit spread and risk concentration of counterparties.

The establishment of credit pre-warning list and reporting system.

Assessing assets quality regularly and setting aside sufficient reserve for losses.

Setting creditor's rights management unit and advisory committee in charge of accelerating collection of non-performing loans.

The procedures for credit risk management of the Bank and subsidiaries and related measurement approaches are outlined below:

(A) Credit extensions

Classification of credit assets and internal risk ratings are as follows:

a. Classification of credit assets

Corporate credit risk is measured by using the borrower's default probability model with logistic regression analysis in which financial and non-financial factors are incorporated, which predicts the default probability of borrower within the next year. Besides, the extent of risk is measured by using credit rating table and taking into account the characteristics and scale of business. Lending examination and post management are dealt with based on clients' credit rating. Individual borrowers are grouped into different risk levels and managed by using application scoring and behavior scoring cards. Back-testing is conducted on internal models regularly; those models are subject to adjustments when necessary. Clients' credit ratings are reviewed annually and subject to adjustments when there is significant change in their credit ratings.

b. Internal risk rating

The internal rating for lending is classified as excellent, satisfactory, fair and weak, and corresponds to the Standard & Poor's rating as follows:

Internal risk rating	Excellent	Satisfactory	Fair	Weak
Corresponding to S&P	AAA~BBB-	BB+~ BB-	B+	B and below

(B) Interbank deposits and call loans

Before trading with other banks, the Bank and subsidiaries must assess the credit of the counterparty; generally referencing external rating agencies, assets and scale of equity of the counterparty, and the credit rating of the counterparty's country of origin in order to set different transaction limits, as well as periodically examining the ratings and changes in stock prices of the counterparty in order to monitor the risks of counterparty.

(C) Bonds and derivatives

The limits of bonds purchased by the Bank and subsidiaries are set by considering the credit rating of bond issuers or guarantors (ex. S&P, Moody's, Fitch, Taiwan ratings or Fitch Taiwan), which needs to meet the minimum rating set by the Board of (Managing) Directors, and country risk at the application, changes in CDS quoted prices and market condition.

The Bank and subsidiaries have set trading units and overall total risk limit for non-hedging derivatives, and use positive trading contract evaluation and the potential exposure as the basis for calculating credit risk and add the limit to the total credit risk limit for monitoring.

(D) Asset quality

The Bank and subsidiaries have set the minimum requirements and examination procedures for the quality of financial assets of each type, and controls risk concentration of assets portfolios of each type based on the risk limit of each type. The Bank and subsidiaries also monitor the changes in assets quality regularly during the duration of the assets and takes measures to maintain their quality. According to the policies and regulations, reserve for losses is provided adequately for those assets to actually reflect and safeguard the value of owners' equity.

C. Expected credit losses calculation

In the assessment of impairment and calculation of expected credit losses, the Bank and subsidiaries consider reasonable and supportable information (including forward-looking information that can be obtained without costing excessive costs or inputs) about past events, current conditions and reasonable and supportable forecasts of future economic conditions. The Bank and subsidiaries determine at the reporting date whether there has been a significant increase in credit risk since initial recognition or whether credit impairment has occurred, and recognises expected credit loss according to which stage the asset belongs: no significant increase in credit risk or low credit risk at balance sheet date (Stage 1), significant increase in credit risk (Stage 2), and credit impaired (Stage 3). 12-month expected credit losses are recognised for assets in Stage 1, and lifetime expected credit losses are recognised for assets in Stage 2 and Stage 3.

The definition of each stage and the recognition of expected credit loss are as follows:

<u>Low credit risk (Stage 1)</u>

The Bank and subsidiaries estimate the 12 months expected credit losses if financial assets which has low credit risk at reporting date, or there has not been a significant increase in credit risk since initial recognition.

<u>Significant increase in credit risk (Stage 2)</u>

The Bank and subsidiaries estimate the lifetime expected credit losses (ECLs) if such credit risk has significant increased since initial recognition but not impaired after taking into consideration all reasonable and verifiable information.

<u>Credit-impaired (Stage 3)</u>

The credit is impaired when expected future cash flows of the financial assets have one or more events that occurred with adverse effects, and the Bank and subsidiaries shall estimate the lifetime expected credit losses (ECLs).

(A) Determination of a significant increase in credit risk after initial recognition

a. Loan business

The Bank and subsidiaries assesses the changes in default risk over the lifetime of each category of credit assets at each reporting date to determine whether there has been a significant increase in credit risk. The assessment takes into account reasonable and supportable information including forward-looking information that demonstrates a significant increase in credit risk after initial recognition. The main indicators taken into consideration include:

(a) Quantitative indicators

I. Changes in internal/external credit ratings

The credit risk of the financial instrument is assessed to be significantly increased after initial recognition if its external credit rating were lowered over 2 grades and it qualified other conditions at the reporting date. A financial instrument that is not externally rated whose internal credit rating needs to be mapped with an external grade and then determined based on its external credit rating. A no-rated financial instrument is determined by default events and qualitative indicators.

The credit assets are allocated in 13 scales of internal rating. The scales corresponds to the ratings of Standard & Poor's as follows:

Internal risk rating	1~3	4~6	7~9	10~13
Corresponding to S&P	AA-or better~A-	BBB+~ BBB-	BB+~B+	B +and below

II. Default events

The repayment of principal and interest is later 1 to 3 months over when contractually dues, and not included in credit-impaired (Stage 3).

(b) Qualitative indicators:

I. The Bank and subsidiaries, reported a dishonored check issued by debtor.

II. Debtor was notified as a dishonoured account by Taiwan clearing house.

III. The pledged collateral of the debtor is seised by another bank.

IV. Debtor's loans from other financial institutions have been reclassified as overdue loan or written off as bad debt.

V. The independent accountant issues an opinion expressing material uncertainty over the company's ability to continue as a going concern.

VI. The debtor has other records of bad credit that has affected its capital procurement and normal operation.

The loan assets of the Bank and subsidiaries are assumed to have no significant increase in credit risk since initial recognition if they are of low credit risk at the reporting date.

b. Bond investments and counterparty transactions

The Bank and subsidiaries assess the changes in default risk over the lifetime of bond investments and counterparty transactions at each reporting date to determine whether there has been a significant increase in credit risk. The assessment takes into account reasonable and supportable information including forward-looking information that demonstrates a significant increase in credit risk after initial recognition. The main indicators taken into consideration include:

(a) Quantitative indicators:

I. The repayment including interests is over 30 days past due.

II. The fair value and cost are lower than a certain percentage.

III. A change in internal/external credit ratings.

At the reporting date, if the external credit rating of the financial instrument has decreased by more than certain grades since initial recognition, or if the instrument is not investment grade, it is determined to have significant increase in credit risk. If the financial instrument only has an internal credit rating, the assessment is based on the equivalent external credit rating.

IV. The CDS spread of bond issuer/counterparty is over certain basis points five business days before the reporting date.

V. Fluctuation rate of individual stock price relative to the overall market price

The fluctuation rate of individual stock price of the bond issuer/ counterparty relative to the overall market price is lower than a certain percentage in consecutive months.

(B) Definition of default and credit impaired financial assets

a. Credit business

The Bank and subsidiaries use the credit-impaired indicators as follows:

(a) Quantitative indicator: Except for the accounts receivable factoring without recourse resulting from a non-financial factor, the repayment of principal and interest is over 90 days past due.

(b) Qualitative indicators:

I. The accounts receivable factoring without recourse has been recorded as non-performing loans.

II. Overdue receivables.

III. The amount cannot be expected to be recovered because of the debtor's financial difficulties.

IV. A modification of the contractual terms led by the debtor's financial difficulties, including an extended repayment term of principal and a punctual repayment of interests, extended repayment term of interests, debt negotiations for agreed settlement administered by the Bank Association.

V. The debtor has filed for bankruptcy or is likely to file for bankruptcy.

VI. The debtor entered into reorganisation or is likely to file for reorganisation.

b. Bond investments and counterparty transactions

The Bank and subsidiaries use the credit-impaired indicators as follows:

(a) The repayment is over 90 days past due.

(b) Overdue receivables.

(c) Bad debts.

(d) The issuer or debtor encounters financial difficulties.

(e) A modification of the contractual terms led by the debtor's financial difficulties.

(f) The debtor has filed for bankruptcy or is likely to file for bankruptcy.

(g) The debtor entered into reorganisation or is likely to file for reorganization.

(h) The credit rating at the reporting date is classified as "D".

(i) Reclassified as credit-impaired after the expert's judgement.

(C) Write-off policy

The Bank and subsidiaries writes-off the financial assets partially or entirely to the extent of the amount which cannot be reasonably expected to be recovered.

The indicators for reasonably expected to be unrecoverable include:

a. The recourse procedures has ceased.

b. The debtor's assets or income is evaluated to be insufficient to repay outstanding payments.

The Bank and subsidiaries may proceed recourse activities for the written-off financial assets and undergo recourse procedures in accordance with related policies.

(D) Measurement of expected credit loss

The Bank and subsidiaries recognise the impairment provision for 12 months expected credit losses (ECLs) if there has not been a significant increase in credit risk since initial recognition and recognises the impairment provision for the lifetime expected credit losses if such credit risk has increased since initial recognition.

a. Credit business

Expected credit loss are measured based on probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD").

(a)Probability of default ("PD"):

The estimation of PD is based on the rated financial assets and no-rated financial assets of the Bank and subsidiaries, with the 12-month PD and lifetime PD estimated separately.

I. Calculate the actual 12-month PD from historical data, which is adjusted by using forward-looking information, and use it to estimate the future 12-month PD parameter.

II. Lifetime PD: The Bank and subsidiaries adopts Markov Chain to estimate lifetime PD, which is obtained by a matrix multiplication from rating transition matrix.

In addition, probability of default of externally rated financial assets is measured by the same method with "Bond investments and counterparty transactions".

(b)Loss given default ("LGD"):

Loans are grouped according to type (corporate or consumer) and whether they are secured with collateral, and the LGD of each group is calculated based on historical recovery experience.

(c)Exposure at default ("EAD"):

I. On balance sheet: calculated from the total book value at the reporting date (including interest receivable).

II. Off balance sheet: off balance sheet figures multiplied by the credit conversion factor (CCF). The CCF is estimated according to the rules described in the "Calculation Method of Equity Capital and Risky Assets and Accompanying Forms-Credit Risk Standard Rules."

b. Bond investments and counterparty transactions

(a)PD is calculated based on external credit ratings data, which takes into consideration forward-looking information.

(b)LGD is an average LGD obtained from external credit ratings.

(c)EAD:

I. Stage 1: calculated from total book value (including interest receivable)

II. Stage 2 and Stage 3: used the cash flows of bonds during its duration.

(E) Consideration of forward-looking information

a. Credit business

The Bank and subsidiaries incorporates forecastable information when determining whether there has been a significant increase in credit risk since initial recognition and measuring expected credit losses.

(a) For determining significant increase in credit risk

Clients' financial condition, repayment ability, corporate governance and forward-looking information such as industry's prospects are taken into consideration.

(b) For measuring expected credit losses

Consideration of forward-looking information are reflected by PD and LGD. Consideration of forward-looking information classifies loans into three types: loans with (a) external credit ratings (b) with internal credit ratings and (c) without credit ratings:

I. Loans with external credit ratings: ECLs are measured by the same approach by considering the same forward-looking information adopted for bond investments and counterparty transactions.

II. Loans with internal credit ratings:

To measure the PD of internally rated financial assets, the Bank and subsidiaries considers forward-looking information by assessing corporate and individual customers sequently, referring to academic literatures across the countries and employing statistical methods to screen relevant macro-economic factors (including economic growth rate, unemployment rate, consumer price index, interest rate, exchange rate and real estate price index) in order to assess the effects on each rating level while the macro-economic changes, and use it to be the forward-looking information adjustment of future PD. In addition, the Bank and subsidiaries' adjustment of forward-looking information is including the analysis under the different macroeconomic environments, which are appropriated the weight in accordance with its incidence. As a result, the weighted average was calculated based on different economic environments, and it reflects the non-linear system between the incidence of different macroeconomic environments and the existence of credit loss.

III. No-rated financial assets

Estimate according to the prosperity of major economic regions.

To measure the LGD of no-rated financial assets, the Bank and subsidiaries considers forward-looking information by complying with the impairment estimation methodology guidelines released by the Bankers Association of the Republic of China. And adjust according to the economic prosperity of major economic regions.

b. Bond investments and counterparty transactions

To measure the forecastable estimation of PD, the PDs under different ratings and limits are obtained by constructuring the regression model and combining the result of regression with the assessment of macroeconomic.

D. Policies of hedging and mitigation of credit risk

To reduce credit risk, the Bank and its subsidiaries adopt the following policies:

(A) Obtaining collaterals and guarantors

The Bank and subsidiaries have established policies on collateral management, mortgage loan line setting, scope of collaterals, collateral valuation, collateral management and disposal. Besides, protection of creditor's right, collateral terms and offsetting terms are all addressed in the credit extension contract in case of any occurrence of credit event, of which the amount may be deductible, loan repayment schedule may be shortened or deemed as matured, or the debtor's deposits can be used to offset its liabilities to mitigate credit risks.

(B) Loan limit control

To avoid extreme credit risk concentration, subsidiaries established policies for control of credit risk concentration and set up credit extension limit for a single individual, a single group, a single industry, a single area/country, and single collateral.

(C) Master netting arrangements

The Bank and subsidiaries' transactions predominantly settle at gross amount. A portion of transactions have entered into master netting arrangements with counterparties or upon the event of a default may cease all transactions with the counterparties and settle by net amount in order to further reduce credit risk.

(D) Other credit enhancements

The Bank and subsidiaries have offsetting terms within their credit contracts, which clearly define that all deposits in the Bank and subsidiaries from debtors may be offset against their liabilities upon a credit event, and have guarantees from third parties or financial institutions, in order to decrease credit risk.

E. Maximum credit risk exposure

The maximum credit risk exposure of financial assets within the balance sheets is presented in book values. The maximum credit risk exposure of guarantees and irrevocable commitments off balance sheets is calculated based on their limits. Letters of credit and the guarantee refer to those issued but not used.

(A) The maximum credit risk exposure of financial assets of the Bank and subsidiaries excluding collaterals or other credit enhancement instruments is approximately equal to book value.

a. The total carrying amount of financial assets held by the Bank and subsidiaries that has the maximum exposure to credit risk is as follows:

(a) Discounts and loans

Unit: In NT Thousand Dollars

Discounts and loans	December 31, 2019 12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	Total
Credit ratings					
－excellent	$ 858,600,604	$ 94,564	$ 119,597	$ -	$ 858,814,765
－good	493,218,432	30,695,221	60,995	-	523,974,648
－acceptable	269,148,634	21,940,794	248,357	-	291,337,785
－weak	92,394,474	12,773,535	8,988,527	-	114,156,536
No rated	113,231,932	1,203,030	542,569	-	114,977,531
Total carrying amount	1,826,594,076	66,707,144	9,960,045	-	1,903,261,265
Allowance for bad debt	(2,736,126)	(599,373)	(2,350,961)	-	(5,686,460)
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	(23,896,971)	(23,896,971)
Total	$ 1,823,857,950	$ 66,107,771	$ 7,609,084	($ 23,896,971)	$ 1,873,677,834

Unit: In US Thousand Dollars

Discounts and loans	December 31, 2019 12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	Total
Credit ratings					
－excellent	$ 28,632,428	$ 3,154	$ 3,988	$ -	$ 28,639,570
－good	16,447,742	1,023,618	2,034	-	17,473,394
－acceptable	8,975,510	731,677	8,282	-	9,715,469
－weak	3,081,151	425,969	299,747	-	3,806,867
No rated	3,776,034	40,118	18,094	-	3,834,246
Total carrying amount	60,912,865	2,224,536	332,145	-	63,469,546
Allowance for bad debt	(91,244)	(19,988)	(78,399)	-	(189,631)
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	(796,911)	(796,911)
Total	$ 60,821,621	$ 2,204,548	$ 253,746	($ 796,911)	$ 62,483,004

Unit: In NT Thousand Dollars

Discounts and loans	December 31, 2018 12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	Total
Credit ratings					
－excellent	$ 831,764,348	$ 100,031	$ 134,480	$ -	$ 831,998,859
－good	469,478,581	33,480,718	91,084	-	503,050,383
－acceptable	272,814,116	20,453,589	856,078	-	294,123,783
－weak	88,009,347	17,679,105	6,204,468	-	111,892,920
No rated	148,601,687	2,920,522	2,118,196	-	153,640,405
Total carrying amount	1,810,668,079	74,633,965	9,404,306	-	1,894,706,350
Allowance for bad debt	(2,625,625)	(700,461)	(2,956,493)	-	(6,282,579)
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	(23,976,668)	(23,976,668)
Total	$ 1,808,042,454	$ 73,933,504	$ 6,447,813	($ 23,976,668)	$ 1,864,447,103

(Blank below)

(b) Receivables

Unit: In NT Thousand Dollars

Receivables	December 31, 2019 12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	Total
Credit ratings					
—excellent	$ 28,229,640	$ 89	$ 2	$ -	$ 28,229,731
—good	8,123,365	425,106	17	-	8,548,488
—acceptable	7,191,653	316,528	81	-	7,508,262
—weak	418,415	25,664	311,024	-	755,103
No rated	16,557,173	9,645	630,337	-	17,197,155
Total carrying amount	60,520,246	777,032	941,461	-	62,238,739
Allowance for bad debt	(145,892)	(3,197)	(108,528)	-	(257,617)
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	(1,045,121)	(1,045,121)
Total	$ 60,374,354	$ 773,835	$ 832,933	($ 1,045,121)	$ 60,936,001

Unit: In US Thousand Dollars

Receivables	December 31, 2019 12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	Total
Credit ratings					
—excellent	$ 941,396	$ 3	$ -	$ -	$ 941,399
—good	270,896	14,176	1	-	285,073
—acceptable	239,826	10,555	3	-	250,384
—weak	13,953	856	10,372	-	25,181
No rated	552,145	322	21,020	-	573,487
Total carrying amount	2,018,216	25,912	31,396	-	2,075,524
Allowance for bad debt	(4,865)	(107)	(3,619)	-	(8,591)
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	(34,852)	(34,852)
Total	$ 2,013,351	$ 25,805	$ 27,777	($ 34,852)	$ 2,032,081

Unit: In NT Thousand Dollars

Receivables	December 31, 2018 12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	Total
Credit ratings					
－excellent	$ 32,685,464	$ 88	$ 48	$ -	$ 32,685,600
－good	7,217,223	563,261	3	-	7,780,487
－acceptable	6,905,968	546,898	1,486	-	7,454,352
－weak	1,281,182	56,311	259,904	-	1,597,397
No rated	11,978,119	15,344	647,947	-	12,641,410
Total carrying amount	60,067,956	1,181,902	909,388	-	62,159,246
Allowance for bad debt	(124,672)	(4,685)	(82,732)	-	(212,089)
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	(1,192,991)	(1,192,991)
Total	$ 59,943,284	$ 1,177,217	$ 826,656	($ 1,192,991)	$ 60,754,166

(c) Debt instruments

Unit: In NT Thousand Dollars

Debt instruments	December 31, 2019 12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total
Credit ratings				
－excellent	$ 639,160,195	$ -	$ -	$ 639,160,195
－good	3,583,201	-	-	3,583,201
－acceptable	-	-	-	-
－weak	1,241,045	-	-	1,241,045
No rated	-	-	-	-
Total carrying amount	643,984,441	-	-	643,984,441
Accumulated impairment	(21,330)	-	-	(21,330)
Other equity	(132,652)	-	-	(132,652)
Total	$ 643,830,459	$ -	$ -	$ 643,830,459

Unit: In US Thousand Dollars

Debt instruments	December 31, 2019 12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total
Credit ratings				
－excellent	$ 21,314,576	$ -	$ -	$ 21,314,576
－good	119,491	-	-	119,491
－acceptable	-	-	-	-
－weak	41,386	-	-	41,386
No rated	-	-	-	-
Total carrying amount	21,475,453	-	-	21,475,453
Accumulated impairment	(711)	-	-	(711)
Other equity	(4,424)	-	-	(4,424)
Total	$ 21,470,318	$ -	$ -	$ 21,470,318

Unit: In NT Thousand Dollars

Debt instruments	December 31, 2018 12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total
Credit ratings				
－excellent	$ 519,994,716	$ -	$ -	$ 519,994,716
－good	1,100,282	-	-	1,100,282
－acceptable	-	-	-	-
－weak	330,933	-	-	330,933
No rated	9,625	-	-	9,625
Total carrying amount	521,435,556	-	-	521,435,556
Accumulated impairment	(12,324)	-	-	(12,324)
Other equity	(102,889)	-	-	(102,889)
Total	$ 521,320,343	$ -	$ -	$ 521,320,343

b. The maximum exposure to credit risk in relation to the items off balance sheet is as follows:

Unit: In NT Thousand Dollars

Loan commitments and financial gurantee contracts	December 31, 2019 12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	Total
Credit ratings					
－excellent	$ 247,367,738	$ -	$ -	$ -	$ 247,367,738
－good	87,068,728	6,095,455	-	-	93,164,183
－acceptable	28,196,659	2,686,088	37,060	-	30,919,807
－weak	7,662,343	2,482,076	429,068	-	10,573,487
No rated	28,448,498	-	25,903	-	28,474,401
Total carrying amount	398,743,966	11,263,619	492,031	-	410,499,616
Provisions	(222,947)	(50,071)	(16,295)	-	(289,313)
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	(2,764,635)	(2,764,635)
Total	$ 398,521,019	$ 11,213,548	$ 475,736	($ 2,764,635)	$ 407,445,668

Unit: In US Thousand Dollars

Loan commitments and financial gurantee contracts	December 31, 2019 12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	Total
Credit ratings					
—excellent	$ 8,249,166	$ -	$ -	$ -	$ 8,249,166
—good	2,903,549	203,270	-	-	3,106,819
—acceptable	940,296	89,575	1,236	-	1,031,107
—weak	255,522	82,772	14,308	-	352,602
No rated	948,694	-	864	-	949,558
Total carrying amount	13,297,227	375,617	16,408	-	13,689,252
Provisions	(7,435)	(1,670)	(543)	-	(9,648)
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	(92,195)	(92,195)
Total	$ 13,289,792	$ 373,947	$ 15,865	($ 92,195)	$ 13,587,409

Unit: In NT Thousand Dollars

Loan commitments and financial gurantee contracts	December 31, 2018 12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	Total
Credit ratings					
—excellent	$ 176,676,384	$ -	$ -	$ -	$ 176,676,384
—good	78,710,321	5,766,302	-	-	84,476,623
—acceptable	28,552,090	1,060,681	-	-	29,612,771
—weak	8,078,541	2,381,930	462,955	-	10,923,426
No rated	108,359,812	1,090,619	30,269	-	109,480,700
Total carrying amount	400,377,148	10,299,532	493,224	-	411,169,904
Provisions	(217,540)	(41,389)	(41,094)	-	(300,023)
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	(3,052,116)	(3,052,116)
Total	$ 400,159,608	$ 10,258,143	$ 452,130	($ 3,052,116)	$ 407,817,765

c. The analysis of risk exposure by the asset's counterparty and category is as follows:

Unit: In NT Thousand Dollars

	December 31, 2019 Cash and cash equivalents, Due from the Central Bank and call loans to banks	Discountes and loans	Receivables, net	Securities purchased under resell agreements and debt instruments	Derivatives	Other on balance sheet	Loan commitments and financial gurantee contracts	Total
Government institution	$ 307,364,331	$ 8,017,535	$ 1,103,545	$ 156,424,425	$ -	$ 1,858	$ 18,400,195	$ 491,311,889
Finance, investment and insurance	327,631,221	182,067,939	2,803,809	428,128,256	4,133,424	2,510,000	17,329,894	964,604,543
Enterprise and commerce	-	1,254,182,896	48,800,968	105,294,765	345,854	32,518	284,269,127	1,692,926,128
Individuals	-	455,042,162	7,950,487	-	23,577	501	87,984,371	551,001,098
Others	-	3,950,733	1,579,930	826,982	251,683	-	2,516,029	9,125,357
Total	634,995,552	1,903,261,265	62,238,739	690,674,428	4,754,538	2,544,877	410,499,616	3,708,969,015
Less: allowance for bad debt, accumulated impairment and provisions for liabilities	(14,565)	(29,583,431)	(1,302,738)	(153,982)	-	(7,193)	(3,053,948)	(34,115,857)
Net	$ 634,980,987	$ 1,873,667,834	$ 60,963,001	$ 690,520,446	$ 4,754,538	$ 2,537,684	$ 407,445,668	$ 3,674,853,158

Unit: In US Thousand Dollars

	December 31, 2019							
	Cash and cash equivalents, Due from the Central Bank and call loans to banks	Discountes and loans	Receivables, net	Securities purchased under resell agreements and debt instruments	Derivatives	Other on balance sheet	Loan commitments and financial gurantee contracts	Total
Government institution	$ 10,249,920	$ 267,367	$ 36,801	$ 5,216,408	$ -	$ 62	$ 613,606	$ 16,384,164
Finance, investment and insurance	10,925,775	6,071,562	93,501	14,277,128	137,841	83,703	577,913	32,167,423
Enterprise and commerce	-	41,824,221	1,627,404	3,511,347	11,533	1,084	9,479,745	56,455,334
Individuals	-	15,174,648	265,131	-	786	17	2,934,084	18,374,666
Others	-	131,748	52,687	27,578	8,393	-	83,904	304,310
Total	21,175,695	63,469,546	2,075,524	23,032,461	158,553	84,866	13,689,252	123,685,897
Less: allowance for bad debt, accumulated impairment and provisions for liabilities	(486)	(986,542)	(43,443)	(5,135)	-	(240)	(101,843)	(1,137,688)
Net	$ 21,175,209	$ 62,483,004	$ 2,032,081	$ 23,027,326	$ 158,553	$ 84,626	$ 13,587,409	$ 122,548,209

The trade financing for corporates and businesses accounts for 10.21%, equivalent to NT$128,000,397 thousand while the housing loans for individuals accounts for 75.84%, equivalent to NT$345,086,507 thousand.

Unit: In NT Thousand Dollars

	December 31, 2018							
	Cash and cash equivalents, Due from the Central Bank and call loans to banks	Discountes and loans	Receivables, net	Securities purchased under resell agreements and debt instruments	Derivatives	Other on balance sheet	Loan commitments and financial gurantee contracts	Total
Government institution	$ 326,309,592	$ 9,590,241	$ 659,648	$ 69,288,449	$ 37	$ 1,644	$ 17,997,463	$ 423,847,074
Finance, investment and insurance	317,187,844	201,014,440	5,494,797	383,481,806	4,101,120	-	21,829,058	933,109,065
Enterprise and commerce	-	1,249,992,842	48,739,428	115,181,125	111,344	33,884	296,731,123	1,710,789,746
Individuals	-	428,650,895	5,702,800	-	29,943	2,283	71,135,488	505,521,409
Others	-	5,457,932	1,562,573	279,415	492,906	46	3,476,772	11,269,644
Total	643,497,436	1,894,706,350	62,159,246	568,230,795	4,735,350	37,857	411,169,904	3,584,536,938
Less: allowance for bad debt, accumulated impairment and provisions for liabilities	(120)	(30,259,247)	(1,405,080)	(115,213)	-	(7,195)	(3,352,139)	(35,138,994)
Net	$ 643,497,316	$ 1,864,447,103	$ 60,754,166	$ 568,115,582	$ 4,735,350	$ 30,662	$ 407,817,765	$ 3,549,397,944

The trade financing for corporates and businesses accounts for 11.72%, equivalent to NT$146,533,386 thousand while the housing loans for individuals accounts for 76.34%, equivalent to NT$327,219,821 thousand.

d. Relevant financial information on effect of the Bank's and subsidiaries' assets exposed to credit risk, net settlement master netting arrangements and other credit improvements is as follows:

Unit: In NT Thousand Dollars

December 31, 2019	Collateral	Net settlement master netting arrangements	Other credit improvements	Total
On-Balance-Sheet Items				
Financial assets at fair value through profit or loss				
- debt instrument	$ -	$ -	$ 5,187,937	$ 5,187,937
- derivatives	1,973,426	262,834	-	2,236,260
Securiries purchased under resell agreements	7,522,949	-	-	7,522,949
Discounts and loans	1,187,179,159	-	73,314,001	1,260,493,160
Financial assets at fair value through other comprehensive income-debt instrument	-	-	17,549,291	17,549,291
Investments in debt instruments at amortised cost	-	-	42,530,178	42,530,178
Off-Balance-Sheet Items				
Irrevocable commitments	29,985,032	-	4,148,331	34,133,363
Guarantees and letters of credit	48,440,688	-	1,895,096	50,335,784

Unit: In US Thousand Dollars

December 31, 2019	Collateral	Net settlement master netting arrangements	Other credit improvements	Total
On-Balance-Sheet Items				
Financial assets at fair value through profit or loss				
- debt instrument	$ -	$ -	$ 173,006	$ 173,006
- derivatives	65,809	8,765	-	74,574
Securiries purchased under resell agreements	250,874	-	-	250,874
Discounts and loans	39,589,794	-	2,444,859	42,034,653
Financial assets at fair value through other comprehensive income-debt instrument	-	-	585,230	585,230
Investments in debt instruments at amortised cost	-	-	1,418,287	1,418,287
Off-Balance-Sheet Items				
Irrevocable commitments	999,934	-	138,338	1,138,272
Guarantees and letters of credit	1,615,390	-	63,197	1,678,587

Unit: In NT Thousand Dollars

December 31, 2018	Collateral	Net settlement master netting arrangements	Other credit improvements	Total
On-Balance-Sheet Items				
Financial assets at fair value through profit or loss				
- debt instrument	$ -	$ -	$ 8,492,311	$ 8,492,311
- derivatives	1,906,620	563,380	-	2,470,000
Securiries purchased under resell agreements	3,994,470	-	-	3,994,470
Discounts and loans	1,163,114,203	-	61,119,129	1,224,233,332
Financial assets at fair value through other comprehensive income-debt instrument	-	-	13,025,500	13,025,500
Investments in debt instruments at amortised cost	-	-	49,114,348	49,114,348
Off-Balance-Sheet Items				
Irrevocable commitments	20,509,495	-	1,396,401	21,905,896
Guarantees and letters of credit	43,631,922	-	2,022,898	45,654,820

Note 1: Collaterals include property, movable property, certification of authorization, securities, certificates of deposits, letter of credit and rights in property.

(1)Value of collaterals pledged for assets that arise from lending is the lower of collateral value/ market value and maximum exposure amount. If the collateral value cannot be obtained, value of collaterals must be assessed.

(2)Value of collaterals pledged for assets that do not arise from lending is the lower of market value and maximum exposure amount.

Note 2: Details of improvement to net settlement master netting arrangements and other credits are provided in Note 8(3) D. (C) and (D).

e. The Bank and subsidiaries closely monitor the value of the collateral of financial instruments and considers the credit-impaired financial assets that require impairment recognition. Information on credit-impaired assets and the value of collateral used to offset potential losses is as follows:

Unit: In NT Thousand Dollars

	December 31, 2019			
	Total carrying amount	Allowance for impairment	Total risk exposure	Fair value of Collateral / Guarantee
Receivables	$ 941,461	$ 740,662	$ 200,799	$ -
－Credit card business	80,117	63,838	16,279	-
－Others	861,344	676,824	184,520	-
Discounts and loans	9,960,045	2,539,266	7,420,779	5,394,191
Other financial assets	32,392	7,168	25,224	-
Impaired financial assets on balance sheet	$ 10,933,898	$ 3,287,096	$ 7,646,802	$ 5,394,191
Irrevocable loan commitments	$ 386,132	$ 107	$ 386,025	$ -
Guarantees and letters of credit	105,899	48,614	57,285	24,023
Impaired financial assets off balance sheet	$ 492,031	$ 48,721	$ 443,310	$ 24,023

Unit: In US Thousand Dollars

	December 31, 2019			
	Total carrying amount	Allowance for impairment	Total risk exposure	Fair value of Collateral / Guarantee
Receivables	$ 31,396	$ 24,700	$ 6,696	$ -
—Credit card business	2,672	2,129	543	-
—Others	28,724	22,571	6,153	-
Discounts and loans	332,145	84,679	247,467	179,884
Other financial assets	1,080	239	841	-
Impaired financial assets on balance sheet	$ 364,621	$ 109,618	$ 255,004	$ 179,884
Irrevocable loan commitments	$ 12,877	$ 4	$ 12,873	$ -
Guarantees and letters of credit	3,531	1,621	1,910	801
Impaired financial assets off balance sheet	$ 16,408	$ 1,625	$ 14,783	$ 801

Unit: In NT Thousand Dollars

	December 31, 2018			
	Total carrying amount	Allowance for impairment	Total risk exposure	Fair value of Collateral / Guarantee
Receivables	$ 909,388	$ 727,702	$ 181,686	$ -
—Credit card business	75,181	59,861	15,320	-
—Others	834,207	667,841	166,366	-
Discounts and loans	9,404,306	3,101,154	6,303,152	5,190,095
Other financial assets	33,713	7,154	26,559	-
Impaired financial assets on balance sheet	$ 10,347,407	$ 3,836,010	$ 6,511,397	$ 5,190,095
Irrevocable loan commitments	$ 394,989	$ 3,997	$ 390,992	$ -
Guarantees and letters of credit	98,235	52,989	45,246	229,321
Impaired financial assets off balance sheet	$ 493,224	$ 56,986	$ 436,238	$ 229,321

F. Movements in allowance for bad debts, accumulated impairment and provisions for financial assets are as follows:

(A) The reconciliation from the beginning balance to ending balance of the allowance for bad debts arising from discounts and loans for the years ended December 31, 2019 and 2018, is shown below:

Unit: In NT Thousand Dollars

	December 31, 2019					
Discounts and loans	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total impairment recognised under IFRS 9	Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	Total
Balance at the beginning of the period	$ 2,625,625	$ 700,461	$ 2,956,493	$ 6,282,579	$ 23,976,668	$ 30,259,247
Changes from financial instruments recognised at the beginning of the period:						
- Transferred to lifetime expected credit losses	(22,819)	28,018	(5,199)	-	-	-
- Transferred to credit impaired financial asset	(13,770)	(13,117)	26,887	-	-	-
- Transferred to 12-month expected credit losses	127,987	(127,475)	(512)	-	-	-
- Derecognised financial assets	(1,076,827)	(201,197)	(908,237)	(2,186,261)	-	(2,186,261)
- Additional provision and reversal	(35,124)	53,653	1,579,524	1,498,053	-	1,498,053
Originated or purchased new financial assets	1,270,122	138,170	160,800	1,569,092	-	1,569,092
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	-	(79,697)	(79,697)
Write-off of uncollectible amount	-	-	(2,038,889)	(2,038,889)	-	(2,038,889)
Foreign exchange and other changes	(39,068)	20,860	580,094	561,886	-	561,886
Balance at the end of the period	$ 2,736,126	$ 599,373	$ 2,350,961	$ 5,686,460	$ 23,896,971	$ 29,583,431

Unit: In US Thousand Dollars

Discounts and loans	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total impairment recognised under IFRS 9	Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	Total
	December 31, 2019					
Balance at the beginning of the period	$ 87,559	$ 23,359	$ 98,592	$ 209,510	$ 799,569	$ 1,009,079
Changes from financial instruments recognised at the beginning of the period:						
- Transferred to lifetime expected credit losses	(761)	934	(173)	-	-	-
- Transferred to credit impaired financial asset	(459)	(438)	897	-	-	-
- Transferred to 12-month expected credit losses	4,268	(4,251)	(17)	-	-	-
- Derecognised financial assets	(35,910)	(6,709)	(30,288)	(72,907)	-	(72,907)
- Additional provision and reversal	(4,506)	1,789	52,673	49,956	-	49,956
Originated or purchased new financial assets	42,356	4,608	5,362	52,326	-	52,326
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	-	(2,658)	(2,658)
Write-off of uncollectible amount	-	-	(67,992)	(67,992)	-	(67,992)
Foreign exchange and other changes	(1,303)	696	19,345	18,738	-	18,738
Balance at the end of the period	$ 91,244	$ 19,988	$ 78,399	$ 189,631	$ 796,911	$ 986,542

Unit: In NT Thousand Dollars

Discounts and loans	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total impairment recognised under IFRS 9	Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	Total
	December 31, 2018					
Balance at the beginning of the period	$ 2,825,429	$ 709,417	$ 2,309,183	$ 5,844,029	$ 22,511,523	$ 28,355,552
Changes from financial instruments recognised at the beginning of the period:						
- Transferred to lifetime expected credit losses	(30,712)	33,268	(2,556)	-	-	-
- Transferred to credit impaired financial asset	(4,110)	(25,943)	30,053	-	-	-
- Transferred to 12-month expected credit losses	143,851	(107,482)	(36,369)	-	-	-
- Derecognised financial assets	(1,285,842)	(225,466)	(122,487)	(1,633,795)	-	(1,633,795)
- Additional provision and reversal	(286,219)	115,164	875,950	704,895	-	704,895
Originated or purchased new financial assets	1,288,540	220,648	548,227	2,057,415	-	2,057,415
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	-	1,465,145	1,465,145
Write-off of uncollectible amount	-	-	(1,745,175)	(1,745,175)	-	(1,745,175)
Foreign exchange and other changes	(25,312)	(19,145)	1,099,667	1,055,210	-	1,055,210
Balance at the end of the period	$ 2,625,625	$ 700,461	$ 2,956,493	$ 6,282,579	$ 23,976,668	$ 30,259,247

(B) The reconciliation from the beginning balance to ending balance of the allowance for bad debts arising from receivables for the years ended December 31, 2019 and 2018, is shown below:

Unit: In NT Thousand Dollars

December 31, 2019						
Receivables	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total impairment recognised under IFRS 9	Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	Total
Balance at the beginning of the period	$ 124,672	$ 4,685	$ 82,732	$ 212,089	$ 1,192,991	$ 1,405,080
Changes from financial instruments recognised at the beginning of the period:						
- Transferred to lifetime expected credit losses	(184)	729	(545)	-	-	-
- Transferred to credit impaired financial asset	(96)	(251)	347	-	-	-
- Transferred to 12-month expected credit losses	1,018	(600)	(418)	-	-	-
- Derecognised financial assets	(112,467)	(3,195)	(86,159)	(201,821)	-	(201,821)
- Additional provision and reversal	(121)	740	31,472	32,091	-	32,091
Originated or purchased new financial assets	144,703	12,416	30,474	187,593	-	187,593
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	-	(147,870)	(147,870)
Write-off of uncollectible amount	(11,626)	(11,328)	(20,001)	(42,955)	-	(42,955)
Foreign exchange and other changes	(7)	1	70,626	70,620	-	70,620
Balance at the end of the period	$ 145,892	$ 3,197	$ 108,528	$ 257,617	$ 1,045,121	$ 1,302,738

Unit: In US Thousand Dollars

December 31, 2019						
Receivables	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total impairment recognised under IFRS 9	Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	Total
Balance at the beginning of the period	$ 4,158	$ 156	$ 2,759	$ 7,073	$ 39,783	$ 46,856
Changes from financial instruments recognised at the beginning of the period:						
- Transferred to lifetime expected credit losses	(6)	24	(18)	-	-	-
- Transferred to credit impaired financial asset	(3)	(8)	11	-	-	-
- Transferred to 12-month expected credit losses	34	(20)	(14)	-	-	-
- Derecognised financial assets	(3,751)	(106)	(2,873)	(6,730)	-	(6,730)
- Additional provision and reversal	(4)	25	1,049	1,070	-	1,070
Originated or purchased new financial assets	4,825	414	1,016	6,255	-	6,255
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	-	(4,931)	(4,931)
Write-off of uncollectible amount	(388)	(378)	(666)	(1,432)	-	(1,432)
Foreign exchange and other changes	-	-	2,355	2,355	-	2,355
Balance at the end of the period	$ 4,865	$ 107	$ 3,619	$ 8,591	$ 34,852	$ 43,443

Unit: In NT Thousand Dollars

Receivables	December 31, 2018 12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total impairment recognised under IFRS 9	Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	Total
Balance at the beginning of the period	$ 158,621	$ 2,402	$ 379,636	$ 540,659	$ 1,152,248	$ 1,692,907
Changes from financial instruments recognised at the beginning of the period:						
- Transferred to lifetime expected credit losses	(247)	1,284	(1,037)	-	-	-
- Transferred to credit impaired financial asset	(46)	(108)	154	-	-	-
- Transferred to 12-month expected credit losses	1,634	(875)	(759)	-	-	-
- Derecognised financial assets	(174,012)	(1,861)	(369,886)	(545,759)	-	(545,759)
- Additional provision and reversal	403	778	(1,358)	(177)	-	(177)
Originated or purchased new financial assets	119,381	14,750	12,151	146,282	-	146,282
Difference in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	-	40,743	40,743
Write-off of uncollectible amount	(8,265)	(11,683)	(30,085)	(50,033)	-	(50,033)
Foreign exchange and other changes	27,203	(2)	93,916	121,117	-	121,117
Balance at the end of the period	$ 124,672	$ 4,685	$ 82,732	$ 212,089	$ 1,192,991	$ 1,405,080

(C) The reconciliation from the beginning balance to ending balance of the accumulated impairment arising from debt instruments for the years ended December 31, 2019 and 2018, is shown below:

a. Financial assets at fair value through other comprehensive income

Unit: In NT Thousand Dollars

Financial assets at fair value through other comprehensive income	December 31, 2019 12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total
Balance at the beginning of the period	$ 102,889	$ -	$ -	$ 102,889
Changes from financial instruments recognised at the beginning of the period:				
-The impairment allowance for financial assets derecognised in the current period	(5,309)	-	-	(5,309)
-Additional provision and reversal	(19,746)	-	-	(19,746)
Originated or purchased new financial assets	54,017	-	-	54,017
Foreign exchange and other changes	801	-	-	801
Balance at the end of the period	$ 132,652	$ -	$ -	$ 132,652

Unit: In US Thousand Dollars

Financial assets at fair value through other comprehensive income	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total
	December 31, 2019			
Balance at the beginning of the period	$ 3,431	$ -	$ -	$ 3,431
Changes from financial instruments recognised at the beginning of the period:				
-The impairment allowance for financial assets derecognised in the current period	(177)	-	-	(177)
-Additional provision and reversal	(658)	-	-	(658)
Originated or purchased new financial assets	1,801	-	-	1,801
Foreign exchange and other changes	27	-	-	27
Balance at the end of the period	$ 4,424	$ -	$ -	$ 4,424

Unit: In NT Thousand Dollars

Financial assets at fair value through other comprehensive income	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total
	December 31, 2018			
Balance at the beginning of the period	$ 128,712	$ -	$ -	$ 128,712
Changes from financial instruments recognised at the beginning of the period:				
-The impairment allowance for financial assets derecognised in the current period	(9,402)	-	-	(9,402)
-Additional provision and reversal	(42,618)	-	-	(42,618)
Originated or purchased new financial assets	25,977	-	-	25,977
Foreign exchange and other changes	220	-	-	220
Balance at the end of the period	$ 102,889	$ -	$ -	$ 102,889

b. Investments in debt instruments at amortised cost

Unit: In NT Thousand Dollars

Investments in debt instruments at amortised cost	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total
	December 31, 2019			
Balance at the beginning of the period	$ 12,324	$ -	$ -	$ 12,324
Changes from financial instruments recognised at the beginning of the period:				
-The impairment allowance for financial assets derecognised in the current period	(8,016)	-	-	(8,016)
-Additional provision and reversal	(1,052)	-	-	(1,052)
Originated or purchased new financial assets	18,074	-	-	18,074
Balance at the end of the period	$ 21,330	$ -	$ -	$ 21,330

Unit: In US Thousand Dollars

Investments in debt instruments at amortised cost	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total
	December 31, 2019			
Balance at the beginning of the period	$ 411	$ -	$ -	$ 411
Changes from financial instruments recognised at the beginning of the period:				
-The impairment allowance for financial assets derecognised in the current period	(267)	-	-	(267)
-Additional provision and reversal	(35)	-	-	(35)
Originated or purchased new financial assets	602	-	-	602
Balance at the end of the period	$ 711	$ -	$ -	$ 711

Unit: In NT Thousand Dollars

Investments in debt instruments at amortised cost	December 31, 2018 12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total
Balance at the beginning of the period	$ 12,557	$ -	$ -	$ 12,557
Changes from financial instruments recognised at the beginning of the period:				
-The impairment allowance for financial assets derecognised in the current period	(7,587)	-	-	(7,587)
-Additional provision and reversal	(1,354)	-	-	(1,354)
Originated or purchased new financial assets	8,006	-	-	8,006
Balance at the end of the period	702	-	-	702
Balance at the beginning of the period	$ 12,324	$ -	$ -	$ 12,324

(D) The reconciliation from the beginning balance to ending balance of the provisions for loan commitments and guarantee liabilities for the years ended December 31, 2019 and 2018, is shown below:

Unit: In NT Thousand Dollars

Provisions for loan commitments and guarantee liabilities	December 31, 2019 12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total impairment recognised under IFRS 9	Different in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	Total
Balance at the beginning of the period	$ 217,540	$ 41,389	$ 41,094	$ 300,023	$ 3,052,116	$ 3,352,139
Changes from financial instruments recognised at the beginning of the period:						
- Transferred to lifetime expected credit losses	(3,398)	17,916	(14,518)	-	-	-
- Transferred to credit impaired financial asset	(16)	(49)	65	-	-	-
- Transferred to 12-month expected credit loss	14,565	(14,565)	-	-	-	-
- Derecognised financial assets	(89,067)	(12,589)	(8,305)	(109,961)	-	(109,961)
- Additional provision and reversal	(28,977)	3,785	(3,262)	(28,454)	-	(28,454)
Originated or purchased new financial assets	104,751	15,263	5,183	125,197	-	125,197
Different in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	-	(287,481)	(287,481)
Foreign exchange and other changes	7,549	(1,079)	(3,962)	2,508	-	2,508
Balance at the end of the period	$ 222,947	$ 50,071	$ 16,295	$ 289,313	$ 2,764,635	$ 3,053,948

Unit: In US Thousand Dollars

December 31, 2019						
Provisions for loan commitments and guarantee liabilities	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total impairment recognised under IFRS 9	Different in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	Total
Balance at the beginning of the period	$ 7,254	$ 1,380	$ 1,370	$ 10,004	$ 101,782	$ 111,786
Changes from financial instruments recognised at the beginning of the period:						
- Transferred to lifetime expected credit losses	(113)	597	(484)	-	-	-
- Transferred to credit impaired financial asset	(1)	(1)	2	-	-	-
- Transferred to 12-month expected credit loss	486	(486)	-	-	-	-
- Derecognised financial assets	(2,970)	(419)	(277)	(3,666)	-	(3,666)
- Additional provision and reversal	(966)	126	(109)	(949)	-	(949)
Originated or purchased new financial assets	3,493	509	173	4,175	-	4,175
Different in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	-	(9,587)	(9,587)
Foreign exchange and other changes	252	(36)	(132)	84	-	84
Balance at the end of the period	$ 7,435	$ 1,670	$ 543	$ 9,648	$ 92,195	$ 101,843

Unit: In NT Thousand Dollars

December 31, 2018						
Provisions for loan commitments and guarantee liabilities	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total impairment recognised under IFRS 9	Different in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	Total
Balance at the beginning of the period	$ 182,409	$ 21,226	$ 94,833	$ 298,468	$ 3,401,085	$ 3,699,553
Changes from financial instruments recognised at the beginning of the period:						
- Transferred to lifetime expected credit losses	(3,679)	3,679	-	-	-	-
- Transferred to credit impaired financial asset	-	-	-	-	-	-
- Transferred to 12-month expected credit loss	13,418	(13,418)	-	-	-	-
- Derecognised financial assets	(78,655)	(5,607)	(68,400)	(152,662)	-	(152,662)
- Additional provision and reversal	(24,864)	7,740	2,580	(14,544)	-	(14,544)
Originated or purchased new financial assets	135,340	28,320	11,141	174,801	-	174,801
Different in impairment recognised under the regulation governing the procedures for each industry to evaluate assets and set aside loss reserves	-	-	-	-	(348,969)	(348,969)
Foreign exchange and other changes	(6,429)	(551)	940	(6,040)	-	(6,040)
Balance at the end of the period	$ 217,540	$ 41,389	$ 41,094	$ 300,023	$ 3,052,116	$ 3,352,139

G. Movements in the total carrying amount of financial assets

(A) The movement in the total carrying amount of discounts and loans for the years ended December 31, 2019 and 2018, is shown below:

Unit: In NT Thousand Dollars

December 31, 2019				
Discounts and loans	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total
Balance at the beginning of the period	$ 1,810,668,079	$ 74,633,965	$ 9,404,306	$ 1,894,706,350
Changes from financial instruments recognised at the beginning of the period:				
- Transferred to lifetime expected credit losses	(16,674,461)	16,693,674	(19,213)	-
- Transferred to credit impaired financial asset	(3,288,999)	(649,337)	3,938,336	-
- Transferred to 12-month expected credit losses	10,261,087	(10,257,186)	(3,901)	-
- Derecognition(including recovery, write-off bad debt not included)	(693,635,495)	(30,531,719)	(1,948,411)	(726,115,625)
- Increased(decreased)	(76,048,854)	(5,075,421)	(151,528)	(81,275,803)
Originated or purchased new financial assets	799,516,951	21,915,239	779,839	822,212,029
Write-off of uncollectible amount	-	-	(2,038,889)	(2,038,889)
Foreign exchange and other changes	(4,204,232)	(22,071)	(494)	(4,226,797)
Balance at the end of the period	$ 1,826,594,076	$ 66,707,144	$ 9,960,045	$ 1,903,261,265

Unit: In US Thousand Dollars

December 31, 2019				
Discounts and loans	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total
Balance at the beginning of the period	$ 60,381,768	$ 2,488,878	$ 313,613	$ 63,184,259
Changes from financial instruments recognised at the beginning of the period:				
- Transferred to lifetime expected credit losses	(556,056)	556,697	(641)	-
- Transferred to credit impaired financial asset	(109,681)	(21,653)	131,334	-
- Transferred to 12-month expected credit losses	342,185	(342,055)	(130)	-
- Derecognition(including recovery, write-off bad debt not included)	(23,131,207)	(1,018,165)	(64,975)	(24,214,347)
- Increased(decreased)	(2,536,061)	(169,254)	(5,053)	(2,710,368)
Originated or purchased new financial assets	26,662,119	730,824	26,006	27,418,949
Write-off of uncollectible amount	-	-	(67,992)	(67,992)
Foreign exchange and other changes	(140,202)	(736)	(17)	(140,955)
Balance at the end of the period	$ 60,912,865	$ 2,224,536	$ 332,145	$ 63,469,546

Unit: In NT Thousand Dollars

December 31, 2018				
Discounts and loans	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total
Balance at the beginning of the period	$ 1,712,445,224	$ 68,892,409	$ 9,178,628	$ 1,790,516,261
Changes from financial instruments recognised at the beginning of the period:				
- Transferred to lifetime expected credit losses	(20,496,617)	20,523,763	(27,146)	-
- Transferred to credit impaired financial asset	(1,734,901)	(760,828)	2,495,729	-
- Transferred to 12-month expected credit losses	11,755,438	(11,692,477)	(62,961)	-
- Derecognition(including recovery, write-off bad debt not included)	(658,325,310)	(25,794,971)	(1,361,508)	(685,481,789)
- Increased(decreased)	(64,513,727)	(1,512,206)	(484,013)	(66,509,946)
Originated or purchased new financial assets	829,144,256	24,976,772	1,412,822	855,533,850
Write-off of uncollectible amount	-	-	(1,745,175)	(1,745,175)
Foreign exchange and other changes	2,393,716	1,503	(2,070)	2,393,149
Balance at the end of the period	$ 1,810,668,079	$ 74,633,965	$ 9,404,306	$ 1,894,706,350

(B) The movement in the total carrying amount of receivables for the years ended December 31, 2019 and 2018, is shown below:

Unit: In NT Thousand Dollars

December 31, 2019				
Receivables, net	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total
Balance at the beginning of the period	$ 60,067,956	$ 1,181,902	$ 909,388	$ 62,159,246
Changes from financial instruments recognised at the beginning of the period:				
- Transferred to lifetime expected credit losses	(150,103)	150,881	(778)	-
- Transferred to credit impaired financial asset	(53,151)	(13,708)	66,859	-
- Transferred to 12-month expected credit losses	38,118	(37,529)	(589)	-
- Derecognition(including recovery, write-off bad debt not included)	(43,962,399)	(925,340)	(198,766)	(45,086,505)
- Increased(decreased)	(1,055,222)	(224)	16,671	(1,038,775)
Originated or purchased new financial assets	46,809,765	432,378	182,602	47,424,745
Write-off of uncollectible amount	(60,759)	(1,328)	(20,001)	(92,088)
Foreign exchange and other changes	(1,113,959)	-	(13,925)	(1,127,884)
Balance at the end of the period	$ 60,520,246	$ 777,032	$ 941,461	$ 62,238,739

Unit: In US Thousand Dollars

December 31, 2019				
Receivables, net	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total
Balance at the beginning of the period	$ 2,003,133	$ 39,414	$ 30,326	$ 2,072,873
Changes from financial instruments recognised at the beginning of the period:				
- Transferred to lifetime expected credit losses	(5,006)	5,032	(26)	-
- Transferred to credit impaired financial asset	(1,772)	(457)	2,229	-
- Transferred to 12-month expected credit losses	1,271	(1,252)	(19)	-
- Derecognition(including recovery, write-off bad debt not included)	(1,466,049)	(30,858)	(6,628)	(1,503,535)
- Increased(decreased)	(35,189)	(8)	556	(34,641)
Originated or purchased new financial assets	1,561,002	14,419	6,089	1,581,510
Write-off of uncollectible amount	(2,026)	(378)	(667)	(3,071)
Foreign exchange and other changes	(37,148)	-	(464)	(37,612)
Balance at the end of the period	$ 2,018,216	$ 25,912	$ 31,396	$ 2,075,524

Unit: In NT Thousand Dollars

December 31, 2018				
Receivables, net	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total
Balance at the beginning of the period	$ 59,041,829	$ 702,721	$ 1,110,897	$ 60,855,447
Changes from financial instruments recognised at the beginning of the period:				
- Transferred to lifetime expected credit losses	(113,569)	115,091	(1,522)	-
- Transferred to credit impaired financial asset	(24,771)	(12,397)	37,168	-
- Transferred to 12-month expected credit losses	316,908	(315,792)	(1,116)	-
- Derecognition(including recovery, write-off bad debt not included)	(45,220,337)	(182,390)	(436,765)	(45,839,492)
- Increased(decreased)	886,367	8,511	(33,580)	861,298
Originated or purchased new financial assets	43,940,149	877,839	172,849	44,990,837
Write-off of uncollectible amount	(8,265)	(11,683)	(30,085)	(50,033)
Foreign exchange and other changes	1,249,612	2	91,382	1,340,996
Other changes	33	-	160	193
Balance at the end of the period	$ 60,067,956	$ 1,181,902	$ 909,388	$ 62,159,246

(C) The movement in the total carrying amount of debt instruments for the years ended December 31, 2019 and 2018, is shown below:

a. Financial assets at fair value through other comprehensive income

Unit: In NT Thousand Dollars

December 31, 2019				
Financial assets at fair value through other comprehensive income	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total
Balance at the beginning of the period	$ 251,759,346	$ -	$ -	$ 251,759,346
Changes from financial instruments recognised at the beginning of the period:				
- Derecognition	(41,446,080)	-	-	(41,446,080)
- Increased(decreased)	9,296,756	-	-	9,296,756
Originated or purchased new financial assets	152,886,985	-	-	152,886,985
Foreign exchange and other changes	332,009	-	-	332,009
Balance at the end of the period	$ 372,829,016	$ -	$ -	$ 372,829,016

Unit: In US Thousand Dollars

December 31, 2019				
Financial assets at fair value through other comprehensive income	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total
Balance at the beginning of the period	$ 8,395,616	$ -	$ -	$ 8,395,616
Changes from financial instruments recognised at the beginning of the period:				
- Derecognition	(1,382,135)	-	-	(1,382,135)
- Increased(decreased)	310,026	-	-	310,026
Originated or purchased new financial assets	5,098,442	-	-	5,098,442
Foreign exchange and other changes	11,072	-	-	11,072
Balance at the end of the period	$ 12,433,021	$ -	$ -	$ 12,433,021

Unit: In NT Thousand Dollars

December 31, 2018				
Financial assets at fair value through other comprehensive income	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total
Balance at the beginning of the period	$ 232,141,475	$ -	$ -	$ 232,141,475
Changes from financial instruments recognised at the beginning of the period:				
- Derecognition	(52,930,679)	-	-	(52,930,679)
- Increased(decreased)	2,251,340	-	-	2,251,340
Originated or purchased new financial assets	70,742,533	-	-	70,742,533
Foreign exchange and other changes	(445,323)	-	-	(445,323)
Balance at the end of the period	$ 251,759,346	$ -	$ -	$ 251,759,346

b. Investments in debt instruments at amortised cost

Unit: In NT Thousand Dollars

Investments in debt instruments at amortised cost	December 31, 2019 12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total
Balance at the beginning of the period	$ 269,676,210	$ -	$ -	$ 269,676,210
Changes from financial instruments recognised at the beginning of the period:				
- Derecognition	(252,980,473)	-	-	(252,980,473)
- Increased(decreased)	(387,989)	-	-	(387,989)
Originated or purchased new financial assets	254,860,058	-	-	254,860,058
Foreign exchange and other changes	(12,381)	-	-	(12,381)
Balance at the end of the period	$ 271,155,425	$ -	$ -	$ 271,155,425

Unit: In US Thousand Dollars

Investments in debt instruments at amortised cost	December 31, 2019 12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total
Balance at the beginning of the period	$ 8,993,104	$ -	$ -	$ 8,993,104
Changes from financial instruments recognised at the beginning of the period:				
- Derecognition	(8,436,338)	-	-	(8,436,338)
- Increased(decreased)	(12,939)	-	-	(12,939)
Originated or purchased new financial assets	8,499,018	-	-	8,499,018
Foreign exchange and other changes	(413)	-	-	(413)
Balance at the end of the period	$ 9,042,432	$ -	$ -	$ 9,042,432

Unit: In NT Thousand Dollars

Investments in debt instruments at amortised cost	December 31, 2018 12-month expected credit losses (Stage 1)	Lifetime expected credit losses (individual assessment) (Stage 2)	Lifetime expected credit losses (credit impaired financial assets that were neither purchased nor originated) (Stage 3)	Total
Balance at the beginning of the period	$ 322,615,638	$ -	$ -	$ 322,615,638
Changes from financial instruments recognised at the beginning of the period:				
- Derecognition	(304,518,299)	-	-	(304,518,299)
- Increased(decreased)	271,927	-	-	271,927
Originated or purchased new financial assets	251,290,711	-	-	251,290,711
Foreign exchange and other changes	16,233	-	-	16,233
Balance at the end of the period	$ 269,676,210	$ -	$ -	$ 269,676,210

H. Credit risk concentration

Extreme credit risk concentration will enhance risk degree, such as large amount of risk exposure concentrated on one credit product, one client, or minor clients, or a group of clients in the same industry or with similar business or in the same area or with the same risk characteristics. When adverse economic changes occur, a financial institution may incur a significant loss.

To avoid extreme credit risk concentration, the Bank and subsidiaries have regulated credit limit and management rules for single client, single business group and large amount of risk exposure. The Bank and subsidiaries have to monitor and control the credit risk concentration within the limit. Status of credit risk concentration must be shown in the regular risk report by industry, area/country, collateral and other forms.

(A) Loans and credit commitments of the Bank and subsidiaries are shown below by industry:

		Loans and credit commitments				
		December 31, 2019			December 31, 2018	
		Amount		Percentage	Amount	Percentage
		NT$	US$	(%)	NT$	(%)
Individuals	Individuals	$ 543,026,533	$ 18,108,731	23.47%	$ 499,786,383	21.67%
Corporation	Government organization	26,417,729	880,973	1.14%	27,587,704	1.20%
	Financial institution, investment and insurance	199,397,833	6,649,476	8.62%	222,843,498	9.66%
	Enterprise and commerce					
	- Manufacturing	629,471,056	20,991,465	27.20%	626,245,191	27.16%
	- Electricity and gas supply	62,823,089	2,095,011	2.72%	73,790,232	3.20%
	- Wholesale and retail	163,043,472	5,437,138	7.05%	173,971,971	7.54%
	- Transportation and storage	157,621,173	5,256,317	6.81%	159,061,710	6.90%
	- Real estate	312,557,022	10,423,084	13.51%	297,699,507	12.91%
	- Others	212,936,212	7,100,951	9.20%	215,955,354	9.37%
	Others	6,466,762	215,652	0.28%	8,934,704	0.39%
Total		$ 2,313,760,881	$ 77,158,798	100.00%	$ 2,305,876,254	100.00%

(B) Loans and credit commitments of the Bank and subsidiaries are shown below by location:

	Loans and credit commitments				
	December 31, 2019			December 31, 2018	
	Amount		Percentage	Amount	Percentage
	NT$	US$	(%)	NT$	(%)
ROC	$ 1,732,573,520	$ 57,777,487	74.88%	$ 1,718,068,220	74.51%
Asia	374,917,569	12,502,670	16.20%	385,517,977	16.72%
North America	94,063,181	3,136,799	4.07%	96,422,299	4.18%
Others	112,206,611	3,741,842	4.85%	105,867,758	4.59%
Total	$ 2,313,760,881	$ 77,158,798	100.00%	$ 2,305,876,254	100.00%

(C) Loans and credit commitments of the Bank and subsidiaries are shown below by collaterals:

	Loans and credit commitments				
	December 31, 2019			December 31, 2018	
	Amount		Percentage	Amount	Percentage
	NT$	US$	(%)	NT$	(%)
Unsecured	$ 968,798,574	$ 32,307,286	41.87%	$ 1,014,082,207	43.98%
Secured					
- Secured by stocks	35,410,443	1,180,860	1.53%	40,979,169	1.78%
- Secured by bonds	94,595,868	3,154,562	4.09%	87,200,003	3.78%
- Secured by real estate	938,703,320	31,303,676	40.57%	896,321,872	38.87%
- Secured by chattel	85,666,603	2,856,791	3.70%	96,114,606	4.17%
- Secured by letter of guarantee	79,357,428	2,646,394	3.43%	64,538,428	2.80%
- Others	111,228,645	3,709,229	4.81%	106,639,969	4.62%
Total	$ 2,313,760,881	$ 77,158,798	100.00%	$ 2,305,876,254	100.00%

I. Foreclosed properties management policy

As of December 31, 2019 and 2018, other assets in the consolidated balance sheet include foreclosed properties' book value of the Bank and subsidiaries both totaling NT$0 thousand. According to the R.O.C. Banking Law, foreclosed properties of the Bank shall be sold within four years. However, foreclosed properties which is approved by the competent authority are not at this limit.

J. Supplementary information in accordance with "Regulations Governing the Preparation of Financial Reports by Public Banks"

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

Unit: In NT Thousand Dollars, %

Month/Year			December 31, 2019				
Business/Items			Amount of non-performing loans (Note 1)	Gross loans	Non-performing loan ratio (Note 2)	Allowance for doubtful accounts	Coverage ratio (Note 3)
Corporate Banking	Secured loans		$ 1,251,075	$ 650,715,921	0.19%	$ 9,586,843	766.29%
	Unsecured loans		619,858	797,503,182	0.08%	13,303,482	2146.21%
Consumer banking	Residential mortgage loans (Note 4)		719,382	345,499,682	0.21%	5,096,522	708.46%
	Cash card services		-	-	-	-	-
	Small amount of credit loans (Note 5)		25,223	17,615,811	0.14%	255,537	1013.11%
	Others (Note 6)	Secured loans	135,908	91,894,180	0.15%	1,340,578	986.39%
		Unsecured loans	137	32,489	0.42%	469	342.34%
Gross loan business			$ 2,751,583	$ 1,903,261,265	0.14%	$ 29,583,431	1075.14%
			Amount of overdue accounts	Balance of accounts receivable	Overdue account ratio	Allowance for doubtful accounts	Coverage ratio
Credit card services			$ 13,812	$ 7,542,405	0.18%	$ 75,367	545.66%
Without recourse factoring (Note 7)			$ -	$ 28,218,088	-	$ 460,750	-

Unit: In US Thousand Dollars, %

Month/Year			December 31, 2019				
Business/Items			Amount of non-performing loans (Note 1)	Gross loans	Non-performing loan ratio (Note 2)	Allowance for doubtful accounts	Coverage ratio (Note 3)
Corporate Banking	Secured loans		$ 41,720	$ 21,699,934	0.19%	$ 319,700	766.30%
	Unsecured loans		20,671	26,594,964	0.08%	443,642	2146.20%
Consumer banking	Residential mortgage loans (Note 4)		23,990	11,521,649	0.21%	169,958	708.45%
	Cash card services		-	-	-	-	-
	Small amount of credit loans (Note 5)		841	587,448	0.14%	8,521	1013.20%
	Others (Note 6)	Secured loans	4,532	3,064,467	0.15%	44,705	986.43%
		Unsecured loans	5	1,084	0.46%	16	320.00%
Gross loan business			$ 91,759	$ 63,469,546	0.14%	$ 986,542	1075.14%
			Amount of overdue accounts	Balance of accounts receivable	Overdue account ratio	Allowance for doubtful accounts	Coverage ratio
Credit card services			$ 461	$ 251,522	0.18%	$ 2,513	545.66%
Without recourse factoring (Note 7)			$ -	$ 941,011	-	$ 15,365	-

Unit: In NT Thousand Dollars, %

Month/Year			December 31, 2018				
Business/Items			Amount of non-performing loans (Note 1)	Gross loans	Non-performing loan ratio (Note 2)	Allowance for doubtful accounts	Coverage ratio (Note 3)
Corporate Banking	Secured loans		$ 684,772	$ 659,713,048	0.10%	$ 9,883,164	1443.28%
	Unsecured loans		1,305,229	806,342,408	0.16%	13,985,258	1071.48%
Consumer banking	Residential mortgage loans (Note 4)		667,735	327,578,553	0.20%	4,899,646	733.77%
	Cash card services		-	-	-	-	-
	Small amount of credit loans (Note 5)		337	14,142,004	0.00%	205,599	61008.61%
	Others (Note 6)	Secured loans	146,801	86,888,239	0.17%	1,284,875	875.25%
		Unsecured loans	341	42,098	0.81%	705	206.74%
Gross loan business			$ 2,805,215	$ 1,894,706,350	0.15%	$ 30,259,247	1078.68%
			Amount of overdue accounts	Balance of accounts receivable	Overdue account ratio	Allowance for doubtful accounts	Coverage ratio
Credit card services			$ 8,768	$ 5,304,444	0.17%	$ 64,890	740.08%
Without recourse factoring (Note 7)			$ -	$ 36,041,881	-	$ 517,373	-

Notes:

1. The amount recognized as non-performing loans is in accordance with the "Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans". The amount included in overdue accounts for credit cards is in accordance with the Financial-Supervisory-Banks (4) Letter No.0944000378 dated July 6, 2005.
2. Non-performing loan ratio = non-performing loans/gross loans. Overdue account ratio for credit cards=overdue accounts/balance of accounts receivable.
3. Coverage ratio for loans = allowance for doubtful accounts of loans/non-performing loans. Coverage ratio for accounts receivable of credit cards = allowance for doubtful accounts for accounts receivable of credit cards/overdue accounts.
4. For residential mortgage loans, the borrower provides his/her (or spouses or minor) house as collateral in full and mortgages it to the financial institution for the purpose of obtaining funds to purchase or add improvements to a house.
5. Small amount of credit loans apply to the norms of the Financial-Supervisory-Banks (4) Letter No. 09440010950 dated December 19, 2005, excluding credit card and cash card services.
6. Other consumer banking is specified as secured or unsecured consumer loans other than residential mortgage loan, cash card services and small amount of credit loans, and excluding credit card services.
7. Pursuant to the Financial-Supervisory-Banks (5) Letter No. 094000494 dated July 19, 2005, the amount of without recourse factoring will be recognized as overdue accounts within three months after the factor or insurance company resolves not to compensate the loss.

(B) Non-performing loans and overdue receivables exempted from reporting to the competent authority

Unit: In NT Thousand Dollars

	December 31, 2019	
	Total amount of non-performing loans exempted from reporting to the competent authority	Total amount of overdue receivables exempted from reporting to the competent authority
Performing amounts exempted from reporting to the competent authority as debt negotiation (Note 1)	$ -	$ -
Performing amounts in accordance with debt liquidation program and restructuring program (Note 2)	220	2,149
Total	$ 220	$ 2,149

Unit: In US Thousand Dollars

	December 31, 2019	
	Total amount of non-performing loans exempted from reporting to the competent authority	Total amount of overdue receivables exempted from reporting to the competent authority
Performing amounts exempted from reporting to the competent authority as debt negotiation (Note 1)	$ -	$ -
Performing amounts in accordance with debt liquidation program and restructuring program (Note 2)	7	72
Total	$ 7	$ 72

Unit: In NT Thousand Dollars

	December 31, 2018	
	Total amount of non-performing loans exempted from reporting to the competent authority	Total amount of overdue receivables exempted from reporting to the competent authority
Performing amounts exempted from reporting to the competent authority as debt negotiation (Note 1)	$ -	$ -
Performing amounts in accordance with debt liquidation program and restructuring program (Note 2)	292	2,417
Total	$ 292	$ 2,417

Note 1: The Bank disclosed the total amount of non-performing loans and overdue receivables exempted from reporting to the competent authority as debt negotiation in accordance with Financial-Supervisory-Banks (1) Letter No. 09510001270 dated April 25, 2006.

Note 2: The Bank disclosed the total amount of non-performing loans and overdue receivables exempted from reporting to the competent authority as debt liquidation program and restructuring program in accordance with Financial-Supervisory-Banks (1) Letter No. 09700318940 dated September 15, 2008 and Financial-Supervisory-Banks Letter No. 10500134790 dated September 20, 2016.

(C) The Bank and subsidiaries contract amounts of significant credit risk concentration are as follows：

Unit: In NT Thousand Dollars, In US Thousand Dollars %

Year	December 31, 2019			
Ranking (Note 1)	Name of Enterprise Group (Note 2)	Total outstanding loan amount (Note 3) NT$	Total outstanding loan amount (Note 3) US$	Total outstanding loan amount / net worth of the current year (%)
1	A Company - Transport via Railways	$ 49,843,216	$ 1,662,161	17.09%
2	B Group - Real Estate Development Activities	35,655,512	1,189,032	12.22%
3	C Group - Other Financial Serve Activities Not Elsewhere Classified	31,184,710	1,039,941	10.69%
4	D Group - Air Transpor	24,154,365	805,495	8.28%
5	E Group - Computer manufacturing	23,143,632	771,789	7.93%
6	F Group - Ship Transportation	18,874,575	629,425	6.47%
7	G Group - Smelting and Refining of Iron and Steel	17,084,103	569,717	5.86%
8	H Group - Rolling and Extruding of Iron and Steel	15,246,809	508,447	5.23%
9	I Group - Other Financial Serve Activities Not Elsewhere Classified	14,043,033	468,304	4.81%
10	J Group - Real Estate Development Activities	13,441,553	448,246	4.61%

Unit: In NT Thousand Dollars, %

Year	December 31, 2018		
Ranking (Note 1)	Name of Enterprise Group (Note 2)	Total outstanding loan amount (Note 3) NT$	Total outstanding loan amount / net worth of the current year (%)
1	A Company - Transport via Railways	$ 49,843,216	17.62%
2	B Group - Manufacture of Plastic Films and Bags	40,705,135	14.39%
3	C Group - Real Estate Development Activities	35,943,083	12.71%
4	D Group - Manufacture of Liquid Crystal Panel and Components	26,657,693	9.42%
5	E Group - Air Transport	22,752,579	8.04%
6	F Group -Smelting and Refining of Iron and Steel	19,492,055	6.89%
7	G Group - Computer manufacturing	18,420,802	6.51%
8	H Group - Manufacture of Wholesale of Chemical Materials	17,554,153	6.21%
9	I Group - Rolling and Extruding of Iron and Steel	16,905,262	5.98%
10	J Group - Other Financial Serve Activities Not Elsewhere Classified	15,188,612	5.37%

Note 1: Ranking the top ten enterprise groups other than government and government enterprise according to their total amounts of outstanding loans. If an outstanding loan belongs to an enterprise group, the outstanding loan of the enterprise group should be categorized and listed in total, and disclosed by "code" plus "industry type" (for example, company (or group) A - Liquid Crystal Panel and Components Manufacturing). If it is an enterprise group, industry type of maximum exposure of the enterprise group would be disclosed. Industry type should be filled in accordance with "Standard Industrial Classification System" of Directorate-General of Budget, Accounting and Statistics, Executive Yuan.

Note 2: Definition of enterprise group is based on Article 6 of Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings.

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

(4) Liquidity risk

A. Definition and sources of liquidity risk

The Bank and subsidiaries define liquidity risk as the risk of financial loss to the Bank and subsidiaries arising from default by any companies of financial instruments on the payment obligations. For example, the companies are default on payment obligations, such as withdrawals paid to depositors and loans repayment. Or, the company is unable to obtain funds within a certain period at reasonable cost in response to increased demand for assets.

B. Procedures for liquidity risk management and measurement of liquidity risk

The Bank and subsidiaries are mainly engaged in industry related to finance. Therefore, the management for capital liquidity is very important to the Bank and subsidiaries. The objectives for liquidity risk management are (a) Meet the liquidity index regulation (b) Maintain reasonable liquidity based on business development plans, ensure capability of daily payment obligations and meet business growth requirements with adequate highly-liquid assets and capability of raising funds from others in case of emergency.

The financial department of the Bank and subsidiaries is responsible for daily capital liquidity management. According to the limits authorized by the Board of (Managing) Directors, the Bank and subsidiaries monitor the indexes of liquidity risk, execute capital procurement trading and report the conditions of capital liquidity to the management. The Bank and subsidiaries also reports the liquidity risk control to the Fund Management Committee, Risk Management Committee and the Board of (Managing) Directors regularly, and performs regular liquidity stress-testing to ensure sufficient capital to meet the funding requirements for increase in assets and payment obligations.

The Bank and subsidiaries daily perform intensive control over capital sources and the period for fund gaps and liquidity risk management. Future cash flows are estimated based on the financial liability contracts due date and expected cash collection date of financial assets. The Bank and subsidiaries also take into account the extent of practical utilization of capital in contingent liabilities such as use of loan limits, guarantees and commitments.

Assets used to pay obligations and loan commitments including cash and cash equivalents, due from the Central Bank and call loans to banks, financial assets at fair value through profit or loss, securities purchased under resell agreements, receivables, discounts and loans, financial assets at fair value through other comprehensive income, financial assets at amortised cost, and other financial assets are held in response to unexpected cash outflows.

The liquidity management policies of the Bank and subsidiaries include:

(A) Maintain the ability to perform all payment obligations immediately.

(B) Maintain solid assets/liabilities structure to ensure medium and long-term liquidity safety.

(C) Diversify capital sources and absorb stable core depositors to avoid depending on certain large-sum depositors.

(D) Avoid potential unknown loss risk which will increase capital cost and capital procurement pressure.

(E) Conduct due date management to ensure that cash inflow is greater than cash outflow in short term.

(F) Keep liquidity ratio.

(G) Keep legal ratio for high-quality, high-liquidity assets.

(H) Be aware of the liquidity, safety and diversity of financial instruments.

(I) The Bank and subsidiaries have capital emergency plans, which are reviewed regularly.

(J) The overseas branches of the Bank and subsidiaries must obey the regulations of R.O.C. and the local supervisory authorities. Otherwise, they will be penalized for violation of these regulations.

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C. Maturity date analysis for non-derivatives

The table below lists analysis for cash inflow and outflow of the non-derivatives held by the Bank and subsidiaries for liquidity risk management based on the remaining period at the financial reporting date to the contractual maturity date.

The Bank and subsidiaries' analysis for capital maturity gaps

UNIT：In NT Thousand Dollars

	December 31, 2019						
	1-30 days	31-90 days	91-180 days	181 days -1 year	1 year-5 years	Over 5 years	Total
Primary funds inflow upon maturity							
Cash and cash equivalents	$ 98,751,279	$ 30,370,026	$ 7,149,709	$ 4,829,927	$ -	$ -	$ 141,100,941
Due from the Central Bank and call loans to banks	440,437,757	52,048,667	1,778,944	-	-	-	494,265,368
Financial assets at fair value through profit or loss	26,176,609	911,241	2,046,508	2,991,968	25,519,523	1,832,149	59,477,998
Financial assets at fair value through other comprehensive income	69,793,991	10,316,786	21,829,468	28,556,529	208,346,054	68,041,464	406,884,292
Investment in debt instruments at amortised cost	172,987,906	31,076,493	19,290,230	22,153,615	25,356,810	590,617	271,455,671
Securities purchased under resell agreements	7,536,981	-	-	-	-	-	7,536,981
Receivables	61,859,183	20,215,812	8,689,540	11,461,923	1,877,117	554	104,104,129
Discounts and loans	140,415,617	160,729,345	274,298,506	220,685,047	721,983,182	489,599,924	2,007,711,621
Other financial assets	205	410	421	1,242	207	32,392	34,877
Total	1,017,959,528	305,668,780	335,083,326	290,680,251	983,082,893	560,097,100	3,492,571,878
Primary funds outflow upon maturity							
Deposits from the Central Bank and banks	307,064,220	61,760,145	6,834,650	4,749,268	32,278,210	670,229	413,356,722
Due to the Central Bank and banks	3,768,861	13,567,833	3,920,679	-	-	-	21,257,373
Financial liabilities at fair value through profit or loss	17,362,339	-	-	-	-	-	17,362,339
Securities sold under repurchase agreements	2,241,783	21,272,207	8,614,979	-	-	-	32,128,969
Payables	58,713,487	3,627,747	1,766,229	3,976,329	412,466	5,679,275	74,175,533
Deposits and remittances	509,405,799	403,336,937	282,427,936	378,871,530	888,249,437	17,907,953	2,480,199,592
Bank notes payable	-	83,300	117,150	-	12,200,450	-	12,400,900
Other financial liabilities	5,400,230	2,460,737	127,011	2,926	2,216,185	71,495	10,278,584
Lease liabilities	53,915	92,831	142,850	271,819	973,528	529,017	2,063,960
Other liabilities	263,121	526,241	540,859	1,596,265	266,044	-	3,192,530
Total	904,273,755	506,727,978	304,492,343	389,468,137	936,596,320	24,857,969	3,066,416,502
Gap	$ 113,685,773	($ 201,059,198)	$ 30,590,983	($ 98,787,886)	$ 46,486,573	$ 535,239,131	$ 426,155,376

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UNIT：In US Thousand Dollars

	December 31, 2019						
	1-30 days	31-90 days	91-180 days	181 days -1 year	1 year -5 years	Over 5 years	Total
Primary funds inflow upon maturity							
Cash and cash equivalents	$ 3,293,136	$ 1,012,773	$ 238,427	$ 161,067	$ -	$ -	$ 4,705,403
Due from the Central Bank and call loans to banks	14,687,623	1,735,708	59,324	-	-	-	16,482,655
Financial assets at fair value through profit or loss	872,932	30,388	68,247	99,776	851,020	61,098	1,983,461
Financial assets at fair value through other comprehensive income	2,327,475	344,042	727,964	952,297	6,947,879	2,269,032	13,568,689
Investment in debt instruments at amortised cost	5,768,763	1,036,332	643,286	738,774	845,593	19,696	9,052,444
Securities purchased under resell agreements	251,342	-	-	-	-	-	251,342
Receivables	2,062,867	674,152	289,777	382,230	62,598	18	3,471,642
Discounts and loans	4,682,550	5,359,967	9,147,247	7,359,357	24,076,539	16,327,073	66,952,733
Other financial assets	7	14	14	41	7	1,080	1,163
Total	33,946,695	10,193,376	11,174,286	9,693,542	32,783,636	18,677,997	116,469,532
Primary funds outflow upon maturity							
Deposits from the Central Bank and banks	10,239,911	2,059,564	227,920	158,377	1,076,407	22,351	13,784,530
Due to the Central Bank and banks	125,683	452,457	130,746	-	-	-	708,886
Financial liabilities at fair value through profit or loss	578,995	-	-	-	-	-	578,995
Securities sold under repurchase agreements	74,758	709,381	287,290	-	-	-	1,071,429
Payables	1,957,965	120,977	58,900	132,602	13,755	189,391	2,473,590
Deposits and remittances	16,987,555	13,450,393	9,418,346	12,634,526	29,621,150	597,191	82,709,161
Bank notes payable	-	2,778	3,907	-	406,858	-	413,543
Other financial liabilities	180,086	82,060	4,236	98	73,905	2,384	342,769
Lease liabilities	1,798	3,096	4,764	9,064	32,465	17,641	68,828
Other liabilities	8,775	17,549	18,036	53,232	8,872	-	106,464
Total	30,155,526	16,898,255	10,154,145	12,987,899	31,233,412	828,958	102,258,195
Gap	$ 3,791,169	($ 6,704,879)	$ 1,020,141	($ 3,294,357)	$ 1,550,224	$ 17,849,039	$ 14,211,337

UNIT：In NT Thousand Dollars

	December 31, 2018						
	1-30 days	31-90 days	91-180 days	181 days -1 year	1 year -5 years	Over 5 years	Total
Primary funds inflow upon maturity							
Cash and cash equivalents	$ 80,004,371	$ 29,955,636	$ 7,188,072	$ 6,631,307	$ -	$ -	$ 123,779,386
Due from the Central Bank and call loans to banks	495,835,728	23,419,316	1,436,172	-	-	-	520,691,216
Financial assets at fair value through profit or loss	28,400,999	413,555	1,291,869	1,848,198	27,810,387	1,325,186	61,090,194
Financial assets at fair value through other comprehensive income	10,416,391	7,726,793	7,759,343	25,198,544	182,767,422	47,900,444	281,768,937
Investment in debt instruments at amortised cost	204,130,731	33,626,669	11,429,238	3,956,017	16,094,272	601,415	269,838,342
Securities purchased under resell agreements	3,997,958	-	-	-	-	-	3,997,958
Receivables	49,674,583	23,420,235	4,903,749	7,692,067	18,295	389	85,709,318
Discounts and loans	147,827,777	184,728,410	264,710,887	210,181,220	726,070,346	464,826,776	1,998,345,416
Other financial assets	345	691	691	2,417	-	33,713	37,857
Total	1,020,288,883	303,291,305	298,720,021	255,509,770	952,760,722	514,687,923	3,345,258,624
Primary funds outflow upon maturity							
Deposits from the Central Bank and banks	303,223,458	43,221,186	4,656,550	6,370,242	36,583,075	778,363	394,832,874
Due to the Central Bank and banks	32,455,818	21,528,840	-	-	-	-	53,984,658
Financial liabilities at fair value through profit or loss	24,488,891	-	-	-	-	-	24,488,891
Securities sold under repurchase agreements	2,431,135	24,557,101	-	-	-	-	26,988,236
Payables	44,520,178	4,225,590	1,417,971	5,371,291	555	5,679,275	61,214,860
Deposits and remittances	526,274,768	369,490,057	212,724,659	380,302,616	834,894,603	17,278,102	2,340,964,805
Bank notes payable	-	83,300	1,436,390	-	12,400,900	-	13,920,590
Other financial liabilities	5,677,794	1,757,222	83,402	461,177	2,369,183	194,349	10,543,127
Other liabilities	252,867	505,733	505,733	1,770,064	-	-	3,034,397
Total	939,324,909	465,369,029	220,824,705	394,275,390	886,248,316	23,930,089	2,929,972,438
Gap	$ 80,963,974	($ 162,077,724)	$ 77,895,316	($ 138,765,620)	$ 66,512,406	$ 490,757,834	$ 415,286,186

D. Structure analysis for maturity of derivatives

(A) Derivatives settled on a net basis

Derivatives of the Bank and subsidiaries settled on a net basis include:

a. Foreign exchange derivatives: currency option, non-delivery forward

b. Interest derivatives: forward rate agreement, interest rate swap, assets swap, interest rate option, bond option, interest rate futures

c. Credit derivatives: credit default swaps (CDS)

d. Equity derivatives: stock option

e. Others: combined commodity

UNIT：In NT Thousand Dollars

	December 31, 2019						
	1-30 days	31-90 days	91-180 days	181 days-1 year	1 year-5 years	Over 5 years	Total
Foreign exchange derivatives							
Inflow	$ 50,725	$ 22,975	$ 5,461	$ 8,795	$ -	$ -	$ 87,956
Outflow	60,970	17,311	4,183	6,802	-	-	89,266
Interest rate derivatives							
Inflow	36,724	514,873	390,056	270,845	3,507,624	16,061,201	20,781,323
Outflow	99,679	127,260	148,324	375,661	1,982,014	7,170,514	9,903,452
Credit derivatives							
Inflow	-	49,011	52,857	135,822	318,786	-	556,476
Outflow	-	-	-	-	-	-	-
Total inflows	$ 87,449	$ 586,859	$ 448,374	$ 415,462	$ 3,826,410	$ 16,061,201	$ 21,425,755
Total outflows	$ 160,649	$ 144,571	$ 152,507	$ 382,463	$ 1,982,014	$ 7,170,514	$ 9,992,718

UNIT：In US Thousand Dollars

	December 31, 2019						
	1-30 days	31-90 days	91-180 days	181 days-1 year	1 year-5 years	Over 5 years	Total
Foreign exchange derivatives							
Inflow	$ 1,691	$ 766	$ 182	$ 293	$ -	$ -	$ 2,932
Outflow	2,033	577	140	227	-	-	2,977
Interest rate derivatives							
Inflow	1,225	17,170	13,007	9,032	116,971	535,606	693,011
Outflow	3,324	4,244	4,946	12,527	66,096	239,121	330,258
Credit derivatives							
Inflow	-	1,634	1,763	4,530	10,631	-	18,558
Outflow	-	-	-	-	-	-	-
Total inflows	$ 2,916	$ 19,570	$ 14,952	$ 13,855	$ 127,602	$ 535,606	$ 714,501
Total outflows	$ 5,357	$ 4,821	$ 5,086	$ 12,754	$ 66,096	$ 239,121	$ 333,235

UNIT：In NT Thousand Dollars

	December 31, 2018						
	1-30 days	31-90 days	91-180 days	181 days-1 year	1 year-5 years	Over 5 years	Total
Foreign exchange derivatives							
Inflow	$ 58,366	$ 13,014	$ 10,331	$ 5,806	$ -	$ -	$ 87,517
Outflow	69,188	10,102	8,036	3,784	-	-	91,110
Interest rate derivatives							
Inflow	66,186	591,963	553,089	882,688	5,592,949	19,785,885	27,472,760
Outflow	68,001	165,128	244,865	475,871	3,296,252	13,125,661	17,375,778
Credit derivatives							
Inflow	-	51,282	49,873	110,858	512,757	-	724,770
Outflow	-	-	-	-	992	-	992
Total inflows	$ 124,552	$ 656,259	$ 613,293	$ 999,352	$ 6,105,706	$ 19,785,885	$ 28,285,047
Total outflows	$ 137,189	$ 175,230	$ 252,901	$ 479,655	$ 3,297,244	$ 13,125,661	$ 17,467,880

(B) Derivatives settled on a gross basis

Derivatives of the Bank and subsidiaries settled on a gross basis include:

a. Foreign exchange derivatives: forward exchange

b. Interest derivatives: cross currency swaps and currency swaps

UNIT：In NT Thousand Dollars

	December 31, 2019						
	1-30 days	31-90 days	91-180 days	181 days-1 year	1 year-5 years	Over 5 years	Total
Foreign exchange derivatives							
Inflow	$ 6,840,123	$ 12,420,131	$ 4,136,111	$ 1,787,789	$ -	$ -	$ 25,184,154
Outflow	6,823,801	12,335,773	4,115,387	1,785,653	-	-	25,060,614
Interest rate derivatives							
Inflow	371,208,104	168,863,968	70,160,655	51,530,204	19,283	-	661,782,214
Outflow	372,165,660	169,704,375	70,812,304	51,817,042	19,492	-	664,518,873
Total inflows	$ 378,048,227	$ 181,284,099	$ 74,296,766	$ 53,317,993	$ 19,283	$ -	$ 686,966,368
Total outflows	$ 378,989,461	$ 182,040,148	$ 74,927,691	$ 53,602,695	$ 19,492	$ -	$ 689,579,487

UNIT：In US Thousand Dollars

	December 31, 2019						
	1-30 days	31-90 days	91-180 days	181 days-1 year	1 year-5 years	Over 5 years	Total
Foreign exchange derivatives							
Inflow	$ 228,103	$ 414,184	$ 137,930	$ 59,619	$ -	$ -	$ 839,836
Outflow	227,559	411,371	137,239	59,548	-	-	835,717
Interest rate derivatives							
Inflow	12,378,968	5,631,239	2,339,702	1,718,418	643	-	22,068,970
Outflow	12,410,900	5,659,265	2,361,433	1,727,983	650	-	22,160,231
Total inflows	$ 12,607,071	$ 6,045,423	$ 2,477,632	$ 1,778,037	$ 643	$ -	$ 22,908,806
Total outflows	$ 12,638,459	$ 6,070,636	$ 2,498,672	$ 1,787,531	$ 650	$ -	$ 22,995,948

UNIT：In NT Thousand Dollars

	December 31, 2018						
	1-30 days	31-90 days	91-180 days	181 days-1 year	1 year-5 years	Over 5 years	Total
Foreign exchange derivatives							
Inflow	$ 6,590,300	$ 8,835,708	$ 4,323,073	$ 2,755,457	$ -	$ -	$ 22,504,538
Outflow	6,712,297	8,859,523	4,345,695	2,806,037	-	-	22,723,552
Interest rate derivatives							
Inflow	386,682,833	191,298,863	75,148,593	17,134,443	134,368	-	670,399,100
Outflow	385,016,900	190,674,689	73,972,151	16,879,148	138,299	-	666,681,187
Total inflows	$ 393,273,133	$ 200,134,571	$ 79,471,666	$ 19,889,900	$ 134,368	$ -	$ 692,903,638
Total outflows	$ 391,729,197	$ 199,534,212	$ 78,317,846	$ 19,685,185	$ 138,299	$ -	$ 689,404,739

E. Analysis for off-balance sheet contractual commitments

UNIT：In NT Thousand Dollars

	December 31, 2019						
	1-30 days	31-90 days	91-180 days	181 days-1 year	1 year-5 years	Over 5 years	Total
Irrevocable commitments	$ 1,886,980	$ 1,161,330	$ 92,601,152	$ 23,082,255	$ 76,038,555	$ 7,177,065	$ 201,947,337
Financial guarantee contracts	42,568,777	47,404,122	37,873,025	54,981,101	25,655,845	69,409	208,552,279
Total	$ 44,455,757	$ 48,565,452	$ 130,474,177	$ 78,063,356	$ 101,694,400	$ 7,246,474	$ 410,499,616

UNIT：In US Thousand Dollars

	December 31, 2019						
	1-30 days	31-90 days	91-180 days	181 days-1 year	1 year-5 years	Over 5 years	Total
Irrevocable commitments	$ 62,927	$ 38,728	$ 3,088,043	$ 769,742	$ 2,535,717	$ 239,339	$ 6,734,496
Financial guarantee contracts	1,419,574	1,580,822	1,262,981	1,833,498	855,566	2,315	6,954,756
Total	$ 1,482,501	$ 1,619,550	$ 4,351,024	$ 2,603,240	$ 3,391,283	$ 241,654	$ 13,689,252

UNIT：In NT Thousand Dollars

	December 31, 2018						
	1-30 days	31-90 days	91-180 days	181 days-1 year	1 year-5 years	Over 5 years	Total
Irrevocable commitments	$ 3,776,482	$ 5,456,819	$ 77,920,331	$ 9,314,559	$ 75,832,641	$ 6,126,640	$ 178,427,472
Financial guarantee contracts	49,374,374	53,380,170	28,957,528	73,776,673	27,252,028	1,659	232,742,432
Total	$ 53,150,856	$ 58,836,989	$ 106,877,859	$ 83,091,232	$ 103,084,669	$ 6,128,299	$ 411,169,904

a. Off-balance sheet items include irrevocable commitments and financial guarantee contracts

b. Irrevocable commitments include irrevocable arranged financing limit and credit card line commitments

c. Financial gurantee contracts refer to gurantees and letters of credit issued

F. Analysis for maturity leasing contractual commitments

Applicable in 2018

UNIT：In NT Thousand Dollars

	December 31, 2018			
	Not later than one year	1 year-5 years	Over 5 years	Total
Leasing contractual commitments				
Non-cancellable aggregate minimum lease payments	$ 529,920	$ 1,079,766	$ 693,663	$ 2,303,349
Non-cancellable aggregate minimum lease income	155,852	239,915	-	395,767
Net payment	$ 374,068	$ 839,851	$ 693,663	$ 1,907,582

G. Disclosure requirements in the “Regulations Governing the Preparation of Financial Reports by Public Banks”

(A) Maturity analysis of NTD financial instruments of the Bank

UNIT: In NT Thousand Dollars

	December 31, 2019						
	Total	0-10 days	11-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year
Primary funds inflow upon maturity	$ 1,915,318,243	$ 275,175,039	$ 198,450,965	$ 152,407,863	$ 224,375,175	$ 166,861,754	$ 898,047,447
Primary funds outflow upon maturity	2,459,536,895	107,110,773	180,406,137	321,925,179	252,697,632	428,131,098	1,169,266,076
Gap	($ 544,218,652)	$ 168,064,266	$ 18,044,828	($ 169,517,316)	($ 28,322,457)	($ 261,269,344)	($ 271,218,629)

UNIT: In US Thousand Dollars

	December 31, 2019						
	Total	0-10 days	11-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year
Primary funds inflow upon maturity	$ 63,871,619	$ 9,176,478	$ 6,617,900	$ 5,082,464	$ 7,482,415	$ 5,564,470	$ 29,947,892
Primary funds outflow upon maturity	82,020,105	3,571,907	6,016,145	10,735,491	8,426,906	14,277,223	38,992,433
Gap	($ 18,148,486)	$ 5,604,571	$ 601,755	($ 5,653,027)	($ 944,491)	($ 8,712,753)	($ 9,044,541)

UNIT: In NT Thousand Dollars

	December 31, 2018						
	Total	0-10 days	11-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year
Primary funds inflow upon maturity	$ 1,847,329,522	$ 257,675,113	$ 236,753,293	$ 169,819,077	$ 206,535,977	$ 157,381,317	$ 819,164,745
Primary funds outflow upon maturity	2,384,413,673	123,880,474	185,756,784	330,375,891	245,907,911	387,365,435	1,111,127,178
Gap	($ 537,084,151)	$ 133,794,639	$ 50,996,509	($ 160,556,814)	($ 39,371,934)	($ 229,984,118)	($ 291,962,433)

(B) Maturity analysis of USD financial instruments of the Bank

UNIT: In US Thousand Dollars

	December 31, 2019					
	Total	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year
Primary funds inflow upon maturity	$ 59,161,168	$ 26,065,330	$ 8,661,893	$ 3,825,506	$ 3,370,008	$ 17,238,431
Primary funds outflow upon maturity	68,087,117	25,567,497	12,994,797	6,958,351	6,962,965	15,603,507
Gap	($ 8,925,949)	$ 497,833	($ 4,332,904))	($ 3,132,845))	($ 3,592,957))	$ 1,634,924

UNIT: In US Thousand Dollars

	December 31, 2018					
	Total	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year
Primary funds inflow upon maturity	$ 56,534,405	$ 25,579,158	$ 8,084,179	$ 3,895,261	$ 1,769,138	$ 17,206,669
Primary funds outflow upon maturity	65,768,134	26,907,531	10,629,841	5,342,397	6,800,810	16,087,555
Gap	($ 9,233,729)	($ 1,328,373)	($ 2,545,662)	($ 1,447,136)	($ 5,031,672)	$ 1,119,114

Note 1: The funds denominated in US dollars means the amount of all US dollars of the Bank.

Note 2: If overseas assets exceed 10% of total assets, supplementary information shall be disclosed.

(C) Maturity analysis of USD financial instruments of the foreign branches

UNIT：In US Thousand Dollars

	December 31, 2019					
	Total	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year
Primary funds inflow upon maturity	$ 19,125,697	$ 9,301,792	$ 2,543,455	$ 751,666	$ 1,017,276	$ 5,511,508
Primary funds outflow upon maturity	20,741,754	10,026,119	1,514,538	1 ,227,448	1,006,878	6,966,771
Gap	($ 1,616,057)	($ 724,327)	$ 1,028,917	($ 475,782)	$ 10,398	($ 1,455,263)

UNIT：In US Thousand Dollars

	December 31, 2018					
	Total	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year
Primary funds inflow upon maturity	$ 19,756,020	$ 11,220,306	$ 2,087,792	$ 644,532	$ 609,495	$ 5,193,895
Primary funds outflow upon maturity	21,095,065	10,345,450	1,362,985	916,441	985,287	7,484,902
Gap	($ 1,339,045)	$ 874,856	$ 724,807	($ 271,909)	($ 375,792)	($ 2,291,007)

(5) Market risk

A. Definition of market risk

Market risk refers the potential losses of the Bank and subsidiaries' on-balance-sheet and off-balance-sheet positions due to the Bank and subsidiaries enduring fluctuations of market prices (for example: fluctuations of market interest, exchange rates, stock prices and price of products).

B. Objective of market risk management

The objective of the Bank and subsidiaries' market risk management is to confine risks within a tolerable scope to avoid the fluctuations of financial product prices impacting future returns and the values of assets and liabilities.

C. Market risk management policies and procedures

The Board of (Managing) Directors decided the risk tolerant limits, position limits, and loss limits. Market risk management comprises trading book control and banking book control. Trading book operation mainly pertains to the positions held by bills and securities firms due to market making. Policies for financial instrument trading of bank are based on back-to-back operation principle. Banking book is based on held-to-maturity principle and adopts hedging measures.

D. Procedures for market risk management

(A) The Bank and subsidiaries' objectives of market risk management are respectively proposed by The Treasury Department and Risk Management Department, and then Risk Management Department summarizes and reports these objectives to Risk Management Committee of Mega Financial Holdings and the Bank's Board of Directors for assessment.

(B) Risk Management Department not only prepares statement of market risk position and profit and loss of various financial instruments but regularly compiles securities investment performance evaluation and reports to the Board of (Managing) Directors for the Board's knowledge of the Bank and subsidiaries' risk control over securities investment. Risk Management Department summarizes and analyzes information on a daily basis. Besides, Risk Management Department monthly summarizes and analyzes data collected from positions of various financial instruments, profit and loss assessment, analysis on risk-sensitive factors, and stress testing for senior management's knowledge of the Bank's market risk exposure profile.

E. Market risk measurement and control principle

(A) The Bank and subsidiaries' market risk report contains interest rate, exchange rate, positions of equity securities, credit default swap (CDS) and profit and loss assessment. Every transaction has limit and stop-loss provisions, which shall be submitted to approval management in accordance with the Bank and subsidiaries' regulations. Stop-loss limit shall be implemented as soon as a transaction reaches the threshold. If no stop-loss limit will be implemented, trading units shall immediately make statement about reasons to not implement stop-loss limit and coping plan, which shall be submitted to senior management for approval and reported to the Board of (Managing) Directors regularly.

(B) Non-hedging trading positions of derivatives are daily assessed based on the market value, whereas hedging trading positions of futures are daily assessed and others are assessed twice a month.

(C) SUMMIT information system and DW information system for market risk provides functions in relation to risk management such as real-time limits, profit and loss assessment, analysis on risk-sensitive factors, stress testing, etc.

F. Policies and procedures of trading-book risk management

The Bank and subsidiaries daily monitor trading-book positions, changes in risk exposures, and various risk limits, including trading rooms, traders and product line risk limits.

If trading-book financial instruments have market price, the valuation of those instruments is conducted at least one time daily using the independent source and available information. If using mathematical model valuation, the assumptions and parameters used in the model are reviewed regularly.

The method of risk measurement is sensitivity analysis.

The Bank conducts stress test on the positions of its interest rate, equity securities, foreign exchange rate products and credit default swap (CDS) on the assumptions of the monthly change in interest rate, securities market index, foreign exchange rate and CDS by 1%, 15%, 3% and 100 base points, respectively, and reports to the Risk Management Committee.

G. Trading-book interest rate risk management

Trading-book interest rate risk refers to the financial loss of the decline in values of interest rate products held due to unfavorable changes in interest rates, including securities and derivatives with interest.

The Bank and subsidiaries interest rate products are traded mainly for hedging.

The trading group screens the credits and financial positions of issuers and selects investment objectives by judging interest rate trend and a variety of country risks and based on the authorized minimum investment criteria. The Bank and subsidiaries set trading-book trading limits and stop-loss limits (including trading rooms, traders, trading products, counterparties, and daily and overnight limits) based on business strategies and market conditions, and measure monthly the extent of impact of interest rate risk on investment portfolios using DV01 value.

H. Banking book interest rate risk management

Banking book interest rate risk mainly comes from the unmatched maturity dates of assets and liabilities or price resetting dates, and inconsistent changes in base interest rates for assets and liabilities. The Bank and subsidiaries' interest rate risk mainly comes from the unmatched periods of interest-rate sensitive assets and liabilities of the Bank and subsidiaries.

As the Bank and subsidiaries have interest-rate sensitive gaps, market interest rate fluctuations have good or bad impacts on the Bank and subsidiaries' earnings and cash flows.

The Bank and subsidiaries manage Banking book interest rate risk by using repricing gap analysis. The interest-rate repricing gap analysis is to estimate the difference between the assets and liabilities with interest bearing that are to be due near or repriced within a certain period and measure the impact of interest rate change on net interest revenue. The analysis assumes assets and liabilities structure remain unchanged and there are parallel movements of interest rate curves, and excludes the customer behavior, basis risk, option characteristics of early repayment of bonds. The Bank and subsidiaries calculate the change in net interest revenue for this year and also monitor the percentage of change in net interest revenue to the projection of net interest revenue for this year.

The Bank and subsidiaries monthly analyze and monitor interest rate risk positions limits and various interest rate risk management indexes. If any risk management index exceeds limit, the Bank and subsidiaries will adopt responding measures and report the analysis and monitoring results to the Fund Management Committee, the Risk Management Committee and the Board of Directors.

I. Foreign exchange risk management

Foreign exchange risk refers to the losses caused by the exchange of two different currencies at different times. The Bank and subsidiaries' foreign exchange risk mainly comes from its derivatives business such as spot foreign exchange, forward foreign exchange and foreign exchange options. The foreign exchange trading of the Bank and subsidiaries are mainly for offsetting customers' positions on the same day; therefore, foreign exchange risk is relatively low.

To control trading-book foreign exchange risk, subsidiaries have set trading limits and stop-loss limits for trading rooms and traders and also set the annual maximum loss limits to control the losses within the tolerable scopes.

J. The Bank and subsidiaries' foreign exchange risk gaps

UNIT：In NT Thousand Dollars

	December 31, 2019				
	USD	AUD	RMB	EUR	JPY
Assets					
Cash and cash equivalents	$ 90,619,231	$ 352,948	$ 17,353,638	$ 1,877,948	$ 12,279,100
Due from the Central Bank and call loans to banks	380,402,426	3,495,475	9,294,280	356,215	27,434,206
Financial assets at fair value through profit or loss	35,666,317	2,681,798	749	11,094	524
Financial assets at fair value through other comprehensive income	119,734,387	78,736,145	14,753,549	4,268,305	9,155,888
Investment in debt instruments at amortised cost	29,368,643	844,746	4,810,484	420,330	552,474
Securities purchased under resell agreements	1,438,626	-	-	-	-
Receivables	29,360,759	9,429,084	1,362,262	875,486	1,474,250
Discounts and loans	473,653,541	57,195,287	17,341,313	31,143,294	32,294,330
Other assets	1,249,756	68,991	738,989	1,766,115	89,449
Total assets	1,161,493,686	152,804,474	65,655,264	40,718,787	83,280,221
Liabilities					
Deposits from the Central Bank and banks	$ 322,460,725	$ 3,357,858	$ 13,305,132	$ 3,033,681	$ 39,175,827
Due to the Central Bank and banks	21,161,321	-	-	-	-
Financial liabilities at fair value through profit or loss	19,586,617	9,329	754	4,886	546
Securities sold under repurchase agreements	17,192,940	14,686,716	-	-	-
Payables	16,352,059	269,673	1,704,548	470,161	1,106,354
Deposits and remittances	951,662,036	36,636,223	95,792,969	30,471,713	26,049,106
Other liabilities	9,940,727	3,830,503	1,205,129	1,132,947	338,810
Total liabilities	1,358,356,425	58,790,302	112,008,532	35,113,388	66,670,643
On-balance sheet foreign exchange gap	($ 196,862,739)	$ 94,014,172	($ 46,353,268)	$ 5,605,399	$ 16,609,578
Off-balance sheet commitments	$ 90,507,888	$ 1,574,650	$ 3,884,941	$ 13,123,161	$ 3,542,948
NTD exchange rate	29.9870	21.0059	4.2974	33.6214	0.2759

UNIT：In NT Thousand Dollars

	December 31, 2018				
	USD	AUD	RMB	EUR	JPY
Assets					
Cash and cash equivalents	$ 71,991,084	$ 317,863	$ 23,929,221	$ 2,472,371	$ 9,481,073
Due from the Central Bank and call loans to banks	428,715,142	1,452,319	6,739,005	467,540	8,147,853
Financial assets at fair value through profit or loss	38,017,449	3,854,136	588	7,726	2,059
Financial assets at fair value through other comprehensive income	54,465,414	74,683,965	11,675,992	2,943,621	-
Investment in debt instruments at amortised cost	20,994,748	1,298,107	1,901,957	581,675	555,787
Receivables	32,702,529	7,172,202	1,037,584	311,810	2,510,284
Discounts and loans	520,635,235	50,181,957	17,913,188	20,129,485	34,166,702
Other assets	2,407,687	27,533	78,780	71,102	83,594
Total assets	1,169,929,288	138,988,082	63,276,315	26,985,330	54,947,352
Liabilities					
Deposits from the Central Bank and banks	$ 305,098,241	$ 2,624,928	$ 19,821,369	$ 1,511,247	$ 38,929,324
Due to the Central Bank and banks	51,734,091	-	-	1,759,006	-
Financial liabilities at fair value through profit or loss	25,588,137	5,406	608	5,890	1,461
Securities sold under repurchase agreement	6,933,891	19,092,751	-	-	-
Payables	14,296,111	272,332	1,263,100	427,812	2,349,320
Deposits and remittances	866,531,484	38,154,098	98,094,237	28,877,238	27,159,864
Other liabilities	8,922,038	1,198,618	1,238,970	1,269,676	404,214
Total liabilities	1,279,103,993	61,348,133	120,418,284	33,850,869	68,844,183
On-balance sheet foreign exchange gap	($ 109,174,705)	$ 77,639,949	($ 57,141,969)	($ 6,865,539)	($ 13,896,831)
Off-balance sheet commitments	$ 95,005,634	$ 2,316,440	$ 4,102,921	$ 13,199,335	$ 4,365,793
NTD exchange rate	30.7330	21.6483	4.4761	35.1801	0.2775

K. Risk management for equity securities

Due to needs of proprietary, make market and tactic, etc., the Bank held equity securities within the regulations of the law. That market risk comprises the risk of individual equity security arising from the security's market price changes and the general market risk arising from overall equity securities market price changes.

The investment operating group mainly selects blue chip stocks which have high liquidity and sets the investment price according to fundamentals and market transactions. After the investment has been approved by the investment deliberation committee, the operational personnel purchase the stock within the maximum percentage of the approved price, as the case may be.

Daily trading records, details of investment portfolios and overview of profit or loss shall report to the management and measurement of the extent of the impact of systematic risk on investment portfolios using β value monthly. The Bank and subsidiaries generally set a stop loss, stop interest, pre-warning and exception handling requirements, and limit control to held individual stock and industry concentration.

L. Sensitivity analysis

Sensitivity analysis of the Bank and subsidiaries' financialinstruments (including trading book and non-trading book):

December 31, 2019 UNIT：In NT Thousand Dollars

Risks	Extent of Variation	Effect on Profit or Loss	Effect on Equity
Foreign exchange risk	Exchange rate of NTD to USD, to JPY, to EUR and to each of other currencies appreciated by 1%	($ 31,928)	$ -
Foreign exchange risk	Exchange rate of NTD to USD, to JPY, to EUR and to each of other currencies depreciated by 1%	31,928	-
Interest rate risk	Major increases in interest rates 1BPS	14,235	(106,752)
Interest rate risk	Major declines in interest rates 1BPS	(14,235)	106,752
Equity securities risk	TAIEX declined by 1%	(54,754)	(50,470)
Equity securities risk	TAIEX increased by 1%	54,754	50,470

December 31, 2019 UNIT：In US Thousand Dollars

Risks	Extent of Variation	Effect on Profit or Loss	Effect on Equity
Foreign exchange risk	Exchange rate of NTD to USD, to JPY, to EUR and to each of other currencies appreciated by 1%	($ 1,065)	$ -
Foreign exchange risk	Exchange rate of NTD to USD, to JPY,to EUR and to each of other currencies depreciated by 1%	1,065	-
Interest rate risk	Major increases in interest rates 1BPS	475	(3,560)
Interest rate risk	Major declines in interest rates 1BPS	(475)	3,560
Equity securities risk	TAIEX declined by 1%	(1,826)	(1,683)
Equity securities risk	TAIEX increased by 1%	1,826	1,683

Dcember 31, 2018 UNIT：In NT Thousand Dollars

Risks	Extent of Variation	Effect on Profit or Loss	Effect on Equity
Foreign exchange risk	Exchange rate of NTD to USD, to JPY, to EUR and to each of other currencies appreciated by 1%	($ 37,300)	$ -
Foreign exchange risk	Exchange rate of NTD to USD, to JPY, to EUR and to each of other currencies depreciated by 1%	37,300	-
Interest rate risk	Major increases in interest rates 1BPS	20,256	(72,749)
Interest rate risk	Major declines in interest rates 1BPS	(20,256)	72,749
Equity securities risk	TAIEX declined by 1%	(59,459)	(11,305)
Equity securities risk	TAIEX increased by 1%	59,459	11,305

M. Disclosure requirements in the "Regulations Governing the Preparation of Financial Reports by Public Banks"

Interest rate sensitivity analysis on assets and liabilities (NT Dollars)
December 31, 2019

UNIT：In NT Thousand Dollars, %

Item	1-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitive assets	$ 555,584,995	$ 913,074,565	$ 22,892,052	$ 154,092,044	$ 1,645,643,656
Interest rate sensitive liabilities	481,824,600	726,722,387	53,519,867	18,785,106	1,280,851,960
Interest rate sensitive gap	$ 73,760,395	$ 186,352,178	($ 30,627,815)	$ 135,306,938	$ 364,791,696
Net worth					$ 278,923,929
Ratio of interest rate sensitive assets to interest rate sensitive liabilities					128.48%
Ratio of interest rate sensitivity gap to net worth					130.79%

Interest rate sensitivity analysis on assets and liabilities (US Dollars)
December 31, 2019

UNIT：In US Thousand Dollars, %

Item	1-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitive assets	$ 18,527,529	$ 30,449,013	$ 763,399	$ 5,138,628	$ 54,878,569
Interest rate sensitive liabilities	16,067,783	24,234,581	1,784,769	626,441	42,713,574
Interest rate sensitive gap	$ 2,459,746	$ 6,214,432	($ 1,021,370)	$ 4,512,187	$ 12,164,995
Net worth					$ 9,301,495
Ratio of interest rate sensitive assets to interest rate sensitive liabilities					128.48%
Ratio of interest rate sensitivity gap to net worth					130.79%

Interest rate sensitivity analysis on assets and liabilities (NT Dollars)
December 31, 2018

UNIT：In NT Thousand Dollars, %

Item	1-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitive assets	$ 558,902,865	$ 899,190,180	$ 4,358,505	$ 109,856,695	$ 1,572,308,245
Interest rate sensitive liabilities	483,807,476	672,422,365	59,938,189	18,486,744	1,234,654,774
Interest rate sensitive gap	$ 75,095,389	$ 226,767,815	($ 55,579,684)	$ 91,369,951	$ 337,653,471
Net worth					$ 271,669,355
Ratio of interest rate sensitive assets to interest rate sensitive liabilities					127.35%
Ratio of interest rate sensitivity gap to net worth					124.29%

Notes:

1. The above amounts included only New Taiwan dollar amounts by the onshore branches of the Bank (i.e. excluding foreign currency).
2. Interest rate sensitive assets and liabilities refer to the interest-earning assets and interest-bearing liabilities of which the income or costs are affected by the fluctuations in interest rates.
3. Interest rate sensitivity gap = Interest rate sensitive assets - Interest rate sensitive liabilities
4. Ratio of interest rate sensitive assets to interest rate sensitive liabilities = Interest rate sensitive assets ÷ Interest rate sensitive liabilities (referring to the current interest rate sensitive assets and liabilities denominated in New Taiwan dollars)

Interest rate sensitivity analysis on assets and liabilities (US Dollars)
December 31, 2019

UNIT：In US Thousand Dollars, %

	1-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitive assets	$ 35,667,502	$ 1,158,572	$ 396,606	$ 297,548	$ 37,520,228
Interest rate sensitive liabilities	37,941,456	3,756,806	1,798,327	7,509	43,504,098
Interest rate sensitive gap	($ 2,273,954)	($ 2,598,234)	($ 1,401,721)	$ 290,039	($ 5,983,870)
Net worth					$ 479,434
Ratio of interest rate sensitive assets to interest rate sensitive liabilities					86.25%
Ratio of interest rate sensitivity gap to net worth					(1 ,248.11%)

Interest rate sensitivity analysis on assets and liabilities (US Dollars)
December 31, 2018

UNIT：In US Thousand Dollars, %

	1-90 days	91-180 days	181 days to 1 year	Over 1 year	Total
Interest rate sensitive assets	$ 35,707,396	$ 732,547	$ 290,516	$ 281,240	$ 37,011,699
Interest rate sensitive liabilities	35,991,078	2,171,658	1,434,465	-	39,597,201
Interest rate sensitive gap	($ 283,682)	($ 1,439,111)	($ 1,143,949)	$ 281,240	($ 2,585,502)
Net worth					$ 420,926
Ratio of interest rate sensitive assets to interest rate sensitive liabilities					93.47%
Ratio of interest rate sensitivity gap to net worth					(614.24%)

Note:

1. The above amounts included only US dollars denominated assets and liabilities of head office, domestic and foreign branches, and the OBU branch. Contingent assets and liabilities are excluded.
2. Interest rate sensitivity gap = Interest rate sensitive assets - Interest rate sensitive liabilities.
3. Ratio of interest rate sensitive assets to interest rate sensitive liabilities = Interest rate sensitive assets ÷ Interest rate sensitive liabilities (referring to the current interest rate sensitive assets and liabilities denominated in US dollars).

(6) Transfer of financial assets

Transferred financial assets that are not derecognised in their entirety

The Bank and subsidiaries' transferred financial assets that do not meet derecognition conditions are mainly debt instruments with purchase agreements or equity securities lent out based on security lending agreements. The financial assets have been transferred when collecting the cash flow of the contract, and related liabilities of transferred financial assets that will be repurchased at a fixed price in the future have been reflected. The Bank and subsidiaries may not use, sell or pledge the transferred financial assets during the valid period of the transaction. The financial assets were not derecognised as the consolidated company is still exposed to interest rate risk and credit risk. Financial assets that do not meet the derecognition conditions and related financial liabilities are analysed as follows:

		UNIT：In NT Thousand Dollars
December 31, 2019		
Financial assets category	Carrying amount of financial assets transferred	Carrying amount of associated financial liabilities
Financial assets at fair value through profit or loss Repurchase agreement	$ 6,181,788	$ 5,872,336
Financial assets at fair value through other comprehensive income Repurchase agreement	$ 27,808,698	$ 26,007,320

		UNIT：In US Thousand Dollars
December 31, 2019		
Financial assets category	Carrying amount of financial assets transferred	Carrying amount of associated financial liabilities
Financial assets at fair value through profit or loss Repurchase agreement	$ 206,149	$ 195,829
Financial assets at fair value through other comprehensive income Repurchase agreement	$ 927,358	$ 867,286

		UNIT：In NT Thousand Dollars
December 31, 2018		
Financial assets category	Carrying amount of financial assets transferred	Carrying amount of associated financial liabilities
Financial assets at fair value through profit or loss Repurchase agreement	$ 2,255,767	$ 2,142,600
Financial assets at fair value through other comprehensive income Repurchase agreement	$ 25,433,062	$ 23,884,042

(7) Offsetting financial assets and financial liabilities

The Bank and subsidiaries have engaged in financial instrument transactions that apply the offsetting requirements in Paragraph 42 of IAS 32 as endorsed by the FSC. Financial assets and financial liabilities related to these transactions are reported at net amount on the balance sheet.

The Bank and subsidiaries have also engaged in offsetting terms that do not conform to the IFRSs. However, they have entered into enforceable master netting arrangements or similar agreements with counterparties. For example: global master repurchase agreements or similar repurchase or reverse repurchase agreements. When the above-mentioned enforceable master netting arrangements or similar agreements are elected by both parties to be settled by net amount, settlements may be made by using the net amount after the offsetting of financial assets and financial liabilities. Conversely if no such arrangements are made, settlements are made using the gross amount. However, upon the event of a default of a party, the counterparty may choose settle by net amount.

The following table lists information related to the above-mentioned offsetting of financial assets and financial liabilities:

December 31, 2019

Financial assets that are offset, or can be settled under agreements of net settlement master netting arrangements or similar arrangements

UNIT：In NT Thousand Dollars

Description	Gross amounts of recognized financial assets (a)	Gross amounts of recognized financial liabilities offset in the balance sheet (b)	Net amounts of financial assets presented in the balance sheet (c)=(a)-(b)	Not offset in the balance sheet(d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral received	
Derivatives	$ 4,754,538	$ -	$ 4,754,538	$ 2,160,932	$ 75,328	$ 2,518,278
Resell agreement	1,438,626	-	1,438,626	1,438,626	-	-
Total	$ 6,193,164	$ -	$ 6,193,164	$ 3,599,558	$ 75,328	$ 2,518,278

Financial liabilities that are offset, or can be settled under agreements of net settlement master netting arrangements or similar arrangements

Description	Gross amounts of recognized financial liabilities (a)	Gross amounts of recognized financial assets offset in the balance sheet (b)	Net amounts of financial liabilities presented in the balance sheet (c)=(a)-(b)	Not offset in the balance sheet(d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral pledged	
Derivatives	$ 2,853,050	$ -	$ 2,853,050	$ 262,834	$ 12,129	$ 2,578,087
Repurchase agreement	31,879,656	-	31,879,656	30,598,188	1,281,468	-
Total	$ 34,732,706	$ -	$ 34,732,706	$ 30,861,022	$ 1,293,597	$ 2,578,087

December 31, 2019

Financial assets that are offset, or can be settled under agreements of net settlement master netting arrangements or similar arrangements

UNIT：In US Thousand Dollars

Description	Gross amounts of recognized financial assets (a)	Gross amounts of recognized financial liabilities offset in the balance sheet (b)	Net amounts of financial assets presented in the balance sheet (c)=(a)-(b)	Not offset in the balance sheet(d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral received	
Derivatives	$ 158,553	$ -	$ 158,553	$ 72,062	$ 2,512	$ 83,979
Resell agreement	47,975	-	47,975	47,975	-	-
Total	$ 206,528	$ -	$ 206,528	$ 120,037	$ 2,512	$ 83,979

Financial liabilities that are offset, or can be settled under agreements of net settlement master netting arrangements or similar arrangements

Description	Gross amounts of recognized financial liabilities (a)	Gross amounts of recognized financial assets offset in the balance sheet (b)	Net amounts of financial liabilities presented in the balance sheet (c)=(a)-(b)	Not offset in the balance sheet(d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral pledged	
Derivatives	$ 95,143	$ -	$ 95,143	$ 8,765	$ 405	$ 85,973
Repurchase agreement	1,063,116	-	1,063,116	1,020,382	42,734	-
Total	$ 1,158,259	$ -	$ 1,158,259	$ 1,029,147	$ 43,139	$ 85,973

December 31, 2018

Financial assets that are offset, or can be settled under agreements of net settlement master netting arrangements or similar arrangements

UNIT：In NT Thousand Dollars

Description	Gross amounts of recognized financial assets (a)	Gross amounts of recognized financial liabilities offset in the balance sheet (b)	Net amounts of financial assets presented in the balance sheet (c)=(a)-(b)	Not offset in the balance sheet(d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral received	
Derivatives	$ 4,735,350	$ -	$ 4,735,350	$ 2,412,159	$ 57,841	$ 2,265,350
Resell agreement	802,900	-	802,900	802,900	-	-
Total	$ 5,538,250	$ -	$ 5,538,250	$ 3,215,059	$ 57,841	$ 2,265,350

Financial liabilities that are offset, or can be settled under agreements of net settlement master netting arrangements or similar arrangements

Description	Gross amounts of recognized financial liabilities (a)	Gross amounts of recognized financial assets offset in the balance sheet (b)	Net amounts of financial liabilities presented in the balance sheet (c)=(a)-(b)	Not offset in the balance sheet(d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral pledged	
Derivatives	$ 2,228,708	$ -	$ 2,228,708	$ 563,380	$ 11,686	$ 1,653,642
Repurchase agreement	26,026,642	-	26,026,642	24,825,407	1,201,235	-
Total	$ 28,255,350	$ -	$ 28,255,350	$ 25,388,787	$ 1,212,921	$ 1,653,642

(Note) Including net settlement master netting arrangements and non-cash collaterals.

9. CAPITAL MANAGEMENT

(1) Objective of capital management

A. The Bank and subsidiaries' qualifying self-owned capital should meet the regulatory requirements and meet the minimum regulated capital adequacy ratio. This is the basic objective of capital management of the Bank and subsidiaries. The calculation and provision of qualifying self-owned capital and regulated capital shall follow the regulations of the competent authority.

B. In order to have adequate capital to take various risks, the Bank and subsidiaries shall assess the required capital with consideration of the risk portfolio it faces and the risk characteristics, and manages risk through capital allocation to realize optimum utilization of capital allocation.

(2) Capital management procedures

A. Following the "Regulations Governing the Capital Adequacy Ratio of Banks" of the Financial Supervisory Commission, the Bank calculates capital adequacy ratio on a consolidated basis and reports this information regularly.

B. The calculation of capital adequacy ratio of subsidiaries shall follow the regulations of regulatory authorities; if without regulations, capital adequacy ratio is computed as net of qualifying self-own capital divided by regulated capital.

(3) Capital adequacy ratio

Capital adequacy shown in the following table was calculated in accordance with "Regulations Governing the Capital Adequacy Ratio of Banks" effective on December 31, 2019 and 2018.

UNIT：In NT Thousand Dollars, %

Items \ Annual			December 31, 2019	December 31, 2018
Self-owned capital	Capital of Common equity		$ 274,907,180	$ 269,019,665
	Other Tier 1 Capital		-	-
	Tier 2 Capital, net		30,180,451	31,163,675
	Self-owned capital, net		305,087,631	300,183,340
Total risk-weighted assets (Note 1)	Credit risk	Standardized Approach	2,020,197,737	1,996,297,669
		Internal Ratings-Based Approach	-	-
		Asset securitization	9,392,641	-
	Operation risk	Basic Indicator Approach	97,333,175	95,487,850
		Standardized Approach / Alternative Standardized Approach	-	-
		Advanced Measurement Approaches	-	-
	Market risk	Standardized Approach	45,775,875	47,654,675
		Internal Models Approach	-	-
	Total risk-weighted assets		2,172,699,428	2,139,440,194
Capital adequacy ratio (Note 2)			14.04%	14.03%
Total risk assets based Capital of Common equity, net Ratio			12.65%	12.57%
Total risk assets based Tier 1 Capital, net Ratio			12.65%	12.57%
Leverage ratio			7.61%	7.68%

Note 1: The self-owned capital, risk-weighted assets and exposures amount in the table above should be filled in accordance with "Regulations Governing the Capital Adequacy Ratio of Banks" and "calculation method and table of self-owned capital and risk-weighted assets".

Note 2: Current and prior year's capital adequacy ratio should be disclosed in the annual reports. In addition to current and prior year's capital adequacy, capital adequacy ratio at the end of prior year should be disclosed in the semi-annual reports.

Note 3: The relevant formulas are as follows:

1. Self-owned capital = Tier 1 Capital of Common equity, net + Other Tier 1 Capital, net＋ Tier 2 Capital, net
2. Total risk-weighted assets = credit risk-weighted assets + (operation risk + market risk) * 12.5
3. Capital adequacy ratio = Self-owned capital / Total risk-weighted assets
4. Total risk assets based Tier 1 Capital of Common equity, net Ratio = Tier 1 Capital of Common equity, net / Total risk-weighted assets
5. Total risk assets based Tier 1 Capital, net Ratio = (Tier 1 Capital of Common equity, net + Other Tier 1 Capital, net) / Total risk-weighted assets
6. Gearing ratio = Tier 1 capital/ exposures amount

Note 4: For 1st quarter and 3rd quarter financial reports, the table of capital adequacy ratio is not required to be disclosed.

10. OPERATING SEGMENTS INFORMATION

(1) General information

The Bank and subsidiaries use reported information to the Chief Operating Decision-Maker (CODM) to identify segments and geographic information. The Bank and subsidiaries mainly focus on the businesses in Asia and North America. The disclosed operating segment by the Bank and subsidiaries is stipulated in Article 3 of the Banking Law, and the generated income is the main source of income.

(2) Information of segment profit or loss, assets and liabilities

The Bank and subsidiaries' management mainly focuses on the operating results of the whole bank, which is consistent with that of the consolidated statements of comprehensive income.

(3) Information of major customers

The Bank and subsidiaries' source of income is not concentrated on transactions with a single customer or single trading.

(4) Information by products and services

All operating segments' operating results of the Bank and subsidiaries mainly come from interest income from external clients and is measured on a consistent basis compared with the statement of comprehensive income. The segmental income also consist of internal profit and loss appropriated by the terms agreed amongst segments other than external revenue. Please refer to the information by geography for relevant components of income balances.

(5) Financial Information By Geographic Area

	For the year ended December 31, 2019 (UNIT: In NT Thousand Dollars)					
	Domestic Department	Asia (Note)	North America	Other Overseas Operating Department	Adjustment and Write-off	Total
Revenue from customers outside the Bank	$ 42,647,441	$ 7,283,832	$ 2,645,023	$ 2,616,018	($ 313,264)	$ 54,879,050
Revenue from departments within the Bank	2,659,180	(943,426)	(606,172)	(1,100,965)	(8,617)	-
Total revenue	$ 45,306,621	$ 6,340,406	$ 2,038,851	$ 1,515,053	($ 321,881)	$ 54,879,050
Profit or loss	$ 25,109,033	$ 4,612,396	($ 1,787,171)	$ 779,327	($ 333,005)	$ 28,380,580
Assets attributable to specific departments	$ 2,744,559,112	$ 273,677,359	$ 235,458,868	$ 87,529,615	($ 6,932,022)	$ 3,334,292,932

	For the year ended December 31, 2019 (UNIT: In US Thousand Dollars)					
	Domestic Department	Asia (Note)	North America	Other Overseas Operating Department	Adjustment and Write-off	Total
Revenue from customers outside the Bank	$ 1,422,198	$ 242,900	$ 88,206	$ 87,238	($ 10,447)	$ 1,830,095
Revenue from departments within the Bank	88,678	(31,461)	(20,215)	(36,715)	(287)	-
Total revenue	$ 1,510,876	$ 211,439	$ 67,991	$ 50,523	($ 10,734)	$ 1,830,095
Profit or loss	$ 837,331	$ 153,813	($ 59,598)	$ 25,989	($ 11,105)	$ 946,430
Assets attributable to specific departments	$ 91,524,965	$ 9,126,533	$ 7,852,032	$ 2,918,919	($ 231,168)	$ 111,191,281

	For the year ended December 31, 2018 (UNIT: In NT Thousand Dollars)					
	Domestic Department	Asia (Note)	North America	Other Overseas Operating Department	Adjustment and Write-off	Total
Revenue from customers outside the Bank	$ 40,864,287	$ 6,860,985	$ 2,561,754	$ 2,467,740	($ 340,765)	$ 52,414,001
Revenue from departments within the Bank	2,004,203	(717,728)	(268,762)	(1,010,624)	(7,089)	-
Total revenue	$ 42,868,490	$ 6,143,257	$ 2,292,992	$ 1,457,116	($ 347,854)	$ 52,414,001
Profit or loss	$ 23,280,334	$ 3,355,552	($ 190,378)	$ 668,094	($ 394,651)	$ 26,718,951
Assets attributable to specific departments	$ 2,599,299,403	$ 259,489,880	$ 263,151,039	$ 80,331,745	($ 4,687,288)	$ 3,197,584,779

Note: amounts in Asia do not include those originating from the Republic of China.

11. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

The Bank and subsidiaries are controlled by Mega Financial Holding Co., Ltd, which owns 100% of the Bank's shares. The ultimate controlling party of the Bank and subsidiaries is Mega Financial Holding Co., Ltd.

(2) Names of the related parties and their relationship with the Bank

Names of related parties	Short name of related parties	Relationship with the Bank
Mega Bills Finance Co., Ltd.	Mega Bills	Jointly controlled by Mega Financial Holdings
Mega Securities Co., Ltd.	Mega Securities	Jointly controlled by Mega Financial Holdings
Mega Investment Trust Co., Ltd.	Mega Investment Trust	Jointly controlled by Mega Financial Holdings
Chung Kuo Insurance Co., Ltd.	Chung Kuo Insurance	Jointly controlled by Mega Financial Holdings
Mega Asset Management Co., Ltd.	Mega Asset	Jointly controlled by Mega Financial Holdings
Mega CTB Venture Capital Co., Ltd.	Mega Venture	Jointly controlled by Mega Financial Holdings
Mega Life Insurance Agency Co., Ltd.	Mega Life Insurance Agency	Jointly controlled by Mega Financial Holdings
Mega International Investment Service Corp.	Mega International Investment Service	Jointly controlled by Mega Financial Holdings
Mega Futures Co., Ltd.	Mega Futures	Jointly controlled by Mega Financial Holdings
Chunghwa Post Corporation Limited	Chungwha Post	Director of Mega Financial Holdings
Bank of Taiwan Corp.	Bank of Taiwan	Director of Mega Financial Holdings
Yung-Shing Industries Co.	Yung-Shing Industries	Subsidiary of the Bank
China Products Trading Company	China Products	Subsidiary of the Bank
Mega Management Consulting Co., Ltd.	Mega Management Consulting	Subsidiary of the Bank
Cathay Investment & Development Corporation (Bahamas) (Note 1)	Cathay Investment (Bahamas)	Subsidiary of the Bank
Cathay Investment & Warehousing Co., S.A.	Cathay Investment & Warehousing (Panama)	Subsidiary of the Bank
Win Card Co., Ltd.	Win Card	Indirect subsidiary of the Bank
ICBC Assets Management & Consulting Co., Ltd.	ICBC Consulting	Indirect subsidiary of the Bank
Mega 1 Venture Capital Co., Ltd. (Note 2)	Mega 1 Venture	Equity investees
Everstrong Iron & Steel Foundry & Mfg Corp.	Everstrong Iron Steel	Equity investees
China Real Estate Management Co., Ltd.	China Real Estate	Equity investees
Taiwan Finance Co., Ltd.	Taiwan Finance	Equity investees
An Feng Enterprise Co., Ltd.	An Fang	Equity investees
Ramlett Finance Holdings Inc.	Ramlett	Equity investees
Mega Growth Venture Capital Co., Ltd.	Mega Growth Venture Capital	Equity investees
Universal Venture Capital Investment Corporation	Universal Venture Capital	Equity investees
Others		Certain directors, supervisors, managers and relatives of the Bank's chairman and general manager

Note 1: In 2018, the investee was dissolved as resolved by the stockholders at their meeting, and the liquidation was completed on February 27, 2019.

Note 2: On June 27, 2019, the investee was dissolved as resolved by the stockholders at their meeting, and the liquidation was completed on November 20, 2019.

(3) Major transactions and balances with related parties

A. Due from and due to banks

	For the year ended December 31, 2019			
	Balance as of December 31	Highest Outstanding Balance	Interest Rate (%)	Total Interest Income (Expense)
	(In NT Thousand Dollars)			
Due from banks				
Fellow subsidiary:				
Mega Bills	$ 6,492,053	$ 11,419,228	0.41%~4.80%	$ 51,325
Other related parties:				
Bank of Taiwan	19,692,644	43,657,184	0.03%~3.25%	4,504
Due to banks				
Other related parties:				
China Post	$ 71,410	$ 889,524	1.06%~1.10%	($ 4,459)
Bank of Taiwan	7,679,864	14,990,467	0.17%~4.00%	(5,133)

	For the year ended December 31, 2019			
	Balance as of December 31	Highest Outstanding Balance	Interest Rate (%)	Total Interest Income (Expense)
	(In US Thousand Dollars)			
Due from banks				
Fellow subsidiary:				
Mega Bills	$ 216,496	$ 380,806	0.41%~4.80%	$ 1,712
Other related parties:				
Bank of Taiwan	656,706	1,455,870	0.03%~3.25%	150
Due to banks				
Other related parties:				
China Post	$ 2,381	$ 29,664	1.06%~1.10%	($ 149)
Bank of Taiwan	256,106	499,899	0.17%~4.00%	(171)

	For the year ended December 31, 2018			
	Balance as of December 31	Highest Outstanding Balance	Interest Rate (%)	Total Interest Income (Expense)
	(In NT Thousand Dollars)			
Due from banks				
Fellow subsidiary:				
Mega Bills	$ 6,092,917	$ 8,129,344	0.37%~4.80%	$ 68,103
Other related parties:				
Bank of Taiwan	13,413,362	33,638,559	0.02%~4.50%	2,341
Due to banks				
Other related parties:				
China Post	$ 820,114	$ 2,256,652	1.06%~1.14%	($ 15,314)
Bank of Taiwan	1,911,079	11,072,053	0.17%~6.05%	(1,842)

B. Loans and deposits

	Item	Counterparty	December 31, 2019		% of Total	Total Interest Income (Expense)	% of Total	Interest Rate (%)
			NT$	US$				
For the year ended December 31, 2019	Deposits	All related parties	$ 4,029,301	$ 134,368	0.16%	($ 33,989)	0.10%	0.00%~13.00%
	Loans	All related parties	273,835	9,132	0.01%	6,459	0.01%	1.00%~2.63%

	Item	Counterparty	December 31, 2018	% of Total	Total Interest Income (Expense)	% of Total	Interest Rate (%)
			NT$				
For the year ended December 31, 2018	Deposits	All related parties	$ 5,081,791	0.22%	($ 41,408)	0.15%	0.00%~13.00%
	Loans	All related parties	262,529	0.01%	4,965	0.01%	1.00%~2.63%

The interest rates shown above are similar, or approximate, to those offered to third parties. But the interest rates for savings deposits of Bank managers within the prescribed amounts are the same as for savings deposits of employees.

In compliance with the Articles 32 and 33 of Banking Law, except for consumer loans and government loans, credits extended by the Bank to any related party are fully secured, and the terms of credits extended to related parties are similar to those for third parties.

The Bank presents its transactions or account balances with related parties, in the aggregate, except for those which the amount represents over 10% of the account balance.

C. Lease agreements

Lessor

For the year ended December 31, 2019				
Related Party	Lease Period	Lease Receipt	Rental Revenue (NT$)	Rental Revenue (US$)
The parent:				
Mega Financial Holdings	2018.08-2022.11	Monthly	$ 408	$ 14
Fellow subsidiary:				
Mega Securities	2016.02-2024.07	Monthly	19,643	655
Mega Bills	2019.01-2021.12	Monthly	30,644	1,022
Chung Kuo Insurance	2018.05-2022.08	Quarterly/ Semi-Annually	1,499	50
Mega Asset	2019.01-2021.12	Monthly	6,695	223
Mega Investment Trust	2016.01-2019.04	Monthly	4,045	135
The subsidiary:				
Yung-Shing Industries	2017.07-2021.09	Quarterly/Annually	3,100	103
Mega Management Consulting	2019.01-2021.12	Monthly	1,525	51
The indirect subsidiary:				
Win Card	2019.01-2020.05	Quarterly	4,388	146
ICBC Consulting	2017.07-2020.06	Annually	15	1

For the year ended December 31, 2018			
Related Party	Lease Period	Lease Receipt	Rental Revenue (NT$)
The parent:			
Mega Financial Holdings	2016.12-2022.07	Monthly	$ 408
Fellow subsidiary:			
Mega Securities	2016.07-2022.10	Monthly	19,277
Mega Bills	2016.01-2018.12	Monthly	32,555
Chung Kuo Insurance	2016.07-2021.04	Quarterly/ Semi-Annually	1,672
Mega Asset	2016.01-2018.12	Monthly	7,060
Mega Investment Trust	2016.01-2018.12	Monthly	12,134
The subsidiary:			
Yung-Shing Industries	2017.07-2021.09	Quarterly/Annually	2,861
Mega Management Consulting	2016.01-2018.12	Monthly	1,561
The indirect subsidiary:			
Win Card	2014.06-2019.05	Quarterly	3,807
ICBC Consulting	2017.07-2020.06	Annually	15

Lessee

For the year ended December 31, 2019					
Related Party	Lease Period	Lease Payment Method	Right-of-use assets	Lease liabilities (NT$)	Interest expenses
The parent:					
Mega Financial Holdings	2019.01-2023.12	Monthly	$ 17,461	$ 17,534	$ 166
Fellow subsidiary:					
Mega Bills	2019.01-2021.12	Monthly	169,550	170,204	1,615
Chung Kuo Insurance	2003.12-2022.07	Monthly	81,064	81,407	773
Subsidiary:					
Yung-Shing Industries	2014.12-2044.11	Monthly	48,232	485,215	4,189
Equity investees:					
Ramlett	2019.06-2021.05	Monthly	45,286	45,882	183

For the year ended December 31, 2019					
Related Party	Lease Period	Lease Payment Method	Right-of-use assets	Lease liabilities (US$)	Interest expenses
The parent:					
Mega Financial Holdings	2019.01-2023.12	Monthly	$ 582	$ 585	$ 6
Fellow subsidiary:					
Mega Bills	2019.01-2021.12	Monthly	5,654	5,676	54
Chung Kuo Insurance	2003.12-2022.07	Monthly	2,703	2,715	26
Subsidiary:					
Yung-Shing Industries	2014.12-2044.11	Monthly	1,608	16,181	140
Equity investees:					
Ramlett	2019.06-2021.05	Monthly	1,510	1,530	6

For the year ended December 31, 2018			
Related Party	Lease Period	Lease Payment Method	Rental Expense (NT$)
The parent:			
Mega Financial Holdings	2016.11-2018.12	Monthly	$ 4,612
Fellow subsidiary:			
Mega Securities	Note	Note	3,498
Mega Bills	2016.01-2018.12	Monthly	79,925
Chung Kuo Insurance	2003.12-2022.07	Monthly	22,150
Subsidiary:			
Yung-Shing Industries	2014.12-2044.11	Monthly	21,600
Equity investees:			
Ramlett	2014.06-2019.05	Monthly	6,151

Note: The Bank sets up offices for collection / payment of securities trading for customers in all operating bases of Mega Securities. There are neither formal contracts nor actual lease terms. The rental fees are paid according to a certain percentage of deposit balance of each operating base.

D. Securities purchased under resell agreements

	For the year ended December 31, 2019 NT$		
	Amount	Ending balance	Interest revenue
Fellow subsidiary:			
Mega Bills	$ 60,723,145	$ 3,294,416	$ 43,497
Mega Securities	41,417,020	900,136	5,595
	$ 102,140,165	$ 4,194,552	$ 49,092

	For the year ended December 31, 2019		
	US$		
	Amount	Ending balance	Interest revenue
Fellow subsidiary:			
Mega Bills	$ 2,024,982	$ 109,861	$ 1,451
Mega Securities	1,381,166	30,018	187
	$ 3,406,148	$ 139,879	$ 1,638

	For the year ended December 31, 2018		
	NT$		
	Amount	Ending balance	Interest revenue
Fellow subsidiary:			
Mega Bills	$ 41,950,331	$ 2,466,388	$ 16,821
Mega Securities	43,206,719	-	4,092
	$ 85,157,050	$ 2,466,388	$ 20,913

E. Current income tax liabilities

	December 31, 2019		December 31, 2018
	NT$ Amount	US$ Amount	NT$ Amount
Parent company:			
Mega Financial Holdings	$ 2,969,018	$ 99,010	$ 3,480,941

The above-mentioned payables to the parent company are net payables due to the Bank electing to jointly file profit-seeking enterprise income tax returns with its parent company as of 2003.

F. Service fees revenues

	For the year ended December 31,		
	2019		2018
	NT$	US$	NT$
Fellow subsidiary:			
Mega Life Insurance Agency (Note 1)	$ 983,177	$ 32,787	$ 769,009
Mega Investment Trust (Note 2)	37,203	1,241	33,983
Chung Kuo Insurance (Note 1)	17,870	596	17,502
	$ 1,038,250	$ 34,624	$ 820,494

Note 1: The above amount represents service fee revenues earned from acting as an agent for Mega Life Insurance Agency and Chung Kuo Insurance.

Note 2: The above amount represents service fee of sale funds revenues earned from Mega Investment Trust.

G. Insurance expense

	For the year ended December 31,		
	2019		2018
	NT$	US$	NT$
Fellow subsidiary:			
Chung Kuo Insurance	$ 31,669	$ 1,056	$ 27,460

H. The Bank's processes of printing, packaging documents and labor outsourcing have been outsourced to Yung-Shing Industries Co. Under this arrangement, the Bank paid operating expenses and labor outsourcing of NT$188,886 thousand and NT$152,456 thousand for the years ended December 31, 2019 and 2018, respectively.

I. As of 2001, a portion of the Bank's credit card business and car loan collection business have been commissioned to its second-tier subsidiary, Win Card Co., Ltd, for operation. For the years ended December 31, 2019 and 2018, operating expenses payable in accordance with agreements were NT$181,326 thousand and NT$194,737 thousand, respectively.

J. Loans

December 31, 2019

(Unit: In NT Thousand dollars)

Types	Number of accounts or names of related party	Highest balance	Ending balance	Default possibility		Collateral	Whether terms and conditions of the related party transactions are different from those of transactions with third parties.
				Normal loans	Overdue accounts		
Consumer loans for employees	8	$ 4,612	$ 3,997	V		None	None
Home mortgage loans	90	792,314	725,435	V		Real estate	None
Other loans	6	1,222,078	488,286	V		Real estate/ The Bank's time deposits	None

December 31, 2019

(Unit: In US Thousand dollars)

Types	Number of accounts or names of related party	Highest balance	Ending balance	Default possibility		Collateral	Whether terms and conditions of the related party transactions are different from those of transactions with third parties.
				Normal loans	Overdue accounts		
Consumer loans for employees	8	$ 154	$ 133	V		None	None
Home mortgage loans	90	26,422	24,192	V		Real estate	None
Other loans	6	40,754	16,283	V		Real estate/ The Bank's time deposits	None

December 31, 2018

(Unit: In NT Thousand dollars)

Types	Number of accounts or names of related party	Highest balance	Ending balance	Default possibility		Collateral	Whether terms and conditions of the related party transactions are different from those of transactions with third parties.
				Normal loans	Overdue accounts		
Consumer loans for employees	5	$ 3,702	$ 2,982	V		None	None
Home mortgage loans	86	734,852	642,559	V		Real estate	None
Other loans	6	141,519	141,168	V		Real estate/ The Bank's time deposits	None

K. Financial guarantees for related parties:

(Unit: In NT Thousand dollars)

Date	Names of related party	Highest balance	Ending balance	Provision for guarantee reserve	Rate	Collateral
December 31, 2019	Chung Kuo Insurance	$ 9,258	$ 8,941	$ 125	1%	The bank's deposits

(Unit: In US Thousand dollars)

Date	Names of related party	Highest balance	Ending balance	Provision for guarantee reserve	Rate	Collateral
December 31, 2019	Chung Kuo Insurance	$ 309	$ 298	$ 4	1%	The bank's deposits

(Unit: In NT Thousand dollars)

Date	Names of related party	Highest balance	Ending balance	Provision for guarantee reserve	Rate	Collateral
December 31, 2018	Chung Kuo Insurance	$ 9,163	$ 9,163	$ 129	1%	The bank's deposits

L. Information on remunerations to the Bank's directors, supervisors, general managers and vice general manager:

	For the year ended December 31,		
	2019		2018
	NT$	US$	NT$
Salaries and other short-term employee benefits	$ 86,773	$ 2,894	$ 89,919
Post-employment benefits	2,377	79	1,807
Total	$ 89,150	$ 2,973	$ 91,726

12. PLEDGED ASSETS

The details for assets of the Bank and subsidiaries pledged as collateral as of December 31, 2019 and 2018, are provided in the Notes 6(3), (4), (5), (8) and (13).

13. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Significant contingent and commitments

A. The New York State Department of Financial Services (NYDFS) fined the Bank and Mega New York Branch for failing to comply with Bank Secrecy Act (BSA) anti-money laundering laws (AML). The fine USD$180 million was part of a consent order entered into with the NYDFS on August 19, 2016 pursuant to which the Bank and Mega New York Branch shall take immediate steps to correct the non-compliance. According to the consent order, the Bank and Mega New York Branch shall engage an independent compliance consultant of NYDFS' selection for six months to immediately consult about, oversee and address deficiencies in Mega New York Branch's compliance function, including compliance with BSA/AML requirements. In addition, the Bank and Mega New York Branch shall retain an independent monitor to conduct a comprehensive review of the effectiveness of the Branch's program for compliance with BSA/AML requirements, laws and regulations and prepare a written report of findings, conclusions, and recommendations. The independent monitor shall also conduct a review of Mega New York Branch's U.S. dollar clearing transaction activity from January 1, 2012 through December 31, 2014, to determine whether the Mega New York Branch's suspicious transaction activity can be recognised appropriately and be declared in accordance with relevant reporting regulations, and transactions are inconsistent with or in violation of the OFAC Regulations.

On May 22, 2017, a press release announced by the Taipei District Prosecutors Office (TDPO) with respect to the investigation result of the Bank's suspicious money laundering activities indicated no evidence was found that the Bank's related member and citizen is involved in any money laundering.

As for Jin-Guan-Jian-Kong-Zi Letter No.1060152046 on February 6, 2017, there was no evidence that is related to suspicious money laundering transaction.

As of reporting date, the Bank and Mega New York Branch had been overseen and consulted with the compliance consultant during the stipulated term. The independent monitor had completed the aforementioned comprehensive review in the end of 2019, and prepared recommendation and report based on the compliance situation during the review. The Bank has reported the recommendation and report to the Board of Directors. In addition, a retrospective review on Mega New York Branch's U.S. dollar clearing transaction activity was conducted by the independent monitor, which was completed in the end of February 2020. All the results identified during the review period have been reported to the Board of Directors and related competent authorities.

B. Following the most recent examination of the Mega New York Branch, the Mega Chicago Branch and the Mega Silicon Valley Branch (collectively, the "Branches") of June 30, 2016, December 31, 2016, and September 30, 2016, the supervisory authorities disclosed deficiencies relating to the Branches' risk management and compliance with the BSA/AML requirements. Therefore, on January 17, 2018, the Bank, the Branches, the Board of Governors of the Federal Reserve System (FED) and the Illinois Department of Financial and Professional Regulation (IDFPR), Division of Banking entered into a Consent Order to Cease and Desist and Order of Assessment of a Civil Money Penalty. The FED and IDFPR imposed a $29 million penalty against the U.S. operations of the Bank and the Branches. According to the Order, the Bank's Board of Directors and the respective management of each of the Branches shall jointly submit an individual written plan aiming to enhance the Bank's and the respective Branch's management's oversight of the respective Branch's compliance with the BSA/AML requirements and the OFAC regulations on a consolidated basis. Each plan shall provide for a sustainable governance framework that addresses an enhanced BSA/AML compliance program, a revised program for conducting appropriate levels of customer due diligence, an enhanced program reasonably designed for suspicious activity monitoring and reporting and a plan to ensure compliance with the OFAC regulations. In addition, the independent monitor conducted a review of Mega New York Branch's U.S. dollar clearing transaction activity from January 1, 2015 through June 30, 2015, to determine whether Mega New York Branch's suspicious transaction activity can be recognised appropriately and be declared in accordance with relevant reporting regulations. The Order acknowledged that the Bank has undertaken enhancements to its corporate governance and is committed to continue to implement improvements in its oversight and compliance program.

Additionally, FED and NYDFS conducted a joint examination on the Mega New York Branch's overall risk management, operational controls, compliance and asset quality (ROCA). The Bank and Mega New York Branch have submitted the written action plans relating to the above events in March 2018, March 2019 and March 2020, respectively, and are subsequently improving its risk management and addressing compliance deficiencies in line with the plan.

As of reporting date, most of the deficiencies which were listed in the abovementioned written action plans have been improved. Those written action plans were seasonally reported to the Board of Directors and submitted to the Federal Reserve Bank. A retrospective investigation on Mega New York Branch's U.S. dollar clearing transaction activity was conducted by the independent monitor during the above mentioned period, which was completed in the end of February 2020. All the results identified during the review period have been reported to the Board of Directors and related competent authorities.

C. The Bank has engaged an independent third party to conduct a retrospective review on the clearing transactions in relation to the Bank's domestic U.S. clearing mechanism period from March 2013 to August 2017, Taiwan-Iran clearing mechanism period from October 2011 to October 2018, which might transact through Mega New York Branch under the domestic U.S. clearing mechanism and Taiwan-Iran clearing mechanism implemented by the Bank, and Mega New York Branch's intermediary USD transaction, which was transacted through Mega New York Branch period from January 2012 to February 2018, after assessing related risk issues, such as suspicious activity monitoring and reporting and compliance with the OFAC regulations. The review was all completed in the end of December 2019, and has been reported to the Board of Directors and self-disclosed to OFAC. According to the assessment of lawyer, the Bank conducted Taiwan-Iran clearing mechanism in line with government's policy and did not hide or violate OFAC Regulations. Subsequently, this case is still under the investigation of the American competent authority. The Bank continually pay attention on the progress of this case.

(2) As of December 31, 2019 and 2018, the Bank and subsidiaries had the following commitments and contingent liabilities not reflected in the above mentioned financial statements:

	December 31, 2019		December 31, 2018
	NT$	US$	NT$
Irrevocable loan commitments	$ 115,208,577	$ 3,841,951	$ 106,262,607
Securities sold under repurchase agreement	32,128,969	1,071,430	26,988,236
Securities purchased under resell agreement	7,536,981	251,342	3,997,958
Credit card line commitments	86,738,760	2,892,545	72,164,865
Guarantees issued	161,294,237	5,378,805	173,965,112
Outstanding guarantees issued	25,401	847	-
Letters of credit	47,258,042	1,575,951	58,777,320
Customers' securities under custody	309,916,421	10,335,026	241,506,923
Properties under custody	2,701,974	90,105	3,304,009
Guarantee effects	112,655,731	3,756,819	115,254,645
Collections for customers	74,940,360	2,499,095	91,890,545
Agency loans payable	476,536	15,891	619,034
Travelers' checks consigned-in	871,120	29,050	1,153,653
Gold coins consigned-in	-	-	240
Payables on consignments-in	985	33	807
Goods and tickets consignments-in	1,654	55	1,710
Agent for government bonds	184,033,700	6,137,116	162,582,200
Short-dated securities under custody	86,740,467	2,892,602	61,895,381
Trust liability	569,150,273	18,979,900	470,035,199
Certified notes paid	4,108,949	137,024	5,103,628

14. SIGNIFICANT DISASTER LOSS

None.

15. SIGNIFICANT SUBSEQUENT EVENT

On October 18, 2019, the Board of Directors of the Bank during their meeting resolved to apply for the issuance of unsecured senior financial bonds with a revolving credit of NT$1 billion. The issuance has been approved by the competent authority on December 4, 2019. Additionally, the Bank's first time of 2020 unsecured junior financial bonds were raised and issued on March 11, 2020, and the total issuance amount was NT$ 1 billion.

16. OTHERS

(1) Information for financial assets transfers and liabilities extinguishing

None.

(2) Significant adjustment in the organisation and significant changes in the management system

On April 2, 2019, the Bank and subsidiaries set up Foreign Exchange Business Management Department to enhance the synergy of exchange operating management.

(3) Significant impact arising from changes in government laws and regulations

None.

(4) Information for Company's share held by subsidiaries

None.

(5) Information for private placement securities

None.

(6) Information for discontinued operations

None.

(7) Major operating assets or liabilities transferred from (or to) other financial institutions

None.

(8) Profitability of the Bank and subsidiaries

Units：%

Items		December 31, 2019	December 31, 2018
Return on total assets (%)	Before tax	0.87	0.84
	After tax	0.75	0.76
Return on stockholders' equity (%)	Before tax	9.88	9.65
	After tax	8.58	8.73
Net profit margin ratio (%)		44.91	43.07

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

Note 2: Return on stockholders' equity = Income before (after) income tax / average stockholders' equity.

Note 3: Net profit margin ratio = Income after income tax / total operating income.

Note 4: The term "Income before (after) income tax" represents net income from January 1 to the balance sheet date of the reporting period.

(9) In accordance with Article 17 of the Trust Enterprise Law, the disclosures of the trust balance sheet, trust income statement and trust property list are as follows:

A. Trust Balance Sheet

(In NT Thousand Dollars)

Trust Balance Sheet
December 31, 2019

Trust assets			Trust liabilities		
Bank deposits	$	12,027,913	Capital borrowed	$	4,500,525
Receivables		5,285	Payables		13,637
Bonds		14,129,513	Account collected in advance		28,009
Stocks		43,941,116	Tax payable		29,387
Mutual funds		127,231,077	Accounts withholding		1,093
Structured products		21,663,493	Customers' securities under custody		230,093,808
Properties, net		45,766	Other liabilities		1,458,445
Real estate			Trust capital		327,014,533
Land		89,133,495	Accumulated profit or loss for reserves		
Buildings and Structures, net		13,578,098	Net income for current period		2,238,817
Construction in Process		13,788,887	Accumulated profit		3,772,019
Customers' securities under custody		230,093,808			
Other assets		3,511,822			
Total trust assets	$	569,150,273		$	569,150,273

(In US Thousand Dollars)

Trust Balance Sheet
December 31, 2019

Trust assets			Trust liabilities		
Bank deposits	$	401,104	Capital borrowed	$	150,082
Receivables		176	Payables		455
Bonds		471,188	Account collected in advance		934
Stocks		1,465,339	Tax payable		980
Mutual funds		4,242,875	Accounts withholding		36
Structured products		722,429	Customers' securities under custody		7,673,119
Properties, net		1,526	Other liabilities		48,636
Real estate			Trust capital		10,905,210
Land		2,972,405	Accumulated profit or loss for reserves		
Buildings and Structures, net		452,799	Net income for current period		74,660
Construction in Process		459,829	Accumulated profit		125,788
Customers' securities under custody		7,673,119			
Other assets		117,111			
Total trust assets	$	18,979,900		$	18,979,900

(In NT Thousand Dollars)

Trust Balance Sheet
December 31, 2018

Trust assets			Trust liabilities		
Bank deposits	$	12,669,729	Capital borrowed	$	4,500,525
Receivables		6,220	Payables		15,025
Bonds		13,931,999	Account collected in advance		27,347
Stocks		41,725,622	Tax payable		29,882
Mutual funds		122,679,092	Accounts withholding		950
Structured products		25,955,620	Customers' securities under custody		140,447,359
Properties, net		33,621	Other liabilities		1,423,324
Real estate			Trust capital		317,453,322
Land		84,295,855	Accumulated profit or loss for reserves		
Buildings and Structures, net		13,721,514	Net income for current period		2,065,685
Construction in Process		11,165,506	Accumulated profit		4,071,780
Customers' securities under custody		140,447,359			
Other assets		3,403,062			
Total trust assets	$	470,035,199		$	470,035,199

B. Trust Income Statement

	For the years ended December 31,		
	2019		2018
	NT$	US$	NT$
Trust income:			
Interest income	$ 36,515	$ 1,218	$ 52,165
Rental income	1,727,562	57,610	1,168,786
Dividend income	1,396,341	46,565	1,289,148
Realized capital gain-Stock	21,818	728	1,192
Realized capital gain-Funds	9,592	320	9,567
Other income	56,528	1,885	44,872
Total trust income	3,248,356	108,326	2,565,730
Trust expenses:			
Management expenses	(130,766)	(4,361)	(88,746)
Repairing expenses	(68,874)	(2,297)	(46,733)
Insurance	(20,689)	(690)	(12,636)
Depreciation expenses	(8,490)	(283)	(3,508)
Land and housing tax	(204,526)	(6,821)	(137,664)
Interest expenses	(106,883)	(3,564)	(71,584)
Service charge abstract	(15,145)	(505)	(8,404)
Accoutant fees	(1,790)	(60)	(1,440)
Lawyer fees	-	-	(42)
Realized capital loss-Stock	(298,415)	(9,951)	(33,313)
Realized capital loss-Funds	(2)	-	(3)
Other expenses	(153,959)	(5,134)	(95,972)
Total trust expense	(1,009,539)	(33,666)	(500,045)
Net income before income tax (Net investment income)	2,238,817	74,660	2,065,685
Income tax expense	-	-	-
Net income after income tax(Note)	$ 2,238,817	$ 74,660	$ 2,065,685

C. Trust Property List

	December 31, 2019		December 31, 2018
	NT$	US$	NT$
Bank deposits	$ 12,027,913	$ 401,104	$ 12,669,729
Bonds	14,129,513	471,188	13,931,999
Stock	43,941,116	1,465,339	41,725,622
Mutual funds	127,231,077	4,242,875	122,679,092
Structured products	21,663,493	722,429	25,955,620
Properties, net	45,766	1,526	33,621
Real estate			
Land	89,133,495	2,972,405	84,295,855
Buildings and structures, net	13,578,098	452,799	13,721,514
Construction in Process	13,788,887	459,829	11,165,506
Customers' securities under custody	230,093,808	7,673,119	140,447,359
Other assets	3,511,822	117,111	3,403,062
Total	$ 569,144,988	$ 18,979,724	$ 470,028,979

Note: The amount of designated investment trust on foreign equity of OBU branch is NT$29,729,306 thousand and NT$32,155,680 thousand as of December 31, 2019 and 2018, respectively.

(10) Information for cross-sales between the Bank and subsidiaries and subsidiaries

A. Transactions between the Bank and subsidiaries: Please refer to Note 11.

B. Joint promotion of businesses:

In order to create synergies within the Bank and subsidiaries and provide customers financial services in all aspects, the Bank has continuously established other financial consulting service centers (including banking services, securities trading services, and insurance services) in its subsidiaries and simultaneously promoted service business in banking, securities and insurances areas.

C. Sharing of information or operating facilities or premises

Under the Financial Holding Company Act, Computer Process of Personal Data Protection Law, and the related regulations stipulated by MOF, when customers' information of a financial holding company's subsidiary is disclosed to the other subsidiaries under the Bank and subsidiaries or exchanged between the subsidiaries for the purpose of cross selling of products, the subsidiaries receiving, utilizing, managing or maintaining the information are restricted to use the information for the joint promotion purposes only. In addition, the Bank is required to disclose its "Measures for Protection of Customers' Information" in its website. Customers also reserve the right to have their information withdrawn from the information sharing mechanism.

17. SUPPLEMENTARY DISCLOSURES

(1) Related information on material transaction items of the Bank and subsidiaries:

A. Information regarding stock of short-term equity investment for which the purchase or sale amount for the period exceeded NT$300 million or 10% of the Bank's paid-in capital:

Investor	Marketable securities	General ledger account	Counterparty	Relationship	Balance as of January 1, 2019		Additon		Disposal			Balance as of December 31, 2019	
					Number of shares(in thousands)	Amount	Number of shares(in thousands)	Amount	Number of shares(in thousands)	Amount	Gain (loss) on disposal	Number of shares(in thousands)	Amount
The Bank	Taiwan 50	Financial assets at fair value through profit income	-	-	5,450	$ 415,252	5,175	$ 404,045	10,625	$ 841,790	$ 22,493	-	$ -
"	Yuanta Daily Taiwan 50 Bear -1X ETF	"	-	-	-	-	75,337	831,953	70,766	774,426	(10,717)	4,571	46,810
"	Taiwan Cement Corp.	"	-	-	4,250	154,682	5,999	242,835	7,349	299,987	23,164	2,900	120,694
"	Asia Cement Corp.	"	-	-	2,098	72,031	4,460	179,326	6,558	272,645	21,288	-	-
"	Formosa Plastics Corporation	"	-	-	2,780	279,844	4,843	488,657	6,753	687,900	5,333	870	85,934
"	Formosa Chemicals Fibre Co., Ltd	"	-	-	1,160	120,723	2,268	224,815	3,428	342,135	(3,403)	-	-
"	Far Eastern New Century Corp.	"	-	-	3,320	96,420	4,725	145,255	5,195	161,028	2,891	2,850	83,538
"	China Steel Corporation	"	-	-	2,151	53,679	8,014	194,385	7,165	174,395	(2,422)	3,000	71,247
"	Delta Electronic, Inc	"	-	-	240	30,100	3,075	445,384	2,935	426,931	3,753	380	52,306
"	Taiwan Semiconductor Manufacturing Company	"	-	-	2,965	673,765	5,855	1,448,087	7,295	1,722,628	5,796	1,525	405,020
"	MediaTek Inc	"	-	-	-	-	1,285	404,780	1,020	315,972	17,891	265	106,699
"	Chang Hwa Commercial Bank	"	-	-	30,000	496,188	166,179	3,564,410	3,880	88,152	8,706	192,299	3,981,152
"	Cathy Financial Holdings Co., Ltd.	"	-	-	1,850	87,358	12,260	524,258	12,610	540,724	(9,188)	1,500	61,704
"	Taiwan Mobile Co., Ltd.	"	-	-	550	59,570	400	45,575	550	59,242	(328)	400	45,575
"	Wistron NeWeb Corporation	"	-	-	-	-	4,331	333,806	4,331	323,086	(10,720)	-	-
"	Innolux Corporation	"	-	-	16,422	845,076	-	-	16,422	114,876	(730,200)	-	-

Investor	Marketable securities	General ledger account	Counterparty	Relationship	Balance as of January 1, 2019		Additon		Disposal			Balance as of December 31, 2019	
					Number of shares(in thousands)	Amount	Number of shares(in thousands)	Amount	Number of shares(in thousands)	Amount	Gain (loss) on disposal	Number of shares(in thousands)	Amount
The Bank	Taiwan Cement Corp.	Financial assets at fair value through other comprehensive income	-	-	2,550	$ 89,939	2,424	$ 100,712	2,615	$ 99,748	$ 7,231	2,359	$ 98,134
"	Asia Cement Corp.	"	-	-	-	-	2,535	107,555	1,800	75,750	3,130	735	34,935
"	Formosa Plastics Corporation	"	-	-	1,600	161,427	4,950	522,461	1,350	136,765	(4,774)	5,200	542,349
"	Formosa Chemicals Fibre Co., Ltd.	"	-	-	1,420	151,347	4,980	539,456	3,400	318,871	(48,118)	3,000	323,814
"	Far Eastern New Century Corp.	"	-	-	-	-	6,952	207,198	552	16,386	(64)	6,400	190,748
"	China Steel Corporation	"	-	-	-	-	10,700	266,673	100	2,307	(193)	10,600	264,173
"	Delta Electronic, Inc	"	-	-	-	-	1,200	280,230	1,200	287,747	7,517	-	-
"	Chang Hwa Commercial Bank	"	-	-	-	-	5,700	129,768	-	-	-	5,700	129,768
"	Taiwan Mobile Co., Ltd.	"	-	-	1,372	148,491	4,728	536,659	1,700	194,490	3,675	4,400	494,335
"	Taiwania Capital Buffalo Ventures, LP	"	-	-	300,000	300,000	300,000	300,000	-	-	-	600,000	600,000

B. Information on the acquisition of real estate for which the purchase amount exceeded NT$300 million or 10% of the Bank's paid-in capital: None.

C. Information on the disposal of real estate for which the sale amount exceeded NT$300 million or 10% of the Bank's paid-in capital: None.

D. Information regarding discounted processing fees on transactions with related parties for which the amount exceeded NT$5 million: None.

E. Information regarding receivables from related parties for which the amount exceeded NT$300 million or 10% of the Bank's paid-in capital: None.

F. Information regarding selling non-performing loans:

(1) The information regarding selling non-performing loans for 2019 are as follows:

UNIT: In NT Thousand dollars

Transaction Date	Counterparty	Contents of right of claim	Carring value	Sale price	Gain or loss from disposal	Attached conditions	Relationship with the Company	Note
2019.06.07	Credit Suisse International	Corporate lending	$ 103,588	$ 152,275	$ 48,687	None	None	Note 1
2019.06.12	EUDAIMONIA LIMITED	Corporate lending	-	22,255	22,255	None	None	Note 2

UNIT: In US Thousand dollars

Transaction Date	Counterparty	Contents of right of claim	Carring value	Sale price	Gain or loss from disposal	Attached conditions	Relationship with the Company	Note
2019.06.07	Credit Suisse International	Corporate lending	$ 3,454	$ 5,078	$ 1,624	None	None	Note 1
2019.06.12	EUDAIMONIA LIMITED	Corporate lending	-	742	742	None	None	Note 2

(Note 1)The carrying amount and the sale price of the debt were EUR $3,000 and EUR $4,410, respectively. Based on the exchange rate of 34.5294 New Taiwan dollars per EUR.

(Note 2)The carrying amount and the sale price of the debt were USD $0 and EUR $727, respectively. Based on the exchange rate of 30.6108 New Taiwan dollars per USD.

(2) Information regarding selling non-performing loans for which the purchase amount of single claim exceeded NT$100 million: None.

G. Information on and categories of securitized assets which are approved by the authority pursuant to Financial Asset Securitization Act or the Real Estate Securitization Act: None.

H. Other material transaction items which were significant to the users of the financial statements: None.

(2) Supplementary disclosure regarding investee companies:

A. Supplementary disclosure regarding investee companies as of December 31, 2019:

(In NT Thousand Dollars)

Investee companies	Address	Main service	Percentage of ownership (%)	Book value	Investment income (loss)	Share-holdings of the Bank and related enterprises: Share (in thousands)	Proforma information on number of stock held	Total: Share (in thousands)	Total: Percentage of ownership (%)	Note
Cathay Investment & Warehousing Co., S.A.	Calle 16 Colon Free Zone Local NO.4 Edificio NO.49 P. O. Box 4036 Colon Free Zone,Colon,Republic of Panama	1. Storage and warehousing of imported commodities 2. Manage and make the investment for the business in foreign trade business 3. Office rental	100.00%	$ 41,043	($ 7,424)	1	None	1	100.00%	
Mega Management Consulting Co., Ltd.	7F., No.91, Hengyang Rd., Taipei City	Venture capital and management consulting etc.	100.00%	60,680	27,591	1,000	None	1,000	100.00%	
Ramlett Finance Holdings Inc.	Calle 50 y Esquina Margarita A de Vallarino Entrada Nuevo Campo Alegre Edificio ICBC, Panama	Real estate investment industry	100.00%	5,396	(123)	2	None	2	100.00%	
Yung-Shing Industries Co..	7F., No.100, Jilin Rd., Taipei City	Packaging, printing and agency of manpower service	99.56%	695,046	47,211	299	None	299	99.56%	
China Products Trading Company	7F., No.100, Jilin Rd., Taipei City	Investments in products businesses, storage businesses and other businesses	68.27%	28,057	723	68	None	68	68.27%	
An Feng Enterprise Co., Ltd.	3F., No.139, Jhengjhou Rd., Taipei City	Automatic Teller Machine rental, configure and maintain	25.00%	11,918	867	900	None	900	30.00%	
Taiwan Finance Co., Ltd.	3F., No.123, Sec. 2, Nanjing E. Rd., Taipei City	Brokerage underwriting attestation guarantee and endorsement of commercial papers, proprietary trading of government bonds and corporate bonds	24.55%	1,676,448	90,634	126,714	None	126,714	24.55%	
Everstrong Iron & Steel Foundry & Mfg Corp.	NO.1 Shiquan Rd., Xiaogang Dist., Kaohsiung City	Iron and steel making	22.22%	45,156	3,155	1,760	None	1,760	22.22%	
China Real Estate Management Co., Ltd.	11F., No.35, Guangfu S. Rd., Taipei City	Real estate and property selling	20.00%	177,461	1,975	9,000	None	9,000	20.00%	

(In NT Thousand Dollars)

Investee companies	Address	Main service	Percentage of ownership (%)	Book value	Investment income (loss)	Share-holdings of the Bank and related enterprises: Share (in thousands)	Proforma information on number of stock held	Total: Share (in thousands)	Total: Percentage of ownership (%)	Note
Universal Venture Capital Investment Corporation	7F., No.91, Hengyang Rd., Taipei City	Venture capital	11.84%	$ 122,616	($ 22,875)	14,250	None	14,250	11.84%	
Mega Growth Venture Capital Co., Ltd.	7F., No.91, Hengyang Rd., Taipei City	Venture capital	11.81%	147,782	2,298	25,500	None	25,500	20.08%	
Win Card Co., Ltd.	4F., No.99, Sec. 3, Chongyang Rd., Sanchong Dist., New Taipei City	Corporate management consulting, data processing business and general advertising services	100.00%	39,745	7,080	200	None	200	100.00%	Indirect subsidiary of the Bank
ICBC Asset Management & Consulting Co., Ltd	No.100, Jilin Rd., Taipei City	Investment consulting, corporate management consulting and venture investment management consulting	100.00%	21,766	579	2,000	None	2,000	100.00%	Indirect subsidiary of the Bank

B. For those investee companies that the Bank has direct or indirect control interest over, further disclosures are as follows:

(A) Information on the acquisition of real estate for which the purchase amount exceeded NT$300 million or 10% of the Bank's paid-in capital: None.

(B) Information on the disposal of the real estate for which the sale amount exceeded NT$300 million or 10% of the Bank's paid-in capital: None.

(C) Information regarding discounted processing fees on transactions with related parties for which the amount exceeded NT$5 million: None.

(D) Information regarding receivables from related parties for which the amount exceeded NT$300 million or 10% of the Bank's paid-in capital: None.

(E) Information regarding selling non-performing loans: None.

(F) Information on and categories of securitized assets which are approved by the authority pursuant to the Financial Asset Securitization Act or the Real Estate Securitization Act: None.

(G) Lending to other parties: None.

(H) Guarantees and endorsements for other parties: None.

(I) Information regarding securities held as of December 31, 2019:

(Expressed in NT Thousand Dollars)

Name of Holding Company	Type and Name of Marketable Securities	Relationship with the Securities Issuer	At year-end Account	Share / Units (in thousands)	Book value	Ownership Percentage (%)	Market value	Note
Yung-Shing Industries Co.	Stocks							
"	SysJust Corporation	None	Financial assets carried at cost	409	$ 4,193	1.56%	$ 4,193	
"	Hi-Scene World Enterprise Co., Ltd.	"	"	2,370	5,272	1.54%	5,272	
"	Hua-sheng Venture Capital Investment Corp.	"	"	132	1,316	1.67%	1,316	
"	Win Card Co., Ltd.	Equity investees	Investments accounted for by equity method	200	39,745	100.00%	39,745	
"	ICBC Assets Management & Consulting Co., Ltd.	"	"	2,000	21,766	100.00%	21,766	
"	An Feng Enterprise Co., Ltd.	"	"	150	2,212	5.00%	2,212	
	Total				$ 74,504			

(J) Information regarding securities for which the purchase or sale amount for the period exceeded NT$300 million or 10% of the Bank's paid-in capital: None.

(K) Information regarding trading in derivatives: None.

(L) Other material transaction items which were significant to the users of the financial statements: None.

(3) Investments in People's Republic of China:

Unit：In NT Thousand Dollars

Name of Investee Company in Mainland China	Main Business	Paid-in Capital	Investment method	Accumulated amount of investment as of January 1, 2019	For the year ended December 31, 2019 Reinvestment	For the year ended December 31, 2019 Withdrawal	Accumulated amount of investments as of December 31, 2019	Net income of investee as of December 31, 2019	The Company's Direct/ Indirect Percentage of Ownership (%)	Investment Income (Loss) for the period (Note 2)	Carrying amount of investment as of December 31, 2019	Investment income remitted as of December 31, 2019
Mega International Commercial Bank Suzhou Branch (Including Wujiang Sub-Branch and Kunshan Sub-Branch)	Banking businesses approved by the local government	$ 4,796,000 (Note 3)	Branch	$ 4,796,000 (Note 3)	$ -	$ -	$ 4,796,000 (Note 3)	$ 339,134	None	$ 339,134	$ -	$ -
Mega International Commercial Bank Ningbo Branch	Banking businesses approved by the local government	$ 5,122,458 (Note 4)	Branch	$ 5,122,458 (Note 4)	$ -	$ -	$ 5,122,458 (Note 4)	$ 87,851	None	$ 87,851	$ -	$ -

Accumulated investment amounts in Mainland China as of December 31, 2019	Investment amount approved by the investment audit committee of the Ministry of Economic Affairs	Limits on investment amounts established by the investment audit committee of the Ministry of Economic Affairs (Note 1)
$9,918,458 (Note 3)(Note 4)	$9,918,458 (Note 3)(Note 4)	$175,008,086

Note 1: Limit calculation is as follows (The Bank's net worth is NT$291,680,143 thousand) NT$291,680,143 thousand x 60% = NT$175,008,086 thousand.

Note 2: Relevant operating income and expense of the subsidiary, Mega International Commercial Bank Suzhou(Including Wujiang Sub-Branch and Kunshan Sub-Branch) and Ningbo Branch have been included the gains and losses of the Bank.

Note 3: Based on the approved investment amount (RMB$1 billion, approximately US$160,000 thousand) pursuant to Jing-Shen-II-Zi Letter No. 10000045990 issued by the Investment Commission of the Ministry of Economic Affairs on March 31, 2011. The actual remitted amount, converted using the exchange rate at the date of remittance, was approximately US$157,347 thousand, which converted to NTD was NT$4,796,000 thousand.

Note 4: Based on the approved investment amount (RMB$1 billion, approximately US$167,000 thousand) pursuant to Jing-Shen-II-Zi Letter No. 10300306930 issued by the Investment Commission of the Ministry of Economic Affairs on December 9, 2014. The actual remitted amount, converted using the exchange rate at the date of remittance, was approximately US$162,411 thousand, which converted to NTD was NT$5,122,458 thousand.

Note5: Unit: NT thousand dollars (unless otherwise noted).

(4) Significant transactions between parent company and subsidiaries

Unit: In NT Thousand Dollars

No. (Note 1)	Company	Counterparty	Relationship (Note 2)	Details of transactions			
				Account	Amount	Conditions	Percentage (%) of total consolidated net revenues or assets (Note 3)
0	Mega International Commercial Bank Co., Ltd.	Mega ICBC (Thailand)	1	Due from Commercial Banks	$ 56,340	No signigicant difference from general customers	0.00%
0	〃	〃	1	Call Loans to Banks	604,829	〃	0.02%
0	〃	〃	1	Deposits from Other Banks	628,803	〃	0.02%
0	〃	〃	1	Due to other banks	17,309	〃	0.00%
0	〃	〃	1	Interest Revenue	20,649	〃	0.04%
0	〃	〃	1	Interest Expenses	4,614	〃	0.01%
2	Mega ICBC (Thailand)	Mega International Commercial Bank Co., Ltd.	2	Due from Commercial Banks	628,803	〃	0.02%
2	〃	〃	2	Call Loans to Banks	17,309	〃	0.00%
2	〃	〃	2	Deposits from Other Banks	56,340	〃	0.00%
2	〃	〃	2	Due to other banks	604,829	〃	0.02%
2	〃	〃	2	Interest Revenue	4,614	〃	0.01%
2	〃	〃	2	Interest Expenses	20,649	〃	0.04%

(Note 1) The numbers in the No. column represent as follows:
1. 0 for the parent company
2. According to the sequential order, subsidiaries are numbered from 1.

(Note 2) Relationship between transaction company and counterparty is classified into the following three categories;
1. Parent company to subsidiary.
2. Subsidiary to parent company.
3. Subsidiary to subsidiary.

(Note 3) Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

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MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD.
BALANCE SHEETS
(EXPRESSED IN THOUSANDS OF DOLLARS)

	December 31, 2019		December 31, 2018
Assets	NT$	US$	NT$
Assets		(Unaudited)	
Cash and cash equivalents	$ 140,554,122	$ 4,687,169	$ 121,851,667
Due from the Central Bank and call loans to banks	492,437,324	16,421,694	520,043,934
Financial assets at fair value through profit or loss	63,903,712	2,131,047	63,083,937
Financial assets at fair value through other comprehensive income	387,478,611	12,921,553	263,821,804
Investment in debt instruments at amortised cost	269,203,897	8,977,353	267,773,373
Securities purchased under resell agreements	7,533,579	251,228	3,994,470
Receivables, net	60,855,830	2,029,407	60,679,755
Current tax assets	71,575	2,387	98,117
Discounts and loans, net	1,853,405,065	61,806,952	1,847,344,912
Investments measured by equity method, net	8,546,674	285,013	9,273,021
Other financial assets, net	2,536,284	84,579	29,338
Property and equipment, net	14,923,979	497,682	14,919,392
Right-of-use assets, net	1,902,983	63,460	-
Investment property, net	583,973	19,474	584,291
Deferred income tax assets	5,365,072	178,913	6,706,827
Other assets, net	6,159,225	205,397	2,811,165
Total assets	$ 3,315,461,905	$ 110,563,308	$ 3,183,016,003

Liabilities and equity			
Liabilities			
Deposits from the Central Bank and banks	$ 408,153,290	$ 13,611,008	$ 391,833,101
Due to the Central Bank and banks	21,161,321	705,683	53,920,881
Financial liabilities at fair value through profit or loss	21,372,394	712,722	26,692,448
Securities sold under repurchase agreements	32,011,462	1,067,511	26,921,643
Payables	35,647,021	1,188,749	34,185,408
Current tax liabilities	7,350,174	245,112	7,787,642
Deposits and remittances	2,447,534,107	81,619,839	2,311,019,303
Bank notes payable	12,000,000	400,173	13,300,000
Other financial liabilities	10,266,531	342,366	10,529,402
Provisions	16,276,121	542,773	15,412,291
Lease liabilities	1,928,148	64,299	-
Deferred income tax liabilities	2,828,278	94,317	2,436,593
Other liabilities	7,252,915	241,869	6,116,557
Total liabilities	3,023,781,762	100,836,421	2,900,155,269
Equity			
Capital			
Common stock	85,362,336	2,846,645	85,362,336
Capital surplus	62,219,540	2,074,884	62,219,540
Retained earnings			
Legal reserve	93,399,533	3,114,667	86,147,870
Special reserve	4,289,719	143,053	4,535,074
Unappropriated earnings	39,380,565	1,313,255	39,333,671
Other equity interest	7,028,450	234,383	5,262,243
Total equity	291,680,143	9,726,887	282,860,734
Total liabilities and equity	$ 3,315,461,905	$ 110,563,308	$ 3,183,016,003

MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME

(EXPRESSED IN THOUSANDS OF DOLLARS, EXCEPT FOR EARNINGS PER SHARE AMOUNTS)

	For the years ended December 31, 2019 NT$	2019 US$ (Unaudited)	2018 NT$	Changes Percentage (%)
Interest income	$ 67,705,598	$ 2,257,831	$ 64,295,176	5
Less: interest expenses	(34,272,695)	(1,142,885)	(28,292,331)	21
Net interest revenue (expense)	33,433,903	1,114,946	36,002,845	(7)
Net revenue other than interest				
Net service fee revenue (charge)	6,533,589	217,881	6,877,209	(5)
Gain (loss) on financial assets or liabilities measured at fair value through profit or loss	9,081,885	302,861	4,707,750	93
Realized gains on financial assets at fair value through other comprehensive income	2,262,424	75,447	955,315	137
Gain (loss) arising from derecognition of financial assets measured at amortised cost	(4)	-	1,064	(100)
Foreign exchange gain (loss)	2,091,636	69,751	2,561,956	(18)
(Impairment loss on assets) reversal of impairment loss on assets	(82,507)	(2,751)	82,888	(200)
Share of profit (loss) of associates and joint ventures accounted for using equity method	445,946	14,871	470,429	(5)
Net other revenue other than interest income	656,215	21,883	346,312	89
Net revenue	54,423,087	1,814,889	52,005,768	5
Bad debts expense, commitment and guarantee liability provision	(728,531)	(24,295)	(2,083,618)	(65)
Operating expenses				
Employee benefits expenses	(15,810,363)	(527,241)	(14,567,854)	9
Depreciation and amortization expense	(1,287,925)	(42,949)	(612,124)	110
Other general and administrative expense	(8,294,614)	(276,607)	(8,105,176)	2
Profit from continuing operations before tax	28,301,654	943,797	26,636,996	6
Income tax expense	(3,656,778)	(121,945)	(2,464,784)	48
Income from continuing operations, net of tax	$ 24,644,876	$ 821,852	$ 24,172,212	2
Other comprehensive income				
Components of other comprehensive income that will not be reclassified to profit or loss				
Gains (losses) on remeasurements of defined benefit plans	($ 883,550)	($ 29,464)	($ 757,090)	17
Revaluation gains (losses) on investments in equity instruments measured at fair value through other comprehensive income	741,168	24,716	66,523	1,014
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit of loss	1,493	50	(2,634)	(157)
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	177,009	5,903	325,670	(46)
Components of other comprehensive income that will be reclassified to profit or loss				
Exchange differences on translation	(1,068,455)	(35,631)	920,631	(216)
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	318,413	10,618	146,639	117
Revaluation gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	1,604,024	53,491	(71,641)	(2,339)
Impairment losses (reversal of impairment losses) from investments in debt instruments measured at fair value through other comprehensive income	30,733	1,025	(27,161)	(213)
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	(15,284)	(510)	31,809	(148)
Other comprehensive income, net of tax	$ 905,551	$ 30,198	$ 632,746	43
Total comprehensive income	$ 25,550,427	$ 852,050	$ 24,804,958	3
Earnings per share				
Basic and diluted earnings per share (in dollars)	$ 2.89	$ 0.10	$ 2.83	

MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD.
STATEMENTS OF CHANGES IN EQUITY
(EXPRESSED IN THOUSANDS OF DOLLARS)

			Retained earnings			Other equity interest			
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealised gains (losses) on financial assets measured at fair value through other comprehensive income	Others	Total
For the year ended December 31, 2019(NT Dollars)									
Balance, January 1, 2019	$ 85,362,336	$ 62,219,540	$ 86,147,870	$ 4,535,074	$ 39,333,671	($ 1,608,022)	$ 6,921,933	($ 51,668)	$ 282,860,734
Profit	-	-	-	-	24,644,876	-	-	-	24,644,876
Other comprehensive income (loss)	-	-	-	-	(706,541)	(774,615)	2,362,965	23,742	905,551
Total comprehensive income (loss)	-	-	-	-	23,938,335	(774,615)	2,362,965	23,742	25,550,427
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(154,115)	-	154,115	-	-
Reversal of special reserve	-	-	-	(6,389)	6,389	-	-	-	-
Earnings distribution for 2018									
Cash dividends	-	-	-	-	(16,731,018)	-	-	-	(16,731,018)
Legal reserve	-	-	7,251,663	-	(7,251,663)	-	-	-	-
Special reserve	-	-	-	155,416	(155,416)	-	-	-	-
Reversal of special reserve	-	-	-	(394,382)	394,382	-	-	-	-
Balance, December 31, 2019	$ 85,362,336	$ 62,219,540	$ 93,399,533	$ 4,289,719	$ 39,380,565	($ 2,382,637)	$ 9,439,013	($ 27,926)	$ 291,680,143
For the year ended December 31, 2019 (US Dollars)									
Balance, January 1, 2019	$ 2,846,645	$ 2,074,884	$ 2,872,840	$ 151,235	$ 1,311,691	($ 53,624)	$ 230,831	($ 1,723)	$ 9,432,779
Profit	-	-	-	-	821,852	-	-	-	821,852
Other comprehensive income (loss)	-	-	-	-	(23,562)	(25,832)	78,800	792	30,198
Total comprehensive income (loss)	-	-	-	-	798,290	(25,832)	78,800	792	852,050
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(5,139)	-	5,139	-	-
Reversal of special reserve	-	-	-	(213)	213	-	-	-	-
Earnings distribution for 2018									
Cash dividends	-	-	-	-	(557,942)	-	-	-	(557,942)
Legal reserve	-	-	241,827	-	(241,827)	-	-	-	-
Special reserve	-	-	-	5,183	(5,183)	-	-	-	-
Reversal of special reserve	-	-	-	(13,152)	13,152	-	-	-	-
Balance, December 31, 2019	$ 2,846,645	$ 2,074,884	$ 3,114,667	$ 143,053	$ 1,313,255	($ 79,456)	$ 314,770	($ 931)	$ 9,726,887

(Continued)

MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD.
STATEMENTS OF CHANGES IN EQUITY
(EXPRESSED IN THOUSANDS OF DOLLARS)

			Retained earnings			Other equity interest				
For the year ended December 31, 2018(NT Dollars)	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Unrealised gains (losses) on financial assets measured at fair value through other comprehensive income	Others	Total
Balance, January 1, 2018	$ 85,362,336	$ 62,219,540	$ 79,690,847	$ 4,000,055	$ 35,028,439	($ 2,713,370)	$ 295,026	$ -	$ -	$ 263,882,873
Effects of retrospective application and retrospective restatement	-	-	-	-	533,042	-	(295,026)	6,771,816	(32,579)	6,977,253
Balance at January 1 after adjustments	85,362,336	62,219,540	79,690,847	4,000,055	35,561,481	(2,713,370)	-	6,771,816	(32,579)	270,860,126
Profit	-	-	-	-	24,172,212	-	-	-	-	24,172,212
Other comprehensive income (loss)	-	-	-	-	(431,420)	1,105,348	-	(22,093)	(19,089)	632,746
Total comprehensive income (loss)	-	-	-	-	23,740,792	1,105,348	-	(22,093)	(19,089)	24,804,958
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(172,210)	-	-	172,210	-	-
Earnings distribution for 2017										
Cash dividends	-	-	-	-	(12,804,350)	-	-	-	-	(12,804,350)
Legal reserve	-	-	6,457,023	-	(6,457,023)	-	-	-	-	-
Special reserve	-	-	-	535,745	(535,745)	-	-	-	-	-
Reversal of special reserve	-	-	-	(726)	726	-	-	-	-	-
Balance, December 31, 2018	$ 85,362,336	$ 62,219,540	$ 86,147,870	$ 4,535,074	$ 39,333,671	($ 1,608,022)	$ -	$ 6,921,933	($ 51,668)	$ 282,860,734

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MEGA INTERNATIONAL COMMERCIAL BANK CO., LTD.
STATEMENTS OF CASH FLOWS
(EXPRESSED IN THOUSANDS OF DOLLARS)

	For the years ended December 31,		
	2019		2018
	NT$	US$	NT$
CASH FLOWS FROM OPERATING ACTIVITIES		(Unaudited)	
Profit before tax	$ 28,301,654	$ 943,797	$ 26,636,996
Adjustments			
Adjustments to reconcile profit (loss)			
Bad debts expense, commitment and guarantee liability provision	728,531	24,295	2,083,618
Depreciation expense	1,282,366	42,764	606,527
Amortization expense	5,559	185	5,597
Interest income	(67,705,598)	(2,257,831)	(64,295,176)
Dividend income	(1,301,251)	(43,394)	(1,296,312)
Interest expense	34,271,695	1,142,885	28,292,331
Share of profit of associates and joint ventures accounted for using equity method	(445,946)	(14,871)	(470,429)
Gain on disposal of property and equipment	(605)	(20)	(752)
Loss on disposal of foreclosed properties	5,960	199	-
Impairment loss (reversal of impairment loss) on assets	82,507	2,751	(82,888)
Loss on retirement of property and equipment	657	22	3,965
Decrease in due from the Central Bank and call loans to banks	19,608,906	653,914	17,456,985
Increase in financial assets at fair value through profit or loss	(819,775)	(27,338)	(10,298,944)
Increase in financial assets at fair value through other comprehensive income	(121,311,616)	(4,045,473)	(20,598,506)
(Increase) decrease in investments in debt instruments measured at amortised cost	(1,439,914)	(48,018)	52,400,304
Increase in receivables	(656,440)	(21,891)	(1,011,718)
Increase in discounts and loans	(7,203,581)	(240,223)	(103,665,449)
Increase in other financial assets	(2,506,930)	(83,600)	(24,793)
(Increase) decrease in other assets	(3,371,444)	(112,430)	66,173
Increase in deposits from the Central Bank and banks	16,320,189	544,242	18,727,695
(Decrease) increase in financial liabilities at fair value through profit or loss	(5,320,054)	(177,412)	17,917,813
Increase in securities sold under repurchase agreements	5,089,819	169,734	26,073,518
Increase (decrease) in payable	1,077,226	35,923	(2,167,147)
Increase (decrease) in deposits and remittances	136,514,804	4,552,466	(64,179,720)
(Decrease) increase in other financial liabilities	(262,871)	(8,766)	1,559,761
Increase in provisions for employee benefits	453,601	15,127	467,696
Increase (decrease) in other liabilities	980,154	32,686	(603,501)
Interest received	68,305,913	2,277,851	63,672,911
Dividends received	1,732,359	57,770	1,721,281
Interest paid	(33,887,008)	(1,130,057)	(27,302,849)
Income taxes paid	(2,349,549)	(78,352)	(2,416,890)
Net cash flows from (used in) operating activities	66,179,318	2,206,935	(40,721,903)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property and equipment	(734,003)	(24,477)	(668,114)
Proceeds from disposal of property and equipment	605	20	752
Proceed from disposal of foreclosed collateral	11,864	396	-
Proceeds from capital reduction of liquidation	1,059,278	35,324	-
Net cash flows from (used in) investing activities	337,744	11,263	(667,362)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in guarantee deposits received	158,083	5,271	363,674
(Decrease) increase in due to the Central Bank and banks	(32,759,560)	(1,092,459)	24,695,942
Cash dividends paid	(16,731,018)	(557,942)	(12,804,350)
Decrease in bank notes payable	(1,300,000)	(43,352)	(12,600,000)
Payments of lease liabilities	(587,214)	(19,582)	-
Net cash flows used in financing activities	(51,219,709)	(1,708,064)	(344,734)
EFFECT OF EXCHANGE RATE CHANGES	(1,053,613)	(35,136)	619,448
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	14,243,740	474,998	(41,114,551)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	486,639,568	16,228,351	527,754,119
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 500,883,308	$ 16,703,349	$ 486,639,568
CASH AND CASH EQUIVALENTS COMPOSITION:			
Cash and cash equivalents reported in the statement of financial position	$ 140,554,122	$ 4,687,169	$ 121,851,667
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	352,795,607	11,764,952	360,793,431
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7	7,533,579	251,228	3,994,470
CASH AND CASH EQUIVALENTS AT END OF REPORTING PERIOD	$ 500,883,308	$ 16,703,349	$ 486,639,568

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As of May 15, 2020

Management Team

Chao-Shun Chang, Chairman of the Board
Yong-Yi Tsai, President
Chen-Shan Lee, Senior Executive Vice President
Ruey-Yuan Fu, Senior Executive Vice President
Yu-Mei Hsiao, Senior Executive Vice President
Kuo-Pao Chen, Senior Executive Vice President
Chao-Jung Chen, Senior Executive Vice President & General Manager
Fu-Yung Chen, Senior Executive Vice President
Chien-Chung Chen, Senior Executive Vice President
Yung-Chen Huang, Chief Auditor
Hui-Lin Wu, Chief Compliance Officer

Department	Manager & Title	Fax Number
Auditing Department	Yung-Chen Huang Chief Auditor	+886-2-23569801
Planning Department	Li-Li Lee Vice President & General Manager	+886-2-25633122
Compliance Department	Hung Tseng Vice President & General Manager	+886-2-25632004
Anti-Money Laundering & Financial Crime Compliance Department	Nian-Tzy Yeh Senior Vice President & General Manager	+886-2-25238675
Corporate Banking Business Department	Tung-Lung Wu Senior Vice President & General Manager	+886-2-25625669
Business Administration Department	Shueh-Yun Tsai Senior Vice President & General Manager	+886-2-23935116
Foreign Exchange Business Management Department	Su-Mei Lin Vice President & General Manager	+886-2-25230081
Operation Center	Jin-Chich Lee Senior Vice President & General Manager	+886-2-23569445
Overseas Business Planning Department	Ming-Chien Lin Vice President & General Manager	+886-2-23569169
Overseas Business Management Department	Shiow-Ling Wu Vice President & General Manager	+886-2-23569465
Treasury Department	Li-Wen Kao Vice President & General Manager	+886-2-25613395
Direct Investment Department	Pi-Tien Chen Vice President & General Manager	+886-2-25630950

Department	Manager & Title	Fax Number
Consumer Banking Business Department	Wen-Yung Hsieh Senior Vice President & General Manager	+886-2-25377632
Card Department	Chung-Hsiang Lin Senior Vice President & General Manager	+886-2-89822202
Trust Department	Chun-Yi Hou Vice President & General Manager	+886-2-25235002
Wealth Management Department	Chao-Jung Chen Senior Executive Vice President & General Manager	+886-2-25631601
Insurance Agency Department	Chun-Ju Lin Vice President & General Manager	+886-2-23943520
Credit Control Department	Hui-Ling Yu Senior Vice President & General Manager	+886-2-25310691
Risk Management Department	Ta-Sheng Chen Senior Vice President & General Manager	+886-2-23568506
Credit Analysis Department	Te-Jen Hsu Vice President & General Manager	+886-2-25711352
Overdue Loan & Control Department	Chi-Ho Chen Senior Vice President & General Manager	+886-2-23560580
Digital Banking Department	Hsiu-Ho Hsu Senior Vice President & General Manager	+886-2-25633267
Data Processing & Information Department	Kao-Hui Hsu Senior Vice President & General Manager	+886-2-23416430
Information Security Department	Ing-Jun Kuo Vice President & General Manager	+886-2-23756770
Controller's Department	Ching-Yi Li Senior Vice President & Controller	+886-2-23568601
Human Resources Department	Yue-Gean Kuo Senior Vice President & General Manager	+886-2-23569531
General Affairs and Occupational Safety & Health Department	Yia-Shu Lin Senior Vice President & General Manager	+886-2-23568936
Legal Affairs Office	Ling-Chiun Lin Vice President & General Manager	+886-2-25317230
Public Relations Office	Hsiu-Ling Tsai Vice President & General Manager	+886-2-25516530

Domestic Branches

Branch Name	Manager & Title	Address	Phone Number	Fax Number
Foreign Department	Yu-Chuan Lu Senior Vice President & General Manager	No.100, Chi-lin Rd., Chung-shan Dist., Taipei 10424, Taiwan	+886-2-25633156	+886-2-25632614
Heng Yang Branch	Hsiu-Jung Hung Vice President & General Manager	No.91, Heng-yang Rd., Chung-cheng Dist., Taipei 10009, Taiwan	+886-2-23888668	+886-2-23885000
Cheng Chung Branch	Shu-Chin Chen Vice President & General Manager	No.42, Hsu-chang St., Chung-cheng Dist., Taipei 10047, Taiwan	+886-2-23122222	+886-2-23111645
Ministry of Foreign Affairs Branch	Hsiu- Junj Kan Vice President & General Manager	Room 129, No.2, Kaitakelan Blvd., Chung-cheng Dist., Taipei 10048, Taiwan	+886-2-23482065	+886-2-23811858
Central Branch	Yung-Cheng Yeh Senior Vice President & General Manager	No.123, Sec.2, Jhong-siao E. Rd., Chung-cheng Dist., Taipei 10058, Taiwan	+886-2-25633156	+886-2-23569750
South Taipei Branch	Ping-Sen Liang Vice President & General Manager	No.9-1, Sec.2, Roosevelt Rd., Chung-cheng Dist., Taipei 10093, Taiwan	+886-2-23568700	+886-2-23922533
Ta Tao Cheng Branch	Chien-Ting Liu Vice President & General Manager	No.62-5, Hsi-ning N. Rd., Dah-tong Dist., Taipei 10343, Taiwan	+886-2-25523216	+886-2-25525627
Dah Tong Branch	Hung-Te Chen Vice President & General Manager	No.113, Nan-king W. Rd., Dah-tong Dist., Taipei 10355, Taiwan	+886-2-25567515	+886-2-25580154
Yuan Shan Branch	Shien-Jeng Lee Vice President & General Manager	No.133, Sec.2, Zhong-shan N. Rd., Zhong-shan Dist., Taipei 10448, Taiwan	+886-2-25671488	+886-2-25817690
Chung Shan Branch	Wei-Chen Lee Vice President & General Manager	No.15, Sec.2, Chung-shan N. Rd., Chung-shan Dist., Taipei 10450, Taiwan	+886-2-25119231	+886-2-25635554
Nanking East Road Branch	Shu-Ching Tung Vice President & General Manager	No.53, Sec.2, Nan-king E. Rd., Chung-shan Dist., Taipei 10457, Taiwan	+886-2-25712568	+886-2-25427152
North Taipei Branch	Choun-Chau Tsai Vice President & General Manager	No.156-1, Sung-chiang Rd., Chung-shan Dist., Taipei 10459, Taiwan	+886-2-25683658	+886-2-25682494
Taipei Fusing Branch	Shaw-Hwa Su Senior Vice President & General Manager	No.198, Sec.3, Nan-king E. Rd., Chung-shan Dist., Taipei 10488, Taiwan	+886-2-27516041	+886-2-27511704
Taipei Airport Branch	Chuen-Yeou Yeh Vice President & General Manager	Taipei Sungshan Airport Building, No.340-9, Tun-hua N. Rd., Sung-shan Dist., Taipei 10548, Taiwan	+886-2-27152385	+886-2-27135420
Dun Hua Branch	Tsuyung Ni Vice President & General Manager	No.88-1, Dun-hua N. Rd., Sung-shan Dist., Taipei 10551, Taiwan	+886-2-87716355	+886-2-87738655
Sung Nan Branch	Hsiu-Chu Wu Vice President & General Manager	No.234, Sec.5, Nan-king E. Rd., Sung-shan Dist., Taipei 10570, Taiwan	+886-2-27535856	+886-2-27467271
East Taipei Branch	Chien-Yean Chen Vice President & General Manager	No.52, Sec.4, Min-sheng E. Rd., Sung-shan Dist., Taipei 10574, Taiwan	+886-2-27196128	+886-2-27196261

Branch Name	Manager & Title	Address	Phone Number	Fax Number
Ming Sheng Branch	Su-Ting Cheng Vice President & General Manager	No.128, Sec.3, Ming-sheng E. Rd., Sung-shan Dist., Taipei 10596, Taiwan	+886-2-27190690	+886-2-27190688
Ta An Branch	Tsu-Hsin Lin Vice President & General Manager	No.182, Sec.3, Hsin-yi Rd., Ta-an Dist., Taipei 10658, Taiwan	+886-2-27037576	+886-2-27006352
An Ho Branch	Chih-Haw Liu Vice President & General Manager	No.62, Sec.2, An-ho Rd., Ta-an Dist., Taipei 10680, Taiwan	+886-2-27042141	+886-2-27042075
Tun Nan Branch	Jian-Pyng Lee Vice President & General Manager	No.62, Sec.2, Tun-hua S. Rd., Ta-an Dist., Taipei 10683, Taiwan	+886-2-27050136	+886-2-27050682
Chung Hsiao Branch	Tsuey-Ping Chang Vice President & General Manager	No.233, Sec.4, Chung-hsiao E. Rd., Ta-an Dist., Taipei 10692, Taiwan	+886-2-27711877	+886-2-27711486
World Trade Center Branch	Chung-Hao Liao Vice President & General Manager	1F, No.333, Sec.1, Keelung Rd., Hsin-yi Dist., Taipei 11012, Taiwan	+886-2-27203566	+886-2-27576144
Hsin Yi Branch	Chi-Shun Peng Vice President & General Manager	No.65, Sec.2, Keelung Rd., Hsin-yi Dist., Taipei 11052, Taiwan	+886-2-23788188	+886-2-23772515
Taipei Branch	Tzu-Yuan Yang Vice President & General Manager	No.550, Sec.4, Chung-hsiao E. Rd., Hsin-yi Dist., Taipei 11071, Taiwan	+886-2-27587590	+886-2-27581265
Lan Ya Branch	Hsiu-Yuan Lu Vice President & General Manager	No.126, Sec.6, Chung-shan N. Rd., Shih-lin Dist., Taipei 11155, Taiwan	+886-2-28385225	+886-2-28341483
Tien Mou Branch	Wen-Yann Wang Vice President & General Manager	No.193, Sec.7, Chung-shan N. Rd., Shih-lin Dist., Taipei 11156, Taiwan	+886-2-28714125	+886-2-28714374
Nei Hu Branch	Hong-Yeh Lee Vice President & General Manager	No.68, Sec.4, Cheng-kung Rd., Nei-hu Dist., Taipei 11489, Taiwan	+886-2-27932050	+886-2-27932048
Nei Hu Science Park Branch	Shih-Lan Teng Vice President & General Manager	No.472, Jui-kuang Rd., Nei-hu Dist., Taipei 11492, Taiwan	+886-2-87983588	+886-2-87983536
East Nei Hu Branch	Shu-Hwa Lin Vice President & General Manager	No.202, Kang-chien Rd., Nei-hu Dist., Taipei 11494, Taiwan	+886-2-26275699	+886-2-26272988
Nan Gang Branch	Ting-Hau Chang Vice President & General Manager	No.21-1, Sec.6, Jhong-siao E. Rd., Nan-gang Dist., Taipei 11575, Taiwan	+886-2-27827588	+886-2-27826685
Keelung Branch	Shain-Ren Chen Vice President & General Manager	No.24, Nan-jung Rd., Ren-ai Dist., Keelung 20045, Taiwan	+886-2-24228558	+886-2-24294089
Ban Qiao Branch	Meng-Hsia Tsai Vice President & General Manager	No.51, Sec.1, Wen-hua Rd., Banqiao Dist., New Taipei City 22050, Taiwan	+886-2-29608989	+886-2-29608687
South Banqiao Branch	Jen-Huei Chen Vice President & General Manager	No.148, Sec.2, Nan-ya S. Rd., Banqiao Dist., New Taipei City 22060, Taiwan	+886-2-89663303	+886-2-89661421
Xin Dian Branch	Chi-Huang Wu Vice President & General Manager	No.173, Sec.2, Bei-xin Rd., Xindian Dist., New Taipei City 23143, Taiwan	+886-2-29182988	+886-2-29126480
Shuang He Branch	Hui-Ru Kang Vice President & General Manager	No.67, Sec.1, Yong-he Rd., Yonghe Dist., New Taipei City 23445, Taiwan	+886-2-22314567	+886-2-22315288

Branch Name	Manager & Title	Address	Phone Number	Fax Number
Yong He Branch	Yu-Chyong Luo Vice President & General Manager	No.201, Fuhe Rd., Yong-he Dist., New Taipei City 23450, Taiwan	+886-2-29240086	+886-2-29240074
Zhong He Branch	Hsiu-Chin Hsin Vice President & General Manager	No.124, Sec.2, Zhong-shan Rd., Zhonghe Dist., New Taipei City 23555, Taiwan	+886-2-22433567	+886-2-22433568
Tu Cheng Branch	Yen-Hsing Yu Vice President & General Manager	No.276, Sec.2, Zhong-yang Rd., Tucheng Dist., New Taipei City 23669, Taiwan	+886-2-22666866	+886-2-22668368
South San Chong Branch	Chiu-Ta Lin Vice President & General Manager	No.128, Sec.3, Chong-xin Rd., Sanchong Dist., New Taipei City 24143, Taiwan	+886-2-29748811	+886-2-29724901
San Chong Branch	Shoei-Bin Lin Vice President & General Manager	No.99, Sec.3, Chong-yang Rd., Sanchong Dist., New Taipei City 24145, Taiwan	+886-2-29884455	+886-2-29837225
Xin Zhuang Branch	An-Chang Chen Vice President & General Manager	No.421, Si-yuan Rd., Xinzhuang Dist., New Taipei City 24250, Taiwan	+886-2-22772888	+886-2-22772881
Si Yuan Branch	Hsun-Chin Chan Vice President & General Manager	No.169, Si-yuan Rd., Xinzhuang Dist., New Taipei City 24250, Taiwan	+886-2-29986661	+886-2-29985973
Yi Lan Branch	Chyi-Yee Chen Senior Vice President & General Manager	No.338, Min-zu Rd., Yilan City, Yilan County 26048, Taiwan	+886-3-9310666	+886-3-9311167
Lo Tung Branch	Peng-Cheng Tai Vice President & General Manager	No.195, Sec.2, Chun-ching Rd., Lo-tung Town, Ilan County 26549, Taiwan	+886-3-9611262	+886-3-9611260
Chung Li Branch	Su-Min Liu Vice President & General Manager	No.46, Fu-hsing Rd., Chung-li Dist.,, Tao-yuan City 32041, Taiwan	+886-3-4228469	+886-3-4228455
North Chung Li Branch	Po-Tien Tsai Vice President & General Manager	No.406, Huan-bei Rd., Chung-li Dist., Tao-yuan City 32070, Taiwan	+886-3-4262366	+886-3-4262135
Tao Yuan Branch	Fu-San Lin Vice President & General Manager	No.2, Sec.2, Cheng-kung Rd., Tao-yuan Dist., Tao-yuan City 33047, Taiwan	+886-3-3376611	+886-3-3351257
Tao Hsin Branch	King-Piao Huang Vice President & General Manager	No.180, Fu-hsin Rd., Tao-yuan Dist., Tao-yuan City 33066, Taiwan	+886-3-3327126	+886-3-3339434
Pa Teh Branch	Chun-Ping Wang Vice President & General Manager	No.19, Da-jhih Rd., Pa-teh Dist., Tao-yuan City 33450, Taiwan	+886-3-3665211	+886-3-3764012
Tao Yuan International Airport Branch	Kuo-Liang Sun Vice President & General Manager	No.15, Hang-jan S. Rd., Da-yuan Dist., Tao-yuan City 33758, Taiwan	+886-3-3982200	+886-3-3834315
Nan Kan Branch	Hsin-Yuan Cheng Vice President & General Manager	No.33, Zhong-zheng Rd., Luzhu Dist., Tao-yuan City 33861, Taiwan	+886-3-3525288	+886-3-3525290
Hsinchu Branch	Sun-Ho Lee Vice President & General Manager	1F, 2F, No.417-419, Sec.2, Gongdao 5th Rd., Hsinchu City 30069, Taiwan	+886-3-5733399	+886-3-5733311

Branch Name	Manager & Title	Address	Phone Number	Fax Number
North Hsinchu Branch	Shu-Te Hsu Vice President & General Manager	No.129, Chung-cheng Rd., Hsinchu City 30051, Taiwan	+886-3-5217171	+886-3-5262642
Hsinchu Science Park Chu-Tsuen Branch	Chien-Chih Kuo Senior Vice President & General Manager	No.21, Chu-tsuen 7th Rd., Hsinchu Science Park, Hsinchu City 30075, Taiwan	+886-3-5773155	+886-3-5778794
Hsinchu Science Park Hsin-An Branch	Yow-Der Wang Vice President & General Manager	No.1, Hsin-an Rd., Hsinchu Science Park, Hsinchu City 30076, Taiwan	+886-3-5775151	+886-3-5774044
Jhu Bei Branch	Hui-Ming Lin Vice President & General Manager	No.155, Guang-ming 1st Rd., Jhu-bei City, Hsinchu County 30259, Taiwan	+886-3-5589968	+886-3-5589998
Zhunan Science Park Branch	Su-Jen Chen Vice President & General Manager	Rm.105, 1F No.36, Ke-yan Rd., Zhunan Township, Miaoli County 35053, Taiwan	+886-37-682288	+886-37-682416
Tou Fen Branch	Tsan-Yu Yang Vice President & General Manager	No.916, Chung-hwa Rd., Tou-fen City, Miao-li County 35159, Taiwan	+886-37-688168	+886-37-688118
Taichung Branch	Hung-Fuh Wu Vice President & General Manager	No.216, Ming-chuan Rd., Central Dist., Taichung 40041, Taiwan	+886-4-22281171	+886-4-22241855
Central Taichung Branch	Kuan-Yu Wu Vice President & General Manager	No.194, Sec.1, San-min Rd., West Dist., Taichung 40343, Taiwan	+886-4-22234021	+886-4-22246812
South Taichung Branch	Ming-Kuang Lee Senior Vice President & General Manager	No.257, Sec.1, Wu-chuan W. Rd., West Dist., Taichung 40347, Taiwan	+886-4-23752529	+886-4-23761670
East Taichung Branch	Ya-Ling Chen Vice President & General Manager	No.330, Chin-hwa N. Rd., North Dist., Taichung 40457, Taiwan	+886-4-22321111	+886-4-22368621
North Taichung Branch	Hsueh-Chu Hsieh Vice President & General Manager	No.96, Sec.3, Taiwan Blvd., Xitun Dist., Taichung 40756, Taiwan	+886-4-23115119	+886-4-23118743
Pou Chen Branch	Hsu-Kuang Hsu Vice President & General Manager	No.600, Sec.4, Taiwan Blvd., Xitun Dist., Taichung 40764, Taiwan	+886-4-24619000	+886-4-24613300
Rung Tzung Branch	Shoh-Chi Doong Vice President & General Manager	No.1650, Sec.4, Taiwan Blvd., Xitun Dist., Taichung 40705, Taiwan	+886-4-23500190	+886-4-23591281
Tai Ping Branch	Su-Li Lai Vice President & General Manager	No.152, Zhong-xing E. Rd., Taiping Dist., Taichung 41167, Taiwan	+886-4-22789111	+886-4-22777546
Da Li Branch	Chih-Chieh Shih Vice President & General Manager	No.600, Shuang-wen Rd., Dali Dist., Taichung 41283, Taiwan	+886-4-24180929	+886-4-24180629
Feng Yuan Branch	Tzu-Chen Kung Senior Vice President & General Manager	No.519, Zhong-zheng Rd., Fengyuan Dist., Taichung 42056, Taiwan	+886-4-25285566	+886-4-25274580
Hou Li Branch	Ming-Kun Chen Vice President & General Manager	No.665, Sec.1, Jia-hou Rd., Houli Dist., Taichung 42144, Taiwan	+886-4-25588855	+886-4-25580166
Tan Zi Branch	Chien-Ping Wu Vice President & General Manager	No.3, Nan 2nd Rd., T.E.P.Z., Tanzi Dist., Taichung 42760, Taiwan	+886-4-25335111	+886-4-25335110

Branch Name	Manager & Title	Address	Phone Number	Fax Number
Central Taiwan Science Park Branch	Yuh-Feng Lin Vice President & General Manager	2F., No.28, Ke-ya Rd., Daya Dist., Taichung 42881, Taiwan	+886-4-25658108	+886-4-25609230
Sha Lu Branch	Hsin-Chieh Huang Vice President & General Manager	No.533, Zhong-shan Rd., Shalu Dist., Taichung 43344, Taiwan	+886-4-26656778	+886-4-26656399
Da Jia Branch	Wen-Jin Wroun Vice President & General Manager	No.1033, Sec.1, Zhong-shan Rd., Dajia Dist., Taichung 43744, Taiwan	+886-4-26867777	+886-4-26868333
North Changhua Branch	Chia-Ming Dia Vice President & General Manager	No.39, Kuang-fuh Rd., Changhua City, Changhua County 50045, Taiwan	+886-4-7232111	+886-4-7243958
South Changhwa Branch	Kuo-Chih Hsu Vice President & General Manager	No.401, Sec.1, Chung-shan Rd., Changhwa City, Changhwa County 50058, Taiwan	+886-4-7613111	+886-4-7622656
Lu Gang Branch	Hsin-Tsai Tai Vice President & General Manager	No.254, Zhong-shan Rd., Lu-gang Town, Changhua County 50564, Taiwan	+886-4-7788111	+886-4-7788600
Yuan Lin Branch	Fu-Kuei Wu Vice President & General Manager	No.338, Sec.1, Da-tong Rd., Yuan-lin City, Changhua County 51056, Taiwan	+886-4-8332561	+886-4-8359359
Nan Tou Branch	Wu-Hsin Tsai Vice President & General Manager	No.45, Wen-chang St., Nan-tou City, Nan-tou County 54048, Taiwan	+886-49-2232223	+886-49-2232758
Dou Liu Branch	Chui-Ping Chiang Vice President & General Manager	No.1, Shang-hai Rd., Dou-liu City, Yun-lin County 64048, Taiwan	+886-5-5361779	+886-5-5337830
Chia Yi Branch	Shu-Kwei Chang Vice President & General Manager	No.259, Wen-hua Rd., Chia-yi City 60044, Taiwan	+886-5-2241166	+886-5-2255025
Chia Hsin Branch	Ching-Shien Li Vice President & General Manager	No.379, Wu-fong N. Rd., Chia-yi City 60045, Taiwan	+886-5-2780148	+886-5-2769252
Tainan Branch	Ya-Li Tseng Vice President & General Manager	No.14, Sec.2, Chung-yi Rd., Tainan 70041, Taiwan	+886-6-2292131	+886-6-2224826
Tainan Fucheng Branch	Chyi-Fure Jiang Vice President & General Manager	No.90, Chung-shan Rd., Tainan 70043, Taiwan	+886-6-2231231	+886-6-2203771
East Tainan Branch	Yi-Ren Hwang Vice President & General Manager	No.225, Sec.1, Chang-jung Rd., Tainan 70143, Taiwan	+886-6-2381611	+886-6-2378008
Yong Kang Branch	Tsair-Quey Chang Vice President & General Manager	No.180, Zhong-shan Rd., Yongkang Dist., Tainan 71090, Taiwan	+886-6-2019389	+886-6-2016251
Tainan Science Park Branch	Pi-Ju Tsai Vice President & General Manager	No.13, Nan-ke 3rd Rd., Xinshi Dist., Tainan 74147, Taiwan	+886-6-5052828	+886-6-5051791
Cheng Gong Branch	Li-Ping Tseng Vice President & General Manager	No.88, Chenggong 2nd Rd., Qianzhen Dist., Kaohsiung 80661, Taiwan.	+886-7-5352000	+886-7-3312866
Wu Fu Branch	Wen-Jiaw Hung Vice President & General Manager	No.82, Wu-fu 2nd Rd., Hsin-hsing Dist., Kaohsiung 80043, Taiwan	+886-7-2265181	+886-7-2260919
Hsin Hsing Branch	Ming-Jane Lin Vice President & General Manager	No.308, Chung-shan 1st Rd., Hsin-hsing Dist., Kaohsiung 80049, Taiwan	+886-7-2353001	+886-7-2350962

Branch Name	Manager & Title	Address	Phone Number	Fax Number
Kaohsiung Branch	Yaw-Ching Tseng Vice President & General Manager	No.235, Chung-cheng 4th Rd., Qian-jin Dist., Kaohsiung 80147, Taiwan	+886-7-2515111	+886-7-2212554
Kaohsiung Metropolitan Branch	Chen-Hui Chen Senior Vice President & General Manager	No.253, Chung-cheng 4th Rd., Qian-jin Dist., Kaohsiung 80147, Taiwan	+886-7-2510141	+886-7-2811426
Ling Ya Branch	Chun-Hsia Chien Vice President & General Manager	No.8, Sze-wei 4th Rd., Ling-ya Dist., Kaohsiung 80247, Taiwan	+886-7-3355595	+886-7-3355695
San Tuo Branch	Feng-Wen Chen Vice President & General Manager	No.93, San-tuo 2nd Rd., Ling-ya Dist., Kaohsiung 80266, Taiwan	+886-7-7250688	+886-7-7211012
San Min Branch	Shih-Hsun Chien Vice President & General Manager	No.225, Chung-hua 1st Rd., Gu-shan Dist., Kaohsiung 80455, Taiwan	+886-7-5536511	+886-7-5224202
Kaohsiung Fishing Port Branch	Chao-Hsien Wu Vice President & General Manager	Room 107, No.3, Yu-kang E. 2nd Rd., Kaohsiung 80672, Taiwan	+886-7-8219630	+886-7-8117912
Kaohsiung Export Processing Zone Branch	Chun-Nan Chen Vice President & General Manager	No.2, Chung 4th Rd., Kaohsiung Export Processing Zone, Kaohsiung 80681, Taiwan	+886-7-8316131	+886-7-8314393
North Kaohsiung Branch	Yao-Yu Kuo Vice President & General Manager	No.532, Chiu-ju 2nd Rd., Kaohsiung 80745, Taiwan	+886-7-3157777	+886-7-3155506
East Kaohsiung Branch	Charng-Er Kuo Vice President & General Manager	No.419, Ta-shun 2nd Rd., Kaohsiung 80787, Taiwan	+886-7-3806456	+886-7-3806608
Nan Tze Branch	Hsiao-Chin Ma Vice President & General Manager	No.600-1, Chia-chang Rd., Nantze Export Processing Zone, Kaohsiung 81170, Taiwan	+886-7-3615131	+886-7-3633043
Chung Kang Branch	Yu-Chuan Chu Vice President & General Manager	No.1, Chung-kang Rd., Kaohsiung 81233, Taiwan	+886-7-8021111	+886-7-8034911
Kaohsiung International Airport Branch	Yueh-Yun Cheng Vice President & General Manager	Kaohsiung International Airport, No.2, Chung-shan 4th Rd., Kaohsiung 81252, Taiwan	+886-7-8067866	+886-7-8068841
Ren Wu Branch	Yang-Der Fu Vice President & General Manager	No.2, Zhong-zheng Rd., Renwu Dist., Kaohsiung 81451, Taiwan	+886-7-3726289	+886-7-3740764
Gang Shan Branch	Yeon-Chuan Chen Vice President & General Manager	No.138, Zhong-shan N. Rd., Gangshan Dist., Kaohsiung 82065, Taiwan	+886-7-6230300	+886-7-6230608
Feng Shan Branch	Chi-Hung Cheng Vice President & General Manager	No.248, Zhong-shan W. Rd., Fengshan Dist., Kaohsiung 83068, Taiwan	+886-7-7473566	+886-7-7477566
Ping Tung Branch	Huey-Ru Chao Vice President & General Manager	No.213, Ming-tsu Rd., Ping-tung City, Ping-tung County 90078, Taiwan	+886-8-7323586	+886-8-7321651
Hua Lien Branch	Chi-Chih Pan Vice President & General Manager	No.26, Kung-yuan Rd., Hua-lien City, Hua-lien County 97048, Taiwan	+886-3-8350191	+886-3-8360443
Kin Men Branch	Hung-Chi Lai Vice President & General Manager	No.37-5, Min-sheng Rd., Jin-cheng Town, Kin-men County 89345, Taiwan	+886-82-375800	+886-82-375900

Offshore Banking Branch, Overseas Branches & Representative Offices

Branch Name	Manager & Title	Address	Phone Number	Fax Number
Offshore Banking Branch	Chien-Chuang Chien Vice President & General Manager	No.100, Chi-lin Rd., Chung-shan Dist., Taipei 10424, Taiwan	+886-2-25633156	+886-2-25637138
New York Branch	Hung-Hui Chen Senior Vice President & General Manager	65 Liberty Street, New York, NY 10005, U.S.A. / 120, Broadway 13th & 21st Floor New York, NY 10271, U.S.A.	+1-212-6084222	+1-212-6084943
Los Angeles Branch	Yi-Ming Ko Senior Vice President & General Manager	445 South Figueroa Street, Suite 1900, Los Angeles, CA 90071, U.S.A.	+1-213-4893000	+1-213-4891183
Chicago Branch	Hung-Tse Chen Vice President & General Manager	2 North La Salle Street, Suite 1803, Chicago, IL 60602, U.S.A.	+1-312-7829900	+1-312-7822402
Silicon Valley Branch	Szu-Yao Huang Vice President & General Manager	333 West San Carlos Street, Suite 100, Box 8, San Jose, CA 95110, U.S.A.	+1-408-2831888	+1-408-2831678
Canada Branch-Toronto Principal Office	Chi-Chu Liao Vice President & General Manager	4950 Yonge Street, Suite 1002, Toronto, Ontario, M2N 6K1, Canada	+1-416-9472800	+1-416-9479964
Canada Branch-Vancouver Office	Ming-Shan Wu Vice President & General Manager	1095 West Pender Street, Suite 1250, Vancouver, British Columbia, V6E 2M6, Canada	+1-604-6895650	+1-604-6895625
Panama Branch	Shih-Kuan Chuang Vice President & General Manager	Avenida Balboa, Torre Davivienda, Piso 9, Oficina No. 9A-B, Panama City, Republic of Panama (P.O. Box 0832-01598)	+507-2638108	+507-2638392
Paris Branch	Jing-Fong Chiou Vice President & General Manager	133 Rue de Tolbiac, 75013 Paris, France	+33-1-44230868	+33-1-45821844
Amsterdam Branch	Kuo-Hsiung Chen Vice President & General Manager	World Trade Center, Strawinskylaan 1203, 1077XX, Amsterdam, The Netherlands	+31-20-6621566	+31-20-6649599
London Branch	Cheng-Chou Hsieh Vice President & General Manager	4th Floor, Michael House, 35 Chiswell Street, London, EC1Y 4SE, United Kingdom	+44-20-75627350	+44-20-75627369
Sydney Branch	Chun-Yu Kuo Vice President & General Manager	Level 8, 10 Spring Street, Sydney NSW 2000, Australia	+61-2-92301300	+61-2-92335859
Brisbane Branch	Hung-Shi Chou Vice President & General Manager	Suite 1-3, 3 Zamia Street, Sunnybank, QLD 4109, Australia	+61-7-32195300	+61-7-32195200
Melbourne Branch	Ching-Tsung Wang Senior Vice President & General Manager	Level 20, 459 Collins Street, Melbourne VIC 3000, Australia	+61-3-86108500	+61-3-96200600
Tokyo Branch	Yao-Chun Chang Vice President & General Manager	7F, Kishimoto Bldg. No.2-1, Marunouchi 2-Chome, Chiyoda-Ku, Tokyo 100-0005, Japan	+81-3-32116688	+81-3-32165686
Osaka Branch	Tsung-Hao Tsai Vice President & General Manager	4-11, 3-chome, Doshomachi, Chuo-ku, Osaka 541-0045, Japan	+81-6-62028575	+81-6-62023127
Manila Branch	Bi-Huei Jin Senior Vice President & General Manager	3rd Floor, Pacific Star Bldg., Makati Avenue, Makati City, Philippines	+63-2-8115807	+63-2-8115815

Branch Name	Manager & Title	Address	Phone Number	Fax Number
Ho Chi Minh City Branch	Mao-Jung Chu Vice President & General Manager	Ground Floor, Landmark Building, 5B Ton Duc Thang, Dist 1, Ho Chi Minh City, Vietnam	+84-28-38225697	+84-28-38229191
Singapore Branch	Wen-Sheng Chiang Senior Vice President & General Manager	80 Raffles Place#23-20 UOB Plaza 2 Singapore 048624	+65-62277667	+65-62271858
Labuan Branch	Teih-Tsang Liang Vice President & General Manager	Level 7 (E2), Main Office Tower, Financial Park Labuan Complex, Jalan Merdeka, 87000 F. T. Labuan, Malaysia	+60-87-581688	+60-87-581668
Kuala Lumpur Marketing Office	Teih-Tsang Liang Vice President & General Manager	Suite 12-04, Level 12, Wisma Goldhill 67, Jalan Raja Chulan, 50200 Kuala Lumpur, Malaysia	+60-3-20266966	+60-3-20266799
Hong Kong Branch	Chien-Hung Chen Senior Vice President & General Manager	Suite 2201&2205, 22/F, Prudential Tower, The Gateway, Harbour City, 21 Canton Road, Tsimshatsui, Kowloon, Hong Kong	+852-25259687	+852-25259014
Phnom Penh Branch	Chun-Hung Hsu Vice President & General Manager	No.139, St.274 Independent Monument, BKK I, Chamkarmorn, Phnom Penh, Cambodia	+855-23-988101	+855-23-217982
Phnom Penh Airport Sub-Branch	Yao-Tsung Huang Vice President & General Manager	No.601, Confederation De La Russie Blvd., Phum Porbrork Khangchoeung, Sangkat Karkab, Khan Porsenchey, Phnom Penh, Cambodia	+855-23-890588	+855-23-890582
Olympic Sub-Branch	Pei-Wuu Hsieh Vice President & General Manager	No.38B, Preah Monireth Blvd. (Street 217), Phum 10, Sangkat Toul Svay Prey 2, Khan Chamkarmorn, Phnom Penh, Cambodia	+855-23-988130	+855-23-988134
Tuol Kouk Sub-Branch	Chin-Lung Chou Vice President & General Manager	No.2A-2B, Street 315, Phum 8, Sangkat Boeng Kak 1, Khan Tuol Kouk, Phnom Penh, Cambodia	+855-23-884558	+855-23-884589
Suzhou Branch	Jing-Fu Yang Senior Vice President & General Manager	RM 104,1F, Jianwu Building, No.188, Wangdun Rd., Suzhou Industrial Park, Jiangsu, China	+86-512-62966568	+86-512-62966698
Wujiang Sub-Branch	Zen-Te Lin Vice President & General Manager	NO.768, Yundong Road, Wujiang Economic and Technological Development Zone, Suzhou, Jiangsu, China	+86-512-66086088	+86-512-66086006
Kunshan Sub-Branch	Yung-Chang Chen Vice President & General Manager	1F, No.180, Qianjin Middle Road, Kunshan, Suzhou, Jiangsu, China	+86-512-50376166	+86-512-50376169
Ningbo Branch	Ying-Chin Hsu Vice President & General Manager	No.1880 Zhongshan East Road, Jiangdong District, Ningbo, Zhejiang Province, China	+86-574-87283939	+86-574-87283737
Mumbai Representative Office	Kuo-Cheng Hsu Vice President & Representative	203, Fl. 2, Accord, Opp. Bus Depot, Station Road., Goregoan (E) Mumbai 400 063, India	+91-22- 64646162	+91- 22-64646162
Yangon Representative Office	Kuo-Cheng Hsu Vice President & Representative	Room 110, Prime Hill Business Square, No.60, Shwe Dagon Pagoda Road, Dagon Township, Yangon, Myanmar	+95-1-382-710 Ext. 11010	

Subsidiaries

Mega International Commercial Bank, Public Company Ltd.				
Branch Name	**Manager & Title**	**Address**	**Phone Number**	**Fax Number**
Head Office	Juei-Heng Chia President & Chief Executive Officer	36/12 P.S. Tower, Asoke, Sukhumvit 21 Road, Klongtoey-nua, Wattana, Bangkok 10110, Thailand	+66-2-2592000	+66-2-2591330
Chonburi Branch	Chiech Chang Vice President & General Manager	88/89 Moo 1, Sukhumvit Road, Huaykapi Sub-District, Muang District, Chonburi Province 20000, Thailand	+66-38-192158	+66-38-192117
Bangna Branch	Hsing-Lung Liao Vice President & General Manager	MD Tower, 2nd Floor, Unit B, No.1, Soi Bangna-Trad 25, Bangna Sub-District, Bangna District Bangkok Province 10260, Thailand	+66-2-3986161	+66-2-3986157
Ban Pong Branch	Chung-Bong Chang Vice President & General Manager	99/47-48 Sonpong Road, Ban Pong, Ratchaburi 70110, Thailand	+66-32-222882	+66-32-221666
Rayong Branch	Wen-Yu Shia Vice President & General Manager	500/125 Moo 3 Tambol Tasith, Amphur Pluak Daeng, Rayong Province 21140, Thailand	+66-33-211188	+66-33-211181

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