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臺灣土地銀行
LAND BANK OF TAIWAN

2019 ANNUAL REPORT
LAND BANK OF TAIWAN

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The Smart Banking Leader

Report to Shareholders

Chairperson
Hwang,Bor-Chang

Global economic activities in 2019 had been significantly undermined by adverse factors such as the China-USA trade standoff, the Japan-Korea trade dispute and UK's exit from EU that weakened overseas demand and worldwide growth. According to IHS Markit, global economic growth rate for 2019 has been estimated at 2.6%, down from the 3.2% in 2018. Central banks around the world had generally maintained an expansionary monetary policy in 2019; from Fed's 3-time rate cuts to ECB's first rate reduction in 3 years down to -0.5% followed by re-activation of QE in November, the attempt to stimulate investment and consumption through low interest rate is quite apparent.

Despite the ongoing adversities, the Director-General of Budge, Accounting and Statistics reported quarterly increasing economic growth rates for Taiwan throughout 2019 and concluded an overall growth rate of 2.71% for the year, as the worldwide shift in supply chain partners, returning Taiwanese enterprises and expansion of advanced semiconductor production capacity all stimulated capital investments above expectation. Domestic inflation remained low and stable due to weakened domestic and foreign demand, falling crude oil and commodity prices worldwide, reduction of domestic fuel price and telecommunication rates, and significant price reduction in many consumer staples; nevertheless, the central bank maintained its expansionary monetary policy in an attempt to stimulate the economy and the financial system.

Owing to the contribution of the management team and employees, the Bank was able to report consolidated pre-tax earnings of NT$13.05 billion (or NT$1.78 per share) for 2019, delivering profits above NT$10 billion for the 9th consecutive year. Meanwhile, an NPL ratio of 0.18% and a NPL coverage ratio of 891.69% were both more favorable than the local bank average, indicating sound asset quality and good operating efficiency. The Bank has responded actively to the government's industry support programs by lending to 5+2 industries and SMEs and financing their operations and expansions. On April 26, 2019, the Bank was awarded "Focus Industries Lending - Special Award for Biotech and Medicine," "Focus Industries Lending - Grade A Performance," "SME Lending - Excellent Performance," "SME Lending - Special Award for Central Region Balanced Development" and "SME Lending - Special Award for Hualien, Taitung and Offshore Islands Balanced Development" by the Financial Supervisory Commission (FSC). The Bank also actively supports other government incentives targeted at "Returning Taiwanese Enterprises," "Local Businesses" and "SMEs" and helps these businesses obtain funding for various purposes including land acquisition, factory construction and working capital.

Significant efforts have been invested into the development of financial technology (FinTech) given the technology-dominant environment the Bank operates in. In addition to hosting a campus event called FinTech Creative, the Bank also adopts the necessary transformations and upgrades to introduce innovative digital banking services such as mobile payment, mobile banking, online loan application etc., thereby giving users access to convenient and fast financial service, and for which it received "Best Service Innovation Award - Digital Cash Flow Service" from Financial Information Service Co. Ltd. New financial technologies are registered for patent, and more than 170 FinTech patents had been approved as of the end of 2019.

As Taiwan progresses into a hyper aged society, the government is encouraging financial institutions to develop financial products and services aimed at addressing the aging population, which the Bank has responded with services such as "reverse mortgage," "retirement planning" and "nursing trust" to accommodate the needs of the elderly population. By providing elders with better lifestyle and wealth protection, the Bank was awarded.

"Excellence in Trust of Wealth for Elders and Persons with Disability." In terms of housing justice, the Bank has been actively assisting people with their home ownership needs, and ranked first among 8 state-owned banks in the market share of "Youth Home Loan" in 2019. With regards to financial consumer protection and enhancement of customers' interest, the Bank not only ranked top 20% in FSC's Fair Customer Treatment Evaluation for Financial Service Providers - Banking Division, but also actively involves in social activities ranging from arts, culture, education, donation to welfare trust. Having received "Sports Promoter Award - Sponsorship Category - Gold," "Sports Promoter Award - Sponsorship Category - Long-term Sponsorship" and "Sports Promoter Award - Promotion Category - Gold" is a strong testament to the Bank's efforts to enforce inclusive financing and corporate social responsibilities.

The following is a summary of the Bank's 2019 business results, 2020 business plans and future strategies:

President

Hsieh,Chuan-Chuan

I. 2019 business results

(I) Re-organization within the Bank

1. The Bank removed its 5th Regional Center out of concerns such as market competition, economic viability and location and for the purpose of improving efficiency across regional centers. Employees of the former regional center were relocated to nearby regional centers. After the re-organization, the Bank has 5 instead of 6 regional centers in total, and adjustments have been made to employees' responsibilities and the number of Deputy Chiefs of Operations within each regional center based on actual requirements. Furthermore, given the Bank's existing branch types and future branch plans, internal rules concerning mini-branches have been removed.
2. As a response to the government's encouragement for business merger, the Bank applied and was granted the license to engage in life insurance and property insurance agency services concurrently. On January 1, 2020, subsidiary - Land Bank Insurance Brokerage Co., Ltd. was merged into the Bank and now operates under the "Insurance Agency Department." The Bank assumed all rights and obligations of Land Bank Insurance Brokerage Co., Ltd. under the merger arrangement, which enables it to provide customers with comprehensive range of banking and insurance services in the future.

(II) Business plans and results

Unit: NTD millions; USD millions (for foreign exchange); %

Year / Main business activities	2019	2018	Growth over the previous year (%)
Deposits	2,577,499	2,553,126	0.95
Loan	1,991,452	1,940,264	2.64
Foreign exchange	87,696	81,577	7.50
Trust	391,944	359,885	8.91
Guarantee	48,146	42,604	13.01
Securities brokerage	231,122	240,238	-3.79
Net profit before tax	13,050	12,224	6.76

Description: This chart shows business volume for the current year; net profit before tax has been audited by certified public accountant.

(III) Budget execution

The Company reported NT$2,577,498,700,000 of deposit volume (108.53% target attainment), NT$1,991,451,510,000 of loan volume (107.94% target attainment), US$87,695,620,000 of foreign exchange volume (109.62% target attainment) and NT$13,023,840,000 of consolidated unaudited net profit before tax (139.79 % target attainment) for 2019.

(IV) Revenue, expense, and profitability analysis

The following is an analysis of major variations between 2019 audited figures and 2018 restated figures:

Unit: NTD millions; %

Item		2019	2018	Variation (%)
Net interest revenue		28,114	26,623	5.60
Non-interest net revenue		3,204	3,460	-7.40
Total net revenue		31,318	30,083	4.11
Loan loss and provision for commitments and liabilities		2,907	3,173	-8.38
Operating expenses		15,361	14,686	4.60
Net profit before tax		13,050	12,224	6.76
Current net income		10,148	9,732	4.27
Return on assets	Before tax	0.43	0.42	0.01
	After tax	0.34	0.33	0.01
Return on equity	Before tax	8.02	8.10	-0.08
	After tax	6.24	6.45	-0.21
After-tax profit margin		32.40	32.35	0.05
Pre-tax earnings per share (NTD)		1.78	1.67	0.11

Description: 1. 2018 figures have been restated by CPA based on certified figures of National Audit Office, whereas the 2019 figures are audited.
2. Non-interest net revenue in 2019 was lower than in 2018 mainly due to higher net losses on financial assets and liabilities at fair value through profit or loss.
3. Loan loss and provision for commitments and liabilities in 2019 were lower than in 2018 mainly due to lower loan loss expense compared to the previous year.
4. The Bank increased its share capital to NT$73.2 billion in November 29, 2019 and retrospective adjustments were made to EPS in previous years.

(V) Research and development

The Bank has a dedicated unit that analyzes economic, financial and industry trends and conducts research on topics relating to banking service, both on a regular and unscheduled basis. Significant R&D accomplishments in 2019 included: proprietary research reports (11 publications), domestic and foreign economic/financial trend reports (weekly and monthly), industry reports (monthly and quarterly), industry development overview reports (bi-monthly), economic/financial research reports of specific theme (8 publications), and domestic real estate market survey reports (12 publications). All of which were intended to provide reference for sales personnel.

II. Summary of 2020 business plan

(I) Operating strategies and key operating policies

1. Continue making improvements in terms of asset quality, capital size, reduced business risk, organization efficiency, information service efficiency and security protection; create a compliance culture that enhances operational health of the Bank.
2. Support financial policies and expand operations into multiple business activities for additional synergy.
3. Widen lending-deposit spread for increased net interest revenue, explore fee-based income, enhance investment returns and maximize utilization of existing assets; provide employees with incentives for active marketing for improved profitability.
4. Promote digital banking services in line with the financial digitalization trend; integrate physical and virtual service channels and introduce top-quality digital services through a customer-centric approach for enhanced customer experience and improved customer relations; apply big data analysis and develop innovative thinking in digital banking.
5. Monitor international banking opportunities and create a global corporate banking service network that enhances overseas business performance.
6. Strengthen corporate governance, nurture professional talents, protect customers' interests and enforce corporate social responsibilities.

(II) Projected business goals

The Bank has set the following operational goals for 2020 based on government-approved plans, 2019 actual performance, the current progress and future forecasts and trends:

1. Deposit volume: NT$2,525 billion
2. Loan volume: NT$1,900 billion
3. Foreign exchange volume: US$82 billion
4. Net income: NT$9,251,510,000

※ Business volume above represent: cumulative average balance for deposits and loans, amount of transactions undertaken for foreign exchange, and cumulative amount for net profit before tax.

III. Future development strategies

(I) Attract deposits from natural persons and SMEs for diversity and improved deposit structure. Adjust asset and liability structure progressively for enhanced capital adequacy and more robust management of liquidity risk and overall risks.

(II) Grow corporate lending service by exploring lead arranger role in syndicated lending and security underwriting cases; assist businesses in raising capital and financial planning; enhance financial service to SMEs and help them obtain capital needed for operations with the support of Small and Medium Enterprise Credit Guarantee Fund for credit risk control; expand the scope of corporate banking through introduction of digital cash flow services.

(III) Develop customer-centric marketing strategies and provide employees with appropriate incentives to engage in active marketing for improved efficiency and productivity. Adopt joint marketing as means to create synergy and aim to increase percentage of fee-based, non-interest income relative to total revenues.

(IV) Develop mobile payment and open banking services through cross-industry alliance to reach more customers; satisfy customers' needs for diverse payment options and integrate financial information and services for mutual benefit with e-commerce partners.

(V) Develop global competitiveness by training overseas talent reserve; grow market presence, broaden the scope of services offered and expand overseas service network particularly in the Asia Pacific region.

(VI) Enforce fair customer treatment, comply with financial consumer protection and personal information protection regulations for better protection of financial consumers' interests, and thereby improve customer satisfaction and service quality.

IV.Impact of the external competitive environment,regulatory environment,and overall business environment

(I) The external competitive environment

1. 2019 had been a turbulent year for the banking industry due to uncertainties associated with international trade policies. Fortunately, abundant supply of USD capital combined with the central bank's decision to maintain interest rates unchanged helped markets stabilize and strengthened confidence of investors local and abroad. As a result, much of the banking industry's focus had been directed toward finding ways to allocate excess capital and compensate cost of funds. As demands saturate and spreads narrow within the domestic market, financial institutions are compelled to seek business and profit growth in areas such as overseas lending and wealth management.
2. In July 2019, the FSC granted three online-only banks, namely LINE Bank, Next Bank and Rakuten Bank, the license into Taiwan's banking industry. These online-only banks not only changed the competitive landscape of the local banking industry, their innovative financial services are so dependent upon information security that significant investments have been committed for the introduction of new security systems in the last two years, and should continue to promote enhancement of information security across the banking industry in the future.

(II)The regulatory environment

1. The central bank and FSC introduced several policy adjustments for state-owned banks between 2017 and 2018 with respect to risk management, information security, internal control and anti-money laundering; in 2019, the FSC encouraged banks to turn toward overseas markets and Fintech for growth opportunities as well as innovation.
2. In January 2019, the FSC amended "Notes on Establishment of Foreign Branches by Local Banks" that gave local banks a number of privileges when establishing new foreign branches, from expedited

application review to flexible employee training. These privileges serve as incentives for local banks to explore overseas markets for growth opportunity and to continue implementation of differentiated management practices.

3. In April, the FSC implemented "Regulations Governing Cooperating with or Assisting Foreign Institutions in Engaging in Activities Associated with Electronic Payment Business within the Territory of the Republic of China" that allow electronic payment service providers (whether specialized or concurrent involvement) to collect and deliver payment proceeds for their customers with overseas offline merchants using electronic payment accounts, and to provide or accept customers' request for foreign currency settlement and remittance service on any outward payment arising in relation to the above, as well as the flexibility to implement their own management policies. This new regulation is beneficial to the growth of electronic payment service providers, as it opens up new possibilities for this emerging cash flow service and gives consumers more diverse means to pay.
4. To prevent the situation where one major shareholder may have significant ownership interest or control directorship in multiple banks at the same time, and thereby giving rise to issues concerning competing business involvement and leakage of business secret, the FSC revised its "financial and commercial business separation principles" at the end of 2018 and implemented them later in July 2019 so that any common major shareholder in a commercial and financial business that holds more than 10% equity ownership in a financial institution is subject to FSC's review and thereby avoid any crisis that may compromise discipline within the financial system. The revised principles also prohibit related parties that meet certain criteria from assuming director or supervisor role concurrently in two or more banks or financial holding companies.
5. In June 2019, the Executive Yuan passed an "Invest in Taiwan" scheme with improved incentives targeted at local businesses and SMEs to cater for the needs of returning Taiwanese enterprises. This investment scheme should provide state-owned banks with new and sustainable sources of profit. The Ministry of Finance implemented "The Management, Utilization, and Taxation of Repatriated Offshore Funds Act" on August 15, 2019, introducing tax privileges that are aimed to attract offshore capital into investments such as the 5+2 industries, nursing, urban regeneration and new infrastructures. Under the framework of the abovementioned Act, the FSC implemented "Regulations Governing the Financial Investment, Management, and Utilization of Repatriated Offshore Funds" that outlined the scope of which capital from trust accounts or discretionary security investment accounts can be used for financial investments. These new regulations will help banks generate fee income from wealth management, investment-linked insurance. trust service and various investments, and bring additional opportunities to the financial industry as a whole.

(III) The overall business environment

The business environment is currently under the influence of several negative factors at the same time, including the China-USA trade war, UK's exit from EU, slowdown of China's economic growth and the COVID-19 pandemic. High levels of uncertainty associated with the COVID-19 pandemic that started in early 2020 have already impacted production, consumption and transaction activities and undermined economic performance on a global scale, posing additional business risk across state-owned enterprises alike. Fortunately, abundant money supply and rate cuts around the world helped inject capital into investments, whereas the return of Taiwanese enterprises brought capital back into the local industry chain. These developments bring tremendous business opportunities to the banking industry particularly with respect to lending and wealth management services. There are also ample opportunities for state-owned banks to expand overseas and apart from Taiwanese enterprises and potential customers in Mainland China, Southeast Asian countries, too, have become appealing destinations as deregulation continues. The Bank will continue monitoring changes in the economy and adhere to a pragmatic business philosophy in growing Taiwanese and overseas markets, while at the same time providing customers with innovative and diverse financial services.

V. Credit rating of the Bank

The Bank has engaged Taiwan Ratings, Standard & Poor's and Moody's Investors Service to issue separate credit ratings. Taiwan Ratings awarded the Bank a long-term rating of twAA and a short-term rating of twA-1 +; Standard & Poor's awarded a long-term rating of A- and a short-term rating of A-2; Moody's Investors Service awarded a long-term rating of Aa3 and a short-term rating of P-1; all 3 rating agencies concluded a Stable outlook.

Rating agency	Latest rating date	Rating results		Other rating-related information
		Long-term rating	Short-term rating	
Taiwan Ratings	2019.7.9	twAA	twA-1+	Outlook: Stable
Standard & Poor’s	2019.7.9	A-	A-2	Outlook: Stable
Moody’s Investors Service (Moody’s Investors Service)	2020.3.6	Aa3	P-1	Outlook: Stable

Chairperson Hwang, Bor-Chang President Jane Shih

Vision

Pioneer of innovations

Bank profile

I. Date of establishment

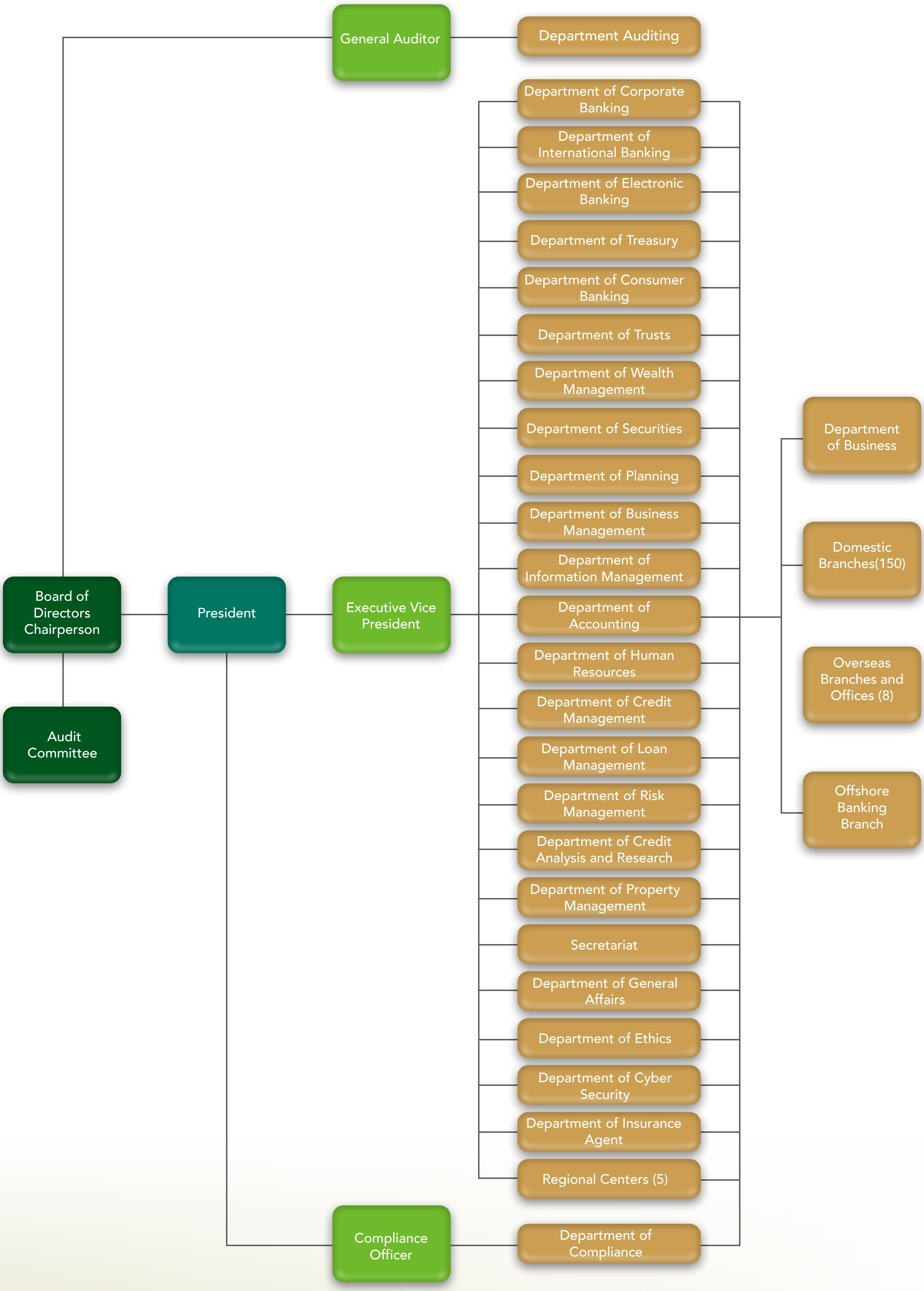
September 1, 1946

II.Bank history

The "Land Bank of Taiwan" was founded on September 1, 1946 specifically for the purpose of enforcing the government's land-related policies such as equalization of land rights and Land-To-The-Tiller Program introduced in 1945. It was initially funded by the treasury and commenced operations in accordance with the laws of the Republic of China based on the 5 branches of the Kangyo Bank of Japan located at Taipei, Hsinchu, Taichung, Tainan and Kaohsiung, making it the only bank within the nation to specialize in real estate-backed credit. The Bank became a corporate entity in accordance with Article 52 of the Bank Act in May 1985, turned into a state-owned enterprise on December 21, 1998 following the suspension of provincial government, re-organized into "Land Bank of Taiwan Co., Ltd." on July 1, 2003 and transformed into a public company on May 21, 2004. The Bank established a subsidiary named Land Bank Insurance Brokerage Co., Ltd. on October 31, 2013 as a means to expand the scope of business activities and later merged Land Bank Insurance Brokerage Co., Ltd. into the organization on January 1, 2020 out of support for the government's business merger incentive policies.

As of the end of December 2019, the Bank had NT$73.2 billion of share capital (100% owned by the Ministry of Finance) and secured a 18.72% market share in construction loan and 11.47% market share in housing loan, making it the leader in real estate-backed lending within the nation.

III. Organizational Chart



III. Employee background

Time of data		End of April 2020	End of 2019	End of 2018
Employee count	Staff	5,413	5,369	5,229
	Workers	408	418	432
	Total	5,821	5,787	5,661
Average age (excluding workers)		44.03	44.24	44.57
Average years of service (excluding workers)		16.43	16.58	16.97
Academic background	Doctoral Degree	7	7	7
	Master's Degree	1,411	1,372	1,266
	University (college)	3,965	3,954	3,900
	Senior high school	359	372	400
	Below senior high school	79	82	88

IV. Sources of share capital

Year / month	Issued price	Authorized capital		Paid-up capital		Remarks	
		No. of shares	Amount	No. of shares	Amount	Sources of share capital	Others
April 2020	NT$10	7.32 billion shares	NT$73.2 billion	7.32 billion shares	NT$73.2 billion	Contribution from Treasury and cumulative capitalizations	1.NT$25 billion contributed by the Treasury. 2.Capitalized NT$25 billion of capital reserve in 2009 (approved under Letter No. Jin-Guan-Zheng-Fa-0980068219 issued by FSC on December 30, 2009, effective since December 30, 2009). 3.Capitalized NT$8.1 billion of special capital reserve in 2015 (approved under Letter No. Jin-Guan-Zheng-Fa-1040041402 issued by FSC on October 23, 2015, effective since October 23, 2015). 4.Capitalized NT$4.494 billion of special capital reserve and retained earnings in 2016 (approved under Letter No. Jing-Shou-Shang-10501263840 issued by the Ministry of Economic Affairs on November 14, 2016). 5.Capitalized NT$10.606 billion of special capital reserve in 2019 (approved under Letter No. Jing-Shou-Shang-10801184460 issued by the Ministry of Economic Affairs on December 27, 2019).

Directors and key managers

I. Directors

April 30, 2020

Position title	Name	Date elected/appointed	Service term	Legal entity represented
Chairperson (Managing director)	Hwang,Bor-Chang	2019.04.08	2020.12.18	Ministry of Finance
President (Managing director)	Hsieh,Chuan-Chuan	Assumed directorship in the Bank on 2019.04.08 and was elected managing director by the board of directors on the same day; undertook the role of President with FSC's consent on 2019.04.15	2020.12.18	Ministry of Finance
Managing director	Chuang,Tsui-Yun	2017.12.19	2020.12.18	Ministry of Finance
Managing director	Chang,Chin-Oh	2017.12.19	2020.12.18	Ministry of Finance
Director	Wang,Shu-Tuan	2017.12.19	2020.12.18	Ministry of Finance
Director	Wang,Hsiou-Shih	2018.12.13	2020.12.18	Ministry of Finance
Director	Chan,Hung-Hsi	2017.12.19	2020.12.18	Ministry of Finance
Director	Yang,Song-Ling	2017.12.19	2020.12.18	Ministry of Finance
Director	Yang,Yeh-Cheng	2019.03.21	2020.12.18	Ministry of Finance
Director	Hsu,Ming-Chin	2017.12.19	2020.12.18	Labor Director
Director	Chen,Jong-Shan	2017.12.19	2020.12.18	Labor Director
Director	Sun,Hao-Jan	2017.12.19	2020.12.18	Labor Director
Managing director	Lee,Tsung-Pei	2017.12.19	2020.12.18	Independent Director
Director	Lai,Ching-Chong	2017.12.19	2020.12.18	Independent Director
Director	Lai,Hung-Neng	2018.08.09	2020.12.18	Independent Director

II. Key managers

April 30, 2020

Position title	Name	Date elected/appointed
President	Hsieh,Chuan-Chuan	2019.04.15
Executive Vice President	Huang,Cheng-Ching	2011.09.19
Executive Vice President	Li,Jenn-Ming	2014.03.03
Executive Vice President	Yu,Li-Lin	2019.10.28
Executive Vice President	He,Ying-Ming	2017.05.02
General Auditor	Chiu,Tien-Sheng	2017.05.02
Chief Compliance Officer and Head of Compliance Department	Liang,Mei-Yuh	2018.09.10

Directors

Managing Director	President	Chairperson of the Board	Managing Director	Managing Director
Lee,Tsung-Pei	**Hsieh,Chuan-Chuan**	**Hwang,Bor-Chang**	**Chuang,Tsui-Yun**	**Chang,Chin-Oh**

Management Team

General Auditor
Chiu,Tien-Sheng

Executive Vice President
He,Ying-Ming

Executive Vice President
Li,Jenn-Ming

Executive Vice President
Chu,Yu-Feng

Executive Vice President
Huang,Cheng-Ching

President
Hsieh,Chuan-Chuan

Chairperson of the Board
Hwang,Bor-Chang

Chief Compliance Officer and Head of Compliance Department
Liang,Mei-Yuh

Executive Vice President
Yu,Li-Lin

Implementation of Corporate Governance

I. Deviation and causes of deviation from Corporate Governance Best-Practice Principles for Banks

Assess criteria	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for Banks
	Yes	No	Summary description	
I .Bank's shareholding structure and shareholders' rights			I .	
(I) Has the bank implemented a set of internal procedures to handle shareholders' suggestions, queries, disputes and litigations?	V		(I) Dedicated personnel have been assigned to perform shareholder service and maintain proper communication.	No deviation was found.
(II) Is the ba nk constantly informed of the identities of its major shareholders and the ultimate controller?	V		(II) The Ministry of Finance is the Bank's sole shareholder, and given that the Bank has assigned dedicated personnel to perform shareholder service, the Bank is in control of the identity of its major shareholder and ultimate controller.	No deviation was found.
(III) Has the bank established and implemented risk management practices and firewalls for companies it is affiliated with?	V		(III) The Bank has implemented Land Bank of Taiwan "Subsidiary Management Guidelines" and "Guidelines on Appointment of Directors and Supervisors in Business Investments and Subsidiaries" for enhanced control, supervision and management over subsidiaries.	No deviation was found.
II .Composition and responsibilities of the board of directors			II .	
(I) Apart from the Remuneration Committee and Audit Committee, has the bank assembled other functional committees at its own discretion?		V	(I) Apart from the Audit Committee assembled on December 19, 2014, the Bank currently has no other functional committee in place.	No deviation was found.
(II) Has the bank established a set of policies and assessment tools for evaluating board performance, and conducted performance evaluation on a yearly basis? Are performance evaluation results reported to the board of directors and used as reference for compensation, remuneration and nomination decisions?		V	(II) The Bank is not listed on TWSE or TPEX. It compensates directors according to "Guidelines for Ministry of Finance Appointing Persons-in-charge, Managers, Directors and Supervisors in State-owned and Private Institutions" and by having directors conduct annual self-assessments in accordance with "Performance Evaluation Scorecard for Persons-in-charge, Managers, Directors and Supervisors Appointed by Ministry of Finance in Public or Private Institutions" (performance indicators include: board meeting attendance count, target attainment, support to government policies and goals etc.). Outcomes of performance self-assessment are reported to the Ministry of Finance before the end of February each year.	No deviation was found.
(III) Are external auditors' independence assessed on a regular basis?	V		(III) The Bank appoints financial statement auditors according to the procedures outlined in Government Procurement Act, and requires auditors to issue a statement of independence in accordance with "Statement of CPA Professional Ethics No. 10." Auditor appointments are raised for discussion and approval by the Audit Committee and board of directors, and are reported to the National Audit Office for final approval afterwards. The service agreement signed with the accounting firm contains a termination and dismissal clause that allows service arrangements to be reviewed on a yearly basis.	No deviation was found.

Assess criteria	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for Banks
	Yes	No	Summary description	
III. Has the bank allocated adequate number of competent corporate governance staff and appointed a corporate governance officer to oversee corporate governance affairs (including but not limited to providing directors/supervisors with the information needed to perform their duties, assisting directors/supervisors with compliance issues, convention of board meetings and shareholder meetings, and preparation of board/shareholder meeting minutes)?	V		III. Corporate governance affairs of the Bank are currently handled by individual departments and divisions within the scope of their respective responsibilities. A "Corporate Governance Officer" position was created on May 24, 2019 under board of directors' approval to further support the corporate governance system. This position is concurrently undertaken by the board secretary and head of Secretariat, who serves as the ultimate supervisor on corporate governance-related affairs and provides assistance to directors on relevant matters.	No deviation was found.
IV. Has the bank provided proper communication channels and created dedicated sections on its website to address corporate social responsibility issues that are of significant concern to stakeholders (including but not limited to shareholders, employees, customers and suppliers)?	V		IV. The Bank has created a stakeholders section on its portal and uses management e-mail, customer grievance e-mail, customer opinion box and customer satisfaction survey as transparent and effective means of communication with stakeholders. The Intranet contains an employee complaint section, for which dedicated personnel have been assigned to address suggestions or disputes of customers, employees and concerned parties.	No deviation was found.
V. Information disclosure			V.	
(I) Has the bank established a website to disclose financial, business, and corporate governance-related information?	V		(I) The Bank has created a portal and uses the website to disclose financial, business and corporate governance information as instructed by the authority.	No deviation was found.
(II) Has the bank adopted other means to disclose information (e.g. English website, assignment of dedicated personnel to collect and disclose corporate information, implementation of a spokesperson system, broadcasting of investor conferences via the bank's website)?	V		(II) The Bank has created English webpages and assigned dedicated personnel to gather and disclose key financial and business information on a regular basis. The Bank has established "Notes on News Release and Media Contact" as part of its spokesperson system, and appointed dedicated spokesperson to communicate with the public on major decisions, policies, practices and measures. The Public Relations Section, Secretariat, is responsible for gathering information and releasing news. Given that the Ministry of Finance is the Bank's sole shareholder, there is no need to convene investor seminars.	No deviation was found.
(III) Does the bank publish and make official filing of annual financial reports according to the Banking Act and Securities and Exchange Act within the required timeframe after the end of an accounting period, and publish/file Q1, Q2 and Q3 financial reports plus monthly business performance before the specified due dates?	V		(III) The Bank publishes and files annual and semi-annual financial reports within the specified due dates according to the Banking Act and Securities and Exchange Act. Monthly disclosures on revenue, endorsement, guarantee and loan are published over Market Observation Post System before the due date.	No deviation was found.

Assess criteria	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for Banks
	Yes	No	Summary description	
VI. Does the bank have other information that enables a better understanding of its corporate governance practices (including but not limited to employee rights, employee care, investor relations, stakeholders' rights, continuing education of directors/supervisors, implementation of risk management policies and risk measurements, implementation of customer policy, insuring against liabilities of bank's directors and supervisors, and donation to political parties, stakeholders and charity organizations)?	V		VI. (I) The Bank has established "Land Bank of Taiwan Corporate Governance Code of Conduct" based on Bankers Association's "Corporate Governance Best-Practice Principles for Banks" and related laws as an enhancement to its corporate governance framework and practices. Details of the code of conduct have been disclosed on the Bank's portal and Intranet. (II) Employee rights and care: 1. Employee welfare: (1) Benefits offered by the Company: preferred rate loan, leave subsidy, training, social gathering for singles, inter-branch table tennis, tennis, bowling, golf, badminton, chess and bridge competitions, hiking, talent show and sport/recreational activities. (2) Benefits arranged by Employee Welfare Committee: group insurance, festive cash, children's education subsidy, and employee hospitalization subsidy. 2. Retirement system: employee retirement, redundancy and pension are handled according to "Regulations Governing Employee Retirement, Pension and Redundancy for Subordinate State-owned Financial and Insurance Institutions of the Ministry of Finance" and "Labor Standards Act." The Bank maintains a registry of employees who are approaching the retirement age, and enforces retirement when age is met. 3. Terms agreed between employer and employees: (1) The Bank actively communicates with the union and employees to address their requests. In addition, meetings are convened to alleviate queries and establish consensus among the workforce. (2) Pursuant to Article 83 of Labor Standards Act and Regulations for Implementing Labor-Management Meeting, the Bank takes initiative in organizing labor-management meetings as a means to promote harmonic employment relationships and unite employees. 4. Protection of employees' interests: (1) The Land Bank of Taiwan Work Rules has been established in accordance with Article 70 of the Labor Standards Act to outline rights and obligations between the employer and employees and to facilitate compliance of the two parties. (2) Land Bank of Taiwan Co., Ltd. first signed a "Group Agreement" with its union in 2014, and a revision of the Group Agreement was proposed during the year to accommodate the latest business requirements and amendments to the Labor Standards Act. The revised version, which has been discussed extensively and drafted under the consensus of both parties, was submitted to and and approved by the Ministry of Finance on June 24, 2019, and later signed by employer and employee representatives on November 18, 2019. The union then submitted the new agreement to Taipei City Government Department of Labor, its governing authority, for acknowledgement on November 21, 2019, and a confirmation for the acknowledgement was received on November 26, 2019. This new agreement serves a number of purposes including more stable employment relations, full communication and coordination, enforcement of business integrity, protection of workers' rights and harmony in employment.	No deviation was found.

Assess criteria	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for Banks
	Yes	No	Summary description	
			(3) "Employee care": All internal units are reminded each year to take initiative in caring for employees' needs, and shall assign dedicated personnel to provide counseling for newly recruited or newly transferred employees and help them familiarize and adjust to the new work environment and lifestyle, so that they may fit in to contribute skills and build a promising career within the Bank in the shortest time possible. (III) Investor relations and stakeholders' interests: 1. The Ministry of Finance is the Bank's sole shareholder, for which dedicated personnel have been assigned to carry out shareholder service. 2. Directors' academic and career background and concurrent employment in other companies are disclosed in annual reports to serve as reference for stakeholders. 3. To ensure compliance with "Ethics Directions for Civil Servants," an "Ethical Incident Registration System" has been created on the Intranet and is being operated properly. (IV) Directors' training - 2019: 1. The Bank held 6 hours of Advanced Practical Workshop for Directors on two topics: "Anti-bribery and Information Security Awareness - Impacts of Bitcoin Evolution" on May 24, 2019 and "Directors' Obligations and Legal Responsibilities & AML" on November 22, 2019. 2. Director Hung-Hsi Chan participated in: "Personal Information Protection and Corporate Governance," "New Corporate Governance regulations and Trends 2019 - for Directors and Supervisors," "Cross-border M&A Opportunities for Taiwanese Businesses under Global Trends" and "Taxation risk Management and Protection of Tax Rights" organized by Chinese National Association of Industry and Commerce between March 19 and March 28, 2019 for a total of 12 hours; "2019 Board Meeting Organizers Workshop - Session 6 - Best Board Meeting Practices" organized by Corporate Operation Association of the Republic of China from September 19 to September 20, 2019 for a total of 6 hours; and "Corporate Governance Seminar - Responsibilities and Risks of a Business Administrator: Governance Trends and Case Studies under the New Corporate Governance Roadmap" organized by the Ministry of Finance on November 27, 2019 for a total of 3 hours. 3. Managing Director Tsui-Yun Chuang participated in the "Proper Convention of Shareholder Meeting - 2019" organized by the Corporate Operation Association of the Republic of China on April 10, 2019 for a total of 3 hours. 4. Independent Director Hung-Neng Lai participated in: "Market Misconducts and Directors' and Supervisors' Responsibilities" organized by Securities & Futures Institute on April 18, 2019 for a total of 3 hours; "Detection of Financial Statement Fraud by Internal Auditors" organized by The Institute of Internal Auditors on July 3, 2019 for a total of 6 hours; and "Corporate Governance Seminar - Crisis Management Strategies and Speech Skills" organized by Taiwan Academy of Banking and Finance on October 29, 2019 for a total of 3 hours.	

Assess criteria	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for Banks
	Yes	No	Summary description	
			5. Director Shu-Tuan Wang participated in "Corporate Governance and Board Function" and "Corporate Governance and Directors' Duty of Care, Prudence and Conflict of Interest" organized by Corporate Operation Association of the Republic of China on May 17 and May 22, 2019, respectively, for a total of 6 hours. 6. Director Song-Ling Yang participated in "Corporate Governance and Corporate Banking Risk Management Practices" organized by the Corporate Operation Association of the Republic of China on December 9, 2019 for a total of 3 hours. (V) Risk management policy and execution of risk measurement standards: The Bank's "Risk Management Committee" convened 9 meetings in 2019 to discuss risk monitoring reports and risk management issues. Measurement, monitoring and reporting of credit, market, operational and other risks continued to be performed by the Department of Risk Management, and amendments were made to the following risk management policies during the year: 1. Amendments were made to "Land Bank of Taiwan List of Key Operational Risk Indicators" on 2019.05.24. 2. Amended version of "Land Bank of Taiwan Major Business Risk Detection Guidelines" was implemented on 2019.07.16. 3. Amended version of "Land Bank of Taiwan Market Risk VaR Limits" was implemented on 2019.09.12. 4. Amended version of "Land Bank of Taiwan Major Business Risk Detection Guidelines - Attachment: Major Business Risk Detection Checklist" was implemented on 2019.11.18. (VI) Implementation of customer policy: 1. A Customer Care Committee has been assembled to enhance protection for customers and consumers. The committee convened meetings once per quarter; any motion of material impact is reported during the board of directors (or managing directors) meeting. 2. The Bank continued to train its employees on "Fair Customer Treatment Principles - Theory and Practice"; 3 hours of training course were organized in 2019, and a total of 5,651 employees had completed training. 3. All service announcements are made over the Bank's portal and are readily accessible by the general public. 4. The Bank offers a broad diversity of service channels. A customer service center has been created on the Bank's portal to provide 24-hour consultation on services such as mortgage, ATM card and credit card, as well as access to Web Call, online chat and toll-free complaint hotline (0800-231590) that customers may use to make service inquiries and raise requests. 5. All fees and standards are compiled into a comprehensive sheet and disclosed in a visible manner at all office locations and on the Bank's portal for the protection of consumers' interest. 6. The portal and loan service section have been configured to display "Anti-fraud alerts" to remind customers to exercise caution and protect themselves from fraud. 7. The Bank caters for the rights and convenience of people with visual impairment, and offers them the option to apply for loans either by engaging a "public notary" (in accordance with The Notary Act" or having a "witness" present (which can be spouse, blood relative, other relative, friend or social worker."	

Assess criteria	Actual governance			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for Banks
	Yes	No	Summary description	
			8. To ensure protection of consumers' interest and compliance with Article 47-1 of the Banking Act, the Bank has specified in its "International Credit Card Terms and Conditions" that credit card revolving interest rate shall not exceed 15% per annum. Furthermore, business units are instructed to ensure that terms and conditions are given to credit card applicants. 9. The following actions were taken in 2019 to enforce the Bank's personal information protection policy: (1) The Bank had engaged KPMG to conduct a special audit on personal information for the year 2018. The assurance report was completed on February 27, 2019 and was later acknowledged by the Financial Supervisory Commission on April 26, 2019. (2) Amendments were made to the Bank's "Personal Information Protection Guidelines," "Personal Information and File Security General Control Measures" and "Personal Information and File Security Detailed Control Measures." (3) 69 hours of personal information protection training were organized in 2019, and a total of 3,605 people were trained. (4) Personal Information Protection Committee meetings are convened once per year; the 2019 session was convened on November 20, 2019 and recorded in minutes. (5) Internal policies were amended so that business administration units of the Head Office are responsible for the investigation, analysis and improvement of incidents involving breach of personal information security. The Bank received no report of personal information breach in 2019. (6) I nternal policies were amended so that business administration units of the Head Office are required to conduct drills on malfunction of the e-commerce service system. A total of 10 units had completed the drill in 2019. (VII) Insurance against directors' and supervisors' liability: The Bank is 100% state-owned and is neither listed on TWSE nor TPEX. The Bank has not purchased such an insurance considering the limited yields it may provide (and the fact that Bank of Taiwan, too, has not purchased such insurance so far). (VIII) Donation to political parties, stakeholders, and non-profit organizations: No donation was made to a political party or stakeholder. Driven by the motivation to care for the society and fulfill corporate social responsibilities, the Bank participates in charitable events and takes this opportunity to contribute to the society, improve corporate image and enhance the public's approval for the brand. Refer to page 30 for fulfillment of social responsibilities. (IX) The Bank has signed a statement of compliance with "Stewardship Principles for Institutional Investors" as a support to the Financial Supervisory Commission's shareholder empowerment initiative for banks. Progress of stewardship for 2018 was disclosed onto the Bank's portal and Taiwan Stock Exchange Corporation Corporate Governance Center on 2019.2.23, and is subsequently reviewed and updated once a year.	

VII. Please explain the improvements made and measures taken in response to the latest Corporate Governance Evaluation results published by TWSE Corporate Governance Center (not required if not evaluated): The Bank was not part of the evaluation, hence not required.

II. Fulfillment of social responsibilities

Assess criteria	Actual governance		
	Yes	No	Summary description
I .Has the bank conducted risk assessment on environmental, social, and corporate governance issues that are relevant to its operations, and implemented risk management policies or strategies based on principles of materiality?	V		I. (I) Environmental issues: The Bank has implemented "Land Bank of Taiwan Environmental Protection Policy" to support the government's energy/carbon reduction initiatives and to protect Earth's environment. In addition to cutting back on power, water, fuel, and paper consumption, the Bank also actively introduces digital solutions to paper-based processes such as personal loan application, credit card application, credit card statement, receipt printing, etc. (II) Social issues: The Bank has formed a union in accordance with the Labor Union Act for the purpose of promoting harmonic employment relations. Labor-management meetings are held with the union on a regular basis and a group agreement has been signed. The Bank is a strong believer of giving back to the society, and has actively engaged in charitable and community activities both as part of its social responsibilities and for the purpose of improving corporate image. (III) Corporate governance issues: A Corporate Governance Officer position was created in 2019 to enhance support to the directors. A stakeholder section has been created on the Bank's portal to provide transparent and effective communication and to address the interests of concerned parties.
II .Does the bank have a unit that specializes (or is involved) in CSR practices? Is the CSR unit run by senior management and does it report progress to the board of directors?	V		II .The Department of Planning of the Head Office is responsible for planning and organizing charitable events, preparing regular CSR reports and overseeing matters relating to corporate social responsibilities. The department reports CSR progress regularly to the board of directors to facilitate strategic planning and decision-making; CSR progress for year 2019 had been reported during the Bank's managing directors meeting held on April 24, 2020.
III. Environmental issues (I) Has the bank established environmental policies suitable for its industrial characteristics?	V		III. (I) The Bank has developed the "Land Bank of Taiwan Environmental Protection Policy" based on its industry characteristics. The policy covers several aspects including energy management, greenhouse gas management, resource and waste management, green purchasing, and environmental training.
(II) Is the bank committed to achieving efficient use of resources, and using renewable materials that produce less impact on the environment?	V		(II) 1. Double-sided photocopying is applied wherever possible to reduce paper consumption, and use of reclaimed paper has been introduced. 2. Waste reduction, sorting, and recycling practices have been implemented within the organization. 3. The Bank has been escalating its green purchase efforts by purchasing products that are certified for energy efficiency, water efficiency, green building, and environmental friendliness. 4. The Bank supports merchants and the Ministry of Finance in the issuance of digital invoices, and has modified its credit cards to store data of digital invoices.
(III) Does the bank assess potential risks and opportunities associated with climate change, and undertake measures in response to climate issues?	V		(III) The Bank incorporates the "Equator Principles" into its credit process, and reviews each potential corporate borrower for their environmental protection, integrity, and social responsibility efforts in order to establish their social and environmental risk profile. Through this process, the Bank hopes to encourage businesses to become more proactive in environmental protection and social responsibility.
(IV) Does the bank maintain statistics on greenhouse gas emission, water usage and total waste volume in the last two years, and implement policies aimed at reducing energy, carbon, greenhouse gas, water, and waste?	V		(IV) 1. Outdated air conditioning units are being replaced with inverter models; fluorescent lamps are being replaced with LED equipment according to schedule. 2. The Bank advocates ride-sharing on corporate vehicles, and encourages use of public transport in business travels. 3. The Bank has set targets to reduce (or maintain zero increase in) water, electric, fuel, and paper consumption by 2% over the previous year. 4. The Bank continues its plan to replace 10% of power-intensive equipment with energy-efficient alternatives on a yearly basis.

Assess criteria	Actual governance		
	Yes	No	Summary description
IV. Social issues (I) Has the bank developed its policies and procedures in accordance with laws and International Bill of Human Rights?	V		IV (I) 1. The Bank has established a set of work rules in accordance with Article 70 of the Labor Standards Act given its industry characteristics, which both the employer and employees are bound to obey. 2. Pursuant to Article 83 of Labor Standards Act and Regulations for Implementing Labor-Management Meeting, the Bank takes initiative in organizing labor-management meetings as a means to promote harmonic employment relationships and unite employees.
(II) Has the bank developed and implemented reasonable employee welfare measures (including compensation, leave of absence and other benefits), and appropriately reflected business performance or outcome in employees' compensations?	V		(II) 1.The Bank offers a broad variety of benefits including preferred rate loans, recreational and cultural activities, domestic leave subsidies and training workshops, and has an Employee Welfare Committee available to arrange group insurance, cash for the 3 major holidays, children's education subsidy, and hospitalization subsidy. 2. The Bank is a 100% state-owned bank controlled by the Ministry of Finance and its employees are compensated according to "Guidelines on Personnel Recruitment and Compensation for Subordinates of the Ministry of Finance." The following measures have been adopted to ensure proper linkage between the performance bonus system and performance of the organization and individual employees: (1) The Bank's "Notes on Performance Bonus Allocation" offers 2 month's worth of performance bonus, which includes bonus from annual evaluation and work bonus up to one month of salary. Work bonus amounting to one month's salary may be granted as incentive depending on employees' pro-activeness, sales/policy target accomplishment, rewards, discipline and attendance records. (2) It has been explicitly stated in the Bank's "Performance Bonus Allocation - Special Bonus Guidelines" that allocation of performance bonus must be associated with department performance and employees' individual annual evaluation. 20% of the performance bonus approved by the Ministry of Finance can be allocated as a special bonus (including department bonus - 15% and incentive bonus - 5%) at reasonable percentages based on performance of individual departments and contribution of individual employees.
(III) Does the bank provide employees with a safe and healthy work environment? Are employees trained regularly on safety and health issues?	V		(III) 1. The Bank has implemented its own "Occupational Safety and Health Code of Conduct" according to Article 34 of the Occupational Safety and Health Act to effectively prevent occupational hazards and ensure the safety and health of its employees. All employees are fully committed to complying with the code of conduct and preventing accidents from occurring. 2. The Bank has established occupational safety and health "Notes" and "Management Plans" in accordance with Article 12-1 of the Occupational Safety and Health Act to promote safety and health awareness among employees. 3. 3 hours of safety and health on-job training are organized every 3 years to ensure employees' health and safety.
(IV) Has the bank implemented an effective training program that helps employees develop skills over their career?	V		(IV) As a response to the digital banking era, the Bank will continue making enhancements to virtual channels, Internet banking and mobile banking services, while at the same time shifting focus of physical channels toward consultation and sale. In the meantime, the following actions are being taken to help employees develop secondary skills and transition (transform) in line with new trends: 1. Analyze and take count of employees' skills to create a talent database; identify talent gaps and make human resource plans accordingly. 2. Train senior managers, mid-level managers, digital talents, financial talents and general staff based on employees' skills, strength and knowledge. 3. Check department workload and growth against plans and targets; evaluate employees' adaptability to digital banking, financial marketing and online-offline integration and adjust roles and staff size accordingly. 4. Assist employees in developing professionalism and secondary financial skills in line with the transformation; optimize talent management by assigning employees to suitable roles; provide employees with the training needed to perform new forms of service including wealth management, financial marketing, treasury and online-offline integration. 5. Evaluate the number of employees retiring each year, calculate talent gaps in digital banking and relevant areas of expertise and recruit openly.

<table>
<tr><th rowspan="2">Assess criteria</th><th colspan="3">Actual governance</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary description</th></tr>
<tr><td>(V) Has the bank complied with laws and international standards with respect to customers' health, safety and privacy, marketing and labeling in all products and services offered, and implemented consumer protection policies and complaint procedures
(VI) Has the bank implemented a supplier management policy that regulates suppliers' conducts with respect to environmental protection, occupational safety and health or work rights/human rights issues, and tracked supplier performance on a regular basis?</td><td>V</td><td>

V</td><td>(V) The Bank has developed its own “Financial Consumer Protection Policy” and “Fair Customer Treatment Principles” in accordance with the authority’s instructions for the purpose of protecting financial consumers’ interest and enforcing fair customer treatment; both of which have been duly enforced throughout the Bank’s internal rules and business activities. For the protection of customers’ interest, the Bank also has a set of “financial consumer dispute resolution system” in place to ensure fair, reasonable and efficient handling of financial consumer disputes and complaints between the Bank and its customers.
(VI) As a state-owned enterprise, the Bank fully supports the government’s initiative toward open and transparent procurement, and adopts the practices outlined in the Government Procurement Act to maximize value, prevent fraud and improve efficiency of its procurement activities. All procurement contracts and policies have been implemented in accordance with the Government Procurement Act.</td></tr>
<tr><td>V. Does the bank prepare corporate social responsibility reports or any report of non-financial information based on international reporting standards or guidelines? Are the above mentioned reports supported by assurance or opinion of a third-party certifier?</td><td>V</td><td></td><td>V. The Bank had published CSR reports for 2016 and 2018, which disclosed non-financial information using the core option of GRI (Global Reporting Initiative) standards. The above reports were reviewed by SGS Taiwan Ltd. and certified for AA1000 Type 1 Moderate Assurance Standard.</td></tr>
<tr><td colspan="4">VI. If the bank has established CSR principles in accordance with "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies," please describe its current practices and any deviations from the Best Practice Principles
The Bank is not listed on TWSE or TPEX, and has not established CSR principles.</td></tr>
<tr><td colspan="4">VII. Other information useful to the understanding of corporate social responsibilities:
Below is a summary of charity events that the Bank had taken part of in 2019:
(I) "CNY Calligraphy": Renowned calligraphers were invited to write couplets and hand them out to visitors on-site on January 22, 2019.
(II) "Guanqian Art Corridor": The Bank has been hosting an open exhibition called "Guanqian Art Corridor" at the Head Office since 2005, in which local artists are invited to showcase their creations that carry "Land" and "Taiwan" as the main theme. In 2019, a total of 11 ink, oil, and watercolor painters and pen artists were invited to participate in the exhibition.
(III) "Junior Badminton and Tennis Summer Camp": The Bank supports the government's national exercise initiative and organizes junior badminton and tennis camps during summer vacation each year.
(IV) "Hackathon": In an attempt to inspire creativity from youngsters and train them in using financial technologies for problem-solving as well as convenience, the Bank cooperated with Taiwan Academy of Banking and Finance to host the first Hackathon competition in 2019, which attracted 219 teams from universities, colleges, senior high schools and vocational schools nationwide.
(V) “Camping with Dinosaurs”: In August 2019, the Bank cooperated with the National Taiwan Museum and organized a 2-day-1-night charity event called “Camping with Dinosaurs,” during which 30 children from the Northern Region Children's Home were invited to participate.
(VI) "Mid-autumn Pomelo": Approximately 1.6 tonnes of pomelo were purchased and gifted to non-profit organizations including Genesis Social Welfare Foundation and home for the disabled in Yilan and Taitung.
(VII) “2019 Financial Service Charity Carnival”: The Bank participated in the charity carnival organized by Taiwan Financial Services Roundtable in June and November 2019, and effectively demonstrated its care for financial education and charity through these events.
(VIII) "Winter Giving": Approximately 4 tonnes of cabbage and orange were purchased and gifted to non-profit organizations including Grace Home Church to convey the Bank's care for the local community.
(IX) “Senior Easy Pay”: The event was organized to promote retirement products and Taiwan Pay service to senior citizens, while at the same time directing the public’s attention toward charity.
(X) Support for United Way: Employees of the Bank have been actively supporting United Way by making discretionary donations since 1994. Their active contributions have enabled care to be extended to far corners of the society.
(XI) Scholarship: In 2019, the Bank offered a total of NT$1,155,000 in scholarship to 16 schools nationwide.
(XII) Local care: Produce and necessities including pomelo, cabbage, orange and rice were donated to non-profit organizations including Genesis Social Welfare Foundation, home for disabled, children's home, special school, nursing center and 1919 food bank. Meanwhile, employees have responded to the Bank's motivation by actively participating in blood donations and local charity events in their own capacity.</td></tr>
</table>

III. Enforcement of business integrity

Item	Yes	No	Actual governance
I . Establishment of integrity policies and solutions			I .
(I) Has the bank established a set of board-approved business integrity policy, and stated in its Memorandum or external correspondence about the policies and practices it implements to maintain business integrity? Are the board of directors and the senior management committed to fulfilling this commitment?	V		(I) The board has established a set of ethical behavior guidelines to regulate directors' and managers' conducts, and thereby enforce business integrity.
(II) Has the bank developed systematic practices for assessing integrity risks? Does the bank perform regular analyses and assessments on business activities that are prone to higher risk of dishonesty, and implement preventions against dishonest conducts that include at least the measures mentioned in Paragraph 2, Article 7 of "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies"?	V		(II) The Bank is not listed on TWSE or TPEX. Being a 100% state-owned bank controlled by the Ministry of Finance, the Bank complies with the authority's instructions on related issues. 1. Employees of the Bank have duly followed "Ethics Directions for Civil Servants" and "Notes on Logging and Inspection of Lobbying for Subordinate Institutions of the Executive Yuan" implemented by the Executive Yuan and "Notes on Logging and Inspection of Lobbying for Subordinate Institutions of the Ministry of Finance" implemented by the Ministry of Finance, and are required to log occurrences on record. 2. The Bank has created an "Ethical Incident Registration System" on the Intranet, and promotes employees' awareness on relevant issues during on-job training and orientation.
(III) Has the bank defined and enforced operating procedures, behavioral guidelines, penalties and grievance systems as part of its preventive measures against dishonest conducts? Are the above measures reviewed and revised on a regular basis?	V		(III) Same as above
II . Enforcement of business integrity			II .
(I) Does the bank evaluate the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners?	V		(I) 1. The Bank has specified in its financial consumer protection policy that all financial products and services must be provided to financial consumers in a fair, reasonable and mutually beneficial manner; furthermore, all contracts must be established on the basis of integrity and enforced under the duty of care of a prudent manager. 2. The Bank evaluates the legitimacy of all transactions with customers or counterparties prior to proceeding, and engages them in commercial activities in a fair and transparent manner.
(II) Does the bank have a unit that enforces business integrity directly under the board of directors? Does this unit report its progress (regarding implementation of business integrity policy and prevention against dishonest conducts) to the board of directors on a regular basis (at least once a year)?	V		(II) The Company has a Department of Ethics that oversees issues concerning avoidance of conflicting interest and ethical conduct of its employees. Business integrity in 2019 has been thoroughly reported by the Department of Planning during the managing directors' meeting dated April 24, 2020.
(III) Does the bank have any policy that prevents conflict of interest, and channels that facilitate the report of conflicting interests?	V		(III) The Bank is a state-owned bank; its employees are bound to comply with "Act on Recusal of Public Servants Due to Conflicts of Interest" and recuse under applicable circumstances. The Bank also has units of relevant expertise available to offer consultation and recommendation in these situations.

Item	Yes	No	Actual governance
(IV) Has the bank implemented an effective accounting policy and internal control system to maintain business integrity? Has an internal or external audit unit been assigned to devise audit plans based on the outcome of integrity risk assessment, and to audit employees' compliance with various preventions against dishonest conduct?	V		(IV) 1. The Bank has developed an effective internal control system based on FSC's "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries"; each business administration unit is responsible for establishing detailed rules for the implementation of internal control systems within the scope of their responsibility. 2. The Bank has established "Land Bank of Taiwan Accounting Policy" based on the Accounting Act, Business Entity Accounting Act, International Financial Reporting Standards, Accounting Policy Template for Banks and rules of the authority with the approval of its board of directors. This accounting policy has been submitted to the Ministry of Finance and forwarded to the Director-General of Budget, Accounting and Statistics, Executive Yuan, for approval before implementation. The policy is currently disclosed on the Intranet and is being used as guidelines for accounting affairs. 3. Pursuance to Paragraph 1, Article 28 of "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries," the Bank is required to engage certified public accountants to perform audit on its internal control system, evaluate the control environment and main business risks, express opinions on the accuracy of the Bank's regulatory reports, enforcement of internal control system and compliance officer system and the appropriateness of loss provisioning policy, and issue independent auditor's report when preparing annual financial statements. 4. General audit reports, special audit reports, extraordinary occurrences and audits on issues instructed by the authority are presented to the Chairman and Audit Committee for review; the details of which are copied onto discs and distributed to independent directors. In addition, any inspection opinions raised by external auditors and any follow-up improvements made are reported to the board of directors and the Audit Committee for review. 5. Internal audit units are required to submit an "audit progress report" to the board of directors and Audit Committee every six months. The report addresses the audit tasks performed, any follow-up on inspection opinions raised by internal/external auditors, performance of the compliance unit, compliance of the Bank as a whole, and any measures undertaken to enhance internal control and internal audit. All instructions given by directors in regards to the audit progress report are tracked by internal audit units until improvements are made. 6. Directors regularly engage internal auditors in review meetings to discuss defects within the internal control system. Directors would also issue instructions in regards to the implementation of internal control and internal audit. 7. The Bank's "Annual Internal Audit Plan" is subject to Audit Committee's review and board of directors' approval before execution.

Item	Yes	No	Actual governance
			8. Internal auditors are constantly monitored for violation against Article 13 of "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries"; any personnel found to have committed violation will be removed from current duty within one month after discovery.
(V) Does the bank organize internal or external training on a regular basis to maintain business integrity?	V		(V) 2 sessions of internal training were held in 2019, and a total number of 74 people were trained.
III. Whistleblowing system (I) Does the bank provide incentives and means for employees to report misconducts? Has the bank assigned dedicated personnel to investigate the reported misconducts?	V		III. (I) 1. The Company has complied with "Act of the Establishment and Management of the Government Employee Ethics Units and Officers" and "Enforcement Rules" thereof by setting up a whistleblower hotline: (02)2371-4572, a physical mailbox: P.O.BOX 1541 Taipei Beimen, Taipei City, and e-mail: lbged@landbank.com.tw. Dedicated personnel have been assigned to handle reported misconducts. 2. The Bank has implemented "Whistleblowing System Implementation Guidelines" along with an exclusive whistleblowing mailbox, e-mail, and hotline to facilitate misconduct reporting. Internal misconduct reports are handled by specialists of the Department of Compliance.
(II) Has the bank implemented any standard procedures for handling reported misconducts, and subsequent actions and confidentiality measures to be undertaken upon completion of an investigation?	V		(II) 1. Investigation procedures for reported misconducts have been established according to "Ethics Work Manual" published by the Ministry of Justice. Furthermore, the Bank follows Article 10 of "The Anti-Corruption Informant Rewards and Protection Regulation" stipulated by the Executive Yuan for issues concerning confidentiality of reported misconducts. 2. The Bank's "Whistleblowing System Implementation Guidelines" also stipulates confidentiality requirements over the informant's identity and details of the reported misconduct.
(III) Has the bank adopted any measures to prevent whistleblowers from retaliation for filing reports?	V		(III) 1. According to Article 12 of "The Anti-Corruption Informant Rewards and Protection Regulation," the Bank has the responsibility to provide protection for informants. 2. According to the Bank's "Whistleblowing System Implementation Guidelines," the Bank shall ensure that whistleblowers are not subjected to adverse treatment of any kind, such as dismissal, relief of duty, demotion, salary cut, or loss of benefit that they are entitled to under laws, contracts or customary practices, as a result of the reports they raise.
IV. Enhanced information disclosure Has the bank disclosed its integrity principles and progress onto its website and MOPS?	V		IV. Information relating to business integrity has been disclosed in the "Corporate Governance Section" of the Bank's portal.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Foresight

Visionary of global markets

Operational overview

I. Main business activities

(I) Deposits

Unit: NTD thousands; %

Item	2019.12.31		2018.12.31		Variation	Variation %
	Amount	Percentage %	Amount	Percentage %		
Time deposit	1,603,024,069	62.19	1,616,347,467	63.31	-13,323,398	0.82
Demand deposit	819,159,693	31.78	788,841,523	30.90	30,318,170	3.84
Treasury deposit	155,314,940	6.03	147,936,891	5.79	7,378,049	4.99
Total	2,577,498,702	100.00	2,553,125,881	100.00	24,372,821	0.96
As a percentage of liabilities and equity (%)		85.84		84.96		

Note 1. 2018 figures have been restated by CPA based on certified figures from the National Audit Office. 2019 figures were audited.
Note 2: Liabilities and total shareholders' equity at the end of 2019 and 2018 were reported at NT$3,002,545,150,000 and NT$3,005,029,932,000, respectively.

(II) Loan

Unit: NTD thousands; %

Item	2019.12.31		2018.12.31		Variation	Variation %
	Amount	Percentage %	Amount	Percentage %		
Discount	529,056	0.03	759,252	0.04	-230,196	-30.32
Short-term loan and overdraft	155,556,588	7.81	206,240,324	10.63	-50,683,736	-24.58
Medium-term loan	688,361,595	34.56	631,211,100	32.53	57,150,495	9.05
Long-term loan	1,147,004,273	57.60	1,102,052,951	56.80	44,951,322	4.08
Total	1,991,451,512	100.00	1,940,263,627	100.00	51,187,885	2.64
As a percentage of total asset (%)		66.33		64.57		

Note: Total assets at the end of 2019 and 2018 were reported at NT$3,002,545,150,000 and NT$3,005,029,932,000, respectively.

(III) Foreign Exchange

Unit: USD thousands; %

Item	2019.12.31		2018.12.31		Variation	Variation %
	Amount	Percentage %	Amount	Percentage %		
Export	10,296,186	11.74	12,452,195	15.26	-2,156,009	-17.31
Import	9,372,729	10.69	6,524,381	8.00	2,848,348	43.66
Currency exchange	68,026,708	77.57	62,600,874	76.74	5,425,834	8.67
Total	87,695,623	100.00	81,577,450	100.00	6,118,173	7.50

(IV) Trust

Ⅳ-1 Trust service volume

Unit: NTD thousands; %

Item	2019	2018	Variation	Variation %
Securities investment trust	56,538,225	58,531,535	-1,993,310	-3.41
Real estate investment trust	184,175,917	163,352,461	20,823,456	12.75
Asset securitization	61,987,209	57,497,301	4,489,908	7.81
General property trust service	4,235,194	4,594,197	-359,003	-7.81
Fund custodian service	85,007,286	75,909,387	9,097,899	11.99
Accessory services	272,795,885	56,002,407	216,793,478	387.11
Total	664,739,716	415,887,288	248,852,428	59.84

Ⅳ-2 Fee income from trust service

Unit: NTD thousands; %

Item	2019		2018		Variation (%)
	Amount	As a percentage of bank-wide fee income (%)	Amount	As a percentage of bank-wide fee income (%)	
Securities investment trust	222,135	5.86	266,180	6.84	-16.55
Real estate investment trust	223,425	5.90	201,858	5.18	10.68
Asset securitization	31,886	0.84	35,097	0.90	-9.15
General property trust service	9,616	0.25	11,151	0.29	-13.77
Fund custodian service	63,951	1.69	66,358	1.70	-3.63
Accessory services	11,777	0.31	10,638	0.27	10.71
Total	562,790	14.85	591,282	15.18	-4.82

Note: Bank-wide fee income, including securities brokerage and underwriting services, were reported at NT$3,790,054,000 at 2019 year-end and NT$3,893,909,000 at 2018 year-end.

(V) Wealth management

Unit: NTD thousands; %

Item	2019		2018		Variation (%)
	Amount	As a percentage of bank-wide fee income (%)	Amount	As a percentage of bank-wide fee income (%)	
Fee income from securities investment trust	222,135	5.86	266,180	6.84	-16.55
Fee income from bank bancassurance (including mortgage Life Insurance)	889,152	23.46	807,674	20.74	10.09
Fee income from gold account service	3,452	0.09	2,770	0.07	24.62
Total	1,114,739	29.41	1,076,624	27.65	3.54

Note: Bank-wide fee income, including securities brokerage and underwriting services, were reported at NT$3,790,054,000 at 2019 year-end and NT$3,893,909,000 at 2018 year-end.

(VI) Digital banking

Ⅵ-1 Number of digital banking transactions

Item	2019 No. of account transfers	2018 No. of account transfers	Variation of transaction count	Variation %
Internet banking	5,149,036	4,822,184	326,852	6.78
Mobile banking	1,505,907	784,369	721,538	91.99
Enterprise banking	2,477,467	2,106,680	370,787	17.60

Note: To enable comparison, the number of fund transfers completed over Internet banking in 2019 and 2018 exclude mobile banking transactions.

Ⅵ-2 Fee income from digital banking service

Unit: NTD thousands; %

Item	2019		2018		Variation %
	Amount	As a percentage of bank-wide fee income (%)	Amount	As a percentage of bank-wide fee income (%)	
Fee income	96,276	2.54	94,327	2.42	2.07

Note: Bank-wide fee income, including securities brokerage and underwriting services, were reported at NT$3,790,054,000 at 2019 year-end and NT$3,893,909,000 at 2018 year-end.

(VII) Securities service

Ⅶ-1 Securities service volume

Unit: NTD thousands; %

Item	2019	2018	Variation	Variation %
Amount of securities underwritten	973,380	3,783,542	-2,810,162	-74.27
Amount of securities brokerage	231,122,410	240,238,086	-9,115,676	-3.79
Average margin trading and short sale balance	1,199,601	1,209,085	-9,484	-0.78

Ⅶ-2 Fee income from securities brokerage and underwriting

Unit: NTD thousands; %

Item	2019		2018		Variation %
	Amount	As a percentage of bank-wide fee income (%)	Amount	As a percentage of bank-wide fee income (%)	
Securities brokerage and underwriting	153,819	4.06	172,208	4.42	-10.68

Note: Bank-wide fee income, including securities brokerage and underwriting services, were reported at NT$3,790,054,000 at 2019 year-end and NT$3,893,909,000 at 2018 year-end.

(Ⅷ) Investments

Ⅷ-1 Securities investment

Unit: NTD thousands; %

Item	2019.12.31	2018.12.31	Variation	Variation %
Government bond	143,664,734	135,766,917	7,897,817	5.82
Corporate bond	13,149,956	8,649,590	4,500,366	52.03
Shares (short-term investment)	3,870,604	4,766,171	-895,567	-18.79

Ⅷ-2 Trading of short-term bills

Unit: NTD thousands; %

Item	2019	2018	Variation	Variation %
Amount of outright purchases undertaken	303,831,984	334,158,545	-30,326,561	-9.08
Amount of outright sales undertaken	0	279,938	-279,938	-100
Amount of repurchase agreements undertaken	399,817	3,098,283	-2,698,466	-87.10

Ⅷ-3 Proprietary trading of government bonds

Unit: NTD thousands; %

Item	2019	2018	Variation	Variation %
Amount of proprietary trading - government bond outright purchase/sale	6,132,851	14,600,170	-8,467,319	-57.99
Amount of proprietary trading - government bond repurchase/resale agreement	44,751,709	75,613,557	-30,861,848	-40.82
Balance of proprietary trading - government bond	19,448,430	21,355,809	-1,907,379	-8.93

(IX) Credit card

Unit: cards, NTD thousands

Item		2019	2018	Variation	Variation %
Card issuance	Outstanding cards	331,978	308,532	23,446	7.60
	Active cards	167,818	161,509	6,309	3.91
	Amount charged	11,133,737	10,468,469	655,268	6.35
	Revolving credit balance	411,903	397,372	14,531	3.66
Transaction acquisition	Amount transacted through offline merchants, online merchants and ATM	27,473,462	23,222,468	4,250,994	18.31

(X) Fee income by service category as a percentage of net revenues and changes

Unit: NTD thousands; %

Item	2019		2018	
	Amount	as a percentage of net revenue (%)	Amount	as a percentage of net revenue (%)
Net interest revenue	28,113,706	89.77	26,622,933	88.50
Net fee revenues	2,812,550	8.98	2,960,614	9.84
Net gains on financial assets and liabilities at fair value through profit and loss	-1,491,001	-4.76	321,815	1.07
Realized net gain on financial assets at fair value through other comprehensive income	905,751	2.89	1,101,250	3.66
Loss on disposal of debt instrument investments measured at cost after amortization	0	0	-3	-0.00
Gain/loss on exchange	1,613,721	5.15	-397,271	-1.32
Net gain on property transaction	502,910	1.61	123,639	0.41
Net gains/losses other than interest	-1,139,459	-3.64	-649,300	-2.16
Total net revenue	31,318,178	100.00	30,083,677	100.00

Note 1. 2018 figures have been restated by CPA based on certified figures from the National Audit Office. 2019 figures were audited.
Note 2: Figures presented in this chart are consolidated.

II. Market analysis

(I) Locations of business activity

The Bank is the only state-owned bank in Taiwan that specializes in real estate-backed credit. It offers corporate banking, personal banking, trust, wealth management, foreign exchange and e-banking services, and operates an extensive service network comprising 151 offices (including Department of Business Management) and 1 Offshore Banking Unit in Taiwan and 7 overseas offices in Los Angeles, Singapore, Hong Kong, Shanghai, New York, Tianjin, and Wuhan. As a support to the government’ s new southbound expansion policy, the Bank applied and was granted the approval to establish 2 additional branches in Australia (Brisbane) and the Mainland (Xiamen) plus 3 representative offices in The Philippines (Manila), Malaysia (Kuala Lumpur), and Indonesia (Jakarta). The representative office in Malaysia (Kuala Lumpur) was officially opened in February 2020, which signified a progressive expansion of the Bank’ s network and services in Asia Pacific and a step toward becoming a reputable international financial institution.

(II) Future market supply, demand, and growth

1.Grow loan portfolio in line with government policies

SME lending, offshore wind farm financing, investment needs of returning Taiwanese enterprises and relief loans to businesses and individuals that have fallen victim to COVID-19 all present opportunities to grow the loan portfolio.

2.Potential growth of wealth management service

The return of Taiwanese enterprises creates demand for wealth and asset management. As big data analysis matures, the Bank should be able to identify and address customers' needs at greater precision, and capitalize on the increasing demand for wealth management.

3.Potentials of urban regeneration and green banking

The government's urban regeneration policies and regulatory incentives should stimulate growth in urban regeneration projects. Meanwhile, green banking, a rising global trend of financing green energy production, also presents immense potentials.

(III) Competitive advantage

1. Strong professional foundation

Founded in September 1, 1946, the Bank has more than 70 years of experience as the only state-owned bank in Taiwan that specializes in real estate-backed credit. Not only does the Bank possess extensive experience in real estate-back credit, it has managed to expand its scope of service to real estate trust and real estate securitization for more complete offering of financial solutions. Today, the Bank remains the market leader in land financing, construction financing, housing loan, real estate trust, and real estate securitization.

2. Business diversity

In addition to maintaining leadership position in domestic real estate financing, the Bank has also been actively expanding into other services including consumer banking, corporate banking, wealth management and trust. Given the existing policy incentives and market trends, the Bank foresees opportunities from alternative services such as SME lending, loan to 5+2 industries and financing for returning Taiwanese enterprises.

3. Digital banking transformation

In light of ongoing evolution in financial technologies, the Bank has taken the initiative to support the government's "5-year e-Payment Multiplication Plan" and promote the "BANK 3.0 - Banking Environment Digitalization" program that integrates online and offline channels into the introduction of mobile banking services such as LINE Pay and JKO Pay. The Bank, too, responded with its own mobile payment solutions including "Land Bank ATM Card Cloud Payment" and QR Code payment in collaboration with Financial Information Service and Taiwan Pay in an attempt to grab its share of the growing market. These services allow users to link smartphones for a broad range of convenient and secured transactions from fund transfer, shopping, bill payment to tax payment.

4. Overseas expansion

The Bank has been actively building its foreign service network. The commencement of a representative office in Malaysia (Kuala Lumpur) in February 2020 signifies the Bank's ongoing commitment to expand service scope and coverage for Taiwanese enterprises local and abroad.

(IV) Opportunities, threats, and response strategies

1. Opportunities

(1) The return of Taiwanese enterprises and back flow of capital increase demand for services such as plant financing, capital management and wealth management, and present opportunities for growth in terms of credit portfolio and assets under management.

(2) Complexity of financial technologies, the popularity of mobile payment service and installation of multi-functional automated machines have all improved significantly in recent years. Arrival of online-only banks in 2020 will further complete the financial ecosystem and bring more business opportunities and growth potentials to the banking industry.

(3) The addition of online-only banks will enable existing banks to engage businesses in more diverse collaborations to bring financial services to every aspect of consumers' life, provide more comprehensive cash flow service to corporate customers, and create access to new opportunities and customers.

(4) The authority has implemented new regulations offering tax incentives to encourage the repatriation of offshore capital from Taiwanese businesses, which presents opportunity for foreign exchange service.

2.Threats

(1) Uncertainties arising as a result of the China-US trade conflict, UK's exit from the EU and geopolitical conflict in The Middle East and Northeast Asia have made equity markets and currency markets worldwide more volatile than ever. These uncertainties also have varying degrees of impact on local as well as foreign industries, which increases business risk and affects profitability across local banks.

(2) The Fed has made several rate cuts since the end of July 2019, which narrowed down the comfortable spread that local banks used to enjoy on foreign currency loans. Meanwhile, the local banking industry continues to operate at excess liquidity as a result of the low interest environment, and the ongoing price competition not only limits spread, but affects profits negatively as well.

(3) Tightened financial regulations and record-breaking fines imposed on major banks around the world have highlighted the importance for overseas branches to comply with local laws, especially AML-related. Rising compliance cost is to be expected in the future.

(4) Slowdown of growth in Mainland China combined with signs of prolonged trade conflict with the U.S. have given rise to concerns for downside risk and risk of corporate debt default, which in turn raises credit risk on the Bank' s loan portfolio.

(5) Impact of the COVID-19 pandemic on industrial activities and the chain reaction it caused within the financial market will directly affect corporate credit, personal credit, wealth management and treasury trades primarily in the form of heightened credit risk. The need to make alternative work arrangements in order to maintain normal operations is also a new risk that the Bank must consider going forward.

3.Response strategies

(1) Support government policies, explore growth in SME lending, and capitalize on the investment needs of returning Taiwanese enterprises. Grow portfolio, explore fee-based service and raise treasury trading performance for total improvement of bank profitability.

(2) The Bank has implemented a risk-based internal audit system since 2020. This approach directs focus and increases audit intensity on areas that present significant risks, and is considered a more efficient way to conduct audit. The Bank will continue recruiting professional talents and developing a complete detection, reporting and processing system in accordance with external regulatory requirements, while at the same time enhance compliance education and raise compliance awareness among employees for the protection of the Bank and its customers. Furthermore, enhancements will be made to the Bank' s information service and security protection in line with information security trends and FinTech risk management requirements for proper balance between customer service and risk management.

(3) To improve international competitiveness and profitability, the Bank will continue expanding office presence and staff size overseas, and actively participate in international syndicated loans and bring complete range of cross-border banking service to local customers for enhanced relationships.

(4) All of the Bank's overseas branches have adopted AML-related internal control, internal audit and compliance practices in accordance with the latest regulations and procedures, and applied proper monitoring. They also cooperate and maintain good interactive relationships with local authorities. Employees of overseas branches will be subjected to more intensive training on financial regulations to improve compliance and thereby facilitate local business efforts.

(5) The Bank will continue tightening credit review on loans to Mainland businesses, and strive to gain further insight into borrowers' use of capital. Depending on the risk profile of each case, the Bank may request for additional debt protection or conduct more intensive on-site inspection or post-lending review. A robust risk management system will be developed to support credit management tasks in the future.

(6) Given the impact of COVID-19, the Bank will support government policies by extending relief to businesses and individuals that are affected by the pandemic, and take this opportunity to enhance digital banking services and off-site backup in order to minimize further impacts of the pandemic on business operations.

Plan

The methodical giant

Financial overview and risk management

I. Summary balance sheet and statement of comprehensive income for the last 5 years

(I) Summary balance sheet and statement of comprehensive income

Summary consolidated balance sheet

Unit: NTD thousands

Item \ Year	Financial information for the last 5 years (Note)				
	2019	2018	2017	2016	2015
Cash, cash equivalents, deposits at CBC and interbank lending	222,923,321	275,144,392	278,474,923	281,978,785	297,349,053
Financial assets at fair value through profit and loss	4,437,143	5,253,684	3,243,418	3,473,556	4,689,817
Financial assets at fair value through other comprehensive income	114,603,444	102,542,129	0	0	0
Debt instrument investments measured at cost after amortization	597,726,257	587,049,258	0	0	0
Available-for-sale financial assets	0	0	407,495,721	407,325,442	351,622,173
Investment in resale bills and bonds	6,218,350	389,212	8,029,166	3,763,733	0
Receivables - net	8,704,722	9,340,345	8,868,031	7,362,799	6,930,795
Current income tax asset	14,395	36,287	168,391	173,536	167,370
Loans and advances - net	1,986,505,361	1,965,807,233	1,879,104,149	1,770,689,449	1,724,903,022
Held-to-maturity financial assets	0	0	238,122,980	136,810,089	36,460,359
Investments accounted using the equity method - net	0	0	0	0	0
Other financial assets - net	38,764	28,735	1,633,383	1,646,662	1,657,383
Property, plant and equipment - net	22,519,652	22,625,687	22,954,513	23,239,864	23,377,397
Right-of-use assets	1,136,090	0	0	0	0
Investment properties - net	23,937,743	24,229,670	24,110,445	24,102,105	24,195,770
Intangible assets - net	866,269	858,257	869,156	894,168	660,361
Deferred income tax assets - net	2,199,486	2,653,432	2,901,012	3,570,007	3,925,696
Other assets	10,714,153	9,071,611	7,614,202	8,016,056	7,527,506
Total assets	3,002,545,150	3,005,029,932	2,883,589,490	2,673,046,251	2,483,466,702
Deposits from CBC and peer banks	313,577,959	287,244,785	200,334,268	142,091,394	122,083,387
Loans from CBC and interbank borrowing	1,723,767	1,939,909	2,040,692	2,359,557	2,516,829

Item \ Year		Financial information for the last 5 years (Note)				
		2019	2018	2017	2016	2015
Financial liabilities at fair value through profit and loss		11,468,186	9,893,561	3,546,578	8,665,611	9,017,252
Repurchase bills and bonds		7,399,137	9,740,281	15,157,816	7,713,092	5,372,087
Payables		21,214,195	26,384,330	24,844,608	24,459,437	20,644,932
Current income tax liabilities		1,109,534	388,148	368,616	816,584	923,755
Deposits		2,396,048,679	2,426,584,880	2,400,023,270	2,247,268,415	2,098,660,734
Bank debenture payable		53,293,705	59,592,857	66,691,640	79,694,341	72,193,289
Other financial liabilities		95,094	113,986	146,198	175,111	101,981
Liability reserves		18,965,738	17,852,687	17,651,342	16,937,778	16,611,687
Lease liabilities		1,134,259	0	0	0	0
Deferred income tax liabilities		6,914,019	6,985,635	6,926,029	6,926,134	6,935,227
Other liabilities		1,442,578	1,083,013	1,216,170	1,211,337	1,262,364
Total liabilities	Before dividend distribution	2,834,386,850	2,847,804,072	2,738,947,227	2,537,469,716	2,356,323,524
	After dividend distribution	2,834,386,850	2,847,804,072	2,738,947,227	2,538,318,791	2,356,323,524
Share capital	Before dividend distribution	73,200,000	62,594,000	62,594,000	62,594,000	58,100,000
	After dividend distribution	73,200,000	62,594,000	62,594,000	62,594,000	58,100,000
Capital reserve		21,748,869	21,748,869	21,748,869	21,748,869	21,748,869
Retained earnings	Before dividend distribution	64,891,241	66,352,145	57,431,060	48,761,249	42,294,258
	After dividend distribution	64,891,241	66,352,145	57,431,060	47,912,174	42,294,258
Other equity items		8,318,190	6,530,846	2,868,334	2,472,417	5,000,051
Total equity	Before dividend distribution	168,158,300	157,225,860	144,642,263	135,576,535	127,143,178
	After dividend distribution	168,158,300	157,225,860	144,642,263	134,727,460	127,143,178

Note: 2015-2018 figures have been restated by CPA based on certified figures of the National Audit Office, whereas the 2019 figures are audited.

Summary consolidated statement of comprehensive income

Unit: NTD thousands

Item \ Year	Financial information for the last 5 years (Note)				
	2019	2018	2017	2016	2015
Interest revenue	51,464,282	48,684,757	43,449,692	41,840,744	43,718,337
Less: interest expenses	23,350,576	22,061,824	18,710,697	17,095,902	19,385,011
Net interest revenue	28,113,706	26,622,933	24,738,995	24,744,842	24,333,326
Non-interest net revenue	3,204,472	3,460,744	2,126,630	5,978,435	4,640,907
Net revenues	31,318,178	30,083,677	26,865,625	30,723,277	28,974,233
Loan loss and provision for commitments and liabilities	2,907,339	3,173,158	492,992	1,624,497	408,371
Operating expenses	15,360,764	14,686,061	14,491,104	16,299,823	16,314,912
Net profit before tax from continuing operations	13,050,075	12,224,458	11,881,529	12,798,957	12,250,950
Income tax expense	2,901,613	2,492,163	2,247,906	2,382,044	2,268,481
Current net income from continuing operations	10,148,462	9,732,295	9,633,623	10,416,913	9,982,469
Gains/losses from discontinued operations	0	0	0	0	0
Current net income	10,148,462	9,732,295	9,633,623	10,416,913	9,982,469
Other comprehensive income - current (net, after tax)	783,978	-756,6688	281,180	-2,832,631	443,350
Total current comprehensive income	10,932,440	8,975,627	9,914,803	7,584,282	10,425,819
Net income attributable to parent company shareholders	10,148,462	9,732,295	9,633,623	10,416,913	9,982,469
Net income attributable to non-controlling shareholders	0	0	0	0	0
Comprehensive income attributable to parent company shareholders	10,932,440	8,975,627	9,914,803	7,584,282	10,425,819
Comprehensive income attributable to non-controlling shareholders	0	0	0	0	0
Earnings per share (NTD)	1.39	1.33	1.32	1.42	1.36

Note 1: 2015-2018 figures have been restated by CPA based on certified figures of the National Audit Office, whereas the 2019 figures are audited.
Note 2: The Bank increased its share capital to NT$73.2 billion on November 29, 2019 and retrospective adjustments were made to EPS in previous years.

Summary standalone balance sheet

Unit: NTD thousands

Item \ Year	Financial information for the last 5 years (Note)				
	2019	2018	2017	2016	2015
Cash, cash equivalents, deposits at CBC and interbank lending	222,923,321	275,141,211	278,474,520	281,977,889	297,433,843
Financial assets at fair value through profit and loss	4,437,143	5,253,684	3,243,418	3,473,556	4,689,817
Financial assets at fair value through other comprehensive income	114,603,444	102,542,129	0	0	0
Debt instrument investments measured at cost after amortization	597,723,140	587,046,111	0	0	0
Available-for-sale financial assets	0	0	407,495,721	407,325,442	351,622,173
Investment in resale bills and bonds	6,218,350	389,212	8,029,166	3,763,733	0
Receivables - net	8,741,208	9,324,614	8,853,716	7,350,702	6,915,206
Current income tax asset	14,395	36,287	168,391	173,536	167,370
Loans and advances - net	1,986,505,361	1,965,807,233	1,879,104,149	1,770,689,449	1,724,903,022
Held-to-maturity financial assets	0	0	238,119,804	136,806,886	36,457,128
Investments accounted using the equity method - net	0	40,000	40,000	40,000	33,616
Other financial assets - net	38,764	28,735	1,633,383	1,646,662	1,657,383
Property, plant and equipment - net	22,516,593	22,622,065	22,949,749	23,234,378	23,370,911
Right-of-use assets - net	1,136,090	0	0	0	0
Investment properties - net	23,937,743	24,229,670	24,110,445	24,102,105	24,195,770
Intangible assets - net	857,311	849,705	859,401	885,590	651,345
Deferred income tax assets - net	2,199,486	2,653,432	2,901,012	3,570,007	3,925,696
Other assets	10,714,152	9,071,471	7,613,976	8,015,876	7,527,271
Total assets	3,002,566,501	3,005,035,559	2,883,596,851	2,673,055,811	2,483,550,551
Deposits from CBC and peer banks	313,577,959	287,244,785	200,334,268	142,091,394	122,083,387
Loans from CBC and interbank borrowing	1,723,767	1,939,909	2,040,692	2,359,557	2,516,829
Financial liabilities at fair value through profit and loss	11,468,186	9,893,561	3,546,578	8,665,611	9,017,252

Item \ Year		Financial information for the last 5 years (Note)				
		2019	2018	2017	2016	2015
Repurchase bills and bonds		7,399,137	9,740,281	15,157,816	7,713,092	5,372,087
Payables		21,201,709	26,372,615	24,828,253	24,447,902	20,633,393
Current income tax liabilities		1,098,310	374,278	363,132	802,245	908,967
Deposits		2,396,106,467	2,426,625,298	2,400,058,485	2,247,308,030	2,098,772,607
Bonds payable		53,293,705	59,592,857	66,691,640	79,694,341	72,193,289
Other financial liabilities		95,094	113,986	146,198	175,111	101,981
Liability reserves		18,953,270	17,843,101	17,645,044	16,933,407	16,609,619
Lease liabilities		1,134,259	0	0	0	0
Deferred income tax liabilities		6,914,019	6,985,635	6,926,029	6,926,134	6,935,227
Other liabilities		1,442,319	1,083,393	1,216,453	1,211,527	1,262,735
Total liabilities	Before dividend distribution	2,834,408,201	2,847,809,699	2,738,954,588	2,537,479,276	2,356,407,373
	After dividend distribution	2,834,408,201	2,847,809,699	2,738,954,588	2,538,328,351	2,356,407,373
Share capital	Before dividend distribution	73,200,000	62,594,000	62,594,000	62,594,000	58,100,000
	After dividend distribution	73,200,000	62,594,000	62,594,000	62,594,000	58,100,000
Capital reserve		21,748,869	21,748,869	21,748,869	21,748,869	21,748,869
Retained earnings	Before dividend distribution	64,891,241	66,352,145	57,431,060	48,761,249	42,294,258
	After dividend distribution	64,891,241	66,352,145	57,431,060	47,912,174	42,294,258
Other equity items		8,318,190	6,530,846	2,868,334	2,472,417	5,000,051
Total equity	Before dividend distribution	168,158,300	157,225,860	144,642,263	135,576,535	127,143,178
	After dividend distribution	168,158,300	157,225,860	144,642,263	134,727,460	127,143,178

Note: 2015-2018 figures have been restated by CPA based on certified figures of the National Audit Office, whereas the 2019 figures are audited.

Summary standalone statement of comprehensive income

Unit: NTD thousands

Item \ Year	Financial information for the last 5 years (Note)				
	2019	2018	2017	2016	2015
Interest revenue	51,463,567	48,684,017	43,449,443	41,840,690	43,718,288
Less: interest expenses	23,350,609	22,061,854	18,710,766	17,096,033	19,385,154
Net interest revenue	28,112,958	26,622,163	24,738,677	24,744,657	24,333,134
Non-interest net revenue	3,108,077	3,368,674	2,042,250	5,887,144	4,559,668
Net revenues	31,221,035	29,990,837	26,780,927	30,631,801	28,892,802
Loan loss and guarantee provision expense	2,907,339	3,173,158	492,992	1,624,497	408,371
Operating expenses	15,286,224	14,615,896	14,423,934	16,232,321	16,252,657
Net profit before tax from continuing operations	13,027,472	12,201,783	11,864,001	12,774,983	12,231,774
Income tax expense	2,879,010	2,469,488	2,230,378	2,358,070	2,249,305
Current net income from continuing operations	10,148,462	9,732,295	9,633,623	10,416,913	9,982,469
Gains/losses from discontinued operations	0	0	0	0	0
Current net income	10,148,462	9,732,295	9,633,623	10,416,913	9,982,469
Other comprehensive income - current (net, after tax)	783,978	-756,668	281,180	-2,832,631	443,350
Total current comprehensive income	10,932,440	8,975,627	9,914,803	7,584,282	10,425,819
Net income attributable to parent company shareholders	10,148,462	9,732,295	9,633,623	10,416,913	9,982,469
Net income attributable to non-controlling shareholders	0	0	0	0	0
Comprehensive income attributable to parent company shareholders	10,932,440	8,975,627	9,914,803	7,584,282	10,425,819
Comprehensive income attributable to non-controlling shareholders	0	0	0	0	0
Earnings per share (NTD)	1.39	1.33	1.32	1.42	1.36

Note 1: 2015-2018 figures have been restated by CPA based on certified figures of the National Audit Office, whereas the 2019 figures are audited.

Note 2: The Bank increased its share capital to NT$73.2 billion on November 29, 2019 and retrospective adjustments were made to EPS in previous years.

II. Financial analysis for the last 5 years

Consolidated financial analysis

Analysis		Financial analysis for the last 5 years				
		2019	2018	2017	2016	2015
Operating efficiency	Loan-to-deposit ratio	84.23	82.26	79.46	80.08	83.49
	Overdue loan ratio	0.18	0.19	0.19	0.18	0.19
	Interest expense as a % of yearly average deposit balance	0.75	0.72	0.67	0.67	0.83
	Interest revenue as a % of yearly average loan balance	2.05	2.00	1.89	1.95	2.05
	Total asset turnover (times)	0.01	0.01	0.01	0.01	0.01
	Revenue per employee	5,384.83	5,285.26	4,712.44	5,359.02	5,025.01
	Net profit per employee	1,744.92	1,709.82	1,689.81	1,817.01	1,731.26
Profitability	Return on tier 1 capital (%)	7.90	8.08	8.51	10.27	10.50
	Return on assets (%)	0.34	0.33	0.35	0.40	0.40
	Return on equity (%)	6.24	6.45	6.90	7.96	8.19
	Net profit margin (%)	32.40	32.35	35.86	33.91	34.45
	Earnings per share (NTD)	1.39	1.33	1.32	1.42	1.36
Financial position	Debt to assets ratio	94.38	94.75	94.96	94.93	94.85
	Property, plant and equipment to equity ratio	13.39	14.39	15.87	17.25	18.39
Growth rate	Asset growth rate	-0.08	4.21	7.88	7.63	-1.27
	Profit growth rate	6.75	2.89	-7.17	4.47	5.55
Cash flow	Cash flow ratio	-26.55	-4.15	35.98	-21.63	31.52
	Cash flow adequacy ratio	55.98	872.74	961.13	523.04	1,054.29
	Cash flow reinvestment ratio	18,093.74	3,105.83	-13,459.07	1,368.03	-1,496.62
Liquidity reserve ratio		27.34	27.45	25.87	24.11	19.11
Outstanding secured loans to stakeholders (NTD thousands)		11,860,020	11,113,600	11,044,216	11,726,940	10,799,874
Outstanding secured loans to stakeholders as a percentage of total loan balance (%)		0.63	0.61	0.63	0.72	0.68

Analysis	Year	Financial analysis for the last 5 years				
		2019	2018	2017	2016	2015
Business scale	Market share of assets	3.63	3.84	3.90	3.78	3.67
	Market share of equity	2.30	2.56	2.37	2.37	2.39
	Market share of deposits	5.52	5.83	5.91	5.72	5.53
	Market share of loans	6.63	6.85	6.87	6.76	6.79

Analysis of financial ratio variation in the last 2 years (variations exceeding 20%):
2019 asset growth was lower compared to 2018 mainly due to a decrease in cash and cash equivalents, deposits at CBC and interbank lending.
2019 profit growth was higher compared to 2018 mainly due to an increase in net profit before tax.
2019 cash flow ratio and cash flow adequacy ratio were lower compared to 2018 mainly due to increase in net cash outflow from operating activities. Cash flow reinvestment ratio in 2019 was higher compared to 2018 mainly due to increase in net cash outflow from operating activities, and that cash flow from investing activities also results in a net outflow.

Note 1: 2015-2018 figures have been restated by CPA based on certified figures from the National Audit Office. 2019 figures were audited.
Note 2: Formulas of financial ratios:

1. Operating efficiency
   (1) Loan to deposit ratio = total loan/ total deposit
   (2) Overdue loan ratio = total overdue loan/ total loan
   (3) Interest expense as a % of yearly average deposit balance = total interest expense on deposits / yearly average deposit balance
   (4) Interest revenue as a % of yearly average loan balance = total interest revenue from loans / yearly average loan balance
   (5) Total asset turnover = net income / average total assets
   (6) Revenues per employee = net revenues/ total employees
   (7) Net profit per employee = net income/ total employees
2. Profitability
   (1) Return on tier 1 capital = profit before tax / average tier 1 capital
   (2) Return on assets = net income / average total assets
   (3) Return on equity = net income / average shareholders' equity
   (4) Net profit margin = net income/ net revenue
   (5) Earnings per share = (net income attributable to parent company shareholders - preferred share dividends) / weighted average outstanding shares
3. Financial structure
   (1) Debt to asset ratio = total liabilities / total assets
   (2) Property, plant and equipment to equity ratio = net property, plant and equipment / shareholders' equity
4. Growth
   (1) Asset growth rate = (current year total assets - previous year total assets) / previous year total assets
   (2) Profit growth rate = (current year pre tax profit - previous year pre tax profit) / previous year pre tax profit
5. Cash flow
   (1) Cash flow ratio = net cash flow from operating activities / (interbank borrowing and overdraft + commercial papers payable + financial liability at fair value through profit and loss + repurchase agreements + accruals payable within one year)
   (2) Cash flow adequacy ratio = net cash flow from operating activities for the last 5 years / (capital expenditure + cash dividends) for the last 5 years
   (3) Cash flow reinvestment ratio = net cash flow from operating activities / net cash flow from investing activities
6. Liquidity reserve ratio = liquid assets mandated by The Central Bank/ mandatory liquidity reserves
7. Business scale
   (1) Market share of assets = total assets/ total assets of all financial institutions eligible to perform deposit and loan related activities
   (2) Market share of net worth = net worth/ total net worth of all financial institutions eligible to perform deposit and loan related activities
   (3) Market share of deposits = total deposit/ total deposit of all financial institutions eligible to perform deposit and loan related activities
   (4) Market share of loans = total loan/ total loan of all financial institutions eligible to perform deposit and loan related activities

Note 3: Total liabilities are net of provision for guarantee, loss provision for bill trading and provision for accidental loss.
Note 4: Financial institutions eligible to perform deposit and loan-related activities include local banks, Taiwanese branches of Mainland banks, Taiwanese branches of foreign banks, credit cooperative associations, and credit departments of farmers/fishermen associations.
Note 5: The Bank increased its share capital to NT$73.2 billion on November 29, 2019 and retrospective adjustments were made to EPS in previous years.

Standalone financial analysis

Analysis \ Year		Financial analysis for the last 5 years				
		2019	2018	2017	2016	2015
Operating efficiency	Loan-to-deposit ratio	84.23	82.25	79.45	80.08	83.48
	Overdue loan ratio	0.18	0.19	0.19	0.18	0.19
	Interest expense as a % of yearly average deposit balance	0.75	0.72	0.67	0.67	0.83
	Interest revenue as a % of yearly average loan balance	2.05	2.00	1.89	1.95	2.05
	Total asset turnover (times)	0.01	0.01	0.01	0.01	0.01
	Revenue per employee	5,395.03	5,297.80	4,722.43	5,371.17	5,033.59
	Net profit per employee	1,753.67	1,719.18	1,698.75	1,826.57	1,739.11
Profitability	Return on tier 1 capital (%)	7.89	8.07	8.50	10.25	10.91
	Return on assets (%)	0.34	0.33	0.35	0.40	0.40
	Return on equity (%)	6.24	6.45	6.90	7.96	8.19
	Net profit margin (%)	32.51	32.45	35.97	34.01	34.55
	Earnings per share (NTD)	1.39	1.33	1.32	1.42	1.36
Financial position	Debt to assets ratio	94.38	94.75	94.96	94.93	94.85
	Property, plant and equipment to equity ratio	13.39	14.39	15.87	17.25	18.38
Growth rate	Asset growth rate	-0.08	4.21	7.88	7.63	-1.26
	Profit growth rate	6.77	2.85	-7.13	4.44	5.39
Cash flow	Cash flow ratio	-26.55	-4.15	35.98	-21.71	31.59
	Cash flow adequacy ratio	55.14	873.07	1,037.92	128.25	414.20
	Cash flow reinvestment ratio	18,528.47	3,164.82	-13,498.30	1,374.89	-1,508.16
Liquidity reserve ratio		27.34	27.45	25.87	24.11	19.11
Outstanding secured loans to stakeholders (NTD thousands)		11,860,020	11,113,600	11,044,216	11,726,940	10,799,874
Outstanding secured loans to stakeholders as a percentage of total loan balance (%)		0.63	0.61	0.63	0.72	0.68

Analysis	Year	Financial analysis for the last 5 years				
		2019	2018	2017	2016	2015
Business scale	Market share of assets	3.63	3.84	3.90	3.78	3.67
	Market share of equity	2.30	2.56	2.37	2.37	2.39
	Market share of deposits	5.52	5.83	5.91	5.72	5.53
	Market share of loans	6.63	6.85	6.87	6.76	6.79

Analysis of financial ratio variation in the last 2 years (variations exceeding 20%):
2019 asset growth was lower compared to 2018 mainly due to a decrease in cash and cash equivalents, deposits at CBC and interbank lending.
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Note 1. 2015-2018 figures have been restated by CPA based on certified figures from the National Audit Office. 2019 figures were audited.
Note 2: Formulas of financial ratios:

1. Operating efficiency
   (1) Loan to deposit ratio = total loan/ total deposit
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   (4) Interest revenue as a % of yearly average loan balance = total interest revenue from loans / yearly average loan balance
   (5) Total asset turnover = net income / average total assets
   (6) Revenues per employee = net revenues/ total employees
   (7) Net profit per employee = net income/ total employees
2. Profitability
   (1) Return on tier 1 capital = profit before tax / average tier 1 capital
   (2) Return on assets = net income / average total assets
   (3) Return on equity = net income / average shareholders' equity
   (4) Net profit margin = net income/ net revenue
   (5) Earnings per share = (net income attributable to parent company shareholders - preferred share dividends) / weighted average outstanding shares
3. Financial structure
   (1) Debt to asset ratio = total liabilities / total assets
   (2) Property, plant and equipment to equity ratio = net property, plant and equipment / shareholders' equity
4. Growth
   (1) Asset growth rate = (current year total assets - previous year total assets) / previous year total assets
   (2) Profit growth rate = (current year pre tax profit - previous year pre tax profit) / previous year pre tax profit
5. Cash flow
   (1) Cash flow ratio = net cash flow from operating activities / (interbank borrowing and overdraft + commercial papers payable + financial liability at fair value through profit and loss + repurchase agreements + accruals payable within one year)
   (2) Cash flow adequacy ratio = net cash flow from operating activities for the last 5 years / (capital expenditure + cash dividends) for the last 5 years
   (3) Cash flow reinvestment ratio = net cash flow from operating activities / net cash flow from investing activities
6. Liquidity reserve ratio = liquid assets mandated by The Central Bank/ mandatory liquidity reserves
7. Business scale
   (1) Market share of assets = total assets/ total assets of all financial institutions eligible to perform deposit and loan related activities
   (2) Market share of net worth = net worth/ total net worth of all financial institutions eligible to perform deposit and loan related activities
   (3) Market share of deposits = total deposit/ total deposit of all financial institutions eligible to perform deposit and loan related activities
   (4) Market share of loans = total loan/ total loan of all financial institutions eligible to perform deposit and loan related activities

Note 3: Total liabilities are net of provision for guarantee, loss provision for bill trading and provision for accidental loss.
Note 4: Financial institutions eligible to perform deposit and loan-related activities include local banks, Taiwanese branches of Mainland banks, Taiwanese branches of foreign banks, credit cooperative associations, and credit departments of farmers/fishermen associations.
Note 5: The Bank increased its share capital to NT$73.2 billion on November 29, 2019 and retrospective adjustments were made to EPS in previous years.

Capital adequacy

Unit: NTD thousands

Year / Analysis			Capital adequacy ratio for the previous 5 years				
			2019	2018	2017	2016	2015
Capital	Common share equity		148,770,884	139,676,435	131,218,205	121,831,335	113,570,681
	Tier 1 non-common share equity		26,656,700	15,305,736	15,271,997	10,771,997	2,990,121
	Tier 2 capital		40,159,744	42,610,688	44,357,029	51,599,859	61,685,666
	Capital		215,587,328	197,592,859	190,847,231	184,203,191	178,246,468
Risk weighted assets	Credit risk	Standard approach	1,613,839,876	1,557,243,212	1,455,622,817	1,485,249,221	1,466,575,546
		Internal ratings based approach					
		Asset securitization					
	Operational risks	Basic indicator approach				53,082,779	51,118,577
		Standardized approach/ alternative standardized approach	52,002,585	51,132,125	50,300,796		
		Advanced measurement approach					
	Market risk	Standard approach	25,450,118	25,093,998	42,341,623	52,704,583	42,277,653
		Internal model approach					
	Total risk weighted assets		1,691,292,579	1,633,469,335	1,548,265,236	1,591,036,583	1,559,971,776
Capital adequacy ratio			12.75%	12.10%	12.33%	11.58%	11.43%
Tier 1 capital as a % of risky assets			10.37%	9.49%	9.46%	8.33%	7.47%
Common share equity as a % of risky assets			8.80%	8.55%	8.48%	7.66%	7.28%
Leverage ratio			5.64%	4.99%	4.90%	4.78%	4.45%
Reasons for changes in capital adequacy in the last 2 years. (unnecessary if the variation was less than 20%)							

Note 1: Figures between 2015 and 2019 have been audited.

Note 2: Formulas of financial ratios or values:

(1) Capital = comm share equity + Tier 1 non-common share equity + Tier 2 capital.

(2) Total risk weighted assets = credit risk weighted assets + required capital for (operational risk + market risk)×12.5.

(3) Capital adequacy ratio = capital/ total risk weighted assets.

(4) Tier 1 capital as a % of risk-weighted assets = (common share equity + other tier 1 capital that is not common share equity) / total risk-weighted assets.

(5) Common share equity as a % of risk-weighted assets = common share equity / total risk-weighted assets.

(6) Leverage ratio = net tier 1 capital / total risk exposure.

Note 3: Disclosure of leverage ratio began since 2015.

III. Audit Committee's report on the review of 2019 financial report

Audit Committee’s Review Report

The Company's 2019 business report (January 1 to December 31, 2019), the standalone and consolidated financial statements (including the balance sheet, comprehensive income statement of profit and loss, equity changes and cash flow statements) were audited by the CPA. The above statements and reports have been reviewed in the second session of the 19th Audit Committee's meeting on March 20, 2020, and no irregularities were found. The review report was issued in accordance with Article 14-4 of the Securities and Exchange Act.

Audit Committee

Independent Director : Lai,Hung-Neng
Independent Director : Lai,Ching-Chong
Independent Director : Lee,Tsung-Pei (Convener)

March 20, 2020

IV. Financial Statements of Recent Years

Independent Auditors' Report

To the Board of Directors of Land Bank of Taiwan Co., Ltd.:

Opinion

We have audited the consolidated financial statements of Land Bank of Taiwan Co., Ltd. and its subsidiary (collectively, the "Group"), which comprise the consolidated statement of financial position as of December 31, 2019 and 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended December 31, 2019 and 2018, 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 Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2019 and 2018 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit in accordance with the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants", the approval letter Jin-Guan-Yin-Fa-Zi No.10802731571 and the auditing standards generally accepted in the Republic of China. 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 Group in accordance with the Certified Public Accountants Code of Professional Ethics in 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 of our opinion.

Emphasis of Matter

As mentioned in Note 4(c) and Note 12(b), the consolidated financial statements of the Group are subjected to the amounts approved by the National Audit Office. The Group's consolidated financial statements for 2018 have been examined by the Directorate-General of Budget, Accounting and Statistics, Executive Yuan and the National Audit Office, and adjustments from this examination have been recognized accordingly in the financial statements. The relevant financial statements have been re-written in accordance with the instructions. There is no amendment of 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, and we do not provide a separate opinion on these matters.

1. The assessment of loan impairment

   Please refer to Note 4(g) and (l) for the related accounting policy on loan impairment, Note 5(a) for the assessment on loan impairment of accounting assumptions and estimation uncertainty, and Note 6(g) and (aj) for the disclosure of the assessment on loan impairment.

   How to address this matter in our audit

   The main activity of the Group is providing loan services. The Group undertakes credit risk when a customer is not able to perform the repayment on schedule while providing loan services. Therefore, the assessment on loan impairment of accounting assumptions and estimation uncertainty were included as our key audit matters.

   Our principal audit procedures included:

   Our principal audit procedures included (i) analyzing the balance and structure of the loans and changes in bad debts to identify significant changes and understand their reasons. (ii) reviewing relevant credit files, overdue aging, collateral value, historical default and loss probability. (iii) reviewing whether the loan is subject to objective evidence of impairment. (iv) evaluating whether the classification and estimation method used were appropriate. (v) inspecting whether the amount of impairment was calculated in accordance with the provisions “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans” . (vi) assessing whether the items related to assessment on impairment allowance has been fairly disclosed in the financial report.

2. Valuation for fair value of financial assets

   Please refer to Note 4(f) and (l) for the related accounting policy in the valuation for fair value of financial assets, Note 5(b) for the assessment on fair value of financial assets of accounting assumptions and estimation uncertainty and Note 6(ai) for the for the disclosure of the fair value of financial assets.

   How to address this matter in our audit

   Directly open market quotations are not applicable to some of the Group's financial instruments. These instruments are evaluated by using observable input parameters; and the setting of some parameters involves the subjective judgment of the management. Since the amount of financial instrument is significant, the valuation for fair value of financial assets on accounting assumptions and estimation uncertainty were included as our key audit matters.

   Our principal audit procedures included:

   Our principal audit procedures included (i) testing the design and implementation of the internal control operation cycle. (ii) analyzing and evaluating the balance and structure of financial instruments. (iii) inspecting the evaluation parameters and access for obtaining the fair value of financial instruments. (iv) Issuing external investment confirmations to assess its existence, correctness and rights.

3. The assessment on the expected credit loss of financial instrument

   Please refer to Note 4(f) for the related accounting policy of expected credit loss of financial instrument, Note 5(b) for the assessment on financial instrument impairment of accounting assumptions and estimation uncertainty, and Note 6(ai) for the disclosure on the assessment for financial instrument impairment.

   How to address this matter in our audit

   The assessments of expected credit loss of the financial assets at value through other comprehensive income and at amortized cost are calculated based on the market quotations by the management of the Bank. The valuation of expected credit loss involves accounting assumptions and estimation uncertainty, and was therefore, included as our key audit matters.

Our principal audit procedures included:

Our principal audit procedures included (i) reviewing the operating practices or the assessment on the expected credit loss. (ii) understanding the calculation process and assessing the fairness of the management's assessment on the expected credit loss of financial assets, including the definitions of important quotations, methodologies and references. (iii) testing and performing calculation of the expected credit loss to assess its correctness. (iv) assessing the appropriateness of the overall recognition of the expected credit loss.

Other Matter

Land Bank of Taiwan Co., Ltd. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2019 and 2018, on which we have issued an unmodified opinion with emphasis of matters.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's 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 the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the 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 Group's internal control.

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

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Group 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 Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of The Bank audit.

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.

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 engagement partners on the audit resulting in this independent auditors' report are Hsiao Pei-Ju and Yu Chi-Lung.

KPMG

Taipei, Taiwan (Republic of China)
March 27, 2020

Notes to Readers

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

The independent auditors' audit report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' audit report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2019		December 31, 2018	
	Assets	Amount	%	Amount	%
11000	Total cash and cash equivalents (note 6(a))	$ 46,970,509	2	49,664,330	2
11500	Total due from the central bank and call loans to banks (note 6(b))	175,952,812	6	225,480,062	8
12000	Total financial assets at fair value through profit or loss (notes 6(c) and (ac))	4,437,143	-	5,253,684	-
12100	Total financial assets at fair value through other comprehensive income (note 6(d),(ad) and 8)	114,603,444	4	102,542,129	3
12200	Investment in debt instruments measured at amortized cost (notes 6(h) and 8)	597,726,257	20	587,049,258	20
12500	Securities purchased under resell agreements, net (notes 6(e))	6,218,350	-	389,212	-
13000	Receivables, net (notes 6(f))	8,704,722	-	9,340,345	-
13200	Total current tax assets	14,395	-	36,287	-
13500	Discounts and loans, net (notes 6(g), (aj), (ak) and 7)	1,986,505,361	66	1,965,807,233	65
15500	Other financial assets, net (note 6(i) and (aj))	38,764	-	28,735	-
18500	Property and equipment, net (note 6(j))	22,519,652	1	22,625,687	1
18600	Right-of-use Assets (note 6(k))	1,136,090	-	-	-
18700	Investment property, net (note 6(l))	23,937,743	1	24,229,670	1
19000	Intangible assets, net (note 6(m))	866,269	-	858,257	-
19300	Total deferred tax assets (note6(x))	2,199,486	-	2,653,432	-
19500	Other assets, net(note6(n) and 8)	10,714,153	-	9,071,611	-
	Total assets	$ 3,002,545,150	100	3,005,029,932	100

		December 31, 2019		December 31, 2018	
	Liabilities and Equity	Amount	%	Amount	%
	Current liabilities:				
21000	Total deposits from the central bank and banks (note 6(o))	$ 313,577,959	11	287,244,785	10
21500	Total due to the central bank and banks	1,723,767	-	1,939,909	-
22000	Total financial liabilities at fair value through profit or loss (notes 6(c) and (ai))	11,468,186	-	9,893,561	-
22500	Total notes and bonds issued under repurchase agreement (note 6(e))	7,399,137	-	9,740,281	-
23000	Total payables (note 6(p))	21,214,195	1	26,384,330	1
23200	Total current tax liabilities	1,109,534	-	388,148	-
23500	Total deposits and remittances (note 6(q) and 7)	2,396,048,679	80	2,426,584,880	81
24000	Total bank debentures (notes 6(r) and (ai))	53,293,705	2	59,592,857	2
25500	Total other financial liabilities (note 6(s) and (ai))	95,094	-	113,986	-
25600	Total provisions (note 6(u))	18,965,738	1	17,852,687	1
26000	Lease liability (note 6 (t))	1,134,259	-	-	-
29300	Total deferred income tax liabilities (note 6 (x))	6,914,019	-	6,985,635	-
29500	Total other liabilities(note6(u))	1,442,578	-	1,083,013	-
	Total liabilities	2,834,386,850	95	2,847,804,072	95
	Equity attributable to owners of parent: (note 6(y))				
31101	Common stock	73,200,000	2	62,594,000	2
31500	Total capital surplus	21,748,869	1	21,748,869	1
32001	Legal reserve	36,580,855	1	33,837,326	1
32003	Special reserve	19,812,764	1	26,786,698	1
32005	Total unappropriated earnings	8,497,622	-	5,728,121	-
		64,891,241	2	66,352,145	2
32500	Total other equity interest	8,318,190	-	6,530,846	-
	Total equity	168,158,300	5	157,225,860	5
	Total liabilities and equity	$ 3,002,545,150	100	3,005,029,932	100

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

		2019		2018		Change
		Amount	%	Amount	%	%
	Interest incomes:(note)					
41000	Total interest income	$ 51,464,282	165	48,684,757	162	6
51000	Less:Total interest expenses	23,350,576	75	22,061,824	73	6
	Net income of interest (note 6(aa))	28,113,706	90	26,622,933	89	6
	Net non-interest income					
49100	Net service fee (charge) income (losses) (note 6(ab))	2,812,550	9	2,960,614	10	(5)
49200	Gain (loss) on financial assets or liabilities measured at fair value through profit or loss (notes 6(c) and (ad))	(1,491,001)	(5)	321,815	1	(563)
49310	Realized gain on financial assets at fair value through other comprehensive income, net(note 6(ae))	905,751	3	1,101,250	3	(18)
53601	Losses on disposal of investment in debt instruments measured ai amortized cost(note 6(h))	-	-	(3)	-	100
49600	Foreign exchange gain (loss)	1,613,721	5	(397,271)	(1)	506
49863	Net gain (loss) on disposal of property	502,910	2	123,639	-	307
49899	Other miscellaneous income (loss) (note 6(ae))	(1,139,459)	(4)	(649,300)	(2)	(75)
		31,318,178	100	30,083,677	100	4
58200	Total bad debts expense and guarantee liability provision (note 6 (g))	2,907,339	9	3,173,158	11	(8)
58500	Total employee benefits expenses (note 6(af))	9,186,273	29	8,712,245	29	5
59000	Total depreciation and amortization expense (note 6(ag))	1,436,285	5	988,379	3	45
59500	Total other general and administrative expense (note 6(ah))	4,738,206	14	4,985,437	17	(5)
		15,360,764	48	14,686,061	49	5
	Profit (loss) from continuing operations before tax	13,050,075	43	12,224,458	40	7
61003	Less: Income tax expenses	2,901,613	9	2,492,163	8	16
	Profit (loss)	10,148,462	34	9,732,295	32	4
65000	**Other comprehensive income:**					
65200	**Components of other comprehensive income that will not be reclassified to profit or loss**					
65201	Gains (losses) on remeasurements of defined benefit plans	(729,052)	(2)	(998,706)	(3)	27
65204	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	1,323,283	4	945,287	3	40
65220	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-	-
		594,231	2	(53,419)	-	67
65300	**Components of other comprehensive income (loss) that will be reclassified to profit or loss**					
65301	Exchange differences on translation of foreign financial statements (note 6 (ay))	(554,701)	(2)	292,921	1	(289)
65308	Unrealized gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	744,448	2	(996,170)	(3)	175
65320	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-	-
	Components of other comprehensive income that will be reclassified to profit or loss	189,747	-	(703,249)	(2)	127
65000	**Other comprehensive income**	783,978	2	(756,668)	(2)	204
	Total comprehensive income	**$ 10,932,440**	**36**	**8,975,627**	**30**	22
	Basic earnings per share (note 6(z))	$	**1.39**		**1.33**	

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LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent									
			Retained earnings			Total other equity interest				
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Total other equity interest	Total equity
Balance at January 1, 2018	$ 62,594,000	21,748,869	31,236,043	17,859,908	8,335,109	(1,067,300)	-	3,935,634	2,868,334	144,642,263
Effects of retrospective application	-	-	-	-	250,142	-	7,293,462	(3,935,634)	3,357,828	3,607,970
Equity at beginning of period after adjustments	62,594,000	21,748,869	31,236,043	17,859,908	8,585,251	(1,067,300)	7,293,462	-	6,226,162	148,250,233
Profit (loss)	-	-	-	-	9,732,295	-	-	-	-	9,732,295
Other comprehensive income	-	-	-	-	(998,706)	292,921	(50,883)	-	242,038	(756,668)
Total comprehensive income	-	-	-	-	8,733,589	292,921	(50,883)	-	242,038	8,975,627
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	2,601,283	-	(2,601,283)	-	-	-	-	-
Special reserve appropriated	-	-	-	8,938,378	(8,938,378)	-	-	-	-	-
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(62,646)	-	62,646	-	62,646	-
Reversal of the disposed land to special reserve	-	-	-	(11,588)	11,588	-	-	-	-	-
Balance at December 31, 2018	62,594,000	21,748,869	33,837,326	26,786,698	5,728,121	(774,379)	7,305,225	-	6,530,846	157,225,860
Profit (loss)	-	-	-	-	10,148,462	-	-	-	-	10,148,462
Other comprehensive income	-	-	-	-	(729,052)	(554,701)	2,067,731	-	1,513,030	783,978
Total comprehensive income	-	-	-	-	9,419,410	(554,701)	2,067,731	-	1,513,030	10,932,440
Capitalization of retained earning	10,606,000	-	-	(10,606,000)	-	-	-	-	-	-
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	2,743,529	-	(2,743,529)	-	-	-	-	-
Special reserve appropriated	-	-	-	3,658,038	(3,658,038)	-	-	-	-	-
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(274,314)	-	274,314	-	274,314	-
Reversal of the disposed land to special reserve	-	-	-	(25,972)	25,972	-	-	-	-	-
Balance at December 31, 2019	$ 73,200,000	21,748,869	36,580,855	19,812,764	8,497,622	(1,329,080)	9,647,270	-	8,318,190	168,158,300

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

		2019	2018
Cash flows from (used in) operating activities:			
Profit (loss) before tax	$	13,050,075	12,224,458
Adjustments:			
Adjustments to reconcile profit (loss):			
Depreciation expense		1,184,653	725,851
Amortization expense		295,862	300,860
Provision (reversal of provision) for bad debt expense		2,893,917	3,417,935
Interest expense		23,350,576	22,061,824
Interest income		(51,464,282)	(48,684,757)
Dividend income		(516,642)	(401,249)
Net change in provisions for guarantee liabilities		43,734	(297,600)
Net change in other provisions		(31,322)	54,098
Gain on disposal of property and equipment		(502,910)	(123,639)
Other adjustments to reconcile profit (loss)		1,371	-
Total adjustments to reconcile profit (loss)		(24,745,043)	(22,946,677)
Changes in operating assets and liabilities:			
Decrease (increase) in due from the central bank and call loans to banks		11,788,730	(8,187,814)
Decrease (increase) in financial assets at fair value through profit or loss		816,541	(990,092)
Increase in financial assets at fair value through other comprehensive income		(9,994,686)	(6,299,534)
(Increase) in investments in debt instruments measured at amortised cost		(10,678,951)	(33,794,443)
Decrease (increase) in securities purchased under resell agreements		(5,829,138)	7,639,954
Decrease (increase) in receivables		106,803	24,336
Increase in discounts and loans		(23,423,235)	(89,867,301)
Increase in other financial assets		(32,659)	(31,319)
Increase in other assets		(1,614,688)	(2,007,958)
Total changes in operating assets		(38,861,283)	(133,514,171)
Increase in deposits from the central bank and banks		26,333,174	86,910,517
Increase in financial liabilities at fair value through profit or loss		1,574,625	6,346,983
Decrease in notes and bonds issued under repurchase agreement		(2,341,144)	(5,417,535)
Increase (decrease) in payable		(4,826,398)	307,055
Increase (decrease) in deposits and remittances		(30,536,201)	26,561,610
Increase (decrease) in provisions for employee benefits		371,588	(564,708)
Increase (decrease) in other liabilities		39,122	37,062
Total changes in operating liabilities		(9,385,234)	114,180,984
Total adjustments		(72,991,560)	(42,279,864)
Cash inflow (outflow) generated from operations		(59,941,485)	(30,055,406)
Interest received		51,997,081	48,233,231
Dividends received		516,642	401,249
Interest paid		(26,197,223)	(23,012,416)
Income taxes refund (paid)		743,953	150,961
Net Cash flows from (used in) operating activities		(32,881,032)	(4,282,381)
Cash flows from (used in) investing activities:			
Acquisition of property and equipment		(640,266)	(602,418)
Proceeds from disposal of property and equipment		136,379	12,551
Decrease (increase) in refundable deposits		(27,854)	550,549
Acquisition of intangible assets		(304,000)	(289,993)
Acquisition of investment properties		-	(3,864)
Proceeds from disposal of investment properties		654,015	195,293
Net cash flows from (used in) investing activities		(181,726)	(137,882)
Cash flows from (used in) financing activities:			
Increase in due to the central bank and banks		(216,142)	(100,783)
Proceeds from issuing bank notes payable		11,500,000	-
Repayments of bank notes payable		(17,800,655)	(7,100,500)
Increase (decrease) in guarantee deposits received		320,443	(164,258)
Payment of lease liabilities		(450,190)	-
Decrease in other financial liabilities		(18,892)	(32,212)
Net cash flows from (used in) financing activities		(6,665,436)	(7,397,753)
Effect of exchange rate changes on cash and cash equivalents		(657,872)	323,164
Net increase (decrease) in cash and cash equivalents		(40,386,066)	(11,494,852)
Cash and cash equivalents at beginning of period		179,152,784	190,647,636
Cash and cash equivalents at end of period	$	138,766,718	179,152,784
Composition of cash and cash equivalents:			
Cash and cash equivalents reported in the statement of financial position	$	46,970,509	49,664,330
Due from the central bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7		85,577,859	129,099,242
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7		6,218,350	389,212
Cash and cash equivalents at end of period	$	138,766,718	179,152,784

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

LAND BANK OF TAIWAN CO., LTD. AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

Land Bank Of Taiwan Co., Ltd. (the "Bank") is a wholly-owned government bank of the Republic of China ("R.O.C."). The government of the R.O.C decided to take over the Nippon Kangyo Bank's Taipei branch along with other branches in Hsinchu, Taichung, Tainan and Kaohsiung to facilitate the implementation of such land policies as land-rights equalization and the land-to-tiller program. On September 1, 1946, these branches were reorganized and formed the Bank. According to the Banking Law, the Bank obtained the qualification of the legal person in May 1985. With the downsizing of the Taiwan Provincial Government on December 21, 1998, the Bank was transferred to the jurisdiction of the central government. On June 9, 2003, the Land Bank of Taiwan was approved by the Ministry of Finance, R.O.C. to change its organization to a limited Bank – Land Bank of Taiwan Co., Ltd., effective July 1, 2003. On May 21, 2004, it was further approved by authority to be a public Bank. The Bank is engaged mainly in the following operations:

(n) Accepting deposits and handling remittances;

(o) Issued credit debentures;

(p) Extending loans and discounts;

(q) Other related financial operations authorized by the Banking Law.

The Bank's head office is in Taipei, in addition to Department of Business, Department of Finance, Department of International Banking, Department of Trusts and Department of Securities, the Bank also has many domestic branches and overseas branches to expand various banking services. As of December 31, 2019 there were 150 domestic branches, an offshore banking branch and 7 overseas branches.

In order to integrate resources effectively, reduce operating costs, and improve operating efficiency and the Bank merged with Land Bank Insurance Brokers Co., Ltd. (the "Subsidiary") in accordance with Article 19 of the " Business Mergers and Acquisitions Act". The merger was approved by the board of directors on August 23, 2019, with the base date set at January 1, 2020, wherein the Bank was the surviving company, and the subsidiary was the dissolved entity.

(2) Approval date and procedures of the consolidated financial statements:

These consolidated financial statements were authorized for issuance by the Bank's board of directors on March 27, 2020.

(3) New standards, amendments and interpretations adopted:

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	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
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 16"Leases"

IFRS 16 replaces the existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings on January 1, 2019. The details of the changes in accounting policies are disclosed below,

1) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note (XX)

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

2) As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Group decided to apply recognition exemptions to short-term leases of machinery and leases of IT equipment.

- Leases classified as operating leases under IAS 17

  At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at either:

  - their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application – the Group applied this approach to its largest property leases; or
  - an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Group applied this approach to all other lease.

  In addition, the Group used the following practical expedients when applying IFRS 16 to leases.

  - Applied a single discount rate to a portfolio of leases with similar characteristics.
  - Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
  - Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.
  - Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
  - Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) Impacts on financial statements

On transition to IFRS 16, the Group recognised additional $1,191,408 thousands of right-of-use assets, $1,186,109 thousands of lease liabilities and loss $5,299 thousand of prepaid rents, recognising the difference in retained earnings. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is between 1.165%~2.7973% .

The explanation of differences between operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and lease liabilities recognized in the statement of financial position at the date of initial application disclosed as follows:

	January 1, 2019
Operating lease commitment at December 31, 2018 as disclosed in the Group's consolidated financial statements	$ 1,193,313
Recognition exemption for:	
short-term leases	(31,281)
Residual value guarantees	200,316
	$ 1,362,348
Discounted using the incremental borrowing rate at January 1, 2019	$ 1,191,408
Finance lease liabilities recognized as at December 31, 2018	(5,299)
Lease liabilities recognized at January 1, 2019	$ 1,186,109

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020 in accordance with Ruling No. 1080323028 issued by the FSC on July 29, 2019:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"	January 1, 2020
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

The Group assesses that the adoption of the abovementioned standards would not have any material impact on its consolidated financial statements.

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date to be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

(4) Summary of significant accounting policies:

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Criteria Governing the Preparation of Financial Reports by Securities Firms, the related laws, and International Financial Reporting Standards, International Accounting Standards, and Interpretations endorsed by the FSC (hereinafter referred to as the IFRS endorsed by the FSC).

(b) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Bank and its subsidiary. The financial statement of the subsidiary is included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

(ii) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Name of activity	Shareholding December 31, 2019	Shareholding December 31, 2018	Description
Land Bank of Taiwan	Land Bank Insurance Brokers	Life and property insurance broker	100 %	100 %	According to Yuan-Tai-Cai-Zi No.1080092275 published by Executive Yuan and Tai-Cai-Ku No.10816008240 published by Ministry of Finance, the Bank should conduct disinvestment for its subsidiary in 2019. The Bank had lost substantial control over its subsidiary as of December 31, 2019, wherein it generally accepted all assets and liabilities of its subsidiary in accordance with the merger contract. Therefore, the investment accounted for using the equity method was reclassified as other receivables.

(c) Basis of preparation

(i) Basis of measurement

The financial statements have been prepared on a historical cost basis except for the following material items in the statement of financial position:

1) Financial instruments measured at fair value through profit or loss are measured at fair value (Derivative financial instruments included);

2) Financial assets at fair value through other comprehensive income;

3) The defined benefit liability is recognized as the present value of the defined benefit obligation, less, the net value of pension plan assets after adjusting the unrecognized actuarial gains and losses and unrecognized past service costs;

4) Parts of the properties and investment properties are recognized as deemed costs using the ROC Generally Accepted Accounting Principles (ROC GAAP) revaluations.

(ii) Functional and presentation currency

The functional currency of each Group entities is determined based on the primary economic environment in which the entities operate. The Groups' financial statements are presented in New Taiwan Dollar, which is the Groups' functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

(iii) General accounting affairs

The Groups are wholly-owned government Group, and its accounting practices mainly follow the Budget Act, Financial Statement Act, and Uniform Regulations of Accounting System for Financial Institutions by the Ministry of Finance. The annual financial statements are audited by the Ministry of Audit to ensure that the Group complies with the budget approved by the Legislative Yuan. The Group's financial statements have been finalized after such an audit.

The accounts of the Groups as of and for the year ended December 31, 2015, have been examined by the Ministry of Audit, Control Yuan of R.O.C., and adjustments from this examination have been recognized in the accompanying financial statements for 2015, which have been restated. Please refer to note 12(b).

(iv) Basis of Preparation

The accompanying financial statements include the accounts of the head office, the OBU, and all domestic and overseas branches. All inter-branch and inter-office accounts and transactions have been eliminated.

(d) Foreign currency

(i) Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for the following differences which are recognized in other comprehensive income arising on the retranslation:

1) available-for-sale equity investment;

2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or

3) qualifying cash flow hedges to the extent the hedge is effective.

(ii) Foreign operations

The assets and liabilities of foreign operations are translated to the Groups' the functional currency at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the Groups' the functional currency at exchange rates at the transaction dates. Foreign currency differences are recognized in other comprehensive income.

(e) Cash and Cash Equivalents

Cash and cash equivalents in the statements of financial position comprise cash on hand, demand deposits, checking deposits, unrestricted time deposits that are readily convertible to known amounts of cash without impairing the principal, and highly liquid investments that are subject to an insignificant risk of changes in value. Due from the Central Bank, call loans to banks, and notes and bonds purchased under resell agreements which meet the definition in the International Accounting Standard 7 ("IAS 7"), are included as components of cash and cash equivalents for the purpose of stating the cash flows.

(f) Financial Instruments

Financial assets and financial liabilities are initially recognized when the Groups become a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially recognized when the Group become a party to the contractual provisions of the instruments. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade date accounting.

(i) Financial assets

Financial assets are classified into the following categories: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

The Group shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

1) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets and accounts receivable, which is presented as accounts receivable. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

Financial assets classified as FVOCI include the following:

a) A debt investment is measured at FVOCI if it meets both of the following conditions:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

b) On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Group's right to receive payment is established.

3) Financial assets measured at amortized cost

A financial assets is measured at amortized cost if it meets both of the following conditions:

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

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

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Overdue loans represent outstanding loans whose principal or interest payments are more than three months past due and are not extended, or whose principal or interest payments are not past due but for which the Groups are engaged in litigation or have disposed of the collateral.

The overdue receivables are classified as delinquent receivables when they are overdue for more than six months. When the principal and the related interest receivable are transferred to delinquent receivables, interests accrual are ceased internally but continue to accrue externally and are recorded in the memo account. Interest received after the interest accrual is ceased and is recognized as revenue.

4) Repo and reverse repo transactions with notes and bonds

Repo and reverse repo transactions with notes and bonds are treated as financing transactions based on its transaction in practice. Interest revenue and expense are recognized on an accrual basis on the transaction date (when the notes and bonds are sold and purchased) and the agreed repurchased and resell date. Investments on repo and reverse repo transactions with notes and bonds are recognized on the date it is sold and purchased.

5) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses on financial assets measured at amortized cost and debt investments measured at FVOCI. The loss allowance of debt investment measured at FVOCI should be recognized in other comprehensive income, instead of reducing the carting amount of financial assets on the balance sheet.

(ii) Financial liabilities

The financial liabilities held by the Groups include financial liabilities measured at fair value through profit or loss and other financial liabilities.

1) Financial liabilities at fair value through profit or loss

A financial liability classified in this category includes held-for-trading and financial liabilities measured at fair value through profit or loss. Held-for-trading financial instruments are acquired principally for the purpose of selling or repurchasing in the short term. Derivative instruments are classified as financial instrument, except for derivative instruments that are designated as effective hedging instrument. This type of financial liability is measured at fair value at the time of initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, financial liabilities measured at fair value, and changes therein, which take into account any interest expense, are recognized in profit or loss. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using the trade-date accounting.

2) Other financial liabilities

Financial liabilities not classified as held-for-trading or designated as at fair value through profit or loss (which comprise of due from banks, deposits, accounts payble and other payables) are measured at fair value, plus, any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method.

(iii) Derecognition of financial assets and liabilities

1) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

2) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss

(iv) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(g) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost of property and equipment includes the acquisition price and expenditure that directly attributable to bringing the asset to the location and condition necessary for it to be capable of reaching its expected operations, initial estimate costs of dismantling and removing the item and restoring the site on which it is located.

When property and equipments comprised of different components, it is more appropriate to separately depreciate each component with a cost that is significant in relation to the total cost of the item using different depreciation rate and methods and considered each component (significant component) as individual item.

The difference between the net disposal proceeds and the carrying amount of the item shall be recognized as net profit or loss of property transactions.

(ii) Reclassification to investment property

When there is a change in use, the Groups treat the owner occupied property as investment property; the property shall be reclassified to investment property at carrying amount from then on.

(iii) Subsequent cost

When there is a change in use, the Groups treat the owner occupied property as investment property; the property shall be reclassified to investment property at carrying amount from then on.

(iv) Depreciation

Except for land, each significant part of an item of property and equipment is depreciated separately, unless, the useful life and the depreciation method of an item of property and equipment are the same as the useful life and depreciation method of another significant part of that same item. Leasehold improvements are depreciated based on its useful lives, as well as the shorter of lease terms by using the straight-line methods. The Groups will assess the remaining useful lives, depreciation methods, residual value and changes in remaining useful lives. The depreciation methods and residual value are accounted for as a change in an accounting estimates and are adjusted using deferral method.

The estimated useful lives of property and equipment are as follows:

(i) Buildings:10 to 65 years

(ii) Machinery and equipment:3 to 25 years

(iii) Transportation equipment:3 to 25 years

(iv) Miscellaneous equipment:3 to 25years

(v) Land improvements:5 to 15 years

(vi) Leasehold improvements:The asset is depreciated over the shorter of the lease term and its useful life.

(vii) Air conditioning engineering:8 years

(viii) Escalator engineering:15 years

(ix) Renovation project:10 years

(h) Investment in Real Estate

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, for use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition and measured at cost, less, accumulated depreciation and accumulated impairment loss subsequently. Subsequent to initial recognition, depreciation charge of investment property, except for land, is calculated using the depreciable amount on a straight-line basis over its useful lives of 10~65 years. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of raw materials and direct labor, and any other costs directly attributable to bringing the investment property to a working condition for its intended use and capitalized borrowing costs.

When the use of a property changes such that it is reclassified as plant and equipment, its fair value on the date of reclassification becomes its cost for subsequent accounting.

(i) Leases

Applicable from January 1, 2019

(i) Identifying a lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and

2) the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

3) the Group has the right to direct the use of the asset throughout the period of use only if either:

- the Group has the right to direct how and for what purpose the asset is used throughout the period of use; or
- the relevant decisions about how and for what purpose the asset is used are predetermined and:
  - the Group has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
  - the Group designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

(ii) As a leasee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

— fixed payments;

— variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

— amounts expected to be payable under a residual value guarantee; and

— payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

— there is a change in future lease payments arising from the change in an index or rate; or

— there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or

— there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or

— there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

If an arrangement contains lease and non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

<u>Applicable before January 1, 2019</u>

(i) Lessor

A finance lease asset is recognized on a net basis as lease receivable. Initial direct costs incurred in negotiating and arranging an operating lease are added to the net investment in the leased asset. The finance income is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the receivable.
Lease income from an operating lease is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and recognized as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into the operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

Contingent rents are recognized as income in the period when the lease adjustments are confirmed.

(ii) Lessee

Leases in which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the lease asset is measured at an amount equal to the lower of its fair value or the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset.

Minimum lease payments made under finance leases are apportioned between the finance cost and the reduction of the outstanding liability. The finance cost is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Other leases are operating leases and are not recognized in the Group's consolidated balance sheets.

Payments made under operating leases (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Contingent rent is recognized as expense in the period in which it is incurred. Recognition of income arising from a sale and leaseback transaction depends upon the type of lease involved. If a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount is deferred and amortized over the lease term. If a sale and leaseback transaction results in an operating lease, and it is clear that the transaction is established at fair value, any profit or loss is recognized immediately. If the sales price is below fair value, any profit or loss shall be recognized immediately except that if the loss is compensated for by future lease payments at below-market price, it is deferred and amortized in proportion to the lease payments over the period for which the asset is expected to be used. If the sales price is above fair value, the excess over fair value is deferred and amortized over the period for which the asset is expected to be used.

For operating leases, if the fair value at the time of a sale and leaseback transaction is less than the carrying amount of the asset, a loss equal to the amount of the difference between the carrying amount and the fair value shall be recognized immediately.

(j) Intangible Assets

The Groups' intangible assets are initially recognized at cost. Subsequently, the intangible assets shall be carried at the costs, less, accumulated amortization and accumulated impairment losses. The depreciable amount is determined by the original cost, less, its residual value. Amortization is recognized as an expense on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

Intangible asset is computer software which is amortized by using the straight-line method over 3-5 years. The useful lives of intangible assets are as follows:

Computer software: 3~5 years

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each fiscal year-end. Any change shall be accounted for as changes in accounting estimates and adjusted by using deferral methods.

(k) Impairment of non-financial assets

The Groups assess at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the Groups shall estimate the recoverable amount of that asset and an impairment loss is recognized if the recoverable amount of an asset is less than its carrying value. The accumulated impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if the impairment loss is no longer exists or may have decreased. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount, as a reversal of a previously recognized impairment loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount, less depreciation and amortization in prior years.

(l) Provision for bad debts and provision for guarantee liabilities

The ending balance of allowance for bad debts and guarantee liability provision on all credit assets in the balance sheets and off-balance sheets is in accordance with the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans, with considerations of the status of loan collaterals and the length of time overdue. The Groups classify credit assets into normal credit assets, assets that require special mention, assets that are substandard and assets that are doubtful. The allowance for doubtful debt for each credit assets are 0.5%, 2%, 10%, 50% and 100%, respectively. The allowance for doubtful debt on credit card receivables is in accordance with the Regulations Governing Institutions Engaging in Credit Card Business. The abovementioned regulations are the minimum standards on allowance for doubtful debts for credit assets in the balance sheets and off-balance sheets.

In addition, the Groups adopt the assessment of IAS 39, which conforms to the definition of impairment loss in loans and receivables.

(m) Provisions

A provision is recognized if, as a result of a past event, the Groups have a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The discounted amortization is recognized as interest expense.

(n) Interest income and interest expense

Except for financial assets and liabilities reported at fair value through profit or loss, all interests of bearing financial assets and interest-bearing financial liabilities are accrued using the effective interest rate method and are accounted for as interest revenue and interest expense in profit or loss. The effective interest rate refers to the interest rate used to discount the estimated future cash paid or received for the expected duration and the shorter of period, which is equivalent to the carrying amount of financial assets or liabilities. To calculate the effective interest rate, the Groups consider all the conditions in the contracts of financial instruments to estimate cash flows, except for future credit loss. The abovementioned calculation includes all expenses, transaction costs and other discounts or premiums that are received from and paid to the counterparty and which belong to parts of effective interest rates. Transaction costs include incremental costs that are attributable to acquisition, issuance or disposal of financial assets or financial liabilities.

(o) Commission fee revenue and expenses

Commission fee revenue and expenses are recognized when loans or other services are provided. Service fees on significant projects are recognized on project completion. Commission revenue and fees relating to subsequent loan services are amortized through service periods or included in the effective interest rate for loans and receivables. Whether to adjust the agreed interest rate of loans and receivables to its effective interest rate, the Groups should first consider the materiality of this effect. If it is insignificant, the Groups should use the original amount of loans and receivables for measurement.

(p) Employee benefit

(i) Short term employee benefit

When an employee has rendered service to an entity during an accounting period, the Groups shall recognize the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service.

(ii) Definite benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Groups' net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on bonds (market yields of high quality corporate bonds or government bonds) that have maturity dates approximating the terms of the Groups' obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. At each reporting date, the defined benefit liability is recognized as the present value of the defined benefit obligation, less, the net value of pension plan assets after adjusting the unrecognized actuarial gains and losses and unrecognized past service costs.

Remeasurements of the net defined benefit liability or asset comprise: a) actuarial gains andlosses; b) return on plan assets, excluding amounts included in net interest on the netdefined benefit liability (asset); and c) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset). The remeasurements of the net defined benefit liability or asset are recognized in other comprehensive income. The Group and its subsidiary have elected to transfer the amount arising from remeasurement to retained earnings.

(iii) Defined contribution benefit

In accordance with the labor pension systems, the Groups have contributed 6% of salaries to individual pension accounts managed by the Bureau of Labor Insurance and recognized as employee benefit expenses for that period.

(iv) Preferential interest deposits

The Groups provide their employees the preferential interest deposits, including that for current employees and retired employees. The difference between the preferential interest rate and the market rate belongs to the employee benefit.

In accordance with the Regulations Governing the Preparation of Financial Reports by the Public Banks, for the preferential interest deposits paid for current employees, the Groups shall calculates the interest monthly on accrual basis. The different amount of the preferential interest rate and market interest rate is recognized under the preferential interest account in the comprehensive Income statement. When the employees retired, the Groups shall calculate the excess interest using actuarial method by adopting the IAS 19. However the actuarial assumptions shall follow the government's related regulations.

(v) Civil servant and teacher insurance excess annuity benefit plans

According to the "Civil Servant and Teacher Insurance Act" (the CSTI Act) that took effect on May 29, 2015 and Tui-Yi-Zi No. 10440257582 issued on Oct 14, 2016, by the Ministry of Finance, the Group's employees who are not qualified for preferential interest deposits are entitled to receive annuity when retiring or getting laid off if they meet the requirements prescribed in Article 16 and 18 of the CSTI Act. The sum of the monthly payments from this annuity and the total amount of the defined benefit plan shall not exceed 80% of twice the amount of the employee's salary at the time of retirement. Moreover, if the payment rate of the annuity is lower than the basic rate of annuity, the annuity will be calculated using the latter rate. However, if the payment rate is higher than the upper limit, the annuity is calculated based on 1.3%.

The Group is responsible for the portion of the annuity payments that exceeds 0.75% and the calculation is reviewed by the insurance carrier on a monthly basis in accordance with the CSTI Act.

(q) Income Tax

Income tax expenses include both current taxes and deferred taxes. Except for expenses that are related to other comprehensive income directly or expenses recognized in equity and other related expenses, all current and deferred taxes shall be recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and loss carry forward to the extent that it is probable to receive income tax in the future. Deferred income tax assets and liabilities are offset if they are related to income taxes levied by the same tax authorities or different tax authorities but intend to offset using the net settlement of current income tax liabilities and assets or the simultaneous realization in income tax liabilities and assets.

Current taxes and deferred tax for the year are calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as the tax adjustments related to prior years.

The Groups review the carrying amount of deferred tax assets at each reporting date. The carrying value of deferred tax asset is reduced if it is unlikely that there is sufficient income tax provided to profits realized in parts or entire deferred tax assets. If it is likely that there is sufficient income tax provided, the amount that is originally reduced in deferred tax asset is reversed within the range in which the profit is realized.

(r) Earnings per Share

The Groups disclose the Groups' basic earnings per share attributable to ordinary equity holders of the Groups. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholders of the Groups divided by the weighted-average number of ordinary shares outstanding.

(s) Operating Segments Information

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the financial statements in conformity with Regulations Governing the Preparation of Financial Reports by Public Banks, requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Management continued to monitor the accounting assumptions, estimates and judgments. Management recognized the changes in the accounting estimates during the period, and the impact of the changes in the accounting estimates in the next period.

Determining the book value of the assets and the liabilities as the following that have significant effect on amounts recognized in the financial statements are influenced by accounting assumptions and judgments.

(a) Impairment loss on loans

The Group reviews loan portfolio to assess expected credit loss periodically. In determining an expected credit loss should be recorded as the amount of 12-month ECL or lifetime ECL, the Group makes judgments as to whether there has been significant increase in credit risk since initial recognition of the asset. When assessing ECL, the Group takes Loss Given Default (LGD) into the consideration of Probability of Default (PD) of its clients, and multiplies it by Exposure of Default. The influence of time value of money must also be considered when estimating 12-month ECL and lifetime ECL. The Group reviews its experience and forward-looking estimation to decide the assumptions and input value for ECL calculation on every report date.

(b) Fair value and expected credit loss of financial instruments

(i) Fair value of financial instruments

The fair value of non-active market or non-quoted financial instruments is determined using valuation techniques. Such fair value is based on observable data of similar financial instruments or valuation model. If there are no observable market parameters, the fair value of financial instruments is evaluated based on appropriate assumptions. If fair value is determined by the valuation model, the model is calibrated to ensure that all output data and the results are reflected in the actual market price. This valuation model use only observable data as much as possible. As for credit risk (self-owned and the contractualparties), the managements shall estimate its correlations and its fluctuations.

(ii) Expected credit loss of financial instruments

The Group should recognized the 12-month ECL of its financial instruments classified as at amortized cost or FVOCI at initial recognition, whether there is objective evidence of impairment. When the credit risk increases or there is objective evidence of impairment, the Group increases the lifetime ECL. The Group reviews its historical experience and forward-looking estimation to decide the assumptions and input values for impairment assessment on every report date.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

		December 31, 2019	December 31, 2018
Cash on hand	$	18,690,856	11,529,700
Checks for clearing		8,236,131	13,587,845
Due from banks		20,043,522	24,546,785
	$	**46,970,509**	**49,664,330**

The balance details of cash and cash equivalents in cash flow statement are as follow:

		December 31, 2019	December 31, 2018
Cash and cash equivalents in the statement of financial position	$	46,970,509	49,664,330
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7		85,577,859	129,099,242
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7		6,218,350	389,212
Total	**$**	**138,766,718**	**179,152,784**

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

		December 31, 2019	December 31, 2018
Reserves for deposits - a/c B	$	59,449,906	60,409,475
Reserves for deposits - a/c A		10,761,806	60,660,052
Deposits in the Central Bank		31,000,000	36,000,000
Less: Accumulated impairment loss (note6(g))		(317)	(293)
Deposits in the authorities in the oversea		2,327,700	1,829,586
Call loans to banks		72,488,353	66,609,604
Less: Allowance for doubtful accounts (note 6(g))		(74,636)	(28,362)
Net	**$**	**175,952,812**	**225,480,062**

As required by law, the reserves for deposits in the Central Bank are calculated by applying the prescribed rates to the average monthly balances of various types of deposit accounts. The use of reserves for deposits - a/c B is restricted by the Central Bank.

As of December 31, 2019 and 2018, the due from the Central Bank and call loans to banks were not pledged as collateral for business reserves and guarantees to other parties.

(c) Financial assets and liabilities at fair value through profit or loss (FVTPL)

(i) Financial assets measured at fair value through profit or loss were as follows:

	December 31, 2019	December 31, 2018
Financial assets designated as at fair value through through profit or loss:		
Corporate bonds	$ 607,513	605,123
Financial institution bond	1,059,764	1,067,362
Subtotal	1,667,277	1,672,485
Mandatorily measured at fair value through profit or loss:		
Commercial papers	584,487	975,758
Acceptence Bill	-	20,344
Corporate bonds	10,500	839,525
Stocks	1,024,217	1,158,054
Futrue margin	166	166
Beneficiary certificates	52,318	34,237
Options	3,199	107
Forward exchange contracts	11,425	4,590
Interest rate swap contracts	114	19,258
Asset swap	761,896	180,336
Foreign-currency swap contracts	321,544	348,824
Subtotal	2,769,866	3,581,199
Total	$ **4,437,143**	**5,253,684**

(ii) Financial liabilities at fair value through profit or loss (FVTPL):

	December 31, 2019	December 31, 2018
Designated as fianacial liabilities at FVTPL:		
Financial bonds	$ 10,081,735	9,626,516
Avaliable-for-sale financial liabilities:		
Forward exchange contracts	31,207	9,746
Foreign-currency swap contracts	1,329,540	122,421
Interest rate swap contracts	22,498	9,677
Assets swap	-	125,188
Options	3,206	13
Subtotal	1,386,451	267,045
Total	$ **11,468,186**	**9,893,561**

(iii) The contracts amount of derivative financial instruments is summarized as follows:

	December 31, 2019	December 31, 2018
Forward exchange contracts	$ 3,620,845	3,342,488
Foreign-currency swap contracts	92,671,506	40,073,790
Interest rate swap contracts	1,434,690	1,683,680
Options	9,296,900	10,296,225
Asset swap	239,920	61,470

(iv) The net gains on financial assets held for trading for the years ended December 31, 2019 and 2018 were $968,405 thousand dollars and $831,020 thousand dollars, respectively. The net losses on financial liabilities held for trading for the years ended December 31, 2019 and 2018 were losses of $2,459,406 thousand dollars and $509,205 thousand dollars, respectively.

(v) No financial asset at fair value through profit and loss was pledged at December 31, 2019, and 2018.

(d) Financial assets at fair value through other comprehensive income (FVOCI)

	December 31, 2019	December 31, 2018
Debt instruments at FVOCI:		
Domestic bonds	$ 36,434,739	35,287,242
Corporate bonds	6,037,535	4,181,736
Financial bonds	54,096,599	47,057,610
Negotiable certificates of deposit	2,947,144	2,478,248
Subtotal	99,516,017	89,004,836
Equity instruments at FVOCI:		
Listed common shares- domestic company	9,778,806	8,535,893
Unlisted common shares- domestic company	5,308,621	5,001,400
Subtotal	15,087,427	13,537,293
Total	**$ 114,603,444**	**102,542,129**

(i) The loss allowance of financial assets at FVOCI for the year ended December 31, 2019 and 2018 were reclassified from "Other equity- loss allowance for financial assets at FVOCI" to loss , without impacts to the carrying amount of financial assets at FVOCI so far. For the changes of loss allowance, please refer to note 6 (ak)

(ii) Equity investment at FVOCI

The Group held the equity investment for long-term strategic investment instead of trade purpose, and therefore, designated them as at fair value through other comprehensive income.

For the yaer ended December 31, 2019 and 2018, the dividend income from the equity investment at FVOCI was $481,624 thousand and $511,069 thousand.

For the year ended December 31, 2019 and 2018, the loss arising from disposal of equity investment at FVOCI was $274,314 thousand and $62,646 thousand. The Group has transfered the disposal loss from other equity to retain earnings.

(iii) For the investment profit or loss and change in equtiy, please refer to note 6 (y) and (ad).

(iv) As of December 31, 2018, the financial assets at FVOCI was pledged to other parties as collateral for business reserves and guarantees. Please refer to note 8.

(e) Notes and bonds issued under repurchase/resell agreement

There is no note and bond issued under resell agreement in 2019 and 2018. Securities sold under repurchase agreements, and their buyback amounts using determined price were as follows:

	December 31, 2019			
Items	**Bond Book Value**	**Repurchase agreement**	**Repurchase Price**	**Repurchase Date**
Resell agreement:				
Commercial papers	$ 5,486,000	5,478,070	5,480,106	Resell gradually before January 21, 2020
NCD	740,000	740,280	740,561	Resell gradually before January 15, 2020
	$ 6,226,000	**6,218,350**	**6,220,667**	
Repurchase agreement:				
Goverment bonds	**$ 6,946,900**	**(7,399,137)**	**(7,408,866)**	Repurchase gradually before July 06, 2020

	December 31, 2018			
Items	**Bond Book Value**	**Repurchase agreement**	**Repurchase Price**	**Repurchase Date**
Repurchase agreement:				
Commercial papers	**$ 390,000**	**389,212**	**389,300**	Repurchase gradually before January 17, 2019
Repurchase agreement:				
Government bonds	**$ 9,151,200**	**(9,740,281)**	**(9,753,328)**	Repurchase gradually before June 27, 2019

(f) Receivables, net

		December 31, 2019	December 31, 2018
Accounts receivable	$	1,958,262	1,637,496
Client's Position - Debit		983,016	618,007
Earned income receivable		9,972	14,585
Interest receivable		4,661,669	5,194,467
Receivables from acceptence bills		861,099	1,665,302
Other receivables		292,061	276,499
Total		8,766,079	9,406,356
Less: Allowance for doubtful accounts (note 6(g))		(61,357)	(66,011)
Net	$	**8,704,722**	**9,340,345**

(g) Discounts and loans, net

		December 31, 2019	December 31, 2018
Import and export bills negotiated	$	61,785	452,170
Account receivables financing		24,600	31,900
Margins loans receivables		1,343,671	1,111,478
Discounted bills		431,117	571,104
Overdrafts		41,290	1,223,250
Secured overdrafts		934,538	1,669,907
Short-term loans		95,483,696	149,326,762
Short-term secured loans		36,263,413	35,706,331
Medium-term loans		238,833,962	246,915,129
Medium-term secured loans		475,327,956	427,407,408
Long-term loans		23,777,897	26,384,218
Long-term secured loans		1,142,620,541	1,102,170,396
Overdue loans		3,077,659	3,036,718
Total		2,018,222,125	1,996,006,771
Less: Allowance for doubtful accounts		(31,727,060)	(30,206,215)
Less: Adjustment for discounts and premiums		10,296	6,677
Net	$	**1,986,505,361**	**1,965,807,233**

(i) As of December 31, 2019 and 2018, the balances of loans for which accrual of interest revenues was discontinued were $3,105,588 thousand, and $3,043,696 thousand, respectively. The unrecognized interest revenues on these loans were $63,665 thousand and $60,874 thousand for the years ended December 31, 2019 and 2018, respectively.

(ii) The changes in allowance for doubtful accounts on loans, receivables and call loans to Groups were as follows:

	2019	2018
Beginning balance	$ 30,206,215	27,846,235
Effects of retrospective application	-	(211,849)
Beginning balance after adjustment	30,206,215	27,634,386
Provision (reversal of provision) for possible losses and doubtful accounts	2,823,541	3,345,378
Write off	(2,024,053)	(1,827,099)
Recoveries	819,791	1,022,863
Effects of changes in exchange rates and others	(98,434)	30,687
Ending balance	**$ 31,727,060**	**30,206,215**
Receivables (including other financial assets):		
Beginning balance	$ 133,839	569,831
Effects of retrospective application	-	(41,825)
Beginning balance after adjustment	133,839	528,006
Provision (reversal of provision) for possible losses and doubtful accounts	18,622	52,308
Write off	(32,856)	(487,108)
Recoveries	25,486	41,275
Effects of changes in exchange rates and others	(644)	(642)
Ending balance	**$ 144,447**	**133,839**
Call loans to banks:		
Beginning balance	$ 28,362	4,749
Effects of retrospective application	48,700	23,314
Effects of changes in exchange rates and others	(2,426)	299
Ending balance	**$ 74,636**	**28,362**

(iii) Allowance for doubtful accounts in related accounts are as follows:

	December 31, 2019	December 31, 2018
Receivables	$ 61,357	66,011
Discounts and loans	31,727,060	30,206,215
Other financial assets	83,090	67,828
Call loans to banks	74,636	28,362
Expected credit losses-financial instrument (note6 (aj))	11,527	9,585
Total	**$ 31,957,670**	**30,378,001**

(iv) The summary of the provision for loan losses and credit related losses in comprehensive income statement for the years ended December 31, 2019 and 2018 were as follows:

		2019	2018
Provision for losses on discounts and loans	$	2,842,163	3,397,686
Provision (reversal of provision) for losses on guarantees		44,534	(298,125)
Provision (reversal of provision) for other		(32,526)	39,984
Provision for financial commitments		1,391	13,364
Provision for losses on call loans to banks		48,700	23,314
Expected credit losses-financial instrument(Note 6(aj))		3,077	(3,065)
Total	$	**2,907,339**	**3,173,158**

(v) The analysis of impairment for financial assets is disclosed in note 6(aj).

(h) Debt investment at amortized cost

		December 31, 2019	December 31, 2018
Government bonds	$	137,773,682	128,639,485
Corporate bonds		16,890,168	10,105,010
Financial bonds		19,312,556	7,560,782
Commercial papers		36,836,038	3,248,273
Domestice negotiable certificates of deposit		386,925,023	437,505,000
		597,737,467	587,058,550
Less:Loss allowance		(11,210)	(9,292)
	$	**597,726,257**	**587,049,258**

(i) The Group has assessed that these financial assets are held-to-maturity to collect contractual cash flows, which consist solely of payments of principal and interest on principal amount outstanding. Therefore, these investments were classified as financial assets measured at amortized cost. 。

(ii) For the year ended December 31, 2018, the disposal loss from disposing debt investment measured at amortized cost was $3 thousand.

(iii) For the information of credit risk, please refer to note 6 (aj)

(iv) As of December 31, 2018, the debt investment measured at amortized cost was pledged to other parties as collateral for business reserves and guarantees for $23,355,725 thousand. Please refer to note (8).

(i) Other financial assets, net

	December 31, 2019	December 31, 2018
Overdue loans and others	$ 121,854	96,563
Less: allowance for bad debt - Overdue loans and others (note 6(g))	(83,090)	(67,828)
Total	$ 38,764	28,735

(j) Property and Equipment, net

(i) The cost, the accumulated depreciation, and the accumulated impairment of property and equipment were as follows:

	December 31, 2019			
Asset	Cost	Accumulated depreciation	Accumulated impairment	Net
Land	$ 14,476,776	-	(1,026)	14,475,750
Land improvements	11,847	(11,847)	-	-
Buildings	12,152,231	(6,125,851)	-	6,026,380
Machinery and computer equipment	2,513,311	(1,546,893)	-	966,418
Transportation equipment	438,039	(370,655)	-	67,384
Miscellaneous equipment	873,726	(660,602)	-	213,124
Leasehold improvements	102,768	(66,005)	-	36,763
Construction in progress	62,800	-	-	62,800
Machinery on order	671,033	-	-	671,033
Total	$ 31,302,531	(8,781,853)	(1,026)	22,519,652

	December 31, 2018			
Asset	Cost	Accumulated depreciation	Accumulated impairment	Net
Land	$ 14,516,060	-	(1,026)	14,515,034
Land improvements	11,847	(11,847)	-	-
Buildings	11,990,881	(5,855,557)	-	6,135,324
Machinery and computer equipment	2,409,184	(1,380,514)	-	1,028,670
Transportation equipment	450,162	(377,791)	-	72,371
Miscellaneous equipment	848,727	(664,834)	-	183,893
Leasehold improvements	181,179	(117,980)	-	63,199
Construction in progress	122,614	-	-	122,614
Machinery on order	504,582	-	-	504,582
Total	$ 31,035,236	(8,408,523)	(1,026)	22,625,687

(ii) The change of property and equipment were as follows:

	Land	Buildings	Others	Total
Cost:				
Balance at January 1, 2019	$ 14,516,060	11,990,881	4,528,295	31,035,236
Additions	-	-	640,266	640,266
Disposals	(39,284)	-	-	(39,284)
Write-offs	-	-	(329,571)	(329,571)
Reclassification	-	161,350	(161,350)	-
Effect of change in exchange rates	-	-	(4,116)	(4,116)
Balance at December 31, 2019	**$ 14,476,776**	**12,152,231**	**4,673,524**	**31,302,531**
Balance at January 1, 2018	$ 14,690,310	12,107,203	4,606,219	31,403,732
Additions	-	-	602,418	602,418
Write-offs	-	-	(607,319)	(607,319)
Reclassification	(174,250)	(116,322)	(74,270)	(364,842)
Effect of change in exchange rates	-	-	1,247	1,247
Balance at December 31, 2018	**$ 14,516,060**	**11,990,881**	**4,528,295**	**31,035,236**
Depreciation and Amortization:				
Balance at January 1, 2019	$ 1,026	5,855,557	2,552,966	8,409,549
Depreciation	-	270,294	434,762	705,056
Disposals	-	-	(329,069)	(329,069)
Effect of change in exchange rates	-	-	(2,657)	(2,657)
Balance at December 31, 2019	**$ 1,026**	**6,125,851**	**2,656,002**	**8,782,879**
Balance at January 1, 2018	$ 2,632	5,716,660	2,729,927	8,449,219
Depreciation	-	270,823	416,696	687,519
Disposals	-	-	(594,767)	(594,767)
Reclassification	(1,606)	(131,926)	-	(133,532)
Effect of change in exchange rates	-	-	1,110	1,110
Balance at December 31, 2018	**$ 1,026**	**5,855,557**	**2,552,966**	**8,409,549**
Carrying amounts:				
December 31, 2019	**$ 14,475,750**	**6,026,380**	**2,017,522**	**22,519,652**
December 31, 2018	**$ 14,515,034**	**6,135,324**	**1,975,329**	**22,625,687**

(iii) No property and equipment was pledged at December 31, 2019 and 2018.

(k) Right-of-use assets

The Group leases many assets including land and buildings, vehicles, machinery and IT equipment. Information about leases for which the Group as a lessee was presented below:

	Land	Buildings	Machinery and equipment	Total
Cost:				
Balance at January 1, 2019	$ 1,463	1,182,085	7,860	1,191,408
Additions	5,663	422,422	57	428,142
Disposal/Write-off	-	(64,001)	(23)	(64,024)
Effects of retrospective application	-	(6,912)	(20)	(6,932)
Balance at December 31, 2019	**$ 7,126**	**1,533,594**	**7,874**	**1,548,594**
Accumulated depreciation and impairment losses:				
Balance at January 1, 2019	$ -	-	-	-
Depreciation for the year	1,518	430,314	3,535	435,367
Disposal/Write-off	-	(20,973)	-	(20,973)
Effects of retrospective application	-	(1,881)	(9)	(1,890)
Balance at December 31, 2019	**$ 1,518**	**407,460**	**3,526**	**412,504**
Carrying amout:				
Balance at December 31, 2019	**$ 5,608**	**1,126,134**	**4,348**	**1,136,090**

The Group leases offices, warehouses and factory facilities under an operating lease, please refer to note 6(aj).

(l) Investment Property, net

(i) The cost, the accumulated depreciation, and the accumulated impairment of investment property were as follows:

	December 31, 2019			
Assets	**Cost**	**Accumulated Depreciation**	**Accumulated impairment**	**Carrying amounts**
Land	$ 22,870,360	-	(101,543)	22,768,817
Buildings	1,888,745	(719,819)	-	1,168,926
Total	**$ 24,759,105**	**(719,819)**	**(101,543)**	**23,937,743**

Assets	December 31, 2018 Cost	Accumulated Depreciation	Accumulated impairment	Carrying amounts
Land	$ 23,118,057	-	(101,543)	23,016,514
Buildings	1,888,745	(675,589)	-	1,213,156
Total	**$ 25,006,802**	**(675,589)**	**(101,543)**	**24,229,670**

(ii) The changes of investment property were as follows:

	Land	Buildings	Total
Cost:			
Balance at January 1, 2019	$ 23,118,057	1,888,745	25,006,802
Sales	(247,697)	-	(247,697)
Balance at December 31, 2019	**$ 22,870,360**	**1,888,745**	**24,759,105**
Balance at January 1, 2018	$ 23,007,031	1,720,885	24,727,916
Additions	-	3,864	3,864
Sales	(57,306)	(20,514)	(77,820)
Reclassification	168,332	184,510	352,842
Balance at December 31, 2018	**$ 23,118,057**	**1,888,745**	**25,006,802**
Depreciation and Amortization:			
Balance at January 1, 2018	$ 101,543	675,589	777,132
Depreciation	-	44,230	44,230
Balance at December 31, 2019	**$ 101,543**	**719,819**	**821,362**
Balance at January 1, 2018	$ 99,937	517,534	617,471
Depreciation	-	38,332	38,332
Sale	-	(6,166)	(6,166)
Reclassification	1,606	125,889	127,495
Balance at December 31, 2018	**$ 101,543**	**675,589**	**777,132**
Carrying amounts:			
December 31, 2019	**$ 22,768,817**	**1,168,926**	**23,937,743**
December 31, 2018	**$ 23,016,514**	**1,213,156**	**24,229,670**

(iii) The investment property of the Group is revalued every half year, starting from 2013. Buildings are revalued by professional valuer of each branch and land is assessed based on the land value set by the Department of Land Administration, M.O.I. As of December 31, 2019 and 2018, the fair values of investment properties are $44,278,224 thousand and $43,895,512 thousand, respectively.

(iv) The rental revenues of investment property for the years ended 2019 and 2018 were $289,638 thousand and $290,747 thousand, respectively.

(v) The depreciation expenses of investment property for the years ended 2019 and 2018 were $44,230 thousand and $38,332 thousand, respectively.

(vi) No investment property was pledged at December 31, 2019 and 2018.

(m) Intangibles assets, net

	December 31, 2019			
Assets	**Cost**	**Accumulated Amortization**	**Accumulated Impairment loss**	**Carrying amounts**
Computer Software	$ **2,646,839**	**(1,780,570)**	**-**	**866,269**

	December 31, 2018			
Assets	**Cost**	**Accumulated Amortization**	**Accumulated Impairment loss**	**Carrying amounts**
Computer Software	$ **2,343,356**	**(1,485,099)**	**-**	**858,257**

The changes in intangible assets were as follows:

	Computer Software
Costs:	
Balance at January 1, 2019	$ 2,343,356
Additions	304,000
Effect of change in exchange rates	(517)
Balance at December 31, 2019	$ **2,646,839**
Balance at January 1, 2018	$ 2,053,139
Additions	289,993
Effect of change in exchange rates	224
Balance at December 31, 2018	$ **2,343,356**
Accumulated Amortization:	
Balance at January 1, 2019	$ 1,485,099
Amortization	295,862
Effect of change in exchange rates	(391)
Balance at December 31, 2019	$ **1,780,570**
Balance at January 1, 2018	$ 1,183,983
Amortization	300,860
Effect of change in exchange rates	256
Balance at December 31, 2018	$ **1,485,099**
Carrying amounts:	
December 31, 2019	$ **866,269**
December 31, 2018	$ **858,257**

(n) Other assets, net

	December 31, 2019	December 31, 2018
Prepayment	$ 8,621,609	7,050,659
Guarantee deposits paid	1,969,298	1,941,444
Operating guarantee deposits, net	25,507	28,982
Temporary payments and suspense accounts	97,739	50,482
Other	-	44
Total	$ **10,714,153**	**9,071,611**

For other assets pledged in reserves of business as of December 31, 2019 and 2018, please see note 8.

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

	December 31, 2019	December 31, 2018
Due to the Central Bank	$ 484,049	507,921
Due to other banks	12,295,373	11,602,382
Due to Taiwan Post Co., Ltd.	195,811,541	191,544,455
Overdrafts from banks	497,270	2,566,718
Call loans from banks	104,489,726	81,023,309
Total	$ **313,577,959**	**287,244,785**

(p) Payable

	December 31, 2019	December 31, 2018
Accounts payable	$ 139,729	77,923
Brokering transactions credit balance	974,251	646,768
Accrued expenses	2,333,279	2,324,966
Accrued interest	4,379,655	4,749,631
Acceptances	965,371	1,796,480
Collection received on behalf of customers	725,023	826,288
Deposits received from securities borrowers	54,272	71,009
Guaranteed price deposits received from securities borrowers	62,249	77,559
Checks for clearing	9,277,682	13,808,469
Payable of compensation to land prices	70,117	78,814
Payable of short-term compensated absences	781,491	795,082
Other payables	1,451,076	1,131,341
Total	$ **21,214,195**	**26,384,330**

(q) Deposits and remittances

		December 31, 2019	December 31, 2018
Check deposits	$	33,332,310	41,869,790
Government deposits		149,354,529	160,333,429
Demand deposits		366,186,331	328,627,860
Time deposits		762,724,464	845,833,219
Savings deposits		1,084,429,157	1,049,910,902
Remittances under custody		265	351
Remittances outstanding		21,623	9,329
Total	$	**2,396,048,679**	**2,426,584,880**

(r) Bank debentures

		December 31, 2019	December 31, 2018
Subordinated bank debentures	$	53,300,000	59,600,000
Less: unamortized issuance costs		(6,295)	(7,143)
Total	$	**53,293,705**	**59,592,857**

(i) According to the approval letter Jin-Guan-Yin-Guo-Zi No. 10000402490 published by Banking Bureau, Financial Supervisory Commission in 2011, the Bank can issue a seven-year annual-interest-payment, and a principle-payment-at-maturity subordinated financial debentures several times with a maximum amount of $31,000,000 thousand. The Bank issued various seven-year subordinated financial debentures totaling $8,000,000 thousand, $2,100,000 thousand, $2,900,000 thousand and $2,100,000 thousand on December 2011, April 2012, June 2012 and October 2012, respectively. The interest rate is based on the fixed rate from 1.43% to 1.60%. The subordinated bank debentures are repayable at the maturity in December 2018 and April to October 2019, respectively.

(ii) According to the approval letter Jin-Guan-Yin-Guo-Zi No. 10100346720 published by the Banking Bureau, Financial Supervisory Commission in 2012, the Bank can issue an annual-interest-payment, and a principle-payment-at-maturity subordinated bank debentures several times with a maximum amount of $38,000,000 thousand. The Bank issued seven-year and ten-year subordinated bank debentures totaling $2,700,000 thousand and $10,300,000 thousand during the year 2012, respectively. The interest rate is based on the fixed rate of 1.43% and 1.55%. The subordinated bank debentures are repayable at the maturity in December 2019 and December 2022, respectively.

(iii) According to the approval letter Jin-Guan-Yin-Guo-Zi No. 10200314700 published by the Banking Bureau, Financial Supervisory Commission in 2013, the Bank can issue an annual-interest-payment, and a principle-payment-at-maturity subordinated bank debentures several times with a maximum amount of $38,000,000 thousand. The Bank issued seven-year subordinated bank debentures totaling $3,000,000 thousand in December 2013. The interest rate is based on the fixed rate of 1.72%. The subordinated bank debentures are repayable at the maturity in December 2020.

(iv) According to the approval letter Jin-Guan-Yin-Guo-Zi No. 10300306340 published by the Banking Bureau, Financial Supervisory Commission in 2014, the Bank can issue an annual-interest-payment, and a principle-payment-at-maturity subordinated bank debentures several times with a maximum amount of $38,000,000 thousand. The Bank issued ten-year subordinated bank debentures totaling $18,000,000 thousand on December 2014. The interest rate is based on the fixed rate of 1.98%; The Bank issued ten-year subordinated bank debentures totaling $7,500,000 thousand in December 2014. The interest rate is based on the fixed rate of 3.5%.The subordinated bank debentures are repayable at the maturity on December 2024. The Bank issued ten-year subordinated bank debentures totaling $4,000,000 thousand in December 2014.

(v) According to the approval letter Jin-Guan-Yin-Guo-Zi No. 10400037690 published by the Banking Bureau, Financial Supervisory Commission in 2015, the Bank can issue a principal-payment-and-interest-at-maturity senior unsecured bank debentures several times with a maximum amount of USD500,000 thousand. The Bank issued thirty-year unsecured senior bank debentures totaling USD110,000 thousand on April 10, 2015. The Bank engaged in interest swap contracts in order to hedge their interest risk. The Bank designated the debenture as at fair value through profit or loss in order to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise, please see note 6(c).

(vi) According to the approval letter Jin-Guan-Yin-Guo-Zi No. 10400262760 published by the Banking Bureau, Financial Supervisory Commission in 2015, the Bank can issue a ten-year term annual-interest-payment, and principle-payment-at-maturity subordinated bank debentures several times with a maximum amount of $35,000,000 thousand. The Bank issued ten-year subordinated bank debentures totaling $5,000,000 thousand in December 2015. The interest rate is based on the fixed rate of 1.70%. Bond to maturity is in December 2025.

(vii) According to the approval letter Jin-Guan-Yin-Guo-Zi No. 10500271640 published by the Banking Bureau, Financial Supervisory Commission in 2016, the Bank can issue a no maturity on non-cumulative, and annual-interest-payment subordinated bank debentures several times with a maximum amount of $40,000,000 thousand. The Bank issued the subordinated bank debentures totaling $7,500,000 thousand and $4,500,000 thousand in December 2016 and June 2017, respectively. The interest rate is based on the fixed rate of 3.15% and 2.95%.

(viii) According to the approval letter Jin-Guan-Yin-Guo-Zi No. 10702244980 published by the Banking Bureau, Financial Supervisory Commission in 2018, the Bank can issue subordinated bank debentures and unsecured bank debentures by installments, with a maximum amount of $10,000,000 thousand.

(ix) According to the approval letter Jin-Guan-Yin-Guo-Zi No. 1080218109 published by the Banking Bureau, Financial Supervisory Commission in 2019, the Bank can issue perpetual subordinated bank debentures with a fixed-rate coupon of 1.58% by installments, with a maximum amount of $20,000,000 thousand. In November, the total issued perpetual subordinated bank debentures issued by the Bank amounted to $11,500,000 thousand.

(s) Other financial liabilities

	December 31, 2019	December 31, 2018
Cumulative earnings on appropriated loan fund	$ 95,094	113,986

(t) Lease liabilities

The lease liabilities of the Group were as follows:

	December 31, 2019
Current	$ 1,134,259

The amounts recognized in profit or loss were as follows:

	2019
Interest on lease liabilities	$ 14,869
Variable lease payments not included in the measurement of lease liabilities	4,079
Expenses relating to short-term leases	$ 45,577
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	$ 5,521

The amounts recognized in the statement of cash flows for the Group was as follows:

	2019
Total cash outflow for leases	$ 450,190

(i) Real estate leases

As of December 31, 2019, the Group leases land and buildings for its office space and retail stores. The leases of office space typically run for a period of 10 years, and of retail stores for 3 to 5 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

Some leases provide for additional rent payments that are based on changes in local price indices.

Some leases of office buildings contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. In which leasee is not reasonably certain to use an optional extended lease term, payments associated with the optional period are not included within lease liabilities.

(ii) Other leases

The Group leases vehicles and equipment, with lease terms of two to five years.

(u) Provision

	December 31, 2019	December 31, 2018
Employee benefit (note 6(v))	$ 18,424,952	17,324,313
Reserve for guarantee liabilities(Note 6(aj))	505,700	461,966
Reserve for loan commitment(Note 6(aj))	27,084	25,851
Other reserve-receivables from credit loan(Note 6(aj))	8,002	40,557
Total	$ **18,965,738**	**17,852,687**

(v) Employee benefit

The Group adopt pension costs actuarial decided on December 31, 2019 and 2018 since there is no significant one-off matters such as market volatility, reduce and pay off appears in previous year.

(i) Defined Contribution Plan:

The Groups set aside 6% of the contribution rate of the employee' s monthly wages to the Labor Pension personal account of the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act. The Group set aside a fixed amount to the Bureau of the Labor Insurance without the payment of additional legal or constructive obligations.

The Groups' pension expenses under defined contribution pension plan were as $1,989 thousand and $1,923 thousand for the years ended 2019 and 2018, respectively. Payment was made to the Bureau of the Labor Insurance.

(ii) Provision for employee benefit:

The Groups' employee benefits were as follows:

	December 31, 2019	December 31, 2018
Defined benefit plans	$ 13,453,956	12,366,365
Employee benefit savings account	4,957,167	4,942,363
Three important festivals bonus	10,252	12,863
－Exceeding Annuity	3,577	2,722
Total	$ **18,424,952**	**17,324,313**

1) Defined benefit plans

The Groups set pension and severance pay to its employees that have retention year prior to December 31, 1981 and salaries between January 1, 1982 and April 31, 1997 in compliance with the Regulations Governing the pension and severance pay on personnel of Government-owned Financial Insurance Business. In accordance with the Regulations Governing the pension and severance pay on personnel of Government-owned Financial Insurance Business, the Groups will contribute 4%~8.50% of salaries and the employees will contribute an additional 3% of the salaries to the employees' personal accounts. Employees served after May 1, 1997 adopt the Labor Standard Act, where the Groups will contribute 8% of the monthly salaries to its employees' pension accounts.

In order to increase its pension fund, beginning from May 2017, the Group raised the contribution rate from 8% to 10%, and the excess of 8% of the salaries would be contributed by the Group's head office. Since 2017, the pension fund is contributed by the head office and each business unit, at 10% of salaries.

Employees who are employed after May 1, 1997 adopts the Labor Standard Act, and contribute pension funds based on this Act. Employees adopt Management Affairs of Executive Yuan Act prior to the adoption of the Labor Standard Act, where both acts are considered as defined contribution plan which contribute 8% of the salaries to pension account in Bank of Taiwan.

The present value of defined benefit obligations and the fair value adjustments of the plan assets for the Groups were as follows:

a) Composition of plan assets

	December 31, 2019	December 31, 2018
Total present value of obligations	$ 14,110,576	13,133,341
Fair value of plan assets	(656,620)	(766,976)
Recognized liabilities for defined benefit obligations	**$ 13,453,956**	**12,366,365**

i) Composition of plan assets

As of December 31, 2019, the Groups' Employee Retirement Fund Management Committee was $262,702 thousand.

The Banks allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Labor Pension Fund Supervisory Committee. With regard to the utilization of the funds, 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 interest rates offered by local banks.

The Group's Bank of Taiwan labor pension reserve account balance amounted to $393,918 thousand at the end of the reporting period. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

ii) Movements in the present value of the defined benefit obligations

The movements in the present value of the defined benefit obligations for the years ended 2019 and 2018 were as follows:

		2019	2018
Defined benefit obligations on January 1	$	13,133,341	12,130,084
Current service costs and interests		861,293	709,167
Remeasurement of net defined benefit liabilities			
—Movements in financial assumption		376,436	80,783
—Experience adjustment		364,310	924,620
Benefits paid by the plan		(624,804)	(711,313)
Defined benefit obligations on December 31	$	**14,110,576**	**13,133,341**

iii) Movements in the present value of the plan assets

The movements in the present value of defined benefit plan assets for the years ended 2019 and 2018 were as follows:

		2019	2018
Fair value of plan assets on January 1	$	766,976	961,723
Interest revenue		9,862	13,431
Remeasurement of net defined benefit liabilities (assets)			
— Expected returns on plan assets(exclude current interest)		9,969	6,046
Contributions made		480,965	479,151
Benefits paid by the plan		(611,152)	(693,375)
Fair value of plan assets on December 31	$	**656,620**	**766,976**

iv) Expense recognized in profit or loss

Expense recognized in profit or loss for the years ended 2019 and 2018 were as follows:

		2019	2018
Current service costs and interest cost	$	**851,431**	**695,736**

v) Remeasurement of the net defined benefit liabilities (assets) - recognized in other comprehensive income

The remeasurements of the net defined benefit liability or asset recognized in other comprehensive income are as follows:

	2019	2018
Accumulated balance at January 1	$ 1,766,713	767,356
Recognition	730,777	999,357
Accumulated balance at December 31	**$ 2,497,490**	**1,766,713**

vi) Actuarial assumptions

	2019.12.31	2018.12.31
Discount rate	1.250 %	1.500 %
Expected return on plan assets	1.250 %	1.500 %
Future salary increases	2.000 %	2.000 %

The expected allocation payment made by the Groups to the defined benefit plans for the one year period after the reporting date was $488,707 thousand.

The weighted average duration of the defined benefit plan is 23.9 to 23.90 years.

vii) Sensitivity analysis

When calculating the present value of the defined benefit obligations, the Group uses judgments and estimations to determine the actuarial assumptions, including the employee turnover rates and the future salary changes as of the reporting date. Any changes in the actuarial assumptions may significantly impact on the amount of the defined benefit obligations.

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	Impact of defined benefit obligations	
	Add1.00%	Less1.00%
December 31, 2019		
Discount rate	$ (1,967,346)	2,207,598
December 31, 2018		
Discount rate	(1,809,514)	2,034,853

The above sensitivity analysis is based on the static risk structure of discount rate. The calculation methodology of sensitivity analysis is the same as the net defined benefit obligations of the balance sheet. The method and the assumption of the current sensitivity analysis is the same as the previous period.

b) Employee benefit savings account

The present value of defined benefit obligations and the fair value adjustments of the employee benefit savings account plan assets for the Groups were as follows:

i) Movements in the present value of the defined benefit obligations

The movements in the present value of the defined benefit obligations for the years ended 2019 and 2018 were as follows:

		2019	2018
Defined benefit obligations on January 1	$	4,942,363	5,707,045
Current service cost and interest cost		1,431,848	1,687,292
Remeasurement of net defined benefit liabilities			
—Experience adjustment		(194,141)	(70,535)
Previous service cost		-	(1,120,610)
Benefits paid by the plan		(1,222,903)	(1,260,829)
Defined benefit obligations on December 31	**$**	**4,957,167**	**4,942,363**

ii) Expense recognized in profit or loss

Expense recognized in profit or loss for the years ended 2019 and 2018 were as follows:

		2019	2018
Current service cost and interest cost	$	1,431,848	1,687,292
Remeasurement of net defined benefit liabilities		(194,141)	(70,535)
	$	**1,237,707**	**1,616,757**

iii) Actuarial assumptions

The main actuarial assumptions in financial reporting ending date were as follow:

	2019.12.31	2018.12.31
Discount rate	4.00 %	4.00 %
Expected rate of return on funds deposited	1.250 %	1.500 %
Probability of preferential deposit system changing (cancellation)	50.00 %	50.00 %
Pension preferential deposit withdraw ratio	1.00 %	1.00 %
Future salary increases	2.00 %	2.00 %

The weighted average duration of the defined benefit plan is 9.8 to 12.40 years.

iv) Sensitivity analysis

When calculating the present value of the defined benefit obligations, the Group uses judgments and estimations to determine the actuarial assumptions, including the employee turnover rates and the future salary changes as of the reporting date. Any changes in the actuarial assumptions may significantly impact on the amount of the defined benefit obligations.

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	Impact of defined benefit obligations	
	Add 1.00%	Less1.00%
December 31, 2019		
Discount rate	$ (329,702)	375,764
December 31, 2018		
Discount rate	(327,335)	372,386

The above sensitivity analysis is based on the static risk structure of discount rate. The calculation methodology of sensitivity analysis is the same as the net defined benefit obligations of the balance sheet. The method and the assumption of the current sensitivity analysis is the same as the previous period.

c) Three important festivals bonus

i) Movements in the present value of the defined benefit obligations

The movements in the present value of the defined benefit obligations for the years ended 2019 and 2018 were as follows:

		2019	2018
Defined benefit obligations on January 1	$	12,863	14,783
Current service costs and interests		183	237
Remeasurment of net defined benefit liabilities			
—Experience adjustment		(1,417)	(868)
Benefits paid by the plan		(1,377)	(1,289)
Defined benefit obligations on December 31	$	**10,252**	**12,863**

ii) Expense recognized in profit or loss

Expense recognized in profit or loss for the years ended 2019 and 2018 were as follows:

		2019	2018
Current service costs and interests costs	$	**183**	**237**

iii) The remeasurements of net defined benefit liabilities (assets) recognized as other comprehensive income are as follows:

		2019	2018
Accumulated balance at January 1	$	32,042	32,910
Recognition		(1,417)	(868)
Accumulated balance at December 31	$	**30,625**	**32,042**

iv) Actuarial assumptions

	2019.12.31	2018.12.31
Discount rate	1.250 %	1.500 %

v) Sensitivity analysis

When calculating the present value of the defined benefit obligations, the Group uses judgments and estimations to determine the actuarial assumptions, including the employee turnover rates and the future salary changes as of the reporting date. Any changes in the actuarial assumptions may significantly impact on the amount of the defined benefit obligations.

		Impact of defined benefit obligations	
		Add1.00%	**Less1.00%**
December 31, 2019			
Discount rate	$	(639)	733
December 31, 2018			
Discount rate		(793)	911

The above sensitivity analysis is based on the static risk structure of discount rate. The calculation methodology of sensitivity analysis is the same as the net defined benefit obligations of the balance sheet. The method and the assumption of the current sensitivity analysis is the same as the previous period.

(iii) Civil servant and teacher insurance excess annuity benefit plans

The present value of defined benefit obligations and the fair value adjustments of the employee benefit savings account plan assets for the Groups were as follows:

		December 31, 2019	**December 31, 2018**
The present value of defined benefit	$	3,577	2,722
Fair value of plan assets		-	-
		3,577	2,722
Effects of maximum limit		-	-
Defined benefit obligations on December 31	**$**	**3,577**	**2,722**

According to the "Civil Servant and Teacher Insurance Act" (the CSTI Act) that took effect on May 29, 2015 and Tui-Yi-Zi No. 10440257582 issued by the Ministry of Finance, the Group's employees who are not qualified for preferential interest deposits are entitled to receive annuity when retiring or getting laid off if they meet the requirements prescribed in Article 16 and 18 of the CSTI Act. The sum of the monthly payments from this annuity and the total amount of the defined benefit plan shall not exceed 80% of twice the amount of the employee's salary at the time of retirement. Moreover, if the payment rate of the annuity is lower than the basic rate of annuity, the annuity will be calculated using the latter rate. However, if the payment rate is higher than the upper limit, the annuity is calculated based on 1.3%.

The Group is responsible for the portion of the annuity payments that exceeds 0.75% and the calculation is reviewed by the insurance carrier on a monthly basis in accordance with the CSTI Act.

1) Movements in the present value of the defined benefit obligations

The movements in the present value of the defined benefit obligations for the years ended 2019 and 2018 was as follows:

		2019	2018
Defined benefit obligations on January 1	$	2,722	1,586
Current service cost and interest cost		1,163	919
Remeasurement of net defined benefit liabilities			
—Movements in financial assumption		157	138
—Movements in experiential adjustment		(465)	79
Defined benefit obligations on December 31	$	**3,577**	**2,722**

2) Expense recognized in profit or loss

Expense recognized in profit or loss for the years ended 2017 was as follows:

		2019	2018
Current service cost and interest cost	$	**1,163**	**919**

3) Remeasurement of the net defined benefit liabilities- recognized in other comprehensive income

The remeasurement of net defined benefit liabilities recognized as other comprehensive income are as follows:

		2019	2018
Accumulated balance at January 1		260	43
Recognition		(307)	217
Accumulated balance at December 31	$	**(47)**	**260**

4) Actuarial assumptions

The main actuarial assumptions in the financial repirting ending date were as follows:

	2019.12.31	2018.12.31
Discount rate	1.25 %	1.45 %
Future salary increases	2.00 %	2.00 %

The weighted average duration of the defined benefit plan is 23.9 years.

5) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	Impact of defined benefit obligations	
	Add1.00%	Less1.00%
December 31, 2019		
Discount rate	$ (710)	917
Future salary increases	907	(717)
December 31, 2018		
Discount rate	(503)	652
Future salary increases	641	(505)

(w) Other Liabilities

	December 31, 2019	December 31, 2018
Revenue received in advance	$ 433,756	424,510
Guarantee deposits	930,875	610,316
Temporary receivers	58,195	22,473
Deferred revenue	19,656	25,641
Others	96	73
Total	**$ 1,442,578**	**1,083,013**

(x) Income Tax Expenses

(i) The components of the income tax expenses were as follows:

	2019	2018
Current income tax expense		
current period	$ 2,216,992	1,758,913
Overseas branches' income tax expense	302,291	426,065
Deferred income tax expense		
Recognition and reversal of temporary differences	375,724	324,178
Overseas branches' income tax expense	6,606	(16,993)
Income tax expense	**$ 2,901,613**	**2,492,163**

The income tax expenses (benefits) computed at the statutory tax rate that were reconciled with the income tax expense were as follows:

	2019	2018
Net income before income tax	$ **13,050,075**	**12,224,458**
Income tax expense before income tax at statutory rate 20%	$ 2,610,015	2,444,892
Overseas branches' income tax expense	308,897	409,072
Tax-exempt gains and other	(17,299)	(361,801)
Income tax expense	$ **2,901,613**	**2,492,163**

(ii) Deferred income tax assets and liabilities

1) Changes in the amount of deferred tax assets and liabilities for the years ended December 31, 2019 and 2018 were as follows:

a) Deferred Tax Assets:

	Defined benefit plans	Allowance for bad debts	Others	Total
Balance at January 1, 2019	$ 2,275,152	175,073	203,207	2,653,432
Recognized in profit or loss	(314,365)	(175,073)	35,492	(453,946)
December 31, 2019	$ **1,960,787**	**-**	**238,699**	**2,199,486**
Balance at January 1, 2018	$ 2,021,315	688,688	191,009	2,901,012
Recognized in profit or loss	253,837	(513,615)	12,198	(247,580)
December 31, 2018	$ **2,275,152**	**175,073**	**203,207**	**2,653,432**

b) Deferred Tax Liabilities:

	Reserve for land value increment tax	Fair value gain (loss)	Total
Balance at January 1, 2019	$ 6,926,029	59,606	6,985,635
Recognized in profit or loss	(12,010)	(59,606)	(71,616)
December 31, 2019	$ **6,914,019**	**-**	**6,914,019**
Balance at January 1, 2018	$ 6,926,029	-	6,926,029
Recognized in profit or loss	-	59,606	59,606
December 31, 2018	$ **6,926,029**	**59,606**	**6,985,635**

2) Unrecognized deferred income tax assets

As of December 31, 2019 and 2018 the Unrecognized deferred income tax assets were $2,857,218 thousand and $2,404,177 thousand, respectively.

(iii) The income tax returns for the year 2018 have been assessed by the Tax Authorities.

(y) Stockholders' Equity

(i) Capital stock

On August 23, 2019, the Group's board of directors decided to transfer the special reserve of $10,606,000 thousand and accumulated earnings of $10,606,000 thousand to issue common stocks; the registration process had been completed.

On December 31, 2019 and 2018, authorized and outstanding capital were $73,200,000 thousand and $62,594,000 thousand.

The Ministry of Finance is the single shareholder of the Group. According to the Bank Act and the Bank' s articles of incorporation, any resolution to be made during the shareholders' meeting shall be decided and approved by the Bank's board of directors.

(ii) Capital reserve

According to the ROC Bank Act, the Bank shall use the capital reserve first to cover a deficit (or loss), and then, it may raise its capital or distribute cash dividends by using the capital reserve of the premium derived from the issuance of new shares received by the Bank. According to the "Regulations Governing the Offering and Issuance of Securities by Securities Issuers," the combined amount of any portions capitalized in any one year may not exceed 10% of issued common stock, and this shall not be executed in the registration year approved by the Ministry of Economics Affairs, which is to raise the Bank's capital.

At July 1, 2003, the former Land Bank of Taiwan, approved by the Ministry of Finance, R.O.C., changed its organization to a limited Bank-Land Bank of Taiwan, Co, Ltd. According to the regulations, the legal reserve, special reserve and capital reserve of the former Bank, which amounted to $46,748,869 was transferred to the capital reserve-premium of the Lank Bank of Taiwan Co., Ltd. at that day.

On November 6, 2009, the board of directors resolved to transfer capital surplus in the amount of $25,000,000 thousand to common capital stock. After this transition, the capital reserve of premium amounted to $21,748,869 thousand.

(iii) Retained earnings and appropriation of earnings

1) Legal reserve

Under the ROC Bank Act, the Bank must retain its earnings as legal reserve until such retention equals the amount of the total capital. According to the the ROC Bank Act, the Bank may, in pursuant to a resolution by a shareholders' meeting, capitalize the amount of its reserve that exceeds 25% of the share capital by issuing new shares or by distributing a cash dividend when it incurs no loss. In addition, under the ROC Banks Act, the Bank shall retain 30% of its after-tax earnings as the legal reserve before distributing them. Before the amount of legal reserves reaches the amount of the total capital, the maximum amount of distributing earnings in cash shall not exceed 15% of the total capital. Also, according to the amendment of the ROC Banking Act article 50 item 2, the legal reserve after distribution has to exceed 75% of total capital in order to meet with the criterion of a bank in a sound financial condition. This restriction is not applied if the amount of legal reserves equals the amount of the total capital, or if the Bank is in a sound financial condition and when it complies the ROC Bank Act.

2) Special reserve

a) The special reserves are summarized as follows:

		December 31, 2019	December 31, 2018
Provision for the purpose of strengthening the self-owned capital	$	12,762,057	19,710,019
Reserve for losses on trading securities and default losses transferred to special reserve		246,298	246,298
First-time application of IFRS for provision of special reserve		6,914,954	6,914,954
Revisal of the disposed land to special reserve		(110,545)	(84,573)
	$	**19,812,764**	**26,786,698**

b) Reserve for losses on trading securities and default losses

In compliance with the Jin Guan Zheng Quan Zi No. 0990073857 issued by Securities and Futures Bureau of the FSC dated January 11, 2011, regarding the revision of the “Regulations Governing Securities Firms”, the reserve for losses on trading securities and the reserve for default losses are no longer required since January 1, 2011. The remaining balance should be reclassified as special reserve in 2011 according to the Jin Guan Zheng Quan Zi No. 09900738571 issued by Securities and Futures Bureau of the FSC dated January 13, 2011. The special reserve may be used at any time to offset the accumulated deficit, if any. Once the legal reserve reaches one-half of the paid-in capital, up to 50% of the special reserve may be transferred to capital stock. The Group reclassified the reserve for losses on trading securities and the reserve for default losses amounting to $246,298 thousand to special reserve according to the abovementioned modification of regulations.

c) First-time adoption of IFRS for provision of special reserve and reversal of the disposed land to special reserve

In compliance with the Jin Guan Zheng Fa Zi No. 1010012865 issued by FSC dated on April 6, 2012, the Group elected not to apply IFRS 1 in recognizing reserve for assets revaluation and credit balance of cumulative translation adjustments under the stockholders’ equity. In addition, the Group reclassified the above accounts amounts to retained earnings, which was also the special reserve’ s provision amounts the Group could recognized. However, due to the first adoption of IFRSs, if gain on retained earnings is less than the provision on the date of transition; the Group can only increase the provision for retained earnings which is generated from the adoption IFRSs on the date of transition. Subsequently, the Group can reverse the distribution surplus in proportion to the original provision for special reserve when using, disposing or reclassifying relating assets.

In accordance with IFRS 1 as agreed by the FSC, the Group elected to apply the exemptions and reclassify the reserve for assets revaluation of $7,870,779 thousand under stockholders' equity to unappropriated earnings on January 1, 2012. In addition, adjustments for IFRS 1, examined by MOA, used December 31, 2012 as the basis for calculation, where the unappropriated earnings as a results of this adjustment increased by $6,914,954 thousand. The incremental unappropriated earning is contributed to special reserve.

For the year ended December 31, 2019 and 2018, the Group disposed a part of the abovementioned assets so as to reverse the distribution surplus in proportion to the original provision for special reserve decreased by $25,972 thousand and $11,588 thousand, respectively.

According to Executive Yuan, the increase in retained earnings as a result of first adoption of IFRS in government-owned enterprises is recorded as adjustments in first adoption of IFRS. The originally accumulated loss should not be deducted and should not be presented in special reserve.

3) Appropriation of earnings

Annual net income, after making up prior years' losses, if any, shall be distributed in the following order:

a) 30% as legal reserve and 20% to 40% as special reserve,

b) Dividend, and extra-bonus to shareholders,

c) Retained earnings.

The Group is a wholly-owned government Group of R.O.C. According to the Budget Act, its earnings have been appropriated to the government in the corresponding year. In order to enhance its capital structure in 2015, the earnings have not yet been appropriated to the government.

The total available for distribution surplus is $15,902,555 thousand, including undistributed surplus of $5,728,121 thousand as of December 31, 2018, plus adjustment due to first adoption of international financial reporting standards of $25,972 thousand, and net income after tax $10,148,462 thousand of 2018. The Group distributed as follows: Filled the retained surplus loss of $1,003,366 thousand (determined loss of the welfare plan $729,052 thousand and the loss of equity instruments measured at fair value through other comprehensive gains and losses of $274,314 thousand), recognized the provision of statutory surplus reserve of $2,743,529 thousand, the special surplus reserve of $3,658,038 thousand, and left an undistributed surplus of $8,497,622 thousand as of December 31, 2019.

(iv) Other equity

	Exchange differences on translation of foreign financial statements	Unrealized gains or losses on financial assets at FVOCI	Unrealized gains or losses on available for sale financial assets	Total
Balance as of January 1, 2019	$ (774,379)	7,305,225		6,530,846
Exchange differences on translation of foreign financial statements	(554,701)	-	-	(554,701)
Unrealized gains or losses on financial assets at FVOCI	-	2,067,731	-	2,067,731
Disposal of equity instrument at FVOCI	-	274,314	-	274,314
Balance as of December 31, 2019	**$ (1,329,080)**	**9,647,270**	**-**	**8,318,190**
Balance as of January 1, 2018	$ (1,067,300)		3,935,634	2,868,334
Effects of retrospective application	-	7,293,462	(3,935,634)	3,357,828
Exchange differences on translation of foreign financial statements	292,921	-	-	292,921
Unrealized gains or losses on financial assets at FVOCI	-	(50,883)	-	(50,883)
Disposal of equity instrument at FVOCI	-	62,646	-	62,646
Balance as of December 31, 2018	**$ (774,379)**	**7,305,225**	**-**	**6,530,846**

(z) Earnings per share

Basic earnings per share (New Taiwan dollars):

	2019	2018
Net income	**$ 10,148,462**	**9,732,295**
Weighted-average number of shares outstanding (thousand shares)	**7,320,000**	**7,320,000**
Basic earnings per share (New Taiwan dollars)	**$ 1.39**	**1.33**

(aa) Net interest

		2019	2018
Interest revenue:			
Discounts and loans	$	40,921,762	38,781,785
Due from the banks and call loans to banks		2,920,944	3,313,162
Bonds and notes		7,106,147	6,099,175
Others		515,429	490,635
Subtotal		51,464,282	48,684,757
Interest expenses:			
Deposits		(19,353,900)	(18,483,398)
Due to the Central Bank and call loans from banks		(2,873,504)	(2,195,407)
Bonds and notes		(1,095,711)	(1,353,439)
Others		(27,461)	(29,580)
Subtotal		(23,350,576)	(22,061,824)
Total	**$**	**28,113,706**	**26,622,933**

(ab) Service fees income, net

		2019	2018
Service fees income:			
Agency of housing loans	$	133,956	156,462
Agency of insurance		961,384	889,407
Guarantee		298,320	250,487
Syndicated Loans		419,665	607,492
Trust		493,128	520,604
Credit card		579,971	553,604
Others		878,239	871,272
Subtotal		3,764,663	3,849,328
Service fees:			
Credit card		(582,549)	(556,566)
Interbank		(147,081)	(136,114)
Foreign exchange		(69,149)	(58,283)
Trust		(27,122)	(29,947)
Others		(126,212)	(107,804)
Subtotal		(952,113)	(888,714)
Total	**$**	**2,812,550**	**2,960,614**

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

		2019	2018
Realized gains (losses) on financial assets and liabilities at fair value through profit or loss:			
Government bonds	$	(914)	(1,616)
Corporate bonds		4,829	9,211
Listed companies' stocks		(45,067)	39,940
Forward exchange contracts		(20,993)	28,700
Foreign-currency swap contracts		(64,674)	366,777
Interest rate swap contracts		3,821	(2,010)
Asset swap		170,716	(114,930)
Options		53	890
Beneficiary certificate		2,035	-
Subtotal		49,806	326,962
Revaluation gains (losses) on financial assets and liabilities at fair value through profit or loss:			
Government bonds		-	243
Corporate bonds		(5,527)	(13,808)
Listed companies' stocks		43,647	(56,897)
Forward exchange contracts		(14,625)	2,417
Foreign-currency swap contracts		(1,233,773)	299,786
Interest rate / assets swap		673,861	24,704
Unsubordinated financial bonds		(686,169)	(44,394)
Other		23,300	(3,653)
Subtotal		(1,199,286)	208,398
Interest revenue on financial assets at fair value through profit or loss		57,756	61,330
Dividend income from financial assets at FVTPL		35,018	45,985
Interest expense on financial assets at fair value through profit or loss		(434,295)	(320,860)
Total	$	**(1,491,001)**	**321,815**

(ad) Realized gains (losses) on financial assets at FVOCI

	2019	2018
Dividend income	$ 481,624	511,069
Gains on disposal of financial assets at FVOCI:		
Bonds	528,363	588,976
Others	-	1,455
Subtotal	1,009,987	1,101,500
Losses on disposal of financial assets at FVOCI:		
Bonds	(102,443)	(245)
Others	(1,793)	(5)
Subtotal	(104,236)	
Total	**$ 905,751**	**$ 1,101,250**

(ae) Other noninterest gains, net

	2019	2018
Brokerage	$ 104,041	116,185
Lease (note 6(k))	160,657	159,498
Agency	(3,720)	(4,365)
Interest Employee benefit savings account	(1,538,583)	(1,910,497)
Depreciation of investment property	(44,230)	(38,332)
Others	182,376	1,028,211
Total	**$ (1,139,459)**	**(649,300)**

(af) Employee benefits expenses

	2019	2018
Salaries	$ 7,855,243	7,554,531
Labor and health insurance	348,473	342,302
Pension	857,284	699,991
Director's remuneration	2,996	2,933
Others	122,277	112,488
Total	**$ 9,186,273**	**8,712,245**

(ag) Depreciation and amortization expenses

	2019	2018
Depreciation- Property and Equipment	$ 705,056	687,519
Depreciation- Investment property	435,367	-
Amortization	295,862	300,860
Total	**$ 1,436,285**	**988,379**

(ah) Other general and administrative expenses

		2019	2018
Taxes	$	2,434,254	2,314,090
Rental		121,833	666,300
Insurance		448,672	445,671
Professional service		225,442	204,888
Postage and phone		183,265	180,049
Marketing		228,364	234,184
Utilities		135,402	137,753
Outsourcing		139,697	130,443
Others		821,277	672,059
Total	$	**4,738,206**	**4,985,437**

(ai) Fair value and hierarchy information of financial instruments

(i) Fair value information of financial instruments

Due to the relatively short period of time between the original and the expected realization, the carrying values of the short-term financial instruments approximate their fair values; and they include cash and cash equivalents, the one due from Central Bank and call loans to banks, Securities bought under resell agreements, receivables, refundable deposits, the one due to Central Bank and call loans from banks, funds borrowed from Central Bank and other banks, securities sold under repurchase agreements, payables, other financial liabilities and guarantee deposits received. Besides the above financial assets and liabilities, the other carrying amounts and estimated fair values on December 31, 2019 and 2018 are as follows:

	December 31, 2019		December 31, 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:	2,703,310,969	2,710,496,978	2,660,681,039	2,664,321,764
Derivative financial assets at FVTPL, net	1,098,344	1,098,344	553,281	553,281
Non-derivative financial assets at FVTPL, net	3,338,799	3,338,799	4,700,403	4,700,403
Financial assets at FVOCI	114,603,444	114,603,444	102,542,129	102,542,129
Financial assets at amortized cost	597,726,257	604,912,266	587,049,258	590,689,983
Loans and receivables	1,986,505,361	1,986,505,361	1,965,807,233	1,965,807,233
Other financial assets	38,764	38,764	28,735	28,735
Financial Liabilities:	65,991,244	65,991,244	69,600,404	69,600,404
Derivative financial liabilities at FVTPL	1,386,451	1,386,451	267,045	267,045
Non-derivative financial liabilities at FVTPL, net	10,081,735	10,081,735	9,626,516	9,626,516
Bank debentures	53,293,705	53,293,705	59,592,857	59,592,857
Other financial liabilities	95,094	95,094	113,986	113,986
Lease liability	1,134,259	1,134,259	-	-

(ii) The methodologies and assumptions used by the Groups to estimate the above fair value of financial instruments are summarized as following:

1) Quoted market price, if available, are utilized as estimates of the fair values of financial instruments at fair value through profit or loss, available-for-sale financial instruments and held-to-maturity financial assets. If no quoted market prices exist for certain of the financial instruments, the fair value of such instruments has been derived based on pricing models. A pricing model incorporates all factors that market participants would consider in setting a price.

2) Discounts and loans are interest-bearing financial assets, the book value is equivalent to the current fair value.

3) The value of debt securities with no active market and financial assets carried at cost are determined by pricing models. A pricing model incorporates all factors that market participants would consider in setting a price. If fair value of equity security could not reliable measurement, fair value is equal to carrying value.

4) Bank debentures refer to the convertible corporate bonds and financial bonds issued by the Bank and its subsidiary. Their coupon rates are almost equal to the market interest rate, so it is reasonable to use the discounted present values of the expected future cash flow to estimate their fair values. The present values are almost equal to the carrying amounts.

5) If there is a quoted market price in an active market, the quoted market price of derivative financial instruments is regarded as fair value. Otherwise, if the market for a derivative financial instrument is not active, the Group assesses fair value by using pricing models.

(iii) Determination of fair value and fair value hierarchy:

	December 31, 2019			
Financial instruments measured at fair value	**Total**	**Level 1 (Note 1)**	**Level 2 (Note 2)**	**Level 3 (Note 3)**
Non-derivative financial instruments				
Assets:				
Financial assets at fair value through profit or loss:				
Stocks	$ 1,024,217	1,024,217	-	-
Bonds	1,677,777	-	1,677,777	-
Others	636,805	52,318	584,487	-
Subtotal	3,338,799	1,076,535	2,262,264	-
Financial assets at fair value through other comprehensive income:				
Stocks	$ 15,087,427	9,778,806	-	5,308,621
Others	99,516,017	-	99,516,017	-
Subtotal	114,603,444	9,778,806	99,516,017	5,308,621

Financial instruments measured at fair value	December 31, 2019 Total	Level 1 (Note 1)	Level 2 (Note 2)	Level 3 (Note 3)
Liabilities:				
Designation as at fair value through profit or loss	$ 10,081,735	-	10,081,735	-
Derivative financial instruments				
Assets:				
Financial assets at fair value through profit or loss	1,098,344	-	1,098,344	-
Liabilities:				
Financial liabilities at fair value through profit or loss	1,386,451	-	1,386,451	-

Financial instruments measured at fair value	December 31, 2018 Total	Level 1 (Note 1)	Level 2 (Note 2)	Level 3 (Note 3)
Non-derivative financial instruments				
Assets:				
Financial assets at fair value through profit or loss:				
Stocks	$ 1,158,054	1,158,054	-	-
Bonds	2,512,010	-	2,512,010	-
Others	1,030,339	34,237	996,102	-
Subtotal	4,700,403	1,192,291	3,508,112	-
Financial assets at fair value through other:				
Stocks	13,537,293	8,535,893	-	5,001,400
Bonds	86,526,588	-	86,526,588	-
Others	2,478,248	-	2,478,248	-
Subtotal	102,542,129	8,535,893	89,004,836	5,001,400
Liabilities:				
Designation as at fair value through profit or loss	$ 9,626,516	-	9,626,516	-
Derivative financial instruments				
Assets:				
Financial assets at fair value through profit or loss	553,281	-	553,281	-
Liabilities:				
Financial liabilities at fair value through profit or loss	267,045	-	267,045	-

Note 1: Fair value measurement for a financial instrument classified in Level 1 is determined as the quoted price for an identical financial instrument in an active market: The definition of active market includes all of the following conditions:

1) The products traded in the market are homogeneous;

2) willing parties are available anytime in the market;

3) price information is available for the public.

Note 2: Fair value measurement for a financial instrument classified in Level 2 is determined as the observable price other than quoted price in an active market including an observable input obtained in an active market, either directly (i.e., as prices) or indirectly (i.e., derived from prices). Examples of observable price are as follows:

1) The quoted price for an identical financial instrument in an active market; this means the fair value from the market transaction prices for an identical financial instrument should be determined by its characteristics and terms of transaction. The fair value of a financial instrument has to be adjusted according to the observable market price of the identical financial instrument. The reasons for adjustments include time lag of the market transaction prices for an identical financial instrument, wherein the quoted price does not represent the fair value at the measurement date. It also includes the difference in transaction terms for financial instruments, transaction prices involving related parties, and the relationship between the observable transaction prices of identical financial instruments and the market price of held financial instruments.

2) The quoted market price of the same or identical financial instruments in an inactive market.

3) The fair value is estimated on the basis of the results of a valuation technique, and the market inputs (i.e., interest rate, yield curve, and volatility rate) used were based on data obtainable from the market. An observable input can be derived from market data and reflects the expectation of market participants when it is used in evaluating the prices of financial instruments.

4) A majority of inputs derived from observable market data, or the input correlation can be tested based on observable market data.

Note 3: Input for a fair value measurement for a financial instrument classified in Level 3 is not based on obtainable data from the market. An unobservable input, such as volatility for a share option derived from the share's historical price, does not generally represent current market expectations about future volatility.

(iv) For the years 2019 and 2018, the gains from changes in fair value of the Group's financial instruments, for instance, derivative financial instruments that are determined using the valuation techniques amounting to losses $574,571 thousand and gains $326,943 thousand, respectively are recognized as profit or loss for that period.

(v) As of December 31, 2019 and 2018, there was no transfer of financial instruments between Level 1 and Level 2. As of December 31, 2019 and 2018, there were no transfer to Level 3.

(vi) Reconciliation of Level 3 fair values

		Fair value through other comprehensive income
		Equity instrument without public quotation
January 1, 2019	$	5,001,400
Recognized as other comprehensive income		(328,919)
Purchase		654,150
Capital reduction		(18,010)
December 31, 2019	$	**5,308,621**
January 1, 2018		4,349,328
Recognized as other comprehensive income		772,431
Purchase		29,641
Capital reduction		(150,000)
December 31, 2018	$	**5,001,400**

For the years ended December 31, 2018, total gains and losses that were presented in unrealized gains and losses from financial assets at fair value through other comprehensive income were as follows:

		2019	2018
Total gains and losses recognized			
In other comprehensive income, and presented in unrealized gains and losses from financial assets at FVOCI	$	(328,919)	772,431

(vii) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Group's financial instruments that use Level 3 inputs to measure fair value are financial assets measured at fair value through other comprehensive income - equity instruments. The Bank used evaluation method to estimate the fair values of the equity instrument without an active market. Significant unobservable inputs were considered in the fair value estimation process, and were independent to one another.

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at FVOCI－equity instrument without an active market	Comparable listed company approach	· Lack of marketability discount (9.05%~34.97% as of 2019.12.31 and 8.98%~35.05% as of 2018.12.31)	· The estimated fair value would decreased if the lack of market liquidity discount was higher;
	Discount cash flow approach	· Discount rate (8.61%~11.88% as of 2019.12.31 and 7.25% as of 2018.12.31) · Sustainable growth rate (0%~1.04% as of 2019.12.31 and0%~1.07% as of 2018.12.31)	· The estimated fair value would decreased if the discount rate was higher; · The estimated fair value would increased if the sustainable growth rate was higher;
	Net asset value approach	· Lack of marketability discount (23.32% as of 2019.12.31 and 24.66% as of 2018.12.31)	· The estimated fair value would decreased if the lack of marketability discount was higher

(viii) Fair value measurements in Level 3 –sensitivity analysis of reasonably possible alternative assumptions

The Group's assessment for fair values of financial instruments was reasonable, whereas different evaluation models and assumptions may lead to different results of evaluation. For fair value measurement in Level 3, changing one or more of the assumptions would have the following effects:

	Input	Variation	Profit or loss		Other comprehensive income	
			Favorable	Unfavorable	Favorable	Unfavorable
December 31, 2019						
Financial assets at FVOCI	Non-public transaction equity discount	±2.5%	-	-	154,506	154,023
	Discount rate	±1%	-	-	22,163	17,156
	Sustainable growth rate	±0.1%				

	Input	Variation	Profit or loss		Other comprehensive income	
			Favorable	Unfavorable	Favorable	Unfavorable
December 31, 2018						
Financial assets at FVOCI	Non-public transaction equity discount	±2.5%	-	-	142,974	143,813
	Discount rate	±1%	-	-	35,040	25,704
	Sustainable growth rate	±0.1%				

The Group's favorable and unfavorable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the interrelationships with another input.

(ix) Evaluation process of fair value measurement in Level 3

The Group use unobservative inputs to measure its fair value in Level 3. The sources of the inputs included using the market liquidity discount rate of the comparable listed company approach, the discount cash flow rate of discount cash flow approach, and sustainable growth rate of discount cash flow approach.

(aj) Financial risk management

(i) Overview

The main risks in which the Group is exposed to include credit risks, market risks (including interest rate risks, exchange rate risk and risks on equity securities), and liquidity risks in on- and off- balance sheet items. To build an independent effective risk management system, the Groups have set regulations such as Risk Management Policies and Procedures, Key Elements of Risk Management, Key Elements of Market Risk Management and Key Elements of Liquidity Risk Management to assess and control the ability of the Groups in sustaining risks, status of risks sustained, strategies to cope with the risks and the conformity with the risk management procedures.

(ii) Risk management structure

The Group' s risk management structure includes the board of directors, risk management committee, internal audit department, risk management department, executive of each business unit, all treasury departments, and all operating units.

The Group defined the duties of each risk management using three-lines of defence model:

1) First line of defense (Risk production or bearing units):

a) Each business units and treasury department are responsible for compliance with risk principles, policies and limit established by the Group.

b) All department executives in the head office should identify, assess and control the risk of existing and new businesses or financial instruments, establish and implement regulations and systems on risk management in all business units and conduct self-assessment on risk indices of all business units.

2) Second line of defense (Risk Controlling Units): The Risk Controlling Unit plays an independent and dedicated role, and is responsible for assessing, overseeing, controlling, reviewing and reporting the overall operating risks in the Group.

3) Third line of defense (Internal Audit): Internal audit is responsible for auditing the design and implementation of risk management systems, providing independent assessment, reviewing the set-up process of the entire risk management model, the appropriateness, reliability and status of compliance act of the risk management information systems.

(iii) Credit risk

1) Sources and definition of credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty fails to meet its contractual obligations. Credit risk arises from balance sheet and off- balance sheet items. The sources of credit risk balance sheet mainly comes from discounts and loans, credit card businesses, due from and call loans to Groups, debt investments and derivative instruments, while the source of credit risk exposure from off-balance sheet items include letters of credit and loan commitments.

2) Management policy of credit risk

To ensure the credit risk is in a tolerable range, the Groups should analyze in details the products provided and its business operations to identify the existing and embedded credit risks. Prior to the release of new products and businesses, the Groups should examine and verify the related credit risk in compliance with the regulations on operations. For a more complex credit business, such as accounts receivable without resources, credit derivative instrument, the Group should establish risk control systems based on the standards and operations of the related business management.

In addition, the assessment and provision loss of the asset quality in the OBU should be in compliance with the regulations of the Financial Supervisory Institute and the standards and operations of the related business management

a) Due from the Central Banks and call loans to banks

The Group will assess the creditworthiness and the domestic and international credit rating of the financial institutions before entering into transactions with the counterparty, and set credit risk limits based on the level of creditworthiness.

b) Debt investments and financial derivatives instruments

In managing the credit risk of debt investment, the Group identified its credit risk through the assessment of external institute on the credit rating, credit quality, geographical status and risk of counterparty of debt investment.

When the Group trades derivative instruments with other bank, limits are granted based on the world ranking, capital adequacy ratio, credit ratings and other factors. When derivative instruments are traded with other counterparties, the Group will only trade with counterparties if the credit rating of the counterparties has reached certain level.

3) Risk measurement - loans and receivables

The Group classified its financial assets into Stage 1, Stage 2, and Stage 3, based on the credit risk assessment, and calculated the expected loss of credit assets with factors including the decided probability of default, loss given default, exposure at default and forward-looking factors adjustments.

a) Probability of default (PD)

Probability of default (PD) is the likelihood of a default over a particular time horizon. PD includes at least the historical data of the past seven years. The number of defaulted households in each subsequent year is divided by the number of normal credits at the beginning of each year, and the probability of default in each subsequent year is calculated. The estimation of PD is updated at least once a year.

b) Loss given default (LGD): loss given default (LGD) is the magnitude of the likely loss if there is a default. The method of calculating LGD rate depends on the source of the data, as explained below:

i) (1-adjusted recovery rate): the adjusted recovery rate refers to the value of the recovery rate after discounting the weighted average effective interest rate of the loans and receivables of Stage 1 and 2 and 3. The recovery rate refers to the recovery rate of each of five years, which is calculated by the percentage of the net recoverable amount of each year from the date of occurrence, if there is objective evidence of credit impairment over the loan balance at the time of default, assessing the screening of the samples collected by the most recent processed cases at the time of assessment. The “most recent period” refers to the case that has been processed recently from the date of the impairment assessment; “processing completion” means unsecured loans and receivables that have been procured for more than two years or have been suspended, or the collateral of guaranteed loans and receivables has been disposed. The estimate of recovery should be updated at least once a year.

ii) (1-Moody’s recovery rate): the Group calculates LGD based on the recovery data of each type of financial instrument and guarantee situation, classified in the Annual Default Study issued by Moody’s.

c) Exposure at default (EAD): the amount of each item's EAD is defined as follows:

i) Loans, accounts receivables and receivables for securities margin financing: interest receivable plus outstanding principal.

ii) Other receivables, contractual assets and lease receivable: carrying amount.

iii) Credit card: current balance plus undisbursed amount.

iv) Commitment and financial guarantee：Multiplying the credit limit by the credit risk conversion factor based on the Regulations Governing the Capital Adequacy and Capital Category of Group.

d) Forward-looking factors adjustment

In accordance with IFRS 9, the measurement of expected credit loss shall reflect the reasonable and supportable information relevant to future economics condition. The Group adjusts the probabilities of default for domestic corporate finance, domestic individual finance, and offshore branch based on the monitoring signal released by National Development Council, Unemployment Rate released by Directorate-General of Budget, Accounting and Statistics, and World Economic Outlook Report released by the International Monetary Fund, respectively, to reflect the forward-looking influence.

i) Monitoring Indicators: the Group assumes the economy is getting better if the current signal is red or the signal of consecutive 6 months is red-yellow, and decrease the probability of default by at most 1 standard deviation; if the economy is considered to be flat with the green signal, the probability of default will not be adjusted. With the current signal to be blue or the signal of consecutive 6 months to be yellow-blue, the Group assumes the economy is getting worse and therefore increase the probability of default by at most 1 standard deviation.

ii) Unemployment Rate: adopting unemployment rate published in the most recent month as the benchmark, and the average unemployment rate in the past 7 years as comparative, the Group adjusts the forward-looking factors by -1~1 standard deviation based on the difference between the benchmark and the comparative(greater than zero or less than zero).

iii) World Economic Outlook Report released by the International Monetary Fund (IMF): the Group increases 1 standard deviaton if the expected real GDP growth rate is less than the average real GDP growth rate in the past 7 years.

4) Credit risk measurement—financial instruments

The Groups assesses the impairment of its debt investment at amortized at cost and financial assets at fair value through other comprehensive income.

Investments that are debt securities should give priority to the evaluation of securities. If there is no such rating, the guarantor rating and issuer rating will be used in order. For non-debt investors, the counterparty will be evaluated.

If there are multiple qualified external credit rating agencies and the rating is inconsistent, it will be determined according to the lower rating. If the issuer is a local government, it is determined by the subordinate level of rating applied by the central government of the country.

The financial assets to which these precautions are applied shall be classified into the following three stages on the reporting date, based on the change in credit risk after the original recognition date:

a) Stage 1 (credit risk does not increase significantly or the credit risk is low) means:

   i) there is no change of credit rating; or

   ii) the credit rating has been lowered by 2 (inclusive), but it is not C/D/D/twD/D(twn); or

   iii) the credit rating has been lowered by 3 or above，but it is still Baa2/BBB/BB/twA/A+ (twn) and above.

b) Stage 2 (credit risk increases significantly) means that the credit rating has been lowered by 3 (inclusive) and the rating is below the Baa3/BBB-/BBB-/twA/A(twn) (inclusive) level and Ca/SD/RD/twSD/RD (Twn) (inclusive).

The calculation structure for measuring expected credit losses is a combination of default probability, default loss rate, and default risk amount. The previous parameters are taken from information published by qualified external credit rating agencies, or other historical data and should be adjusted to reflect forward-looking information. The fixed-rate and floating-rate financial assets that are subject to the considerations are calculated using the cash flow method and the current casualty amount method, respectively, and the amount of allowance for the financial assets is measured in the following manner according to the following stages and interest income:

a) Stage 1 (credit risk does not increase significantly or the credit risk is low): the amount of expected credit loss is equal to the 12-month ECL, and the interest income is recognized under total interest method.

b) Stage 2 (credit risk increases significantly): the amount of expected credit loss is equal to the lifetime ECL, and the interest income is recognized under total interest method.

c) Stage 3 (credit-impaired): the amount of expected credit loss is equal to the lifetime ECL, and the interest income is recognized under net interest method.

d) Qualified external rating institutions: refer to five credit rating agencies such as Moody's, Standard & Poor's, Fitch International, China Credit Rating Co., Ltd., and Fitch Ratings International Credit Rating Co., Ltd. Taiwan Branch.

e) The long-term evaluation of qualified external credit rating agencies is detailed in the attached table, and those who do not have the qualifications of qualified external credit rating agencies are rated as Baa3.

f) Probability of default: the likelihood of a default. The breach of contract defined by the purpose of the act to determine the risk of default is consistent with the definition of the use of financial assets for internal credit risk management purposes.

g) Loss given default: the extent of the loss caused by default.

h) Original Effective Interest Rate: The interest rate of the financial asset or financial liability book value is exactly the same as the expected future duration of the financial asset or the appropriate shorter period, after the future payment or cash collection of the contract is discounted.

i) Credit loss: the difference between the cash flow receivable from the contract and the cash flow expected to be received (i.e. all short cash receipts), discounted at the original effective interest rate.

5) Mitigation or hedging of risk

a) Collateral

In respect to credit business, the Group has set a series of policies and procedures to mitigate credit risk, where one of the common methods used is the claim for collateral from borrowers. The Group has established the range of permitted collateral provided, procedures on collateral valuation, management and disposals based on management of collateral assessment and calculation of secured loans to secure its debt. Also, the credit agreement has outline credit security, conditions of collateral, conditions for debt write-offs, which specifically defines that when a credit default has occurred, limits are reduced, terms on borrowings are shortened or considered as expired and all deposits within the Group are offset against its debt in order to reduce credit risks.

Except for asset securitization and other similar assets, which are collaterized as one asset portfolio, collateral of other businesses, excluding the credit business are set based on the characteristics of financial instruments.

b) Credit risk limits and concentration of risk control

To prevent excessive concentration, the Group has set limits on transaction with a single counterparty or single organization in credit-related standards. Also, to control the concentration of risk, the Group has set credit limits by industry, corporation and country, monitor risk concentration in each asset and integrate in systems to monitor the risk concentration in a single counterparty, organization, related-party, industry, country and others.

6) The Group's maximum exposures at credit risk of financial assets (irrevocable exposure without considering loss allowance, collaterals, and other credit-enhencing instruments):

The Group's maximum exposures at credit risk of financial assets as of December 31, 2019 were as follow:

	December 31, 2019					
	12-month ECL	Life time ECL —unimpaired	Life time ECL —impaired	Credit loss from initial purchase —impaired	Loss allowance	Total
On-balance sheet items						
Loans and receivables (Note1)	$ 1,983,645,944	24,491,125	10,085,056	-	(31,727,060)	1,986,495,065
Debt invetments as FVOCI (Note2)	99,516,017	-	-	-	-	99,516,017
Debt invetments at amortized cost	628,737,467	-	-	-	(11,527)	628,725,940
Accounts receivables and other financial assets	8,770,438	37,169	80,326	-	(144,447)	8,743,486
Total	**$ 2,720,669,866**	**24,528,294**	**10,165,382**	**-**	**(31,883,034)**	**2,723,480,508**
Off-balance sheet items						
Receivables from guarantees and commercial letter of credits	$ 58,449,626	517,008	39,062	-	(513,702)	58,491,994
Loan commitments	32,129,635	20,288	2,090	-	(27,084)	32,124,929
Total	**$ 90,579,261**	**537,296**	**41,152**	**-**	**(540,786)**	**90,616,923**

Note 1: It excludes the unamortized discounts and/or premiums on loans of $10,926 thousand.

Note 2: The loss allowance of investments in debt instruments measured at FVOCI, amounting to $4,205 thousand, was reclassified from other comprehensive income to profits and losses and does not reduce the carrying amount of such financial assets.

The Bank's maximum exposures at credit risk of financial assets as of December 31, 2018 were as follow:

December 31, 2018	12-month ECL	Life time ECL —unimpaired	Life time ECL —impaired	Credit loss from initial purchase —impaired	Loss allowance	Total
On-balance sheet items						
Loans and receivables (Note1)	$ 1,961,300,205	24,301,383	10,405,183	-	(30,206,215)	1,965,800,556
Debt invetments as FVOCI (Note2)	89,004,836	-	-	-	(3,036)	89,001,800
Debt invetments at amortized cost	623,058,550	-	-	-	(9,585)	623,048,965
Accounts receivables and other financial assets	8,938,692	42,078	521,474	-	(133,839)	9,368,405
Total	**$ 2,682,302,283**	**24,343,461**	**10,926,657**	**-**	**(30,352,675)**	**2,687,219,726**
Off-balance sheet items						
Receivables from guarantees and commercial letter of credits	$ 55,282,731	16,039	197,678	-	(502,523)	54,993,925
Loan commitments	4,731,450	302,562	5,036	-	(25,851)	5,013,197
Total	**$ 60,014,181**	**318,601**	**202,714**	**-**	**(528,374)**	**60,007,122**

Note 1: It excludes the unamortized discounts and/or premiums on loans of $6,678 thousand.

Note 2: The loss allowance of investments in debt instruments measured at FVOCI, amounting to $3,036 thousand, was reclassified from other comprehensive income to profits and losses and does not reduce the carrying amount of such financial assets.

7) Reconciliation of loss allowance

a) Reconciliation of loss allowance for loans and receivables

i) The following table reconciles the beginning amount of loss allowance for loans and receivables to the ending amount as of December 31, 2019:

	12- month ECL	Life tine ECL (collective assessment)	Life tine ECL (individual assessment)	Life tine ECL (non-purchased or initially impaired financial assets)	Life tine ECL (purchased or initially credit-impaired financial assets)	Impairment under IFRS 9	Difference with the impairment under Regulations Governing the Procedures for Banking institutions to Evaluate Assets and Deal with Non-performing / Non-accrual Loans	Total
January 1, 2019	$ 20,937,128	1,922,336	-	7,346,751	-	30,206,215		30,206,215
Changes from financial instruments recignized at the beginning of period:								
—transfer to life time ECL	(47,152)	390,043	-	(91,211)	-	251,680		251,680
—transfer to impaired financial assets	(12,565)	(24,293)	-	2,006,071	-	1,969,213		1,969,213
—transfer to 12-month ECL	20,236	(94,344)	-	(122,612)	-	(196,720)		(196,720)
—derecognization	(3,766,381)	(367,507)	-	(3,337,052)	-	(7,470,940)		(7,470,940)
Initial or purchased financial assets	6,051,286	418,215	-	1,800,807	-	8,270,308		8,270,308
Write off	-	-	-	(2,024,053)	-	(2,024,053)		(2,024,053)
Recoveries	-	-	-	819,791	-	819,791		819,791
Effects of changes in exchange rates and others	(865,074)	108,269	-	658,371	-	(98,434)		(98,434)
December 31, 2019	$ 22,317,478	2,352,719	-	7,056,863	-	31,727,060	-	31,727,060

The following table reconciles the beginning amount of loss allowance for loans and receivables to the ending amount as of December 31, 2018:

	12- month ECL	Life tine ECL (collective assessment)	Life tine ECL (individual assessment)	Life tine ECL (non-purchased or initially impaired financial assets)	Life tine ECL (purchased or initially credit-impaired financial assets)	Impairment under IFRS 9	Difference with the impairment under Regulations Governing the Procedures for Banking institutions to Evaluate Assets and Deal with Non-performing / Non-accrual Loans	Total
January 1, 2018	$ 18,395,401	2,177,889	-	7,061,096	-	27,634,386		27,634,386
Changes from financial instruments recignized at the beginning of period:								
—transfer to life time ECL	(42,523)	209,846	-	(22,346)	-	144,977		144,977
—transfer to impaired financial assets	(12,141)	(22,698)	-	814,213	-	779,374		779,374
—transfer to 12-month ECL	7,199	(22,813)	-	(80,550)	-	(96,164)		(96,164)
—derecognization	(3,159,458)	(521,464)	-	(2,640,823)	-	(6,321,745)		(6,321,745)
Initial or purchased financial assets	5,702,381	364,753	-	2,539,621	-	8,606,755		8,606,755
Write off	-	-	-	(1,827,099)	-	(1,827,099)		(1,827,099)
Recoveries	-	-	-	1,022,863	-	1,022,863		1,022,863
Effects of changes in exchange rates and others	46,269	(263,177)	-	479,776	-	262,868		262,868
December 31, 2018	$ 20,937,128	1,922,336	-	7,346,751	-	30,206,215	-	30,206,215

ii) The following table reconciles the beginning carrying amount of loans and receivables to the amount as of December 31, 2019:

	12- month ECL	Life tine ECL (collective assessment)	Life tine ECL (individual assessment)	Life tine ECL (non-purchased or initially credit-impaired financial assets)	Life tine ECL (purchased or initially impaired financial assets)	Total
January 1, 2019	$ 1,961,300,205	24,301,384	-	10,405,182	-	1,996,006,771
Individual financial asset transfers to life time ECL	(3,999,295)	3,974,612	-	(140,818)	-	(165,501)
Individual financial asset transfers to credit-impaired financial assets	(1,597,324)	(1,208,952)	-	3,000,431	-	194,155
Individual financial asset transferred from credit-impaired financial asset	860,290	(769,078)	-	(243,911)	-	(152,699)
Derecognization	(479,073,158)	(5,941,145)	-	(4,717,524)	-	(489,731,827)
Initial or purchased loans and receivables	589,937,480	4,509,397	-	2,493,106	-	596,939,983
Write off	-	-	-	(2,024,053)	-	(2,024,053)
Others	(83,782,254)	(375,093)	-	1,312,643	-	(82,844,704)
December 31, 2019	**$ 1,983,645,944**	**24,491,125**	**-**	**10,085,056**	**-**	**2,018,222,125**

The following table reconciles the beginning carrying amount of loans and receivables to the amount as of December 31, 2018:

	12- month ECL	Life tine ECL (collective assessment)	Life tine ECL (individual assessment)	Life tine ECL (non-purchased or initially credit-impaired financial assets)	Life tine ECL (purchased or initially impaired financial assets)	Total
January 1, 2018	$ 1,872,041,880	25,147,818	-	9,757,399	-	1,906,947,097
Individual financial asset transfers to life time ECL	(2,086,475)	1,988,045	-	(48,016)	-	(146,446)
Individual financial asset transfers to credit-impaired financial assets	(1,120,909)	(343,842)	-	1,380,733	-	(84,018)
Individual financial asset transferred from credit-impaired financial asset	634,463	(614,180)	-	(176,505)	-	(156,222)
Derecognization	(473,205,303)	(7,992,191)	-	(3,687,593)	-	(484,885,087)
Initial or purchased loans and receivables	640,488,822	6,215,662	-	3,609,052	-	650,313,536
Write off	-	-	-	(2,288,579)	-	(2,288,579)
Others	(75,452,273)	(99,928)	-	1,858,691	-	(73,693,510)
December 31, 2018	**$ 1,961,300,205**	**24,301,384**	**-**	**10,405,182**	**-**	**1,996,006,771**

b) Reconciliation of loss allowance for debt investment at fair value through other comprehensive income

i) The following table reconciles the beginning amount of loss allowance for debt investment at fair value through other comprehensive income to the ending amount as of December 31, 2019:

	12- month ECL	Life tine ECL (collective assessment)	Life tine ECL (individual assessment)	Life tine ECL (non-purchased or initially credit-impaired financial assets)	Life tine ECL (purchased or initially credit-impaired financial assets)	Impa.irment under IFRS 9	Total
January 1, 2019	$ 3,036	-	-	-	-	3,036	3,036
Changes from financial instruments recignized at the beginning of period:							
—transfer to 12-month ECL	23	-	-	-	-	23	23
—derecognization	(318)	-	-	-	-	(318)	(318)
Initial or purchased financial assets	1,128	-	-	-	-	1,128	1,128
Effects of changes in exchange rates and others	336	-	-	-	-	336	336
December 31, 2019	**$ 4,205**	**-**	**-**	**-**	**-**	**4,205**	**4,205**

The following table reconciles the beginning amount of loss allowance for debt investment at fair value through other comprehensive income to the ending amount as of December 31, 2018:

	12- month ECL	Life tine ECL (collective assessment)	Life tine ECL (individual assessment)	Life tine ECL (non-purchased or initially credit-impaired financial assets)	Life tine ECL (purchased or initially credit-impaired financial assets)	Impa.irment under IFRS 9	Total
January 1, 2018	$ 4,042	-	-	-	-	4,042	4,042
Changes from financial instruments recignized at the beginning of period:							
－derecognization	(655)	-	-	-	-	(655)	(655)
Initial or purchased financial assets	1,178	-	-	-	-	1,178	1,178
Effects of changes in exchange rates and others	(1,529)	-	-	-	-	(1,529)	(1,529)
December 31, 2018	**$ 3,036**	**-**	**-**	**-**	**-**	**3,036**	**3,036**

ii) The following table reconciles the beginning carrying amount of debt investment at fair value through other comprehensive income to the amount as of December 31, 2019:

	12- month ECL	Life tine ECL (collective assessment)	Life tine ECL (individual assessment)	Life tine ECL (non-purchased or initially credit-impaired financial assets)	Life tine ECL (purchased or initially credit-impaired financial assets)	Total
January 1, 2019	$ 89,004,836	-	-	-	-	89,004,836
Derecognization	(22,755,722)	-	-	-	-	(22,755,722)
Initial or purchased financial assets	38,060,443	-	-	-	-	38,060,443
Others	(4,793,540)	-	-	-	-	(4,793,540)
December 31, 2019	**$ 99,516,017**	**-**	**-**	**-**	**-**	**99,516,017**

The following table reconciles the beginning carrying amount of debt investment at fair value through other comprehensive income to the amount as of December 31, 2018:

	12- month ECL	Life tine ECL (collective assessment)	Life tine ECL (individual assessment)	Life tine ECL (non-purchased or initially credit-impaired financial assets)	Life tine ECL (purchased or initially credit-impaired financial assets)	Total
January 1, 2018	$ 86,220,570	-	-	-	-	86,220,570
Derecognization	(18,018,132)	-	-	-	-	(18,018,132)
Initial or purchased financial assets	21,678,990	-	-	-	-	21,678,990
Others	(876,592)	-	-	-	-	(876,592)
December 31, 2018	**$ 89,004,836**	**-**	**-**	**-**	**-**	**89,004,836**

c) Reconciliation of loss allowance for debt investment at amortized cost

i) The following table reconciles the beginning amount of loss allowance for debt investment at amortized cost to the ending amount as of December 31, 2019:

	12- month ECL	Life tine ECL (collective assessment)	Life tine ECL (individual assessment)	Life tine ECL (non-purchased or initially credit-impaired financial assets)	Life tine ECL (purchased or initialiy credit-impaired financial assets)	Impairment under IFRS 9	Total
January 1, 2019	$ 9,585	-	-	-	-	9,585	9,585
Changes from financial instruments recignized at the beginning of period:							
– derecognization	(9,638)	-	-	-	-	(9,638)	(9,638)
Initial or purchased financial assets	13,529	-	-	-	-	13,529	13,529
Effects of changes in exchange rates and others	(1,949)	-	-	-	-	(1,949)	(1,949)
December 31, 2019	**$ 11,527**	**-**	**-**	**-**	**-**	**11,527**	**11,527**

The following table reconciles the beginning amount of loss allowance for debt investment at amortized cost to the ending amount as of December 31, 2018:

	12- month ECL	Life tine ECL (collective assessment)	Life tine ECL (individual assessment)	Life tine ECL (non-purchased or initially credit-impaired financial assets)	Life tine ECL (purchased or initialiy credit-impaired financial assets)	Impairment under IFRS 9	Total
January 1, 2018	$ 11,587	-	-	-	-	11,587	11,587
Changes from financial instruments recignized at the beginning of period:							
—derecognization	(10,305)	-	-	-	-	(10,305)	(10,305)
Initial or purchased financial assets	13,806	-	-	-	-	13,806	13,806
Effects of changes in exchange rates and others	(5,503)	-	-	-	-	(5,503)	(5,503)
December 31, 2018	**$ 9,585**	**-**	**-**	**-**	**-**	**9,585**	**9,585**

ii) The following table reconciles the beginning carrying amount of debt investment at amortized cost to the amount as of December 31, 2019:

	12- month ECL	Life tine ECL (collective assessment)	Life tine ECL (individual assessment)	Life tine ECL (non-purchased or initially credit-impaired financial assets)	Life tine ECL (purchased or initialiy credit-impaired financial assets)	Total
January 1, 2019	$ 623,058,549	-	-	-	-	623,058,549
Derecognizattion	(3,504,420,265)	-	-	-	-	(3,504,420,265)
Initial or purchased financial assets	3,511,139,664	-	-	-	-	3,511,139,664
Others	(1,040,480)	-	-	-	-	(1,040,480)
December 31, 2019	**$ 628,737,468**	**-**	**-**	**-**	**-**	**628,737,468**

The following table reconciles the beginning carrying amount of debt investment at amortized cost to the amount as of December 31, 2018:

	12- month ECL	Life tine ECL (collective assessment)	Life tine ECL (individual assessment)	Life tine ECL (non-purchased or initially credit-impaired financial assets)	Life tine ECL (purchased or initialiy credit-impaired financial assets)	Total
January 1, 2018	$ 587,602,736	-	-	-	-	587,602,736
Derecognizattion	(3,436,321,979)	-	-	-	-	(3,436,321,979)
Initial or purchased financial assets	3,505,682,518	-	-	-	-	3,505,682,518
Others	(33,904,726)	-	-	-	-	(33,904,726)
December 31, 2018	**$ 623,058,549**	**-**	**-**	**-**	**-**	**623,058,549**

d) Reconciliation of guarantee liability provision and other provision

i) The following table reconciles the beginning carrying amount of guarantee liability provision and other provision of receivables from guarantees and commercial letter of credits to the amount as of December 31, 2019:

	12- month ECL	Life tine ECL (collective assessment)	Life tine ECL (individual assessment)	Life tine ECL (non-purchased or initially credit-impaired financial assets)	Life tine ECL (purchased or initialiy credit-impaired financial assets)	Impairment under IFRS 9	Difference with the impairment under Regulations Governing the Procedures for Banking institutions to Evaluate Assets and Deal with Non-performing / Non-accrual Loans	Total
January 1, 2019	$ 102,057	1,159	-	52,259	-	155,475	347,048	502,523
Changes from financial instruments recignized at the beginning of period:								
—transfer to life time ECL	(731)	18,890	-	-	-	18,159		18,159
—transfer to 12-month ECL	2	(30)	-	-	-	(28)		(28)
—derecognization	(54,274)	(1,129)	-	(36,918)	-	(92,321)		(92,321)
Initial or purchased financial assets	57,918	2,107	-	-	-	60,025		60,025
Difference with the impairment under Regulations Governing the Procedures for Banking institutions to Evaluate Assets and Deal with Non-performing / Non-accrual Loans	-	-	-	-	-	-	26,173	26,173
Effects of changes in exchange rates and others	(781)	-	-	(48)	-	(829)		(829)
December 31, 2019	$ **104,191**	**20,997**	**-**	**15,293**	**-**	**140,481**	**373,221**	**513,702**

The following table reconciles the beginning carrying amount of guarantee liability provision and other provision of receivables from guarantees and commercial letter of credits to the amount as of December 31, 2018:

	12- month ECL	Life tine ECL (collective assessment)	Life tine ECL (individual assessment)	Life tine ECL (non-purchased or initially credit-impaired financial assets)	Life tine ECL (purchased or initialiy credit-impaired financial assets)	Impairment under IFRS 9	Difference with the impairment under Regulations Governing the Procedures for Banking institutions to Evaluate Assets and Deal with Non-performing / Non-accrual Loans	Total
January 1, 2018	$ 68,522	2,146	-	76,300	-	146,968	612,598	759,566
Changes from financial instruments recignized at the beginning of period:								
—transfer to credit-impaired financial asets	(104)	-	-	4,144	-	4,040		4,040
—derecognization	(42,618)	(2,146)	-	(18,082)	-	(62,846)		(62,846)
Initial or purchased financial assets	83,039	1,159	-	24,389	-	108,587		108,587
Difference with the impairment under Regulations Governing the Procedures for Banking institutions to Evaluate Assets and Deal with Non-performing / Non-accrual Loans	-	-	-	-	-	-	(265,550)	(265,550)
Effects of changes in exchange rates and others	(6,782)	-	-	(34,492)	-	(41,274)		(41,274)
December 31, 2018	$ **102,057**	**1,159**	**-**	**52,259**	**-**	**155,475**	**347,048**	**502,523**

ii) The following table reconciles the beginning carrying amount of receivables from guarantees and commercial letter of credits to the amount as of December 31, 2019:

	12- month ECL	Life tine ECL (collective assessment)	Life tine ECL (individual assessment)	Life tine ECL (non-purchased or initially credit-impaired financial assets)	Life tine ECL (purchased or initialiy credit-impaired financial assets)	Total
January 1, 2019	$ 55,282,731	16,039	-	197,678	-	55,496,448
Derecognization	(27,780,532)	(15,281)	-	(159,303)	-	(27,955,116)
Initial or purchased financial assets	31,057,549	54,215	-	-	-	31,111,764
Others	(110,122)	462,035	-	687	-	352,600
December 31, 2019	$ **58,449,626**	**517,008**	-	**39,062**	-	**59,005,696**

The following table reconciles the beginning carrying amount of receivables from guarantees and commercial letter of credits to the amount as of December 31, 2018:

	12- month ECL	Life tine ECL (collective assessment)	Life tine ECL (individual assessment)	Life tine ECL (non-purchased or initially credit-impaired financial assets)	Life tine ECL (purchased or initialiy credit-impaired financial assets)	Total
January 1, 2018	$ 53,052,780	33,562	-	274,154	-	53,360,496
Derecognization	(31,103,620)	(33,801)	-	(42,114)	-	(31,179,535)
Initial or purchased financial assets	45,224,306	16,078	-	71,239	-	45,311,623
Others	(11,890,735)	200	-	(105,601)	-	(11,996,136)
December 31, 2018	**$ 55,282,731**	**16,039**	**-**	**197,678**	**-**	**55,496,448**

e) Reconciliation of loan commitment provision (with revocable loan commitments excluded)

i) The following table reconciles the beginning carrying amount of provisions for loan commiments to the amount as of December 31, 2019:

	12- month ECL	Life tine ECL (collective assessment)	Life tine ECL (individual assessment)	Life tine ECL (non-purchased or initially credit-impaired financial assets)	Life tine ECL (purchased or initialiy credit-impaired financial assets)	Impairment under IFRS 9	Difference with the impairment under Regulations Governing the Procedures for Banking institutions to Evaluate Assets and Deal with Non-performing / Non-accrual Loans	Total
January 1, 2019	$ 22,997	2,644	-	210	-	25,851		25,851
Changes from financial instruments recignized at the beginning of period:								
—transfer to life time ECL	(26)	2,971	-	-	-	2,945		2,945
—transfer to credit-impaired financial asets	(4)	-	-	867	-	863		863
—transfer to 12-month ECL	14	(1,566)	-	(178)	-	(1,730)		(1,730)
—derecognization	(6,910)	(865)	-	(31)	-	(7,806)		(7,806)
Initial or purchased financial assets	6,879	213	-	27	-	7,119		7,119
Effects of changes in exchange rates and others	(198)	40	-	-	-	(158)		(158)
December 31, 2019	$ 22,752	3,437	-	895	-	27,084	-	27,084

The following table reconciles the beginning carrying amount of provisions for loan commiments to the amount as of December 31, 2018:

	12- month ECL	Life tine ECL (collective assessment)	Life tine ECL (individual assessment)	Life tine ECL (non-purchased or initially credit-impaired financial assets)	Life tine ECL (purchased or initialiy credit-impaired financial assets)	Impairment under IFRS 9	Difference with the impairment under Regulations Governing the Procedures for Banking institutions to Evaluate Assets and Deal with Non-performing / Non-accrual Loans	Total
January 1, 2018	$ 11,579	11	-	720	-	12,310		12,310
Changes from financial instruments recignized at the beginning of period:								
－transfer to credit-impaired financial assets	(526)	-	-	209	-	(317)		(317)
－derecognization	(2,298)	-	-	-	-	(2,298)		(2,298)
Initial or purchased financial assets	15,523	552	-	-	-	16,075		16,075
Effects of changes in exchange rates and others	(1,281)	2,081	-	(719)	-	81		81
December 31, 2018	**$ 22,997**	**2,644**	**-**	**210**	**-**	**25,851**	**-**	**25,851**

ii) The following table reconciles the beginning carrying amount of loan commitments to the amount as of December 31, 2019:

	12- month ECL	Life tine ECL (collective assessment)	Life tine ECL (individual assessment)	Life tine ECL (non-purchased or initially credit-impaired financial assets)	Life tine ECL (purchased or initialiy credit-impaired financial assets)	Total
January 1, 2019	$ 4,731,450	302,562	-	5,036	-	5,039,048
Individual financial assets transfer to life time ECL	(7,949)	6,017	-	-	-	(1,932)
Individual financial assets transfer to credit-impaired financial assets	(1,127)	(114)	-	1,273	-	32
Individual financial assets transfer from credit-impaired financial assets	21,629	(19,012)	-	(446)	-	2,171
Derecognization	(1,495,663)	(289,323)	-	-	-	(1,784,986)
Initial or purchased financial assets	28,933,638	12,102	-	746	-	28,946,486
Others	(52,343)	8,056	-	(4,519)	-	(48,806)
December 31, 2019	**$ 32,129,635**	**20,288**	**-**	**2,090**	**-**	**32,152,013**

The following table reconciles the beginning carrying amount of loan commitments to the amount as of December 31, 2018:

	12- month ECL	Life tine ECL (collective assessment)	Life tine ECL (individual assessment)	Life tine ECL (non-purchased or initially credit-impaired financial assets)	Life tine ECL (purchased or initialiy credit-impaired financial assets)	Total
January 1, 2018	$ 56,318,315	21,811	-	157	-	56,340,283
Individual financial assets transfer to credit-impaired financial asets	(9,152)	-	-	4,949	-	(4,203)
Derecognization	(51,949,864)	-	-	-	-	(51,949,864)
Initial or purchased financial assets	313,750	3,858	-	-	-	317,608
Others	58,401	276,893	-	(70)	-	335,224
December 31, 2018	**$ 4,731,450**	**302,562**	**-**	**5,036**	**-**	**5,039,048**

f) Reconciliation of debt allowance for accounts receivables (other financial assets included)

i) The following table reconciles the beginning carrying amount of debt allowance for accounts receivables (other financial assets included) to the amount as of December 31, 2019:

	12- month ECL	Life tine ECL (collective assessment)	Life tine ECL (individual assessment)	Life tine ECL (non-purchased or initially credit-impaired financial assets)	Life tine ECL (purchased or initialiy credit-impaired financial assets)	Impairment under IFRS 9	Difference with the impairment under Regulations Governing the Procedures for Banking institutions to Evaluate Assets and Deal with Non-performing / Non-accrual Loans	Total
January 1, 2019	$ 22,073	6,056	-	101,627	-	129,756	4,083	133,839
Changes from financial instruments recignized at the beginning of period:								
—transfer to life time ECL	(73)	6,273	-	-	-	6,200		6,200
—transfer to credit-impaired financial assets	(11)	-	-	2,682	-	2,671		2,671
—transfer to 12-month ECL	21	(2,243)	-	(3)	-	(2,225)		(2,225)
—derecognization	(9,984)	(2,929)	-	(9,207)	-	(22,120)		(22,120)
Initial or purchased financial assets	4,585	972	-	27,822	-	33,379		33,379
Difference with the impairment under Regulations Governing the Procedures for Banking institutions to Evaluate Assets and Deal with Non-performing / Non-accrual Loans	-	-	-	-	-	-	717	717
Write off	-	-	-	(32,856)	-	(32,856)		(32,856)
Recoveries	-	-	-	25,486	-	25,486		25,486
Effects of changes in exchange rates and others	(4,139)	(187)	-	3,682	-	(644)		(644)
December 31, 2019	**$ 12,472**	**7,942**	**-**	**119,233**	**-**	**139,647**	**4,800**	**144,447**

The following table reconciles the beginning carrying amount of debt allowance for accounts receivables (other financial assets included) to the amount as of December 31, 2018:

	12- month ECL	Life tine ECL (collective assessment)	Life tine ECL (individual assessment)	Life tine ECL (non-purchased or initially credit-impaired financial assets)	Life tine ECL (purchased or initialiy credit-impaired financial assets)	Impairment under IFRS 9	Difference with the impairment under Regulations Governing the Procedures for Banking institutions to Evaluate Assets and Deal with Non-performing / Non-accrual Loans	Total
January 1, 2018	$ 15,007	21,158	-	491,841	-	528,006		528,006
Changes from financial instruments recignized at the beginning of period:								
—transfer to life time ECL	(45)	4,284	-	(7)	-	4,232		4,232
—transfer to credit-impaired financial assets	-	-	-	787	-	787		787
—transfer to 12-month ECL	38	(3,864)	-	(1,468)	-	(5,294)		(5,294)
—derecognization	(13,704)	(15,272)	-	(407,437)	-	(436,413)		(436,413)
Initial or purchased financial assets	10,937	796	-	12,082	-	23,815		23,815
Difference with the impairment under Regulations Governing the Procedures for Banking institutions to Evaluate Assets and Deal with Non-performing / Non-accrual Loans	-	-	-	-	-	-	4,083	4,083
Write off	-	-	-	(487,108)	-	(487,108)		(487,108)
Recoveries	-	-	-	41,275	-	41,275		41,275
Effects of changes in exchange rates and others	9,840	(1,046)	-	451,662	-	460,456		460,456
December 31, 2018	**$ 22,073**	**6,056**	**-**	**101,627**	**-**	**129,756**	**4,083**	**133,839**

ii) The following table reconciles the beginning carrying amount of accounts receivables (other financial assets included) to the amount as of December 31, 2019:

	12- month ECL	Life tine ECL (collective assessment)	Life tine ECL (individual assessment)	Life tine ECL (non-purchased or initially credit-impaired financial assets)	Life tine ECL (purchased or initialiy credit-impaired financial assets)	Total
January 1, 2019	$ 9,197,631	27,069	-	278,219	-	9,502,919
Individual financial assets transfer to life time ECL	(18,310)	23,938	-	-	-	5,628
Individual financial assets transfer to credit-impaired financial asets	(1,942)	(34)	-	3,120	-	1,144
Individual financial assets transfered from credit-impaired financial asets	4,833	(9,116)	-	(1)	-	(4,284)
Derecogniztion	(2,409,523)	(28,062)	-	(214,632)	-	(2,652,217)
Initial or purchased financial assets	1,033,938	6,654	-	34,100	-	1,074,692
Write off	-	-	-	(32,856)	-	(32,856)
Others	963,811	16,720	-	12,376	-	992,907
December 31, 2019	**$ 8,770,438**	**37,169**	**-**	**80,326**	**-**	**8,887,933**

The following table reconciles the beginning carrying amount of accounts receivables (other financial assets included) to the amount as of December 31, 2018:

	12- month ECL	Life tine ECL (collective assessment)	Life tine ECL (individual assessment)	Life tine ECL (non-purchased or initially credit-impaired financial assets)	Life tine ECL (purchased or initialiy credit-impaired financial assets)	Total
January 1, 2018	$ 11,153,658	76,031	-	313,291	-	11,542,980
Individual financial assets transfer to life time ECL	(11,737)	15,795	-	(6)	-	4,052
Individual financial assets transfer to credit-impaired financial asets	(75)	(11,222)	-	1,140	-	(10,157)
Individual financial assets transfered from credit-impaired financial asets	7,135	(11,288)	-	56	-	(4,097)
Derecogniztion	(12,859,279)	(20,347)	-	(510,184)	-	(13,389,810)
Initial or purchased financial assets	1,918,397	2,446	-	13,882	-	1,934,725
Write off	-	-	-	(30,511)	-	(30,511)
Others	8,988,857	(24,346)	-	490,551	-	9,455,062
December 31, 2018	**$ 9,196,956**	**27,069**	**-**	**278,219**	**-**	**9,502,244**

8) Maximum exposure credit risk

Without taking collateral or other credit enhancement mitigation effect into account, the maximum exposure to credit risk of on-balance sheet financial assets is equal to their carrying values and the maximum exposure of credit risk of off-balance sheet financial instruments were as follows:

	December 31, 2019	December 31, 2018
Irrevocable loan commitments	$ 5,396,922	5,039,048
Credit card commitments	-	-
Unused credit card	26,755,091	25,166,612
Letters of credit	9,332,677	8,949,547
Guarantees	49,673,019	46,546,901

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

9) Concentration of credit risk

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

Credit risk concentration can arise in a Group's assets, liabilities, or off-balance sheet items, through the execution or processing of transactions (either product or service), or through a combination of exposures across these broad categories. It includes credit, loan and deposits, call loan to Groups, investment, receivables and derivatives. The Group maintains a diversified portfolio, limits its exposure on a continuous basis. The Group's most significant concentrations of credit risk are summarized as follows:

a) By industry (excluding inward and outward documentary bills and overdue loans)

(in thousands of New Taiwan dollars)

	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%
Private enterprises	$ 684,641,641	33.98	676,326,373	33.94
Government owned enterprises	35,772,780	1.78	48,540,718	2.44
Government	11,132,304	0.55	22,402,095	1.12
Non-profit organizations	1,130,940	0.06	549,248	0.03
Individual	1,174,424,687	58.28	1,126,522,535	56.54
Others	107,980,329	5.35	118,176,914	5.93
Total	**$ 2,015,082,681**	**100.00**	**1,992,517,883**	**100.00**

b) By geographic region (excluding inward and outward documentary bills and overdue loans)

(in thousands of New Taiwan dollars)

	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%
Domestic	$ 1,869,660,571	92.78	1,836,855,814	92.19
Foreign	145,422,110	7.22	155,662,069	7.81
Total	$ 2,015,082,681	100.00	1,992,517,883	100.00

c) By collateral (including inward and outward documentary bills and overdue loans)

(in thousands of New Taiwan dollars)

	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%
Non-collateral	$ 276,308,591	13.69	343,490,814	17.21
Collateral				
Financial collateral	7,578,700	0.38	8,721,010	0.44
Receivables	380,723	0.02	729,806	0.04
Property	1,590,469,981	78.80	1,495,098,256	74.90
Guarantee	32,370,439	1.60	31,913,791	1.60
Other	111,113,691	5.51	116,053,094	5.81
	$ 2,018,222,125	100.00	1,996,006,771	100.00

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

a) Asset quality of non-performing loan and overdue credits

(in thousands of New Taiwan dollars)

Period			December 31, 2019				
Items			Non-performing Loans (Note 1)	Loans	Ratio of Non-performing Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Corporate Banking	Secured		1,258,730	659,606,892	0.19 %	11,203,794	890.09 %
	Unsecured		79,409	320,911,358	0.02 %	756,137	952.21 %
Consumer Banking	Mortgage loans (Note 4)		1,555,906	888,342,279	0.18 %	13,872,075	891.58 %
	Cash card		287	14,515	1.98 %	4,012	1,397.91 %
	Small-scale credit loans (Note 5)		7,201	1,951,211	0.37 %	65,419	908.47 %
	Other (Note 6)	Secured	616,593	110,194,090	0.56 %	5,456,494	884.94 %
		Unsecured	39,941	37,201,780	0.11 %	369,129	924.19 %
Total loans			3,558,067	2,018,222,125	0.18 %	31,727,060	891.69 %
			Non-performing Receivables	Receivables	Ratio of Non-performing Receivables	Allowance for Possible Losses	Coverage Ratio
Credit cards			3,780	1,441,607	0.26 %	46,234	1,223.12 %
Factored accounts receivable without recourse (Note 7)			-	-	-	-	-

Period			December 31, 2018				
Items			Non-performing Loans (Note 1)	Loans	Ratio of Non-performing Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Corporate Banking	Secured		1,401,617	608,799,197	0.23 %	11,205,800	799.49 %
	Unsecured		90,783	388,570,338	0.02 %	781,582	860.93 %
Consumer Banking	Mortgage loans (Note 4)		1,693,799	854,150,226	0.20 %	13,466,241	795.03 %
	Cash card		386	20,243	1.91 %	5,049	1,308.03 %
	Small-scale credit loans (Note 5)		9,980	1,668,139	0.60 %	80,939	811.01 %
	Other (Note 6)	Secured	549,642	106,970,202	0.51 %	4,353,405	792.04 %
		Unsecured	37,579	35,828,426	0.10 %	313,199	833.44 %
Total loans			3,783,786	1,996,006,771	0.19 %	30,206,215	798.31 %
			Non-performing Receivables	Receivables	Ratio of Non-performing Receivables	Allowance for Possible Losses	Coverage Ratio
Credit cards			3,637	1,399,034	0.26 %	44,434	1,221.72 %
Factored accounts receivable without recourse (Note 7)			-	-	-	-	-

Note 1: Non-performing loans are reported to the authorities and disclosed to the public, as required by the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming / Non-accrued Loans."

Non-performing credit card receivables are reported to the authorities and disclosed to the public, as required by the Banking Bureau's letter dated July 6, 2005 (Ref. No. 0944000378).

Note 2: Ratio of non-performing loans: Non-performing loans ÷ Outstanding loan balance.

Ratio of non-performing credit card receivables: Non-performing credit card receivables ÷ Outstanding credit card receivables balance.

Note 3: Coverage ratio of loans: Allowance for possible losses for loans ÷ Nonperforming loans.

Coverage ratio of credit card receivables: Allowance for possible losses for credit card receivables ÷ Non-performing credit card receivables.

Note 4: The mortgage loan is for house purchase or renovation and is fully secured by housing that is purchased (owned) by the borrower or the spouse or the minor children of the borrower.

Note 5: Based on the Banking Bureau's letter dated December 19, 2005 (Ref. No. 09440010950), small-scale credit loans are unsecured, involve small amounts, and exclude credit cards and cash cards.

Note 6: Other consumer banking loans refer to secured or unsecured loans that exclude housing mortgages, cash cards, credit cards and small-scale credit loans.

Note 7: As required by the Banking Bureau in its letter dated July 19, 2005 (Ref. No. 094000494), factored accounts receivable without recourse are reported as non-performing receivables within three months after the factors or insurance companies refuse to indemnify banks for any liabilities on these accounts.

b) Exemption of non-performing loans and overdue receivables

(in thousands of New Taiwan dollars)

	December 31, 2019		December 31, 2018	
	Amount exempted from reporting as non-performing loans	Amount exempted from reporting as overdue account receivable	Amount exempted from reporting as non-performing loans	Amount exempted from reporting as overdue account receivable
Amounts of executed contracts on negotiated debts not reported (Note 1)	16,026	2,684	14,072	3,886
Amounts of executed debt settlement program and rehabilitation program not reported (Note 2)	2,782	24,957	3,341	25,310
Total	18,808	27,641	17,413	29,196

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

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

c) Concentration of credit extensions

(in thousands of New Taiwan dollars)

December 31, 2019			
Rank	**Business Groups' Standard Industrial Classification and Symbol**	**Total Amount of Credit Endorsement or Other Transactions**	**Percentage of the Group's Equity (%)**
1	A Group- Rail Transportation Industry	33,253,176	19.77
2	B Group- Real Estate Development Industry	25,479,828	15.15
3	C Group- Real Estate Development Industry	12,099,437	7.20
4	D Group- Real Estate Development Industry	11,903,506	7.08
5	E Group-Smelting and Refining of Iron and Steel Industry	11,330,508	6.74
6	F Group- Air Transportation Industry	10,876,255	6.47
7	G Group- Real Estate Developmentl Industry	9,850,918	5.86
8	H Group- Real Estate Development Industry	8,974,600	5.34
9	I Group- Other Retail Sale of General Merchandise Industry	8,223,047	4.89
10	J Group- Real Estate Development Industry	8,129,902	4.83

December 31, 2018			
Rank	**Business Groups' Standard Industrial Classification and Symbol**	**Total Amount of Credit Endorsement or Other Transactions**	**Percentage of the Group's Equity (%)**
1	A Group- Rail Transportation Industry	33,253,176	21.15
2	B Group- Real Estate Development Industry	19,284,826	12.27
3	F Group- Air Transportation Industry	13,297,075	8.46
4	C Group- Real Estate Development Industry	10,348,954	6.58
5	D Group- Real Estate Development Industry	10,331,219	6.57
6	V Group- Ocean Transportation Industry	9,709,823	6.18
7	E Group- Rolling and Extruding of Iron and Steel Industry	9,607,753	6.11
8	N Group-LCD and Components Manufacturing Industry	8,763,113	5.57
9	I Group- Other Retail Sale of General Merchandisg Industry	8,728,761	5.55
10	J Group- Real Estate Development Industry	8,512,714	5.41

Note 1: Ranked by the total amount of credit, endorsement, or other transactions; list excludes government-owned or state-run enterprises. If the creditor is a Group enterprise, the Group would express the amount of credit by aggregating the total credit of this Group enterprise, indicated with the symbol of the enterprise and industrial classification. The Group would further identify the industry in which the Group enterprise has the most exposure. The industrial classification refers to the Industrial Classification Standard of the Directorate General of Budget, Accounting and Statistics (DGBAS).

Note 2: Group enterprise refers to a Group of corporate entities as defined by Article 6 of the "Supplementary Provisions to the Taiwan Stock Exchange Corporation's Rules for Review of Securities Listings."

Note 3: The total amount of credit, endorsement, or other transactions is the sum of various loans (including import and export negotiations, discounts, overdrafts, unsecured and secured short-term loans, margin loans receivable, unsecured and secured medium-term loans, unsecured and secured long-term loans, and overdue loans), exchange bills negotiated, factored accounts receivable without recourse, acceptances, and guarantees.

(iv) Liquidity risk

1) The source and definition of liquidity risk

Liquidity risk refers to the risks of bearing financial loss because of the inability to liquidate assets or obtain financing to provide funds to meet the financial obligation, such as early termination of deposits, deteriorating of the source and condition of financing from banks influenced by specific market, abnormal recover of funds due to default from borrowers, inability to liquidate financial instruments. The aforementioned situation may reduce cash flows from loans, transactions and investment.

2) Management policy of liquidity risk

a) The aim of the liquidity risk management is to conduct appropriate allocation on assets and liabilities, and plan the source of fund in portfolio to cope with liquidity needs, ensure the liquidity of the Groups, accomplish a balance in retained earnings and risk, stabilize its development and continue as going concern after considering its cost benefit analysis.

b) The principles of liquidity risk management are as follows:

i) The principles of the source of funds include diversification, stabilization, reliance and cost-effective to prevent excessive concentration on same maturities, same procurement instrument and same counterparty.

ii) The application of funds should be diversified and should pay attention to the 3 principles: liquidity, safety and profitability.

iii) The internal pricing, performance measurement and approval of new products launched by the main businesses should consider the liquidity costs, benefits and risks of each product and should be in consistent with the policies of liquidity risk management in the Groups.

c) The Groups should maintain appropriate liquid funds and set a limit on liquidity risk management indices of funds denominated in New Taiwan Dollars and foreign currencies. Early warning system is designed for adoptions of appropriate measures when necessary.

d) To strengthen the diversification of debt and the ability to adjust capital funding immediately, the Groups have maintained a close relationship with the Ministry of Finance, R.O.C., Central Bank and other large-scale bank, which benefit the Banks to raise capital funds when liquidity is insufficient. Also, procedures on capital movements during emergency (including back-up channels) and the related procedures are set to access to capital funds during emergency.

3) To manage liquidity risk and non-financial assets held by maturity analysis for derivative financial liabilities

a) To manage liquidity risk of financial assets held

The financial assets include cash and assets that are of highly liquid and have high quality for the purpose of paying liabilities and accessing to capital in the market during emergency. The assets held for managing liquidity risk include cash and equivalents, CDs issued by CBC, government bonds, commercial paper and corporate bonds

b) Maturity analysis for non-derivative financial liabilities

The tables below represent the cash outflow analysis of non-derivative financial liabilities according to the unexpired term of the contracts. The disclosed amounts presented are based on contractual cash flows, whereby parts of the disclosed items do not correspond to the accounts in the financial statements.

(in thousands of New Taiwan dollars)

December 31, 2019	0~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year	Total
Due to the Central Bank and call loans from banks	71,844,871	168,048,206	33,752,800	24,517,619	15,414,463	313,577,959
Funds borrowed from the Central Bank and other banks	-	65,440	1,658,327	-	-	1,723,767
Non-derivative financial liability at fair value through profit or loss	-	-	-	-	10,081,735	10,081,735
Securities sold under repurchase agreements	1,644,407	3,742,717	1,012,013	1,000,000	-	7,399,137
Payables	2,596,570	1,584,365	2,010,602	5,729,573	9,319,322	21,240,432
Deposits and remittances	466,433,830	546,076,216	559,266,511	749,580,253	74,691,869	2,396,048,679
Bank debentures	-	-	-	-	53,293,705	53,293,705
Other financial liabilities	3,383	255	6,374	10,556	74,526	95,094
Lease liability	12,784,595	18,437,599	24,689,244	47,754,609	1,030,593,066	1,134,259,113
Total	555,307,656	737,954,798	622,395,871	828,592,610	1,193,468,686	3,937,719,621

December 31, 2018	0~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year	Total
Due to the Central Bank and call loans from banks	96,444,555	125,089,223	62,143,946	3,567,061	-	287,244,785
Funds borrowed from the Central Bank and other banks	1,839,314	-	-	100,595	-	1,939,909
Non-derivative financial liability at fair value through profit or loss	-	-	-	-	9,626,516	9,626,516
Securities sold under repurchase agreements	1,319,082	5,876,139	2,545,060	-	-	9,740,281
Payables	3,029,023	2,089,207	2,385,453	6,483,326	12,397,321	26,384,330
Deposits and remittances	527,307,544	559,644,612	592,192,994	673,403,100	74,036,630	2,426,584,880
Bank debentures	8,000,000	-	4,999,950	4,799,923	41,792,984	59,592,857
Other financial liabilities	4,151	257	6,829	11,820	90,929	113,986
Total	637,943,669	692,699,438	664,274,232	688,365,825	137,944,380	2,821,227,544

4) Maturity analysis of derivative financial liabilities

a) The derivative instruments that are subject to master netting agreements

The derivative instruments that are subject to master netting agreements include:

Interest rate derivatives: interest rate swaps, forward rate agreements and other interest rate contracts.

The valuation of maturity date of a contract is essential for presenting the financial instruments on the balance sheet. The amount disclosed in the balance sheet is prepared based on the contractual cash flows, whereby parts of the disclosed amount deviate from the balance sheet. The maturity analysis of the derivative financial liabilities on a net settlement basis is as follows:

(in thousands of New Taiwan dollars)

December 31, 2019	**0~30 days**	**31~90 days**	**91~180 days**	**181 days ~ 1 year**	**Over 1 year**	**Total**
Derivative financial liabilities at FVTPL						
－Interest rate derivatives	30,863	30,927	(383,167)	58,063	(475,293)	(738,607)
Total	30,863	30,927	(383,167)	58,063	(475,293)	(738,607)

December 31, 2018	**0~30 days**	**31~90 days**	**91~180 days**	**181 days ~ 1 year**	**Over 1 year**	**Total**
Derivative financial liabilities at FVTPL						
－Interest rate derivatives	31,150	39,189	-	140,638	16,321	227,298
Total	31,150	39,189	-	140,638	16,321	227,298

b) Gross settlement derivative instruments

The derivative instruments with gross settlement include:

i) Foreign exchange derivatives: foreign exchange option, foreign exchange swap;

ii) Interest rate derivatives: cross-currency swap, cash settled interest rate swaps and other interest rate contract.

The table below shows the gross settlement derivative instruments based on the remaining time between the reporting date and the contractual period.

The valuation of the maturity date of the contracts is essential for presenting the financial instruments on the balance sheet. The amount disclosed in the balance sheet is prepared based on the contractual cash flows, whereby parts of the disclosed mount deviate from the balance sheet. The maturity analysis of the derivative financial liabilities on a gross settlement basis is as follows:

(in thousands of New Taiwan dollars)

December 31, 2019	0~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year	Total
Derivative financial liabilities at FVTPL						
－Cash outflow	19,996,694	24,181,914	15,460,078	14,016,644	-	73,655,330
－Cash inflow	29,435,203	23,806,731	15,251,748	13,844,884	-	82,338,566
Net cash flow	9,438,509	(375,183)	(208,330)	(171,760)	-	8,683,236

December 31, 2018	0~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year	Total
Derivative financial liabilities at FVTPL						
－Cash outflow	6,344,804	8,742,253	1,015,182	420,046	-	16,522,285
－Cash inflow	5,968,903	8,771,591	1,067,842	531,735	-	16,340,071
Net cash flow	375,901	(29,338)	(52,660)	(111,689)	-	182,214

5) Maturity analysis of off-balance sheet items

The table below shows the maturity analysis of the off-balance sheet items based on the remaining time between the reporting date and the contractual period. For the issued financial guarantee contracts, the maximum guaranteed amount included in the guarantee may be required to be fulfilled in the earliest period. The disclosures in the table below are prepared based on the contractual cash flows. Therefore, the partial accounts illustrated below may not match with the corresponding accounts on the balance sheets.

(in thousands of New Taiwan dollars)

December 31, 2019	0~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year	Total
Undrawn loan commitments	1,313,166	3,457	186,824	391,067	3,502,408	5,396,922
Undrawn credit cards commitments	1,037	205,477	639,779	4,336,647	21,572,151	26,755,091
Undrawn letters of credit	1,291,375	3,523,879	585,144	3,024,832	907,447	9,332,677
Guarantees	6,380,720	4,463,161	3,759,233	8,131,270	26,938,635	49,673,019
Total	8,986,298	8,195,974	5,170,980	15,883,816	52,920,641	91,157,709

December 31, 2018	0~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year	Total
Undrawn loan commitments	1,277,388	-	146,418	379,471	3,235,771	5,039,048
Undrawn credit cards commitments	856	198,816	425,567	3,868,360	20,673,013	25,166,612
Undrawn letters of credit	1,633,020	4,778,973	850,457	1,273,260	413,837	8,949,547
Guarantees	6,757,006	3,102,882	3,033,705	5,470,581	28,182,727	46,546,901
Total	9,668,270	8,080,671	4,456,147	10,991,672	52,505,348	85,702,108

6) The maturity analysis of lease agreement

The lease contracts of the Bank are operating lease and financial lease. Operating lease commitment is the future minimum rental payment under irrevocable operating lease condition.

The maturity analysis of lease agreement is as follows:

(in thousands of New Taiwan dollars)

December 31, 2018	Less than 1 year	1~5 years	Over 5 years	Total
Lease agreement				
Operating lease payment(lessee)	377,606	813,397	2,310	1,193,313
Operating lease income (lessor)	365,403	817,520	-	1,182,923
Total	743,009	1,630,917	2,310	2,376,236

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

a) Maturity analysis of assets and liabilities

(in thousands of New Taiwan dollars)

December 31, 2019	0~10 days	11~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year	Total
Main capital inflow on maturity	207,710,293	247,730,636	135,094,499	119,701,127	205,882,738	1,765,451,095	2,681,570,388
Main capital outflow on maturity	98,916,657	200,163,513	551,178,219	538,713,545	887,204,917	997,147,334	3,273,324,185
Gap	108,793,636	47,567,123	(416,083,720)	(419,012,418)	(681,322,179)	768,303,761	(591,753,797)

December 31, 2018	0~10 days	11~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year	Total
Main capital inflow on maturity	251,235,111	227,317,887	160,868,097	139,646,075	243,922,171	1,648,013,387	2,671,002,728
Main capital outflow on maturity	155,919,915	193,050,300	499,413,319	554,403,741	774,072,532	1,019,057,416	3,195,917,223
Gap	95,315,196	34,267,587	(338,545,222)	(414,757,666)	(530,150,361)	628,955,971	(524,914,495)

b) Maturity analysis of assets and liabilities in US Dollars

(in thousands of New Taiwan dollars)

December 31, 2019	0~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year	Total
Main capital inflow on maturity	3,709,757	2,659,745	1,041,916	856,669	6,027,477	14,295,564
Main capital outflow on maturity	5,614,124	4,094,400	1,586,721	1,818,482	2,060,086	15,173,813
Gap	(1,904,367)	(1,434,655)	(544,805)	(961,813)	3,967,391	(878,249)

December 31, 2018	0~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year	Total
Main capital inflow on maturity	4,737,651	1,709,851	558,666	317,410	4,963,914	12,287,492
Main capital outflow on maturity	4,592,007	4,094,742	2,218,947	885,124	1,298,157	13,088,977
Gap	145,644	(2,384,891)	(1,660,281)	(567,714)	3,665,757	(801,485)

(v) Market risk

1) Sources and definition of market risk

Market risk is defined as an unfavourable change in market prices (such as interest rates, stock prices and foreign exchange rates) which may cause a potential loss on or off balance sheets. This includes interest rate risks, equity investments risks, foreign exchange rate risks and product risks.

The main market risks of the Group are equity investment risk, interest rate risk and exchange rate risk. The equity investment risks mainly arose from domestic public listed stocks and mutual funds; the interest rate risks mainly arose from notes and bonds; the exchange rate risks mainly arose from all position denominated in foreign currency held by the Group.

2) Management policies of market risk

When the Group is engaged in businesses in relation to market risks, the Group has to assess the severity of possible losses and adopt risk avoidance, risk mitigation or transfer, risk control and strategies on risk bearing, for instance, avoid financial instruments with high leverage, high fluctuation and incurred significant loss personally or adopt close out, selling or hedging strategies. The Group should effectively control the market risk and oversee the entire risk exposure and results of risk measurement based on the related regulations on limits management, stop loss systems, treatment of limit-exceeding positions and status of risk sustained to ensure its effectiveness.

3) Procedure of market risk management

a) Identification and Measurement

i) Identification: Personnel of treasury departments and risk management should fully understand all market risk factors of financial instruments held by the Group. Personnel of risk management should identify all risk factors that may cause market risk and ensure the accuracy and appropriateness of the valuation methods on financial instruments.

ii) Measurement: Development of quantifiable models measured the market risk and is combined with daily management of risk limits. The valuation of financial instruments is assessed based on market valuation methods, model assessment, external sources and external or independent stock price verification.

b) Monitor and Report

i) Monitor: Treasury department will monitor the instant and entire transactions based on the limits of each department to ensure all transactions are conducted within the scope of authorization and limits. The Group has to ensure that the contents, including transaction modes, purposes, processes, parts and movements in profit or loss of all financial instruments are in compliance with regulations and are traded with the scope of authorization and limits. The risk management department monitors and analyzes the information produced from risk measurement models on a daily basis. If any significant risk exposure that affect the financial, business status or law compliant was found, it should be reported to general managers and BOD immediately.

ii) Report: The risk management department reports the Group' s market risk management reports to the risk management committee on a regular basis, including the market risk exposure of the Group, conditions of risk exposure, profit or loss status, the use of limits and the conformity with the regulations on market risk management. In addition, in compliance with principles of public disclosures, information of market risk management should be disclosed regularly based on the regulations of the authorities.

4) Management policies of trading book risk

The trading book refers to the financial instruments held for trading or hedging. The positions held for trading means the intention to sell the positions held in the short-term or the positions that are held to earn profit from the changes in actual or expected short-term pricing or arbitrage trading. The positions that are not classified in this category are classified as banking book.

a) Strategy

To conduct effective control on market risk and ensure that the trading strategies executed by all business units have sufficient flexibility, assessments and controls in all business units are implemented.

b) Policies and procedures

The Group formulates "Key Element on Market Risk Management" as important guideline for holders of trading book to comply with.

c) Valuation policy

The positions that are directly attributable to trading book are evaluated on a daily basis and managed actively based on the limit of each unit.

d) Measurement method

The Group adopts the β value, DVO1, Delta, duration, analysis on differences, scenarios simulation methods to present the market risk of financial assets denominated in New Taiwan Dollars and other foreign currencies, and implement stress testing on a regular basis.

5) Interest rate risk management for trading book

a) Definition of interest rate risk

The interest rate risk includes factors in relation to the issuers and the changes of interest rate that lead to changes in price of securities. The former is classified as respective risk and the latter is classified as market risk.

b) Procedures of interest rate risk management

The Group set quota and stop-loss points for the trading related to interest rate, including quota on trading personnel, trading instruments, etc that are based on operating strategies and market conditions should be reported to the top management and BoD for approval.

c) Measurement method

The Group uses DVO1 and duration methods to measure the extent in which the investment portfolio will be affected by the interest rate risk. Stress testing is conducted and reported to the Risk Management Committee on a regular basis.

6) Interest rate management for banking book

The main management purpose is to strengthen interest rate risk management, increase the effectiveness of capital usage and improve business operations.

a) Strategy

To conduct effective control on interest rate risk, the Group reduced interest rate risk through the adjustments of asymmetry positions in the balance sheets, mainly on interest rate sensitive assets and liabilities, which allows the interest rates of assets and liabilities to correspond on repricing dates for the purpose of offsetting and hedging against interest rate risk. Also, the Group adopts strategies in relations to risk management, for instance risk avoidance, risk mitigation or transfer, risk reduction or control and strategies on risk bearing, after considering the operational strategy and the contents of assets and liabilities portfolio.

b) Management procedures

i) a) Identification: The main source of interest rate risk is repricing risk that arises from assets and liabilities asymmetry when the assets and liabilities are repriced. This includes yield curve risks, basis risk and risks of embedded options.

ii) Measurement: The Groups adopt repricing gap analysis methods to measure repricing risks on interest rates and assess the impact of interest rate risk exposure on retained earnings and economic value on a monthly basis. The Group also conducts scenario analysis and stress testing on a regular basis to assess the possible loss on future retained earnings and economic value.

iii) Monitor: The Groups monitor the interest rate risk based on the limits of the interest rate risk management index on a monthly basis. The risk management department will monitor the Groups' interest rate risk based on the information provided by each business unit. If any significant limit-exceeding position is found, the risk management department will report to general managers immediately and the related departments (finance department, offshore operating units) have to provide improvements measures. If any significant risk exposure that affect the financial, business status or law compliant was found, it should be reported to the general managers and BoD immediately.

iv) Report: The risk management department reports the interest rate risk management reports to the asset-liability committee and BoD on a regular basis to communicate information on interest rate risk exposure and control, which enhances the decision-making on interest rate risk management.

c) Measurement method

The interest rate risk of the Group mainly arise from repricing risk, that is caused as a results of differences in maturity dates or repricing dates of the banking book's assets, liabilities and off- balance sheet items. In order to stabilize long-term profitability and stimulate business growth, the Group has set an index on interest rate sensitivity assets and liabilities for specific dates and implements stress testing.

7) Exchange rate risk management

a) Definition of exchange rate risk

Exchange rate risk refers to the profit or loss resulted from two different currencies transferred at different times. The main sources of exchange rate risk in the Group include spot, forward exchange and FX swaps on derivative instruments. As the Group adopts the principle of liquidating the customers' position on the same day for its FX transactions, exchange rate risk is insignificant.

b) Management policies and procedures and measurement method of exchange rate risk

To control the exchange rate risk, the Group sets different quotas and stop-loss point for traders with different levels and ensures losses are controlled within tolerable range.

The Group has set scenarios for the fluctuations of the main currencies, conduct stress testing and report to risk management committee on a monthly basis.

8) Management of equity security price risk

a) Definition of equity security price risk

The market risk of equity securities held includes the respective risk arising from the market price changes of respective equity security and general market risk, resulting from the entire market price changes.

b) Purpose of equity security price risk management

The purpose of equity security price risk management is to avoid high fluctuation in equity security price, which will worsen the financial status of the Groups and incur a loss in retained earnings. This management also increases the effectiveness of capital usage and improves the business operations.

c) Procedures of equity security price risk management

The Groups have set investment quotas and stop-loss points. The Groups use β value to measure the extent in which the investment portfolio will be affected by systematic risk. Investments that have reached the stop-loss points and are not for sale in each investing units should be approved by top management.

d) Measurement method

To control the equity security price risk, the Group sets different quotas and stop-loss point for traders with different levels and ensures losses are controlled within tolerable range.

The Groups have set scenarios for the fluctuations of the equity securities, conduct stress testing and report to risk management committee on a monthly basis.

9) Market risk valuation techniques

a) Stress testing

i) Stress testing is used to measure the maximum possible losses from a portfolio of risky assets under stressed conditions. The scenarios used in stress testing are in compliance with the Financial Supervisory Committee, for implementation of stress scenario set by Basel II Committee on Grouping Supervision and significant events in domestic and international.

ii) The market risk stress testing is executed by the risk management department and is included in the risk monitoring report, which is approved by the top management on the monthly basis.

b) Sensitivity analysis

i) Interest rate risk

The Group assumes that if the yield curve of security market increases by 100bps, while other risk factors remain constant, the profit or loss as of December 31, 2019 and 2018 will decrease by $368 thousand and $690 thousand, respectively, while the other comprehensive statement of income will decrease by $2,014,659 thousand and $1,871,454 thousand, respectively. If the yield curve of security market decreases by 100bps, the profit or loss as of December 31, 2019 and 2018 will increase by $242 thousand and $452 thousand, respectively, while other comprehensive income or loss will increase $1,880,403 thousand and $2,077,119 thousand, respectively.

ii) Exchange rate risk

The Group assumes other risk factors remain constant, if USD against TWD depreciates by 3%, the profit or loss as of December 31, 2019 and 2018 will decrease by $6,787 thousand and $2,245 thousand, respectively; if EUR against TWD depreciates by 3%, the profit or loss as of December 31, 2019 and 2018 will decrease by $720 thousand and increase by $6,257 thousand; if JPY against TWD depreciates by 5%, the profit or loss as of December 31, 2019 and 2018 will decrease by $4,655 thousand and $189 thousand, respectively; if CNY against TWD depreciates by 5%, the profit or loss as of December 31, 2019 and 2018 will decrease by $1,838 thousand and $1,154 thousand, respectively, and vice versa.

iii) Equity securities price risk

The Group assumes that if the equity security price decreases by 15%, while other risk factors remain constant, the profit or loss as of December 31, 2019 and 2018 will decrease by $163,055 thousand and $186,120 thousand, respectively, while items other comprehensive income or loss will decrease by $439,057 thousand, and $461,229 thousand, respectively, and vice versa.

iv) Summary of sensitivity analysis is as follows:

(in thousands of New Taiwan dollars)

December 31, 2019			
		Amount	
Main Risk	Sensitivity to change	Equity	Equity
Currency Risk	USD/TWD increase 3%	-	(6,787)
	EUR/TWD increase 3%	-	720
	JPY/TWD increase 5%	-	4,655
	CNY/TWD increase 5%	-	1,838
Currency Risk	USD/TWD decrease 3%	-	6,787
	EUR/TWD decrease 3%	-	(720)
	JPY/TWD decrease 5%	-	(4,655)
	CNY/TWD decrease 5%	-	(1,838)
Interest Risk	Yield curve increase 100BPS	(2,014,659)	(368)
Interest Risk	Yield curve decrease 100BPS	1,880,403	242
Equity securities price risk	rice of equity securities increase 15%	439,057	163,055
Equity securities price risk	Price of equity securities decrease 15%	(439,057)	(163,055)

December 31, 2018			
		Amount	
Main Risk	Sensitivity to change	Equity	Equity
Currency Risk	USD/TWD increase 3%	-	2,245
	EUR/TWD increase 3%	-	6,257
	JPY/TWD increase 5%	-	(189)
	CNY/TWD increase 5%	-	(1,154)
Currency Risk	USD/TWD decrease 3%	-	(2,245)
	EUR/TWD decrease 3%	-	(6,257)
	JPY/TWD decrease 5%	-	189
	CNY/TWD decrease 5%	-	1,154
Interest Risk	Yield curve increase 100BPS	(1,871,454)	(690)
Interest Risk	Yield curve decrease 100BPS	2,077,119	452
Equity securities price risk	rice of equity securities increase 15%	461,229	186,120
Equity securities price risk	Price of equity securities decrease 15%	(461,229)	(186,120)

10) Concentration of currency risk information

The table below summarized the carrying value of financial instruments in foreign currency assets and liabilities, which are being classified based on different currencies.

(in thousands of New Taiwan dollars)

December 31, 2019	(USD)	(JPY)	(EUR)	(AUD)	(CNY)	Other	Total
Foreign currency financial assets							
Cash and cash equivalents	7,169,003	405,560	193,579	66,425	13,696,607	214,570	21,745,744
Due from the Central Bank and call loans to banks	103,579,096	-	487,780	8,637,165	26,351,219	710,619	139,765,879
Financial assets at fair value through profit or loss	1,142,039	-	-	-	-	504,412	1,646,451
Financial assets at fair value through other	5,700,172	-	-	14,701,111	-	(3,933)	20,397,350
Loans and discounts	141,131,813	1,163,957	1,579,500	1,863,981	19,494,564	4,231,796	169,465,611
Receivables	84,854,920	3,420,865	3,976,428	75,728	1,357,518	903,540	94,588,999
Held-to-maturity financial assets	8,829,588	-	-	1,061,095	1,832,290	2,749,724	14,472,697
Other financial assets	106	-	-	-	-	-	106
Other assets	170,700	-	14,665	-	1,729,644	134,126	2,049,135
Total assets	352,577,437	4,990,382	6,251,952	26,405,505	64,461,842	9,444,854	464,131,972
Foreign currency financial liabilities							
Due to the Central Bank and call loans to banks	134,901,780	10,948	487,935	19,880,190	29,009,077	1,938,509	186,228,439
Deposits and remittances	208,522,432	4,408,512	2,269,520	5,510,150	29,803,447	5,158,947	255,673,008
Financial liabilities at fair value through profit or loss	58,947	-	-	-	-	30,641	89,588
Payables	29,571,597	294,572	410,016	4,000,253	1,551,013	4,113,164	39,940,615
Other liabilities-Refundable deposits	13,671,064	99,514	48,977	31,038	3,046,725	103,798	17,001,116
Total liabilities	386,725,820	4,813,546	3,216,448	29,421,631	63,410,262	11,345,059	498,932,766

Note: As of December 31, 2019 the exchange rates of different currencies against the TWD are as follows: USD/TWD:29.990; JPY /TWD: 0.276; EUR /TWD: 33.64; AUD /TWD: 21.015; CNY /TWD: 4.295.

December 31, 2018	(USD)	(JPY)	(EUR)	(AUD)	(CNY)	Other	Total
Foreign currency financial assets							
Cash and cash equivalents	13,133,759	227,183	237,635	162,679	13,509,934	443,528	27,714,718
Due from the Central Bank and call loans to banks	105,937,607	-	299,030	194,895	33,499,015	3,232,981	143,163,528
Financial assets at fair value through profit or loss	1,879,932	-	-	-	-	515,150	2,395,082
Financial assets at fair value through other	38,466,767	-	-	13,863,504	1,698,220	207,384	54,235,875
Loans and discounts	169,267,337	2,113,058	961,945	1,013,184	20,469,314	4,334,555	198,159,393
Receivables	41,708,000	1,463,877	2,850,168	1,558,079	2,931,012	1,092,254	51,603,390
Held-to-maturity financial assets	8,829,588	-	-	1,061,095	1,832,290	2,749,724	14,472,697
Other assets	67,063	3,816	863	-	12,126	70,931	154,799
Total assets	379,290,053	3,807,934	4,349,641	17,853,436	73,951,911	12,646,507	491,899,482
Foreign currency financial liabilities							
Due to the Central Bank and call loans to banks	123,590,923	82,285	304,590	799,070	34,302,501	3,524,073	162,603,442
Deposits and remittances	199,081,566	2,826,257	2,384,641	5,071,304	29,398,899	5,029,730	243,792,397
Financial liabilities at fair value through profit or loss	32,265	-	-	-	-	16,496	48,761
Payables	22,720,893	434,544	334,385	11,845,322	1,065,624	3,378,483	39,779,251
Other liabilities-Refundable deposits	13,990,288	51,969	237,792	29,452	3,102,747	17,327	17,429,575
Total liabilities	359,415,935	3,395,055	3,261,408	17,745,148	67,869,771	11,966,109	463,653,426

Note: As of December 31, 2018 the exchange rates of different currencies against the TWD are as follows: USD/TWD:30.735; JPY /TWD: 0.2774; EUR /TWD: 35.180; AUD /TWD: 21.655; CNY /TWD: 4.469.

11) Disclosure required by the Regulations Governing the Preparation of Financial Reports by Public Banks.

a) The analysis table of interest rate sensitivity in New Taiwan Dollars

(in thousands of New Taiwan dollars)

December 31, 2019					
Items	**1 to 90 Days**	**91 to 180 Days**	**181 Days to 1 Year**	**Over 1 Year**	**Total**
Interest-rate-sensitive assets	$ 2,289,420,514	29,775,950	56,292,497	175,730,078	2,551,219,039
Interest-rate-sensitive liabilities	1,117,239,951	955,728,577	229,610,651	61,850,881	2,364,430,060
Interest rate sensitivity gap	1,172,180,563	(925,952,627)	(173,318,154)	113,879,197	186,788,979
Net worth					168,158,300
Ratio of interest-rate-sensitive assets to liabilities (%)					107.90
Ratio of interest rate sensitivity gap to net worth (%)					111.08

December 31, 2018					
Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest-rate-sensitive assets	$ 2,198,461,186	48,658,281	89,582,654	165,694,440	2,502,396,561
Interest-rate-sensitive liabilities	1,171,048,055	933,308,352	226,690,222	74,158,503	2,405,205,132
Interest rate sensitivity gap	1,027,413,131	(884,650,071)	(137,107,568)	91,535,937	97,191,429
Net worth					157,225,860
Ratio of interest-rate-sensitive assets to liabilities (%)					104.04
Ratio of interest rate sensitivity gap to net worth (%)					61.82

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

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

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

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

b) The analysis table of interest rate sensitivity in U.S. Dollars

(in thousands of U.S. dollars)

December 31, 2019					
Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest-rate-sensitive assets	$ 11,052,189	963,154	555,719	555,129	13,126,191
Interest-rate-sensitive liabilities	9,065,364	1,486,205	1,688,585	321,300	12,561,454
Interest rate sensitivity gap	1,986,825	(523,051)	(1,132,866)	233,829	564,737
Net worth					5,607,145
Ratio of interest-rate-sensitive assets to liabilities (%)					104.50
Ratio of interest rate sensitivity gap to net worth (%)					10.07

December 31, 2018					
Items	**1 to 90 Days**	**91 to 180 Days**	**181 Days to 1 Year**	**Over 1 Year**	**Total**
Interest-rate-sensitive assets	$ 10,932,921	488,445	112,427	351,526	11,885,319
Interest-rate-sensitive liabilities	7,971,187	2,116,973	661,842	519,000	11,269,002
Interest rate sensitivity gap	2,961,734	(1,628,528)	(549,415)	(167,474)	616,317
Net worth					5,115,531
Ratio of interest-rate-sensitive assets to liabilities (%)					105.47
Ratio of interest rate sensitivity gap to net worth (%)					12.05

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

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

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

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

12) Offsetting of financial assets and liabilities

The Group holds the financial instruments which meet Section42 of the IAS 32 endorsed by the FSC. Therefore, the financial instrument will be offset on the balance sheet.

Although the Group do not engage in transactions that meet the offsetting condition in IFRSs, they have signed the net settlement contracts of similar agreements with their counterparties, such as global master repurchase agreement, global securities lending agreement and similar repurchase agreement or reverse-repurchase agreement. If both parties choose to net settle, the abovementioned executable net settlement contracts or similar agreements will be allowed to be settled in net amount after offsetting the financial assets and liabilities. Otherwise, the transaction will be settled in gross amount. However, if one party defaults, the other party could opt for net settling.

The offsetting information of financial assets and liabilities is shown below:

December 31, 2019

Financial assets regulated by offset or enforceable net settlement agreement or similar agreement

	Total amount of recognized financial assets (a)	Total amount of recognized offsetting financial liabilities in balance sheet (b)	Net amount of recognized financial assets in balance sheet (c)=(a)-(b)	The related amount not set off in balance sheet (d) Financial instrument (Note)	The related amount not set off in balance sheet (d) cash collateral received	net amount (e)=(c)-(d)
Derivative financial assets	$ 1,724,198	962,302	761,896	-	-	761,896
Reverse and Securities lending agreement	6,218,350	-	6,218,350	6,218,350	-	-
Total	**$ 7,942,548**	**962,302**	**6,980,246**	**6,218,350**	**-**	**761,896**

December 31, 2019

Financial liabilities regulated by offset or enforceable net settlement agreement or similar agreement

	Total amount of recognized financial assets (a)	Total amount of recognized offsetting financial liabilities in balance sheet (b)	Net amount of recognized financial assets in balance sheet (c)=(a)-(b)	The related amount not set off in balance sheet (d) Financial instrument (Note)	The related amount not set off in balance sheet (d) cash collateral received	net amount (e)=(c)-(d)
Derivative financial liabilities	**$ -**	**-**	**-**	**-**	**-**	**-**

December 31, 2018

Financial assets regulated by offset or enforceable net settlement agreement or similar agreement

	Total amount of recognized financial assets (a)	Total amount of recognized offsetting financial liabilities in balance sheet (b)	Net amount of recognized financial assets in balance sheet (c)=(a)-(b)	The related amount not set off in balance sheet (d) Financial instrument (Note)	The related amount not set off in balance sheet (d) cash collateral received	net amount (e)=(c)-(d)
Derivative financial assets	$ 4,543,997	4,363,631	180,366	-	-	180,366
Reverse repurchase and securities borrowing agreement	389,212	-	389,212	389,212	-	-
Total	**$ 4,933,209**	**4,363,631**	**569,578**	**389,212**	**-**	**180,366**

December 31, 2018						
Financial liabilities regulated by offset or enforceable net settlement agreement or similar agreement						
	Total amount of recognized financial assets (a)	Total amount of recognized offsetting financial liabilities in balance sheet (b)	Net amount of recognized financial assets in balance sheet (c)=(a)-(b)	The related amount not set off in balance sheet (d) Financial instrument (Note)	The related amount not set off in balance sheet (d) cash collateral received	net amount (e)=(c)-(d)
Derivative financial liabilities	$ -	-	-	-	-	-

Note: Including net settlement contracts and non-cash collateral.

13) Transfers of Financialy Assets

The transferred financial assets of the Group that are not qualified for de-recognition in the daily operation are mainly debt securities under repurchase agreements. Since the right to receive cash flow is transferred and it reflects the associated liabilities to repurchase transferred financial assets at a fixed price in the future period, the Group and its subsidiary cannot use, sell or pledge these transferred financial assets during the valid transaction period. However, since the Group still bears the interest rate risk and credit risk, their transferred financial assets are not completely derecognized. The analysis of the financial assets that are not completely derecognized and the associated liabilities are as follows:

	December 31, 2019				
Financial asset classes	**Book value of transferred financial assets**	**Book value of associated financial liabilities**	**Fair value of transferred financial assets**	**Fair value of associated financial liabilities**	**Fair value net position**
Available-for-sale financial assets					
Repurchase agreement	$ 7,401,398	7,399,137	7,401,398	7,399,137	2,261

	December 31, 2018				
Financial asset classes	**Book value of transferred financial assets**	**Book value of associated financial liabilities**	**Fair value of transferred financial assets**	**Fair value of associated financial liabilities**	**Fair value net position**
Available-for-sale financial assets					
Repurchase agreement	$ 9,743,766	9,740,281	9,743,766	9,740,281	3,485

(ak) Capital management

(i) Introduction

Objectives for managing capital are as follows:

1) The objective of capital management is to ensure there is sufficient capital to support the overall operating risks in accordance with Risk Management Policies and Procedures.

2) If the self-owned capital is sufficient to buffer the risk exposure of businesses, using ratio of regulatory capital to risk-weighted assets (common equity Tier 1 ratio, Tier 1 capital ratio and capital adequacy ratio) as a measurement index.

The abovementioned ratio should not be lower than the minimum ratio set in Article 5 of Regulations Governing the Capital Adequacy and Capital Category of Groups. The capital adequacy ratio of the Groups has reached the legal ratio and an additional 2% is set as an objective to the Groups.

(ii) Capital management procedures

The self-owned capital of the Banks is managed by risk management department. Based on Regulations Governing the Capital Adequacy and Capital Category of Groups, the self-owned capital is classified into Tier 1 and Tier 2 capital:

1) Tier 1 capital comprises of common equity and other Tier 1 capital.

a) Common equity: The common equity of the Groups includes common stock, capital reserve (stock premium on common stock), legal reserve, special reserve, unappropriated earnings and other equities and should be deducted from the project, including intangible assets, prepaid pension plan or employee benefit liabilities (in the case of insufficient defined benefit plan), fair value or revalued amounts (the costs incurred to increase the number of retained earnings of the real estate that applied the IAS for the first time) , unrealized interest of the available-for-sale financial assets, and financial-related business investments (classified as the book value of the Group) of 25%.

b) Other Tier 1 capital: There is no capital in this category.

2) Tier 2 capital comprises of long-term subordinated debts, increase in retained earnings as a result of revaluation surplus of real estate in the first-time adoption of IFRS, 45% of unrealized gains (losses) on available-for-sale financial assets, provisions for operations and provision for bad debts and excludes 50% of investments in financing activities (classified as Grouping book).

(iii) Capital adequacy ratio

The following table shows the Groups' capital, risk-weighted assets and the calculation of capital adequacy ratio. The calculation of capital adequacy ratio is in accordance with the Grouping Bureau letter No. 10610005770 Regulations Governing the Capital Adequacy and Capital Category of Group. The capital adequacy ratio as of December 31, 2019 and 2018 are in compliance with regulations of local authorities.

(in thousands of New Taiwan dollars)

Items		Year	December 31, 2019	December 31, 2018
Eligible Capital	Common equity tier 1 capital		148,761,926	139,677,883
	Additional tier 1 capital		26,656,700	15,315,736
	Tier 2 capital		40,159,326	42,629,828
	Eligible capital		215,577,952	197,623,447
Risk-weighted Assets	Credit risk	Standardized approach	1,613,806,449	1,557,174,438
		Internal rating-based approach	-	-
		Securitization	-	-
	Operational risk	Basic indicator approach	-	-
		Standardized approach/Alternative standardized approach	52,102,932	51,195,395
		Advanced measurement approach	-	-
	Market risk	Standardized approach	25,450,118	25,093,997
		Internal model approach	-	-
	Risk-weighted assets		1,691,359,499	1,633,463,830
Capital adequacy ratio			12.75	12.10
Ratio of common stock equity to risk-weighted assets (%)			8.80	8.55
Ratio of tier 1 capital to risk-weighted assets (%)			10.37	9.49
Leverage (%)			5.64	4.99

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

Note 2: For the annual report, both current and last year' s capital adequacy rates should be included. For the semiannual report, in addition to current and last six-month period's capital adequacy rates, last year's capital adequacy rate should also be included.

Note 3: Formulas used were as follows:

1) Eligible capital = Common equity capital + Other tier 1 capital excluding common stock equity + Tier 2 capital.

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

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

4) Ratio of tier 1 capital to risk-weighted assets = (Common equity capital + additional tier 1 capital) ÷ Risk-weighted assets.

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

6) Leverage = Tier 1 capital ÷ Exposure measurement.

(al) Investing and financing activities not affecting current cash flow

The Group's investing and financing activities which did not affect the current cash flow in the years ended December 31, 2019 and 2018, were as follows:

	January 1, 2019	Cash flows	Non-cash changes: Acquisition	Non-cash changes: Foreign exchange movement	Non-cash changes: Fair value changes	December 31, 2019
Lease liabilities (note 6(t))	$ 1,186,109	(450,190)	391,761	14,869	(8,290)	1,134,259

(am) Involvement with consolidated structured entities

The Group holds the following structured entities. The assessment shows that the Group has no control over its entities and is exposed to their variable returns. Therefore, they are not consolidated into the Group's financial report.

Type	Nature and purpose	Interest of the Company
REITs	The Bank invests in titles or issues certificates on REIT funds delivered by the trustee, evidencing the beneficiary interests in the trust property in terms of the principal and profits, interest, and other proceeds accrued. The vehicles were financed by issuing deed titles or certificate on REIT funds delivered by the trustee	Unit of REIT securities

The Group considers the characteristic of various types of its structured entities, and discloses their scales based on such entities' net assets, total assets or the principal amount outstanding. The scales of the unconsolidated structured entities were as follows:

	Scale	December 31, 2019	December 31, 2018
REITs	Net assets	$ 3,162,000	-

The Group's maximum exposures to the equity loss of the unconsolidated structured entities are the participating portion to such entities. As of December 31, 2019, the book value of asset related to the unconsolidated structured entities was $33,547 thousand as of December 31, 2019, and recognized as financial assets at fair value through profit or loss 。

The Group did not, nor has any intention, to provide any financial or other support to the structured entity in 2019 and 2018. There were no equity losses in the unconsolidated structured entities in 2019 and 2018.

(7) Related-party transactions:

(a) Name and relation of related parties

Name of related parties	Relationship
Others	Director, supervisors managers of the Bank and their relatives

(b) Transactions with Key Management Personnel

Key management personnel compensation comprised:

	2019	2018
Short-term employee benefits	$ 23,330	22,264
Post-employment benefits	962	2,604
	$ 24,292	**24,868**

(c) Significant account balances and transactions with the related parties

(i) Deposits

	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%
Land Bank Insurance Brokerage Co., Ltd.	$ 1,018,009	0.04	1,005,699	0.04

Interest rates charged on deposits with related parties are similar to those with third parties, except in the case of employees of the Group where preferential rates are used within stipulated term and limit.

(ii) Loans

	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%
Land Bank Insurance Brokerage Co., Ltd.	$ 496,299	0.02	581,514	0.02

Interest rates charged on loans with related parties are similar to those with third parties, except in the case of employees of the Bank where preferential rates are used within stipulated term and limit.The Banks' transactions with its related party are presented on an aggregate basis if the total transaction amounts with the individual related party do not exceed certain percentages of that transaction.

(in thousands of New Taiwan dollars)

December 31, 2019							
Type (Note 1)	Account Volume (Number of Names)	Highest Balance	Ending Balance	Loan classification		Collateral (note2)	Differences in Transaction Terms from Those for Unrelated Parties
				Normal Loans	Non-performing loans		
Consumer loans for employees	33	$ 21,631	16,848	16,848	-	Credit etc.	None
Private housing mortgage loan	105	378,054	296,805	296,805	-	Real estate	None
Other loans	52	207,173	182,646	182,646	-	Real estate etc.	None

(in thousands of New Taiwan dollars)

December 31, 2018							
Type (Note 1)	Account Volume (Number of Names)	Highest Balance	Ending Balance	Loan classification		Collateral (note2)	Differences in Transaction Terms from Those for Unrelated Parties
				Normal Loans	Non-performing loans		
Consumer loans for employees	34	$ 21,708	21,682	21,682	-	Credit etc.	None
Private housing mortgage loan	101	380,695	380,146	380,146	-	Real estate	None
Other loans	34	179,685	179,685	179,685	-	Real estate etc.	None

Note 1: The consumer loans for employees and the private housing mortgage loan can be disclosed by summary. In addition, the other loans are disclosed by the name of the related parties.

Note 2: The types of collateral which were filled in the table are classified into different categories, such as real estate, short-term notes, government bonds, secured corporate bonds, unsecured corporate bonds, publicly quoted stocks, stocks not listed on the Exchange and OTC in Taiwan and other chattels, etc. If the category belongs to "other chattels", it shall further illustrate its contents.

(8) Pledged assets:

Pledged assets	December 31, 2019	December 31, 2018	Guarantee pledged
Government bonds (recorded as financial assets at FVOCI)	$ 1,173,724	1,192,159	Guarantee of court leave or guarantee of tax claim
Negotiable certificate of time deposits (recorded as available-for-sale financial assets)	602,943	303,766	Operating guarantees of U.S. FINRA
Government bonds (recorded as financial assets at FVOCI)	-	307,058	Operating guarantees of U.S. FINRA
Government bonds (recorded as financial assets at FVOCI))	-	50,832	Operating guarantees of securities department
Government bonds (recorded as financial assets at FVOCI)	-	20,333	Reserve for the Electronic Bond Trading System
Negotiable certificate of time deposits (recorded as available-for-sale financial assets)	4,660,000	4,800,000	Guarantee for settlement funds from Central Bank and other banks
Government bonds (recorded as available-for-sale financial assets)	49,884	-	Operating guarantees of securities
Government bonds (recorded as available-for-sale financial assets)	19,954	-	Reserve for the Electronic Bond Trading System
Government bonds (recorded as available-for-sale financial assets)	255,500	255,725	Operating guarantees of securities
Government bonds (recorded as available-for-sale financial assets	304,230	300,000	Reserve ror trust business losses
Negotiable certificate of time deposits (recorded as available-for-sale financial assets)	18,000,000	18,000,000	Operating guarantees of U.S. FINRA
Government bonds (recorded as financial assets at FVOCI)	3,118	3,147	Guarantee deposits for USD overdraft
Government bonds (recorded as financial assets at FVOCI)	1,873,692	1,787,600	Guarantee deposits for CNY overdraft
Total	**$ 26,943,045**	**27,020,620**	

(9) **Commitments and contingencies:**

(a) As of December 31, 2019, the Group has the following contingent liabilities and commitments, which are not included in the above-mentioned financial statements:

	December 31, 2019	December 31, 2018
Loan commitments	$ 5,396,922	5,039,048
Unused credit card	26,755,091	25,166,612
Unused commercial letters of credits	9,332,677	8,949,547
Guarantees	49,673,019	46,546,901
Trust liabilities	391,817,317	359,755,651
Trust liabilities	12,830,828	12,187,317
Property under custody for customers	316,795	529,814
Travellers' checks consignment-in	90,497	96,231
Collections for customers	55,095,173	56,771,198
Agency loans	45,117,882	48,129,984
Government bond under custody for customers	162,610,200	156,688,400
Consigned manager of bills	68,825,377	13,678,177
Consigned manager of bonds	592,395	329,838
Consigned sales of goods	10,143	9,989
Securities sold under repurchase agreement	7,399,137	9,740,281
Total	**$ 835,863,453**	**743,618,988**

(b) Balance sheet, income statement and details of assets under trust

According to rule 17 of the Trust Law, the balance sheets of trust accounts, trust property list, and statements of income on trust accounts shall be disclosed as follows:

Trust Balance Sheet

December 31, 2019 and 2018

(in thousands of New Taiwan dollars)

Trust Assets	December 31, 2019	December 31, 2018
Cash in bank	$ 20,328,957	16,513,925
Investment	67,192,548	65,183,652
Receivable account	73,686	151,246
Prepaid account	18,809	19,052
Real property	212,365,923	195,203,151
Intangible assets	6,730,511	6,767,049
Other assets	99,597	8,189
Securities under custody	85,007,286	75,909,387
Total trust assets	**$ 391,817,317**	**359,755,651**

(Continued)

Trust Liabilities	December 31, 2019	December 31, 2018
Accounts payable	$ 48,397	51,456
Borrowed	2,138,581	1,943,333
Advance receipts	9,556	7,864
Tax payable	69	73
Guarantee deposits received	1,503,332	1,066,441
Withholding	1,976	3,093
Other liabilities	1,154,408	1,071,538
Trust capital	300,359,676	278,095,852
Reserve account	288,333	294,194
Accumulated loss	219,110	164,035
Net income	1,086,593	1,148,385
Securities under custody	85,007,286	75,909,387
Total trust liabilities	**$ 391,817,317**	**359,755,651**

Trust Property List

December 31, 2019 and 2018

(in thousands of New Taiwan dollars)

Trust Assets	December 31, 2019	December 31, 2018
Cash in bank	$ 20,328,957	16,513,925
Investment	67,192,548	65,183,652
Mutual funds	73,686	151,246
Bond	18,809	19,052
Stock	212,365,923	195,203,151
Beneficial securities	6,730,511	6,767,049
Asset-backed securities	99,597	8,189
Accounts receivable	85,007,286	75,909,387
Total	**$ 391,817,317**	**359,755,651**

Statements of Income on Trust Accounts

For the years ended December 31, 2019 and 2018

(in thousands of New Taiwan dollars)

	For the years ended December 31	
	2019	**2018**
Revenues		
Interest revenues	$ 420,248	443,724
Rental revenues	1,541,356	1,600,374
Revenues from cash dividend	13,016	11,139
Other revenues		
Others	24,065	25,204
Total	1,998,685	2,080,441
Expenses		
Interest fees	370,325	405,048
Insurance fees	23,515	23,432
Management and maintenance fees		
Management fees	132,686	132,749
Maintenance fees	71,696	87,671
Service charges	5,735	4,687
Levies	123,586	142,780
Other expenses		
Others	184,549	135,689
Total	912,092	932,056
Income before income tax	1,086,593	1,148,385
Income tax expense	-	-
Net income	**$ 1,086,593**	**1,148,385**

Note: The above statements of income are for the business of the trust division, and the amounts are not included in the profit and loss of the Group.

The clients should bear the profit or loss generated from trusts which are provided by the Group. The financial information above is summarized based on the statements provided by clients and audited by other accountants. As to foreign currency investments, partly are recognized at their book values which were suggested by other accountants in the audit report.

(c) As of December 31, 2019, the Group had various lawsuits, claims and proceedings from normal operation. The significant cases are summarized below:

The clients (plaintiffs) of the Bank's branch (defendant, Land Bank Co., Ltd.) claimed his deposits was stolen by certain employees working for the branch, and requested for compensation for the damage amounting to $143,627 thousand. The District Court ruled in favor of the defendant. The plaintiff disagreed with the decision made by the District Court; hence, it filed an appeal to the Taiwan High Court, Tainan Branch, where it was dismissed. Therefore, the plaintiff filed an appeal to the Supreme Court, where the case was handed over back to the Taiwan High Court, Tainan Branch. However, the appeal was dismissed for the second time. Consequently, the plaintiff appealed again to the Supreme Court. The case is still being reviewed as of the reporting date.

The Group considered the above lawsuits have no significant effects on its consolidated financial statements.

(10) Losses Due to Major Disasters:None

(11) Subsequent Events:None

(12) Other:

(a) Personnel, depreciation, and amortization expenses are summarized by functions as follows:

	2019			2018		
	Cost of sales	**Operating expenses**	**Total**	**Cost of sales**	**Operating expenses**	**Total**
Personnel expenses						
Salaries	-	7,855,243	7,855,243	-	7,554,531	7,554,531
Insurance	-	348,473	348,473	-	342,302	342,302
Pension	-	857,284	857,284	-	699,991	699,991
Employee benefit saving account	-	2,996	2,996	-	2,933	2,933
Other employee benefits expenses	-	122,277	122,277	-	112,488	112,488
Depreciation expenses	44,230	1,140,423	1,184,653	38,332	687,519	725,851
Amortization expenses	-	295,863	295,863	-	300,860	300,860

For 2019 and 2018, the Group has 5,817 and 5,691 employees, respectively.

(b) Government audit adjustments

The financial statements for 2018 have been examined by the DGBAS and MOA, and adjustments from this examination have been recognized accordingly in the financial statements; the details are as follows:

(c) Assets and liabilities-average balance and average interest rates

(i) Assets and liabilities-average balance and average interest rates

(in thousands of New Taiwan dollars)

	December 31, 2019		December 31, 2018	
	Average balance	Average rates (%)	Average balance	Average rates (%)
Interest-earning assets:				
Due from the Central Bank	$ 130,949,629	0.44	138,228,001	0.45
Due from banks and call loans to banks	156,259,129	1.50	176,570,648	1.53
Loans	1,991,688,270	2.06	1,940,564,159	2.00
Financial assets at fair value through profit or loss	2,876,864	2.01	2,739,887	2.24
Securities bought under resale agreements	4,348,733	0.53	5,830,296	0.44
Financial assets at fair value through other	93,274,870	2.39	-	-
Debt instruments invest at amortised cost	593,542,186	0.82	-	-
Interest-bearing liabilities:				
Due to banks and call loans from banks	188,031,039	1.50	166,068,305	1.30
Funds borrowed from the Central Bank and other banks	1,887,835	2.55	2,014,979	2.16
Demand deposits	325,163,328	0.19	321,758,325	0.16
Time deposits	800,401,745	1.19	890,744,575	1.06
Due to Taiwan Post Co., Ltd.	208,903,337	0.71	141,186,875	0.70
Saving deposits	1,063,371,480	0.80	1,026,835,294	0.85
Government deposits	155,314,940	0.48	147,936,891	0.48
Bank debentures	49,236,986	2.16	65,318,904	2.02

(ii) Net Position of Main Foreign Currencies

(in thousands of New Taiwan dollars)

December 31, 2019			December 31, 2018		
Currency	Original currency amount	TWD amount	Currency	Original currency amount	TWD amount
(USD)	$ 433,614	13,004,096	(USD)	444,488	13,661,346
(CNY)	709,289	3,046,398	(CNY)	694,272	3,102,701
(JPY)	355,549	98,167	(EUR)	6,025	211,975
(ZAR)	36,436	77,244	(AUD)	1,100	23,811
(EUR)	1,286	43,252	(SGD)	1,005	22,554

Note 1: All foreign currencies were translated into TWD currency. The currencies above have been selected based on the highest net position.

Note 2: All foreign currencies’ positions were shown as absolute amounts.

(iii) Profitability

Items		December 31, 2019	December 31, 2018
Return on total assets	Before income tax	0.43	0.42
	After income tax	0.34	0.33
Return on equity	Before income tax	8.02	8.10
	After income tax	6.24	6.45
Net income ratio		32.40	32.35

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

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

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

Note 4: Income before (after) income tax was the income from January to the quarter's ending revenue amount.

Note 5: The above profitability ratios are expressed annually.

(13) Other disclosures:

(a) Information on significant transactions:None

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for The Bank:

(i) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 10% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
Taiwan land bank	CTBC-PSC	Financial assets at fair value through profit or loss	open market	no	-	-	6,000	360,000	-	-	-	-	6,000	360,000

(ii) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 10% of the capital stock:None

(iii) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 10% of the capital stock:

The Group disposed 14 lands , such as No. 115-3, Tuku Section, West District, Taichung City on May 29, the total transaction price is NT$539,764 thousand and the gain of disposal is NT$343,708 thousand.

(iv) Service charge discounts on transactions with related parties in an aggregate amount of NT$5 million or more:None

(v) Receivables from related parties with amounts exceeding the lower of NT$300 million or 10% of the capital stock:None

(vi) Information on NPL disposal transaction:None

1) Summary table of NPL disposal:None

2) Disposal of a single batch of NPL up to NT$1 billion and information on each transaction:None

(iii) Types of securitization instruments approved to be issued pursuant to financial assets securitization rules or real estate securitization rules and other relevant information:None

(iv) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	Parent company	Land bank insurance brokers	1	Commission Income	801,178	Net 30 days	2.61%
0	Parent company	Land bank insurance brokers	1	Rental income	4,215	Prepaid in every season	- %
0	Parent company	Land bank insurance brokers	1	Interest Expenses	33	No different from unrelated parties	- %
0	Parent company	Land bank insurance brokers	1	Deposit and remittance	57,788	No different from unrelated parties	- %

Note 1: The number of meaning is as follows:

1."0" means parent company.

2.Subsidiaries are numbered sequentially starting with number 1 according to company type.

Note 2: The relationship with the trader is as follows:

1.Parent company to subsidiaries.

2.Subsidiaries to parent company.

3.Subsidiaries to subsidiaries.

(v) Other significant transactions that may have substantial influence upon the decisions made by financial report users:None

(b) Information on investees:None

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2018	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2019	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Highest Percentage of ownership	Accumu-lated remittance of earnings in current period
					Outflow	Inflow							
Taiwan Land Bank Shanghai Branch	Banking business approved by local government	4,688,702	(1)	4,688,702	-	-	4,688,702	-	100.00%	77,019	5,293,494	-	-
Taiwan Land Bank Tianjin Branch	Banking business approved by local government	4,861,745	(1)	4,861,745	-	-	4,861,745	-	100.00%	194,535	5,183,502	-	-
Taiwan Land Bank Wuhan Branch	Banking business approved by local government	5,141,281	(1)	5,141,281	-	-	5,141,281	-	100.00%	190,773	4,948,073	-	-

Note:number(1) of investment method is to go to the mainland for investment directly.

(ii) Limitation on investment in Mainland China:

	Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
	14,691,728	19,160,728	100,894,980

Note1: In response to Shanghai Branch, Tianjin Branch and Wuhan Branch, the Group remitted CNY3,000,000 thousand equivalent to USD475,937 thousand, which was approved by Investment Board of the Ministry of Economic Affairs.

Note2: According to “ Regulations Governing the Examination of Investment or Technical Cooperation in Mainland China”,The limit is 60% of individual net asset or the Group net asset whichever is higher.

(14) Segment information:

For management purposes, the Group is organized into business units based on its products and service. The Group adopted IFRS8 "Operating Segments" to present its operating segment information as follows:

(d) Department of Treasury: The department mainly manages the funds of New Taiwan dollars and foreign currencies used in operating, financing and investing activities.

(e) Department of Corporate Banking: The department mainly provides plans for corporate banking; researching, developing and marketing of its products; and establishing and managing its own regulations.

(f) Department of Consumer Banking: The department mainly provides plans for consumer banking; researching, developing and marketing of its products; and establishing and managing its own regulations.

(g) Department of Business Management: The department mainly provides service of wealth management and deposits planning.

(h) Other: The assets, liabilities, revenues and expenses which cannot be attributed to only one operating department may be Bank under this category.

(i) Segment Financial Information

	For the year ended December 31, 2019						
	Department of Treasury	**Department of Corporate Banking**	**Department of Consumer Banking**	**Department of Business Management**	**Other**	**Other Adjustment and Write-Off**	**Total**
Net interest income (External customers)	$ 5,601,115	15,515,054	16,899,926	(13,884,833)	3,982,444	-	28,113,706
Net segment profit (loss)	(4,043,975)	(7,984,928)	(10,168,308)	22,547,999	(350,788)	-	-
Net fee income (loss)	(22,227)	760,159	339,348	157,318	1,577,958	(6)	2,812,550
Net other income (loss)	679,277	-	-	(102,303)	(93,277)	(91,775)	391,922
Net operating income (loss)	2,214,190	8,290,285	7,070,966	8,718,181	5,116,337	(91,781)	31,318,178
Operating expenses	-	-	-	-	(15,364,986)	4,222	(15,360,764)
Provision for loan losses and credit related losses	-	-	-	-	(2,907,339)	-	(2,907,339)
Inter expenses allocated	(18,518)	(2,376,211)	(3,778,453)	(5,376,747)	11,549,929	-	-
Income tax expenses	-	-	-	-	(2,901,613)	-	(2,901,613)
	$ 2,195,672	**5,914,074**	**3,292,513**	**3,341,434**	**(4,507,672)**	**(87,559)**	**10,148,462**

	For the year ended December 31, 2018						
	Department of Treasury	Department of Corporate Banking	Department of Consumer Banking	Department of Business Management	Other	Other Adjustment and Write-Off	Total
Net interest income (External customers)	$ 5,328,902	14,441,749	16,268,670	(13,655,735)	4,239,347	-	26,622,933
Net segment profit (loss)	(5,287,056)	(7,068,067)	(10,136,875)	21,045,856	1,446,142	-	-
Net fee income (loss)	(20,999)	896,525	359,922	157,942	1,567,230	(6)	2,960,614
Net other income (loss)	1,413,203	-	-	(94,775)	(725,109)	(93,189)	500,130
Net operating income (loss)	1,434,050	8,270,207	6,491,717	7,453,288	6,527,610	(93,195)	30,083,677
Operating expenses	-	-	-	-	(14,690,386)	4,325	(14,686,061)
Provision for loan losses and credit related losses	-	-	-	-	(3,173,158)	-	(3,173,158)
Inter expenses allocated	(119,805)	(2,475,138)	(4,058,492)	(5,604,072)	12,257,507	-	-
Income tax expenses	-	-	-	-	(2,492,163)	-	(2,492,163)
	$ 1,314,245	5,795,069	2,433,225	1,849,216	(1,570,590)	(88,870)	9,732,295

The Group provides only the operation volume of deposits and loans for its measurable amount in assets and liabilities. As a result, the measurable amount of the asset is 0 in accordance with the regulations under IFRS 8.

(ii) Region

Areas type	2019	2018
Net revenue:		
Taiwan	$ 28,677,247	26,689,959
U.S.A	1,084,272	890,491
Singapore	286,408	220,758
Hong Kong	311,167	248,900
China	959,084	728,299
Total	$ 31,318,178	28,778,407

(iii) Main customer information

There is no transaction with any individual consumer that constitutes 10% of the Banks' revenues.

V.Risk management

(I) Qualitative and quantitative risk information by categories

1. Credit risk management system and capital requirements

(1) Credit risk management system (2019)

Item	Description
I. Credit risk strategy, goal, policy and procedures	I. (I) Credit risk management strategy: To ensure effective use and allocation of capital, the Bank shall adopt a credit risk management strategy that takes into account factors such as the overall economy, its business strategies, composition and quality of credit portfolio, cost of risk, returns, and uses of credit risk mitigation tools including collateral, netting settlement and third-party guarantee as means of credit risk reduction/transfer. (II) Credit risk management goal: The goal of the Bank's credit risk management is to maintain adequate capital while maximize risk-adjusted return under tolerable level of credit risk. In addition to credit risk of individual transactions, the Bank shall also manage credit risk of the entire credit portfolio and its investment activities as a whole. (III) Credit risk management policy: 1. The Bank shall establish operational rules for credit risk management within the confines of "Risk Management Policy and Procedures," "Credit Risk Management Guidelines," "Credit and Investment Policies" and risk management strategies and guidelines approved by board of directors, and within the scope of Basel Capital Accords and rules of the authority to serve as means of compliance. 2. To ensure effective use of capital, the Bank shall develop credit risk strategies and operational rules within the confines of Basel Capital Accords and rules of the authority after taking into account the overall economy, its business strategies, cost of risk and returns, and review/adjust on a regular basis. These strategies and rules must be submitted to the board of directors/senior management for approval before implementation. (IV) Credit risk management procedures: Business administration departments/divisions of the Head Office, regional centers and business units are required to identify, measure, monitor, report, control, assess and examine possible credit risks associated with their credit and investment services, and thereby facilitate credit risk management on the bank level.
II. Credit risk management framework and organization	II. The Bank's credit risk management/control framework and organization comprises the board of directors, Risk Management Committee, Department of Auditing, Department of Risk Management, business administration units, treasury trading units and business units in three lines of defense: (I) First line of defense (risk-generating or risk-taking unit): Each unit within the Bank shall bear risks arising from routine activities that are relevant to their functions. Units that are prone to credit risk shall serve as the first line of credit risk defense, and are responsible for designing and implementing effective internal control procedures covering all relevant business activities depending on the nature of risks involved. These units are also required to exercise control over risks associated with business activities in accordance with laws and internal rules using various credit risk tools as deemed appropriate. (II) Second line of defense (risk management unit): The second line of defense (Department of Risk Management and all business administration units) are required to assist and supervise the first line of defense in the identification, measurement and management of credit risks. 1. The Department of Risk Management undertakes an independent and specialized role to assess, supervise, control, review and report overall business risks for the entire bank. 2. Other business administration units shall identify, assess and control credit risks associated with all existing and new services or financial products under management, establish and execute credit risk management policies and systems, supervise risk tolerance and monitor current risk level, and exercise appropriate authority. (III) Third line of defense (internal audit unit): The Department of Auditing is responsible for auditing and assessing the effectiveness of the credit risk management system designed and executed for the first and second lines of defense. The department shall also follow up on rectifications and improvements made to weaknesses in credit risk management, and offer improvement suggestions whenever deemed appropriate.

Item	Description
III. Scope and features of credit risk reporting and measurement system	III. (I) Credit risk reporting: 1. Scope: Information covered in regular credit risk monitoring reports submitted to the management include asset quality and exposure by country, industry, group, large borrowers and collateral. 2. Features: The system enables dynamic monitoring of credit risk. Any significant change or breach of limit will be circulated to the appropriate business administration unit and escalated to senior management for effective control of credit risk. (II) Credit risk measurement system: 1. Scope: The Bank currently uses the standard approach to calculate required capital for credit risk. The risk management system generates monthly statements, and based upon which monitoring reports are prepared and presented to senior managers, the Risk Management Committee and the board of directors. The Bank also adopts the use of internal credit rating models to facilitate more advanced method of credit risk measurement. PD models such as mortgage application scorecard, mortgage behavior scorecard, consumer loan scorecard, credit card scorecard and corporate banking scorecard have been developed to enable borrower risk segregation, whereas mortgage LGD model is currently used to assist approval decisions. The Bank will continue introducing quantitative credit risk models for other services to enhance overall credit risk management capacity. 2. Features: By interfacing relevant information systems (such as credit rating system, credit assessment system etc.), the Bank has access to comprehensive credit risk data that can be used to monitor credit risk limits. Customers can then be segmented by default level for enhanced credit risk management.
IV. Credit risk avoidance or mitigation policies, and strategies and procedures for monitoring the effectiveness of risk mitigation tools	IV. (I) Credit risk avoidance or mitigation policies: 1. To prevent losses in the event of borrower's or counterparty's default, the Bank may request for collateral, guarantor or seek risk-sharing from credit guarantee institution to mitigate risks of a particular credit case. 2. According to the Basel Capital Accord and rules of the authority, the Bank may configure its information systems to take into account credit risk mitigations (such as: eligible collaterals, guarantee institutions etc.) to accurately calculate credit risks net of mitigation. (II) Strategies and procedures for ensuring effectiveness of credit risk monitoring, avoidance and mitigation tools: Through post-lending management and credit review, the Bank conducts regular examination of borrowers' financial position, collateral condition, guarantors' credit standing, and whether credit-guaranteed cases continue to satisfy conditions set forth by the Bank and guarantee institution, and thereby ensure the effectiveness of risk mitigation.
V. Methods for calculating capital requirements	V. Standard approach for credit risk.

(2) Exposure net of risk mitigants and required credit risk capital under the standard approach (March 31, 2020)

Unit: NTD thousands

Exposure type	Exposure net of risk mitigant	Capital requirement (Note)
Sovereignty	631,844,870	0
Non-government public organization	13,520,268	216,324
Banks (includes multilateral development banks)	167,440,972	5,025,216
Corporations (includes securities brokerage and insurance companies)	833,182,076	60,512,919
Retail loan	365,287,787	24,613,107
Residential property	875,900,267	33,969,721
Investment in equity securities	10,637,861	851,029
Other assets	76,363,374	4,652,297
Total	2,974,177,475	129,840,614

Note: Capital requirement is calculated by multiplying exposure net of risk mitigant with the statutory minimum capital adequacy ratio.

2. Policies, exposures, and capital requirements relating to securitized assets

(1) Risk management system for securitized assets (2019)

Item	Description
I . Asset securitization management strategies and procedures	I . (I) Asset securitization management strategies: The board of directors has approved "Notes on Investment in Beneficiary Securities and Asset-backed Securities," "Notes on Foreign Currency Transactions" and "Notes on Short-term Bill Service" to serve as means of compliance for the Bank's investment in beneficiary securities, asset-backed securities (not as the originator), or involvement as underwriter (originating bank) for asset-backed commercial paper. (II) Asset securitization management procedures: 1. The Bank's "Notes on Investment in Beneficiary Securities and Asset-backed Securities" and "Notes on Short-term Bill Service" state that, if the Bank invests in any beneficiary securities or asset-backed securities (not as the originator) or serves as underwriter (originating bank) for asset-backed commercial paper, the underlying investment must satisfy the minimum credit rating requirement, and levels of approval authority must be established in advance. If the underlying investment is downgraded by the credit rating agency, the "Security Investment Team" shall convene a meeting immediately to discuss response measures and seek approval from the President. 2. According to the Bank's "Notes on Foreign Currency Transactions," business units that have a need to purchase convertible bonds, securitized assets or credit-linked notes (e.g. CDO, SIV) using foreign currency funds for business-related purpose are required to submit for review by "Investment Review Committee" and seek approval of the board of directors or managing directors before purchasing.
II . Asset securitization management framework and organization	II . A risk management framework and organization involving the board of directors, Risk Management Committee, Department of Risk Management, business administration units of the Head Office, business (trading) units and Department of Auditing in three lines of defense has been established: (I) First line of defense (risk-generating or risk-taking unit): Units involved in asset securitization (including but not limited to Department of Treasury and treasury trading units) are required to identify, assess, control and assume risks arising from asset securitization that are relevant to their functions, and report related risk management information according to policy. (II) Second line of defense (risk management unit): The Department of Risk Management and all business administration units are required to assist and supervise the first line of defense in the identification, measurement and management of risks associated with asset securitization, within the scope of their responsibilities. 1. The Department of Risk Management undertakes an independent and specialized role to assess, supervise, control, review and report asset securitization risks for the entire bank. 2. Other business administration units shall identify, assess and control risks associated with securitized assets under management, establish and execute risk management policies and systems for securitized assets under management, supervise risk tolerance and monitor current risk level, and exercise appropriate authority over securitized assets under management. (III) Third line of defense (internal audit unit): The Department of Auditing is responsible for auditing and assessing the effectiveness of the asset securitization risk management system designed and executed for the first and second lines of defense. The department shall also examine the appropriateness, reliability and compliance of such system.
III. Asset securitization risk reporting, system coverage, and features	III. (I) Asset securitization risk reporting: 1. Scope: Information covered in regular asset securitization investment reports submitted to the management include the category, amount, credit rating and valuation of individual investments. 2. Features: The Bank has developed loss controls and relevant response measures to facilitate risk management over investments in real estate investment trust beneficiary securities, domestic beneficiary securities, asset-backed securities and foreign currency-denominated asset securitization instruments. (II) Asset securitization measurement system: 1. Scope: According to the Bank's "Notes on Investment in Beneficiary Securities and Asset-backed Securities," exposure of securitized instrument (such as credit rating, fulfillment of conditions, market information etc.) is monitored manually on a regular basis with capital requirement calculated. 2. Features: Outcomes from the above are compiled into regular risk monitoring reports and presented to the board of directors/Risk Management Committee. If any major abnormality is observed, business administration units are required to report to the senior manager for discussion of appropriate response measures.

Item	Description
IV. Risk avoidance or mitigation policies relating to asset securitization, and strategies and procedures for monitoring the effectiveness of risk mitigation tools	IV. (I) Risk avoidance or mitigation policies relating to asset securitization: According to the Basel Capital Accord and rules of the authority, the Bank may take into account eligible credit risk mitigation tools (such as: credit enhancements, risk transfers etc.) to accurately calculate exposure of asset securitization instrument net of mitigation. (II) Strategies and procedures for monitoring the effectiveness of asset securitization risk avoidance and mitigation tools: The Bank monitors changes in the credit rating and asset pool of beneficiary securities and asset-backed securities that it invests in, both on a regular and unscheduled basis. Stop-loss instructions are executed when necessary with the approval of the senior manager for effective management of risks associated with asset securitization instruments.
V . Methods for calculating capital requirements	V . Standard approach for asset securitization.

(2) Involvement in asset securitization: None.

(3) Exposure and required capital of asset securitization: None.

(4) Information on securitized instruments: None.

3. Operational risk management and capital requirement

(1) Operational risk management system

2019

Disclosures	Description
I . Operational risk management strategies and procedures	I . (I) Operational risk management strategies: To ensure effective control over the frequency and severity of operational losses within tolerance, the Bank shall take initiative in identifying, measuring and monitoring risks associated with its business activities and processes, and develop and implement operational risk management tools on an ongoing basis. (II) Operational risk management procedures: 1. The Bank has established business policies, internal control systems and standard operating procedures for all products offered and all business activities engaged. They serve as means of compliance and are intended to guide business units through the identification, measurement, monitoring, reporting, control, assessment and review of all major operational risks within the Bank. 2. Emergency response and recovery plans (business continuity plan) have been implemented to ensure that the Bank remains operational in the event of severe natural or manmade disaster. The Bank also has policies in place to regulate outsourcing.
II . Operational risk management framework and organization	II . The Bank's operational risk management framework and organization comprises the board of directors, Risk Management Committee, Department of Auditing, Department of Risk Management, business administration units (including Head Office and regional centers), treasury trading units and business units. The Bank adopts three lines of defense to segregate operational risk management responsibilities between internal units: (I) First line of defense (risk-generating or risk-taking unit): 1. Each unit within the Bank shall bear operational risks arising from routine activities that are relevant to their functions. Units characterized as the first line of defense are responsible for the identification and management of such risks, and shall design and implement effective internal control procedures covering all relevant business activities depending on the nature of risks involved. These units are also required to exercise control over operational risks in accordance with laws and internal rules using various tools as deemed appropriate, and shall make operational risk management reports to the appropriate business administration unit according to rules.

Disclosures	Description
	2. The first line of defense is responsible for ongoing management of operational risks that arise from business activities, including the following: (1) Identification, measurement, assessment, control and mitigation of operational risks arising from business activities, and ensuring that business activities are consistent with the Bank's goals and missions. (2) The first line of defense should be able to control operational risks within tolerance. Exposure should be reported to the second line of defense if necessary. (3) Execution of operational risk management procedures and maintain effective internal control. (4) Improvement plans should be proposed immediately if procedures and controls are deemed inadequate for the purpose. 3. The first line of defense should be self-evaluated for the above issues either regularly or on an unscheduled basis to ensure adequate control of operational risks. (II) Second line of defense (risk management unit, namely Department of Risk Management and business administration units): 1. The purpose of the second line of defense is to assist and supervise the first line of defense in the identification, measurement and management of operational risks within the scope of responsibility, and to monitor progress of self-evaluations. 2. The Department of Risk Management undertakes an independent and specialized role to assess, supervise, control, review and report operational risks for the entire bank. 3. Other business administration units shall identify, measure, assess and monitor risks associated with business activities, products, operations, processes, information systems and any new services or financial products that are within their areas of responsibility. These units are required to develop appropriate risk management policies and systems in order to monitor risk tolerance and exposure given their business activities. Training programs should also be implemented so that employees of all levels may have an adequate understanding of the roles they have in regards to operational risk management, given the scope of their responsibilities. (III) Third line of defense (Department Auditing): 1. The Department of Auditing serves as the third line of defense; its responsibilities are to audit and assess the effectiveness of the operational risk management system designed and executed for the first and second lines of defense, and to recommend improvements at an appropriate time. 2. The Department of Auditing is responsible for inspecting the effectiveness of operational risk control, performing audit on the execution of operational risk management practices, and following up on operational risk defects, rectifications and improvements across al units within the Bank.
III. Scope and features of operational risk reporting and measurement systems	III. (I) Operational risk reporting: 1. Scope: Operational risk monitoring reports are made to the management on a regular basis (1) Monthly information: operational risk loss by category, overall operational risk exposure, key risk indicators developed by business administration units, alerts, recommendations and trend analysis. (2) Yearly information: operational risk self-assessment for main business activities. 2. Features: Dynamic risk monitoring reports are generated whenever major operational risk issue arises. Any internal or external change of circumstance that affects risk exposure, control or assessment is also disclosed in operational risk monitoring reports. (II) Operational risk management system: 1. Scope: Tools such as incident loss management have been adopted in accordance with Basel Capital Accords, rules of the authority and business requirements to help identify, measure and assess operational risks associated with the Bank's products, operations, processes and information system. By analyzing the cause of risk, form of risk and business activities concerned, the Bank is able to develop a risk overview for the entire organization, and by interfacing management tools available at disposal, the Bank is able to develop an operational risk database that supports accurate calculation of capital requirement as well as adoption of more advanced risk measurement methodology. 2. Features: Data on internal losses can be gathered to develop a database for operational risk losses. For quantifiable risks, key risk indicators (KRI) can be introduced with alert levels set to help identify operational risks associated with the Bank's main products and operating activities. For risks involving qualitative measurements, practices such as operational risk control self assessment (RCSA) are adopted to facilitate control of operational risks associated with main operating activities.

Disclosures	Description
IV. Operational risk avoidance or mitigation policies, and strategies and procedures for monitoring the effectiveness of risk mitigation tools	IV. (I) Operational risk avoidance or mitigation policies 1. The Bank analyzes the frequency and severity of operational risk incidents in order to determine the proper response and strategy for the product and business activity involved. The Bank applies the following decision-making process to determine whether to avoid, transfer, mitigate, reduce, control, undertake or otherwise address the risks it has identified: (1) Risks characterized by low frequency and high potential loss should be controlled by limit, transferred, or prevented and mitigated as part of the business continuity plan. (2) Risks characterized by high frequency and low potential loss should be managed through means such as internal control, insurance, outsourcing, KYC, compliance, ethics management and enhanced training. (3) Risks characterized by high frequency and high potential loss should be avoided, and all business activities that have the potential to cause such incident shall be avoided. (4) Risks characterized by low frequency and low potential risk can be accepted. 2. Outsourced processes (such as data processing, credit card production, cash transportation, internal audit etc.) are carried out in accordance with "Land Bank of Taiwan Policy on Process Outsourcing" and "Land Bank of Taiwan Notes on Data Process Outsourcing" in order to prevent operational risks that may arise as a result of the outsourcing arrangement. These internal policies serve as operational risk mitigation measures. 3. The Bank purchases fidelity bond, cash insurance, safety deposit box insurance, theft insurance, public liability insurance, fire insurance and electronic equipment insurance to mitigate risks associated with its operations. Insurance coverage is treated as operational risk mitigation tools. (II) Strategies and procedures for monitoring the effectiveness of operational risk avoidance and mitigation tools 1. Each business administration unit is required to perform regular examination of the policies and standard operating procedures concerning their business activities. They shall also conduct operational risk self-assessments to determine whether there are any risks that have yet to be identified or if there is any control point that is not duly enforced. 2. The Department of Risk Management regularly examines operational risk control and related issues within the Bank, and offers suggestions at times deemed appropriate. Areas of inadequate risk control are monitored and tracked on an ongoing basis with appropriate measures taken to minimize operational risks. 3. Each unit is required to perform regular reviews on the insurance coverage purchased, in order to ensure ongoing validity of the insurance contracts.
V. Methods for calculating capital requirements	V. Standard approach for operational risk.

(2) Operational risk capital requirement (December 31, 2019)

Unit: NTD thousands

Year	Gross profit	Capital requirement
2017	28,604,523	
2018	30,864,216	
2019	31,922,506	
Total	91,391,245	4,160,207

4. Market risk management system and capital requirement

(1) Market risk management system (2019)

Item	Description
I. Market risk management strategies and procedures	I. (I) Market risk management strategies: The Bank manages market risk by assessing the possibility and severity of losses before/after transaction or whenever there is significant change in the economic environment. The Bank may choose to avoid, mitigate, transfer, control or assume the risks it has identified, for example: financial instruments characterized by high leverage, high volatility and high potential losses are avoided, closed, sold or hedged. The Bank also has rules in place to regulate limits, stop-loss, excess and risk undertaking for effective market risk management. Overall exposure and risk measurement outcomes are constantly monitored to ensure effectiveness of existing practices. (II) Market risk management procedures: 1. Product management guidelines, new product/service approval guidelines and market risk identification, measurement, evaluation, monitoring and reporting guidelines and procedures have been implemented in this respect. 2. Market risk identification: Treasury trading units and risk managers are expected to possess full knowledge of market risk factors pertaining to each financial instrument. Risk managers should try to identify all factors that may give rise to market risk, and verify the accuracy and appropriateness of various approaches taken to value financial instruments. 3. Market risk measurement: Quantitative models have been developed to measure market risk, and the models have been linked to daily risk limit management. 4. Market risk valuation: Financial instruments held on hand are valued using the market price approach, valuation models, external sources or based on independent valuers' opinions. 5. Market risk monitoring: The treasury trading unit performs real-time and total monitoring of trade positions using various limits as part of its routine activities, and ensures that transactions are executed within authorized limits. Apart from limit breach, other trade details to be monitored include the trade model, the underlying asset, the transaction process, outstanding position and gains or losses. The Department of Risk Management monitors and analyzes data generated from risk assessment models on a daily basis. Any major exposure that poses a threat to financial position, business performance or compliance must be escalated immediately to the President and reported to the board of directors. 6. Market risk reporting: The Department of Risk Management submits market risk management reports and statements to the Risk Management Committee on a regular basis. Information covered by the submitted reports/statements include the Bank's market risk exposure, holding position, position gains/losses, limit utilization and compliance with market risk management rules. The department also discloses market risk management information to the public in accordance with principles of public disclosure and rules of the authority.
II. Market risk management framework and organization	II. A market risk management framework and organization involving the board of directors, Risk Management Committee, Department of Auditing, Department of Risk Management, business administration units of the Head Office and treasury trading units in three lines of defense has been established: (I) First line of defense (treasury transaction units): Each treasury trading unit is required to comply with the Bank's market risk management rules and establish relevant policies to facilitate management of market risks and holding positions. They shall also exercise active monitoring over existing limits and report relevant information to the appropriate business administration unit or Department of Risk Management. (II) Second line of defense (Department of Risk Management and business administration units at Head Office): 1. The Department of Risk Management operates independently in the management of market risks within the Bank. It serves as a central mid-office and is responsible for the planning and implementation of board-approved market risk management framework and procedures. The department consolidates and discloses market risk information and management practices throughout the Bank; it makes regular reports and suggestions to the Risk Management Committee and board of directors, and serves as the communication hub for market risk management knowledge and culture. 2. Business administration units of the Head Office are required to follow the Bank's risk management policies, guidelines and rules and identify, assess, supervise and control market risks that arise in relation to their business activities. They shall also assist the Department of Risk Management in bank-wide market risk management, and develop relevant processes, limits, risk controls and guidelines for products under management.

Item	Description
	(III) Third line of defense (Department Auditing): The Department of Auditing is responsible for auditing and assessing the effectiveness of the market risk management system designed and executed for the first and second lines of defense. The department shall also follow up on rectifications and improvements made to weaknesses in market risk management, and offer improvement suggestions whenever deemed appropriate.
III. Scope and features of market risk reporting and measurement systems	III. (I) Market risk reporting: 1. Scope: The scope of content covered in regular market risk monitoring reports submitted to the management include equity security risk, interest rate risk on fixed income securities, exchange rate risk, derivative risk, overseas securities risk, NTD and foreign currency liquidity/interest rate risk and monitoring of investment limits. 2. Features: The market risk report currently presents market risk for NTD and foreign currency assets throughout the Bank using a number of methods including VaR, ⍰, DVO1, duration, gap analysis and simulation. The report not only reflects market risk exposure, but also provides the management with an overview of profitability, limit utilization, investment performance, market trend etc., and thereby facilitate adjustments to the market risk management policy, procedures and limits. (II) Market risk measurement system: 1. Scope: The Bank currently uses a VaR assessment system to measure individual VaR, VaR by market factor, and component VaR for shares, funds, bonds, bills and foreign exchange positions. 2. Features: Through statistical analysis, the VaR assessment system evaluates maximum losses at the given probability over a period of time, which provides reasonable estimate to market risk exposure in shares, funds, bonds, bills, foreign exchange and the Bank as a whole. The system is also capable of presenting VaR by factors such as interest rate, exchange rate and securities for more in-depth measurement of market risks by factor. This insight provides the management the basis for making adjustments such as investment strategy and risk tolerance.
IV. Market risk avoidance or mitigation policies, and strategies and procedures for monitoring the effectiveness of risk mitigation tools	IV. (I) Market risk avoidance or mitigation policies: 1. The Bank has trade limit, risk limit, maturity limit, stop-loss and hedging derivatives available to manage and avoid market risk for each financial product. 2. For fixed rate foreign currency securities held on hand, the trading unit would assess market rate trends and undertake interest rate swap to eliminate risk of interest rate variation. Several alerts have been established before the stop-loss threshold, and the system would notify the relevant party via e-mail whenever an alert is reached, so that actions can be taken to control and avoid market risks. The Bank engages in forward exchange contracts primarily to cover customers' international trade payment or funding requirements, whereas currency swaps are also held primarily to cover customers' currency swap or forward exchange positions. Since both instruments are held mainly for hedging, market risk is considered to be within control. (II) Strategies and procedures for monitoring the effectiveness of market risk avoidance and mitigation tools: The Bank examines VaR, notional principal, stop-loss threshold and trading strategies both on a regular and ad-hoc basis. In the event of an emergency or limit breach, the trading unit is required to take immediate actions by reducing position, cutting losses or adopting hedges to prevent losses from escalating.
V. Methods for calculating capital requirements	V. Standard approach for market risk

(2) Market risk capital requirement (March 31, 2020)

Unit: NTD thousands

Risk category	Capital requirement
Interest rate risk	1,523,365
Equity security risk	817,723
Foreign exchange risk	114,520
Commodity risk	
Options accounted using the simple method	3,020
Total	2,458,628

Directory of Head Office and Branches

I.Domestic Head Office and Branches Units

Branch	Address	Telephone	FAX	SWIFT
HEAD OFFICE				
Department of Securities	No.81, Yanping S. Rd., Zhongzheng District, Taipei City 10043, Taiwan (R.O.C.)	(02)23483962	(02)23891864	—
Department of Trusts	No.53, Huaining St., Zhongzheng District, Taipei City 10046, Taiwan (R.O.C.)	(02)23483456	(02)23754092	—
Department of International Banking	No.46, Guanqian Rd., Zhongzheng District, Taipei City 10047, Taiwan (R.O.C.)	(02)23483456	(02)23317322	LBOTTWTP088
Department of Business	No.46, Guanqian Rd., Zhongzheng District, Taipei City 10047, Taiwan (R.O.C.)	(02)23483456	(02)23752716	LBOTTWTP041
Department of Insurance Agent	No.53, Huaining St., Zhongzheng District, Taipei City 10046, Taiwan (R.O.C.)	(02)23483456	(02)23755255	—
DOMESTIC BRANCHES				
Taipei City				
Offshore Banking Branch	6F, No.53, Huaining St., Zhongzheng District, Taipei City 10046, Taiwan (R.O.C.)	(02)23483456	(02)23711359	—
Nankang Branch	No.364 Sec. 1, Nangang Rd., Nangang District, Taipei City 11579, Taiwan (R.O.C.)	(02)27834161	(02)27820454	LBOTTWTP004
Taipei Branch	No.72, Bo-ai Rd., Zhongzheng District, Taipei City 10043, Taiwan (R.O.C.)	(02)23713241	(02)23752122	LBOTTWTP005
Minquan Branch	No.26, Minquan W. Rd., Zhongshan District, Taipei City 10449, Taiwan (R.O.C.)	(02)25629801	(02)25616053	LBOTTWTP006
Kuting Branch	No.125, Sec. 3, Roosevelt Rd., Da-an District, Taipei City 10647, Taiwan (R.O.C.)	(02)23634747	(02)23632118	LBOTTWTP007
Changan Branch	No.52, Sec. 2, Chang-an E. Rd., Zhongshan District, Taipei City 10456, Taiwan (R.O.C.)	(02)25238166	(02)25434262	LBOTTWTP008
Shihlin Branch	No.689, Sec. 5, Zhongshan N. Rd., Shilin District, Taipei City 11145, Taiwan (R.O.C.)	(02)28341361	(02)28313863	LBOTTWTP009
Hoping Branch	No.15, Sec. 3, Heping E. Rd., Da-an District, Taipei City 10670, Taiwan (R.O.C.)	(02)27057505	(02)27015459	LBOTTWTP045
Jenai Branch	No.29, Sec. 3, Ren-ai Rd., Da-an District, Taipei City 10651, Taiwan (R.O.C.)	(02)27728282	(02)27110884	LBOTTWTP057
Chunghsiao Branch	No.129, Sec. 1, Fuxing S. Rd., Da-an District, Taipei City 10666, Taiwan (R.O.C.)	(02)27312393	(02)27313649	LBOTTWTP058
Sungshan Branch	No.1, Sec. 1, Dunhua S. Rd., Songshan District, Taipei City 10557, Taiwan (R.O.C.)	(02)25774558	(02)25780590	LBOTTWTP063
Neihu Branch	No.156, Sec. 6, Minquan E. Rd., Neihu District, Taipei City 11490, Taiwan (R.O.C.)	(02)27963800	(02)27963961	LBOTTWTP064

Branch	Address	Telephone	FAX	SWIFT
Tunhua Branch	No.76, Sec. 2, Dunhua S. Rd., Da-an District, Taipei City 10683, Taiwan (R.O.C.)	(02)27071234	(02)27066470	LBOTTWTP074
Hinyi Branch	No.436, Sec. 1, Keelung Rd., Xinyi District, Taipei City 11051, Taiwan (R.O.C.)	(02)27585667	(02)27582282	LBOTTWTP079
Fuhsin Branch	No. 234, Fuxing North Road, Songshan District, Taipei City 10480, Taiwan (R.O.C.)	(02)25090888	(02)25160825	LBOTTWTP090
Wenshan Branch	No.206, Jingxing Rd., Wenshan District, Taipei City 11669, Taiwan (R.O.C.)	(02)29336222	(02)29335279	LBOTTWTP093
Tungtaipei Branch	No.107, Songde Rd., Xinyi District, Taipei City 11075, Taiwan (R.O.C.)	(02)27272588	(02)27285721	LBOTTWTP099
Changchuen Branch	No.156, Changchun Rd., Zhongshan District, Taipei City 10459, Taiwan (R.O.C.)	(02)25681988	(02)25683261	LBOTTWTP102
Chunglun Branch	No.26, Dongxing Rd., Songshan District, Taipei City 10565, Taiwan (R.O.C.)	(02)27477070	(02)27471762	LBOTTWTP106
Wanhua Branch	No.205, Sec. 2, Xiyuan Rd., Wanhua District, Taipei City 10864, Taiwan (R.O.C.)	(02)23322778	(02)23323391	LBOTTWTP116
Shihu Branch	No.185, Gangqian Rd., Neihu District, Taipei City 11494, Taiwan (R.O.C.)	(02)26599888	(02)26593659	LBOTTWTP120
Dah An Branch	No.37, Sec. 2, Da-an Rd., Da-an District, Taipei City 10667, Taiwan (R.O.C.)	(02)23256266	(02)23259819	LBOTTWTP123
Tienmu Branch	No.122, Sec. 2, Zhongzheng Rd., Shilin District, Taipei City 11148, Taiwan (R.O.C.)	(02)28767287	(02)28767257	LBOTTWTP133
Dongmen Branch	No.165, Sec.2, Jinshan S. Rd, Da-an District, Taipei City 10644, Taiwan (R.O.C.)	(02)23911188	(02)23960209	LBOTTWTP138
Chengtung Branch	No.46-2, Sec. 2, Zhongshan N. Rd., Zhongshan District, Taipei City 10448, Taiwan (R.O.C.)	(02)25676268	(02)25217239	LBOTTWTP140
Sungnan Branch	No.130, Songshan Rd., Xinyi District, Taipei City 11090, Taiwan (R.O.C.)	(02)27631111	(02)27669933	LBOTTWTP141
Yuanshan Branch	No.91, Sec. 4, Chengde Rd., Shilin District, Taipei City 11166, Taiwan (R.O.C.)	(02)28866379	(02)28866556	LBOTTWTP155
DaZhi Branch	No.289, Lequn 2nd Rd., Zhongshan Dist., Taipei City 10462, Taiwan (R.O.C.)	(02)85025868	(02)85026786	LBOTTWTP160
NanJing Donglu Branch	1F, No.70, Sec.3, NanJing E.Rd., ZhongShan District, Taipei City10489, Taiwan (R.O.C.)	(02)25036345	(02)25035643	LBOTTWTP165
New Taipei City				
Chungho Branch	No.323, Jingping Rd., Zhonghe District, New Taipei City 23577, Taiwan (R.O.C.)	(02)29461123	(02)29440419	LBOTTWTP003
Sanchung Branch	No.1-8, Sec. 2, Chongxin Rd., Sanchong District, New Taipei City 24147, Taiwan (R.O.C.)	(02)89712222	(02)29848053	LBOTTWTP010
Yungho Branch	No.33, Zhulin Rd., Yonghe District, New Taipei City 23441, Taiwan (R.O.C.)	(02)89268168	(02)89268181	LBOTTWTP049

Branch	Address	Telephone	FAX	SWIFT
Panchiao Branch	No.143, Sec. 1, Wunhua Rd., Banqiao District., New Taipei City 22050, Taiwan (R.O.C.)	(02)29689111	(02)29667278	LBOTTWTP050
Hsintien Branch	No.309, Sec. 1, Beixin Rd., Xindian District, New Taipei City 23147, Taiwan (R.O.C.)	(02)29151234	(02)29178333	LBOTTWTP061
Luchou Branch	No.100, Zhongshan 1st Rd., Luzhou District, New Taipei City 24748, Taiwan (R.O.C.)	(02)22859100	(02)22858983	LBOTTWTP076
Tucheng Branch	No.127, Sec. 1, Zhongyang Rd., Tucheng District, New Taipei City 23664, Taiwan (R.O.C.)	(02)22651000	(02)22667858	LBOTTWTP080
Tanshui Branch	No.42, Sec. 1, Zhongshan N. Rd., Danshui District, New Taipei City 25157, Taiwan (R.O.C.)	(02)26219691	(02)26219695	LBOTTWTP081
Hsinchuang Branch	No.221, Siyuan Rd., Xinzhuang District, NewTaipei City 24250, Taiwan (R.O.C.)	(02)29973321	(02)29973320	LBOTTWTP086
Shuangho Branch	No.120, Sec. 2, Zhongshan Rd., Zhonghe District, NewTaipei City 23555, Taiwan (R.O.C.)	(02)22425300	(02)22425495	LBOTTWTP087
Tungpanchiao Branch	No.212, Minzu Rd., Banqiao District, New Taipei City 22065, Taiwan (R.O.C.)	(02)29633939	(02)29633931	LBOTTWTP095
Shulin Branch	No.82, Bao-an 2nd St., Shulin District, New Taipei City 23860, Taiwan (R.O.C.)	(02)26845116	(02)26845115	LBOTTWTP098
Hsisanchung Branch	No.88, Sec. 1, Chongyang Rd., Sanchong District, New Taipei City 24161, Taiwan (R.O.C.)	(02)29846969	(02)29859842	LBOTTWTP100
Huachiang Branch	No.2, Alley 1, Lane 182, Sec. 2, Wunhua Rd., Banqiao District, New Taipei City 22044, Taiwan (R.O.C.)	(02)22518599	(02)22517665	LBOTTWTP107
Nanhsinchuang Branch	No.288-23, Xinshu. Rd., Xinzhuang District, New Taipei City 24262, Taiwan (R.O.C.)	(02)22066080	(02)22066372	LBOTTWTP111
Sanshia Branch	No.83, Minsheng St., Sanxia District, New Taipei City 23741, Taiwan (R.O.C.)	(02)86711010	(02)86711033	LBOTTWTP112
Hsichih Branch	No.306-3, Sec. 1, Datong Rd., Xizhi District, New Taipei City 22146, Taiwan (R.O.C.)	(02)26498577	(02)26498666	LBOTTWTP115
Kuangfu Branch	No.148, Sec. 2, Sanmin Rd., Banqiao District, New Taipei City, 22069 Taiwan (R.O.C.)	(02)89522345	(02)89522395	LBOTTWTP129
Taishan Branch	No.168, Sec. 3, Mingzhi Rd., Taishan District, New Taipei 24354, Taiwan (R.O.C.)	(02)29018899	(02)29014174	LBOTTWTP134
Xike Branch	No.93, Sec. 1, Xintai 5 th Rd., Xizhi District, New Taipei City 22175, Taiwan (R.O.C.)	(02)26972858	(02)26972601	LBOTTWTP148
Beisanchong Branch	No. 99, Sec. 4, Chongyang Rd., Sanchong District, New Taipei City 24145, Taiwan (R.O.C.)	(02)89821919	(02)89819492	LBOTTWTP157
Yuantong Branch	No.192, Liancheng Rd., Zhonghe District, New Taipei City 23553, Taiwan (R.O.C.)	(02)22497071	(02)22497701	LBOTTWTP158

Branch	Address	Telephone	FAX	SWIFT
Baozhong Branch	No.94-3, Baozhong Rd., Xindian District, New Taipei City 23144, Taiwan (R.O.C.)	(02)29111898	(02)29111737	LBOTTWTP163
Keelung City				
Keelung Branch	No.18, Yi 1st Rd., Zhongzheng District, Keelung City 20241, Taiwan (R.O.C.)	(02)24210200	(02)24224407	LBOTTWTP002
Chengping Branch	No.652, Zhongzheng Rd., Zhongzheng District, Keelung City 20248, Taiwan (R.O.C.)	(02)24621111	(02)24627214	LBOTTWTP073
Taoyuan County				
Taoyuan Branch	No.75, Zhongzheng Rd., Taoyuan District, Taoyuan City 33041, Taiwan (R.O.C.)	(03)3379911	(03)3379976	LBOTTWTP013
Chungli Branch	No.190, Zhongshan Rd., Zhongli District, Taoyuan City 32041, Taiwan (R.O.C.)	(03)4253140	(03)4253674	LBOTTWTP014
Shihmen Branch	No.49, Beilong Rd., Longtan District, Taoyuan City 32552, Taiwan (R.O.C.)	(03)4792101	(03)4708934	LBOTTWTP015
Pingchen Branch	No.5, Shanding Sec., Zhongfeng Rd., Pingzhen District, Taoyuan City 32463, Taiwan (R.O.C.)	(03)4699111	(03)4699119	LBOTTWTP091
Nanknag Branch	No.16, Luoyang St., Luzhu District, Taoyuan City 33845, Taiwan (R.O.C.)	(03)3526556	(03)3527099	LBOTTWTP096
Nantaoyuan Branch	No.835, Zhongshan Rd., Taoyuan District, Taoyuan City 33059, Taiwan (R.O.C.)	(03)3786969	(03)3786984	LBOTTWTP114
Bade Branch	No.702, Sec. 1, Jieshou Rd., Bade District, Taoyuan City 33450, Taiwan (R.O.C.)	(03)3667966	(03)3669900	LBOTTWTP121
Peichungli Branch	No.400, Huanbei Rd., Zhongli District, Taoyuan City 32070, Taiwan (R.O.C.)	(03)4250011	(03)4223230	LBOTTWTP124
Peitaoyuan Branch	1F.-1, No.1071, Zhongzheng Rd., Taoyuan District, Taoyuan City 33045, Taiwan (R.O.C.)	(03)3566199	(03)3565406	LBOTTWTP131
Dayuan Branch	No. 55, Zhongzheng E. Rd., Dayuan District, Taoyuan City 33756, Taiwan (R.O.C.)	(03)3850805	(03)3856625	LBOTTWTP136
Yangmei Branch	No.116, Daping St., Yangmei District, Taoyuan City 32643, Taiwan (R.O.C.)	(03)4881215	(03)4881217	LBOTTWTP137
Linkou Branch	No.109, Wunhua 2nd Rd., Guishan District, Taoyuan City 33377, Taiwan (R.O.C.)	(03)3182128	(03)3183719	LBOTTWTP143
Neili Branch	No.33, Huanzhong E. Rd., Zhongli District, Taoyuan City 32071, Taiwan (R.O.C.)	(03)4612666	(03)4613868	LBOTTWTP145
Hsinchu City				
Hsinchu Branch	No.1, Zhongyang Rd., Hsinchu City 30041, Taiwan (R.O.C.)	(03)5213211	(03)5233693	LBOTTWTP016
Tunghsinchu Branch	No.22, Beida Rd., Hsinchu City 30044, Taiwan (R.O.C.)	(03)5353998	(03)5353923	LBOTTWTP103

Branch	Address	Telephone	FAX	SWIFT
		Hsinchu County		
Chutung Branch	No.10, Donglin Rd., Zhudong Township, Hsinchu County 31047, Taiwan (R.O.C.)	(03)5961171	(03)5961175	LBOTTWTP017
Hukou Branch	No.102, Sec. 1, Zhongzheng Rd., Hukou Township, Hsinchu County 30342, Taiwan (R.O.C.)	(03)5996111	(03)5901987	LBOTTWTP052
Chupei Branch	No.130, Xianzheng 9th Rd., Zhubei City, Hsinchu County 30251, Taiwan (R.O.C.)	(03)5532231	(03)5532308	LBOTTWTP108
Hsingong Branch	No.76, Zhonghua Rd., Hukou Township, Hsinchu County 30353, Taiwan (R.O.C.)	(03)5981969	(03)5985373	LBOTTWTP118
ITRI Branch	No.195, Sec. 4, Zhongxing Rd., Zhudong Township, Hsinchu County 31040, Taiwan (R.O.C.)	(03)5910188	(03)5910199	LBOTTWTP156
		Miaoli County		
Miaoli Branch	No.402, Zhongzheng Rd., Miaoli City, Miaoli County 36043, Taiwan (R.O.C.)	(037)320531	(037)329215	LBOTTWTP020
Toufen Branch	No.932, Zhonghua Rd., Toufen Township, Miaoli County 35159, Taiwan (R.O.C.)	(037)667185	(037)667188	LBOTTWTP021
Tunghsiao Branch	No.85, Zhongzheng Rd., Tongxiao Township, Miaoli County 35741, Taiwan (R.O.C.)	(037)756010	(037)756014	LBOTTWTP084
Chunan Branch	No.62, Zhongzheng Rd., Zhunan Township, Miaoli County 35047, Taiwan (R.O.C.)	(037)551022	(037)551090	LBOTTWTP146
		Taichung City		
Fengyuan Branch	No.508, Zhongshan Rd., Fengyuan District, Taichung City 42044, Taiwan (R.O.C.)	(04)25242191	(04)25283716	LBOTTWTP022
Tachia Branch	No.40, Zhenzheng Rd., Dajia District, Taichung City 43746, Taiwan (R.O.C.)	(04)26877181	(04)26860142	LBOTTWTP023
Taichung Branch	No.1, Sec. 2, Ziyou Rd., Central District, Taichung City 40045, Taiwan (R.O.C.)	(04)22235021	(04)22204961	LBOTTWTP024
Hsitaichung Branch	No.2-4, Wuquan Rd., West District, Taichung City 40355, Taiwan (R.O.C.)	(04)22289151	(04)22276621	LBOTTWTP055
Taiping Branch	No.131, Sec. 3, Zhongshan Rd., Taiping District, Taichung City 41169, Taiwan (R.O.C.)	(04)22780788	(04)22783488	LBOTTWTP072
Peitaichung Branch	No.79, Sec.1, Zhongping Rd., Beitun District, Taichung City 40458, Taiwan (R.O.C.)	(04)22016902	(04)22014766	LBOTTWTP077
Chungkang Branch	No.598, Sec.2, Wenxin Rd., Xitun District, Taichung City 40758, Taiwan (R.O.C.)	(04)23288800	(04)23287958	LBOTTWTP094
Nantaichung Branch	No.81, Guoguang Rd., South District, Taichung City 40254, Taiwan (R.O.C.)	(04)22240323	(04)22201390	LBOTTWTP101
Shalu Branch	No.407, Zhongshan Rd., Shalu District, Taichung City 43350, Taiwan (R.O.C.)	(04)26651717	(04)26651256	LBOTTWTP113

Branch	Address	Telephone	FAX	SWIFT
Wujih Branch	No.535, Sec.1, Zhongshan Rd., Wuri District, Taichung City 41443, Taiwan (R.O.C.)	(04)23360311	(04)23360321	LBOTTWTP119
Beituen Branch	No.232, Sec. 4, Wenxin Rd., North District, Taichung City 40462, Taiwan (R.O.C.)	(04)22915678	(04)22913636	LBOTTWTP122
Jhongke Branch	2F.-1, No.6, Zhongke Rd., Daya District, Taichung City 42881, Taiwan (R.O.C.)	(04)25658228	(04)25658255	LBOTTWTP135
Situn Branch	No. 286, Shizheng North 2nd Road, Xitun District, Taichung City 40756, Taiwan (R.O.C.)	(04)22593111	(04)22580129	LBOTTWTP144
Dali Branch	No.405, Sec. 2, Guoguang Rd., Dali District, Taichung City 41266, Taiwan (R.O.C.)	(04)24061679	(04)24061579	LBOTTWTP150
Nantun Branch	No.65, Wenxin S. Rd., Nantun District, Taichung City 40854, Taiwan (R.O.C.)	(04)24723568	(04)24727911	LBOTTWTP161
Zhongcing Branch	No.358 Sec.2, Jhongcing Rd., Beitun District, Taichung City 40676, Taiwan (R.O.C.)	(04)22956677	(04)22956776	LBOTTWTP164
Nantou County				
Nantou Branch	No.202, Zhongshan St., Nantou City, Nantou County 54057, Taiwan (R.O.C.)	(049)2222143	(049)2221833	LBOTTWTP025
Tsaotun Branch	No.601-7, Zhongzheng Rd., Caotun Township, Nantou County 54241, Taiwan (R.O.C.)	(049)2330573	(049)2353647	LBOTTWTP082
Changhua County				
Yuanlin Branch	No.100, Sec. 2, Zhongshan Rd., Yuanlin City, Changhua County 51052 Taiwan (R.O.C.)	(04)8323171	(04)8330634	LBOTTWTP026
Changhua Branch	No.98, Guangfu Rd., Changhua City, Changhua County 50045, Taiwan (R.O.C.)	(04)7230777	(04)7242934	LBOTTWTP047
Fuhsing Branch	No.399, Sec. 7, Zhanglu Rd., Fuxing Township, Changhua County 50661, Taiwan (R.O.C.)	(04)7785566	(04)7789933	LBOTTWTP142
Yunlin County				
Touliu Branch	No.72, Zhongshan Rd., Douliu City, Yunlin County 64051, Taiwan (R.O.C.)	(05)5323901	(05)5334295	LBOTTWTP027
Peikang Branch	No.90, Minzhu Rd., Beigang Township, Yunlin County 65142, Taiwan (R.O.C.)	(05)7836111	(05)7835525	LBOTTWTP028
Huwei Branch	No.490, Sec. 1, Linsen Rd., Huwei Township, Yunlin County 63243, Taiwan (R.O.C.)	(05)6327373	(05)6320297	LBOTTWTP056
Chiayi City				
Chiayi Branch	No.309, Zhongshan Rd., Chiayi City 60041, Taiwan (R.O.C.)	(05)2241150	(05)2250426	LBOTTWTP029
Chiasing Branch	No.28, Ziyou Rd., Chiayi City 60093, Taiwan (R.O.C.)	(05)2810866	(05)2810882	LBOTTWTP110

Branch	Address	Telephone	FAX	SWIFT
Chiayi County				
Minhsiung Branch	No.126, Sec. 3, Jianguo Rd., Minxiong Township, Chiayi County 62157, Taiwan (R.O.C.)	(05)2200180	(05)2214643	LBOTTWTP066
Tainan City				
Hsinying Branch	No.79, Zhongshan Rd., Xinying District, Tainan City, 73045, Taiwan (R.O.C.)	(06)6322441	(06)6357300	LBOTTWTP030
Yungkang Branch	No.20, Zhongshan S. Rd., Yongkang District, Tainan City, 71075, Taiwan (R.O.C.)	(06)2321171	(06)2324144	LBOTTWTP031
Tainan Branch	No.28, Zhongzheng Rd., West District, Tainan City 70048, Taiwan (R.O.C.)	(06)2265211	(06)2240057	LBOTTWTP032
Peitainan Branch	No.128-7, Gongyuan Rd., North District, Tainan City 70448, Taiwan (R.O.C.)	(06)2210071	(06)2256036	LBOTTWTP062
Tungtainan Branch	No.261, Sec. 3, Dongmen Rd., East District, Tainan City 70172, Taiwan (R.O.C.)	(06)2906183	(06)2906946	LBOTTWTP083
Hsuehchia Branch	No.303, Zhongzheng Rd., Xuejia District, Tainan City 72641, Taiwan (R.O.C.)	(06)7832166	(06)7836743	LBOTTWTP085
Paiho Branch	No.395, Sanmin Rd., Baihe District, Tainan City 73242, Taiwan (R.O.C.)	(06)6855301	(06)6852545	LBOTTWTP089
Hsinshih Branch	No.10, Fusing Rd., Xinshi District, Tainan City 74444, Taiwan (R.O.C.)	(06)5997373	(06)5990799	LBOTTWTP104
Anping Branch	No.23, Sec. 2, Zhonghua W. Rd., Anping District, Tainan City 70844, Taiwan (R.O.C.)	(06)2933555	(06)2933666	LBOTTWTP109
Annan Branch	No.47, Sec. 3, Haidian Rd., Annan District, Tainan City 70966, Taiwan (R.O.C.)	(06)2568669	(06)2569778	LBOTTWTP147
Dawan Branch	No.1062, Sec. 2, Yongda Rd., Yongkang District, Tainan City,71080, Taiwan (R.O.C.)	(06)2071200	(06)2071250	LBOTTWTP151
Kaohsiung City				
Kaohsiung Branch	No.131, Dayong Rd., Yancheng District, Kaohsiung City 80343, Taiwan (R.O.C.)	(07)5515231	(07)5510428	LBOTTWTP033
Kangshan Branch	No.285, Gangshan Rd., Gangshan District, Kaohsiung City 82041, Taiwan (R.O.C.)	(07)6216102	(07)6213119	LBOTTWTP034
Meinung Branch	No.65, Sec. 1, Zhongshan Rd., Meinong District, Kaohsiung City 84348, Taiwan (R.O.C.)	(07)6813211	(07)6813111	LBOTTWTP035
Cingnian Branch	No.281, Sec. 2, Qingnian Rd., Fengshan District, Kaohsiung City 83048, Taiwan (R.O.C.)	(07)7808700	(07)7805166	LBOTTWTP038
Chungshan Branch	No.87, Wufu 3rd Rd., Qianjin District, Kaohsiung City 80148, Taiwan (R.O.C.)	(07)2519406	(07)2518154	LBOTTWTP048
Fengshan Branch	No.15, Caogong Rd., Fengshan District, Kaohsiung City 83064, Taiwan (R.O.C.)	(07)7460121	(07)7436569	LBOTTWTP051
Hsinhsing Branch	No.480, Qixian 1st Rd., Xinxing District, Kaohsiung City 80053, Taiwan (R.O.C.)	(07)2355111	(07)2355118	LBOTTWTP054

Branch	Address	Telephone	FAX	SWIFT
Chungcheng Branch	No.158, Zhongzheng 3rd Rd., Xinxing District, Kaohsiung City 80052, Taiwan (R.O.C.)	(07)2352156	(07)2352140	LBOTTWTP059
Shanming Branch	No.657, Jiangong Rd., Sanmin District, Kaohsiung City 80778, Taiwan (R.O.C.)	(07)3861301	(07)3891941	LBOTTWTP065
Tashe Branch	No.369, Zhongshan Rd., Dashe District, Kaohsiung City 81547, Taiwan (R.O.C.)	(07)3520779	(07)3529804	LBOTTWTP067
Chiencheng Branch	No.241, Yixin 1st Rd., Qianzhen District, Kaohsiung City 80606, Taiwan (R.O.C.)	(07)3329755	(07)3313296	LBOTTWTP069
Luzhu Branch	No.18, Guochang Rd., Luzhu District, Kaohsiung City 82150, Taiwan (R.O.C.)	(07)6972131	(07)6973834	LBOTTWTP070
Wuchia Branch	No.256, Wujia 2nd Rd., Fengshan District, Kaohsiung City,83083, Taiwan (R.O.C.)	(07)7715176	(07)7715170	LBOTTWTP071
Lingya Branch	No.18, Zhongxiao 2nd Rd., Lingya District, Kaohsiung City 80241, Taiwan (R.O.C.)	(07)3328477	(07)3356471	LBOTTWTP078
Chienkuo Branch	No.458, Jianguo 1st Rd., Sanmin District, Kaohsiung City 80760, Taiwan (R.O.C.)	(07)2250011	(07)2250077	LBOTTWTP097
Poai Branch	No.300, Bo-ai 1st Rd., Sanmin District, Kaohsiung City 80757, Taiwan (R.O.C.)	(07)3150301	(07)3226961	LBOTTWTP105
Shiaokang Branch	No.336, Hongping Rd., Xiaogang District, Kaohsiung City 81268, Taiwan (R.O.C.)	(07)8065606	(07)8018837	LBOTTWTP117
Zuoying Branch	No.1237, Huaxia Rd., Zuoying District, Kaohsiung City 81361, Taiwan (R.O.C.)	(07)3436168	(07)3433321	LBOTTWTP130
Nanzi Branch	No.318, Lanchang Rd., Nanzi District, Kaohsiung City 81168, Taiwan (R.O.C.)	(07)3621199	(07)3621099	LBOTTWTP149
Dafa Branch	No.272, Fonglin 4th Rd., Daliao District, Kaohsiung City 83150, Taiwan (R.O.C.)	(07)7869169	(07)7869189	LBOTTWTP153
Renwu Branch	No.85 Renyong Rd., Renwu Dist., Kaohsiung City 81458, Taiwan (R.O.C.)	(07)7322678	(07)7327978	LBOTTWTP166
Pingtung County				
Pingtung Branch	No.78, Fongjia Rd., Pingtung City, Pingtung County 90075, Taiwan (R.O.C.)	(08)7325131	(08)7322236	LBOTTWTP036
Chaochou Branch	No.12, Xinsheng Rd., Chaozhou Township, Pingtung County 92046, Taiwan (R.O.C.)	(08)7884111	(08)7881972	LBOTTWTP046
Kaoshu Branch	No.99, Nanxing Rd., Gaoshu Township, Pingtung County 90641, Taiwan (R.O.C.)	(08)7963399	(08)7966333	LBOTTWTP125
Fangliao Branch	No.111, Longshan Rd., Fangliao Township, Pingtung County 94049, Taiwan (R.O.C.)	(08)8781533	(08)8786282	LBOTTWTP126
Donggang Branch	No.27, Sec. 2, Guangfu Rd., Donggang Township, Pingtung County 92847, Taiwan (R.O.C.)	(08)8332255	(08)8325399	LBOTTWTP132
Yilan County				
Ilan Branch	No. 43, Guangfu Road, Yilan City, Yilan County 26043, Taiwan (R.O.C.)	(03)9361101	(03)9323692	LBOTTWTP011

Branch	Address	Telephone	FAX	SWIFT
Lotung Branch	No.158, Gongzheng Rd., Luodong Township, Yilan County 26550, Taiwan (R.O.C.)	(03)9571111	(03)9571117	LBOTTWTP012
Suao Branch	No.17, Taiping Rd., Su'ao Township, Yilan County 27048, Taiwan (R.O.C.)	(03)9961100	(03)9965334	LBOTTWTP053
Hualien County				
Hualien Branch	No.356, Zhongshan Rd., Hualien City, Hualien County 97050, Taiwan (R.O.C.)	(03)8312601	(03)8320482	LBOTTWTP018
Yuli Branch	No.51, Sec.2, Zhongshan Rd., Yuli Township, Hualien County 98142, Taiwan (R.O.C.)	(03)8886181	(03)8882320	LBOTTWTP019
Taitung County				
Taitung Branch	No.357, Sec. 1, Zhonghua Rd., Taitung City, Taitung County 95046, Taiwan (R.O.C.)	(089)310111	(089)310100	LBOTTWTP037
Penghu County				
Penghu Branch	No.20, Sanmin Rd., Magong City, Penghu County 88050, Taiwan (R.O.C.)	(06)9262141	(06)9278371	LBOTTWTP040
Kinmen County				
Kinmen Branch	No.34, Minsheng Rd., Jincheng Township, Kinmen County 89345, Taiwan (R.O.C.)	(082)327300	(082)327305	LBOTTWTP039
Kincheng Branch	No.6, Minsheng Rd., Jincheng Township, Kinmen County 89345, Taiwan (R.O.C.)	(082)311981	(082)311986	LBOTTWTP128

II. Overseas Units

Branch	Address	Telephone	FAX	SWIFT
Los Angeles Branch	Suite 1900,811Wilshire Boulevard Los Angeles, California 90017 U.S.A.	(1)213-532-3789	(1)213-532-3766	LBOTUS66
Hong Kong Branch	Unit 3101-6 & 12,Tower 1, The Gateway, 25 Canton Road, Tsimshatsui, Kowloon., H.K.	(852)2581-0788	(852)2581-0777	LBOTHKHH
Singapore Branch	80,Raffles Place, #34-01 UOB Plaza 1, Singapore	(65)6349-4555	(65)6349-4545	LBOTSGSG
Shanghai Branch	Room 1703-1704, No. 99 Fucheng Road (Aurora Plaza), Free Economic Pilot Zone, Shanghai, China	(86)21-5037-2495	(86)21-5037-2497	LBOTCNSH
New York Branch	100 Wall Street, 14F New York, New York 10005 U.S.A.	(1)917-542-0222	(1)917-542-0288	LBOTUS33
TianJin Branch	Room 3701-3702, Xin Silver Building, No.28, Zeng Jin Dao, Hexi District, TianJin, China	(86)22-2837-1115	(86)22-2837-1113	LBOTCNBT
Wuhan Branch	Unit 01-03,41F, Wuhan Wanda Center,No.96 Linjiang Avenue,Jiyuqiao,Wuchang District, Wuhan, China	(86)27-59606939	(86)27-59606936	LBOTCNBW
Kuala Lumpur Representative Office	Lot 11-03A, Level 11 Menara Hap Seng 2, Plaza Hap Seng, No. 1,Jalan P Ramlee 50250 Kuala Lumpur, Malaysia	(60) 3 20221188	(60) 3 20223777	

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