

Stock code: 2897
Published Date: April 27, 2021
<https://mops.twse.com.tw>
<https://www.o-bank.com>



2020 Annual Report



Head office, Domestic and Overseas Branches

Head Office

Address: No. 99, Sec. 2, Tiding Blvd., Neihu Dist., Taipei City 114, Taiwan (R.O.C.)

Telephone: 886-2-8752-7000

Zhongxiao Dunhua Branch (Digital Experience Center)

Address: 1F, No.135, Sec.4 Zhongxiao E. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)

Telephone: 080-080-1010

Taoyuan Branch

Address: No.88, Yiwen 1st St., Taoyuan Dist., Taoyuan City 330, Taiwan (R.O.C.)

Telephone: 886-3-341-5539

Hsinchu Branch (Digital Experience Center)

Address: 5F, No. 212, Guangming 5th St., Zhubei City, Hsinchu County 302, Taiwan (R.O.C.)

Telephone: 080-080-1010

Taichung Branch

Address: 8F-1, No. 489, Sec. 2, Taiwan Blvd., Western Dist., Taichung City 403, Taiwan (R.O.C.)

Telephone: 886-4-2326-5500

Kaohsiung Branch

Address: 12F, No. 55, Zhongzheng 3rd Rd., Xinxing Dist., Kaohsiung City 800, Taiwan (R.O.C.)

Telephone: 886-7-225-0212

Hong Kong Branch

Address: Suites 3210-14, 32F, Tower 6, The Gateway, Harbour City, Kowloon, Hong Kong

Telephone: 852-3165-8899

CPAs for the Financial Statements in the Last Few Years

Names: Yin-Chou Chen and Wang-Sheng Lin

Accounting Firm: Deloitte & Touche

Address: 20F, No. 100, Songren Rd., Xinyi Dist., Taipei City, 110, Taiwan (R.O.C.)

Telephone: 886-2-2725-9988

Website: <https://www.deloitte.com.tw>

Credit Rating Institution

Taiwan Rating Corp.,

Address: 2F, No. 167, Dunhua N. Rd., Songshan Dist., Taipei City 105, Taiwan (R.O.C.)

Telephone: 886-2-2175-6800

Website: <https://www.taiwanratings.com>

Stock Transfer Agency

Agency: Corporate Trust Operation and Service Department, CTBC Bank Co., Ltd.

Address: 5F, No. 83, Sec 1, Chongqing S. Rd., Zhongzheng Dist., Taipei City 100, Taiwan (R.O.C.)

Telephone: 886-2-6636-5566

Website: <https://www.ctbcbank.com>

Spokesperson

Name: Chang, David C.C.

Position: Deputy President

Telephone: 886-2-8752-7000 Ext 13799

E-mail: davidchang@o-bank.com

Deputy /Acting Spokesperson

Name: Chang, Ophelia L.W.

Position: Senior Vice President

Telephone: 886-2-8752-7000 Ext 13301

E-mail: opheliachang@o-bank.com

Corporate Website

<https://www.o-bank.com>

Name of Overseas Exchange Where Securities Are Listed and Method of Inquiry: None

(Summary Translation)

This document is prepared in accordance with the Chinese version and is for reference only. In the event of any discrepancy between the English version and the Chinese version, the Chinese version shall prevail.

Contents

I. Letter to Shareholders	2
II. Company Profile	5
III. Corporate Governance Report	8
1. Organization	8
2. Directors, Supervisors and Management Team	13
3. Remuneration of Directors, President, Deputy Presidents, Vice Presidents and Consultants, and Remuneration of employees in the Most Recent Fiscal Year	27
4. Implementation of Corporate Governance	34
5. Information Regarding the Company's Audit Fee	88
6. Replacement of CPA	89
7. Audit Independence	89
8. Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders	90
9. Relationship among the Top Ten Shareholders	94
10. Ownership of Shares in Affiliated Enterprises	94
IV. Capital Overview	95
1. Capital and Shares	95
2. Issuance of Bank Debenture	102
3. Preferred shares	106
4. Global Depository Receipts, Issuance of New Restricted Employee Shares and Merger and Acquisitions or Transfers of other Financial Institutions Financing Plans and Implementation	108
5. Financing Plans and Implementation	108
V. Operational Highlights	109
1. Business Activities	109
2. Human Resources	131
3. Corporate Social Responsibilities and Code of Ethical Conduct	132
4. Number, Average Salary, and Median Salary of Fulltime and Non-executive Employees; Their Differences from the Previous Year	134
5. Information Equipment	135
6. Labor Relations	138
7. Material Contracts	142
8. Securitization	142
VI. Financial Information	143
1. Five-Year Financial Summary	143
2. Five-Year Financial Analysis	148
3. Report of 2020 Financial Statements by the Audit Committee	153
4. Consolidated Financial Statements for the Years Ended December 31, 2020 and 2019, and Independent Auditors' Report	153
5. Financial Statements for the Years Ended December 31, 2020 and 2019, and Independent Auditors' Report	153
6. Any Financial Distress Experienced by the Company or its Affiliated Enterprises and Impact on the Company's Financial Status, in the Latest Year up till the Publication Date of this Annual Report	153
VII. Review of Financial Conditions, Financial Performance, and Risk Management	154
1. Analysis of Financial Status	154
2. Analysis of Financial Performance	156
3. Analysis of Cash Flow	157
4. Major Capital Expenditure Items	157
5. Investment Policy in Last Year, Main Causes for Profits or Losses, Improvement Plans and the Investment Plans for the Coming Year	157
6. Risk Management	158
7. Crisis Management and Response Mechanism	172
8. Other Major Items	172
VIII. Special Disclosure	173
1. Summary of Affiliated Companies	173
2. Private Placement Securities and Financial Bonds	178
3. The Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years	178
4. Other Important Supplementary Information	178
5. Events Occurred in the Previous Year or Up to the Publication of this Annual Report, Which Significantly Affect Shareholders' Equity or Price of Shares Pursuant to Item 2, Paragraph 3 of Article 36 of the Securities and Act	178
Appendix 1: Consolidated Financial Statements for the Years Ended December 31, 2020 and 2019, and Independent Auditors' Report	179
Appendix 2: Financial Statements for the Years Ended December 31, 2020 and 2019, and Independent Auditors' Report	301

Care for the nature, save the future.

The contents of this Annual Report are printed on FSC-certified eco-friendly paper.

I. Letter to Shareholders

In 2020, the global economy sustained a heavy blow from the outbreak of the Covid-19 pandemic. Many governments responded with stimulus measures and gradually reopened their economies. Still, the anticipated global economic recovery remains hardly a sure thing. For its part, Taiwan enjoyed a relatively stable economy thanks to its success in pandemic control, the homecoming of businesses from overseas, and an influx of foreign capital. According to the Directorate General of Budget, Accounting, and Statistics of the Executive Yuan, Taiwan's GDP expansion in 2020 came in at 3.11%, a three-year high. As a whole, Taiwan's financial services industry generated pretax profit of NT\$675.7 billion, up 6.5% from 2019. The primary growth driver was to be found in the insurance and securities sectors, whose earnings hit record highs thanks to gains in the equity and bond markets. By contrast, the banking sector saw its pretax profit fall 8.9% from the year before to NT\$370.8 billion due to financial market fluctuations triggered by the pandemic, rate cuts, forex losses, and setbacks at overseas outlets.

Confronted with all manner of challenges in 2020, the Bank persisted with its pursuit of growth opportunities while vigorously keeping up stability. In 2020, the Bank's consolidated total assets amounted to NT\$575.4 billion; consolidated revenue, NT\$8.056 billion; and consolidated pretax profit, NT\$3.099 billion. Consolidated net profit came in at NT\$2.301 billion, up 14% from a year earlier. At the parent level, total assets amounted to NT\$328.9 billion; revenue, NT\$4.651 billion; and pretax profit, NT\$1.236 billion. Parent net profit increased some 4% year-on-year to NT\$1.147 billion, or NT\$0.41 per share. In terms of asset quality, the Bank recorded an NPL ratio of 0.42% in 2020. The provisions coverage ratio came in at 309.70% while the capital adequacy ratio, 12.67%. When it comes to the attainment of budgeted targets, the unfavorable broader environment slowed the growth in both deposits and loans last year. In 2020, the Bank collected deposits equivalent to 89% of the targeted NT\$275.3 billion; the loans actually extended in the year came in at 79% of its target, NT\$211.4 billion.

Of the Bank's invested companies, China Bills Finance Corp. saw its net profit jump 27% to NT\$1.578 billion in 2020 thanks to brisk bills trading and underwriting services fueled by lower interest rates. Given a double blow from the Fed rate cut and the pandemic, U.S.-based EverTrust Bank sustained a decline in net profit to NT\$280 million. On the other hand, the Bank's leasing investees kept up reasonably well and generated net profit of NT\$328 million in 2020.

In June 2020, Taiwan Ratings granted the bank long- and short-term ratings of "twA" and "twA-1." A summary of the Bank's business plan and strategic objectives achieved in 2020 is as follows:

1. Persist with digital banking innovation to stay ahead

After restructuring into a commercial bank in 2017, O-Bank aims to provide customers with secure, simple, convenient, and interesting retail banking services. The past year saw the Bank further expand its online product mix, including insurance purchases and ROBOT foreign currency wealth management. Meanwhile, the Bank's platform for charity affinity cards was further expanded to include those designed for use on campus as part of our ongoing endeavors toward catering to the younger generation. As of the end of 2020, O-Bank has seen the opening of more than 450,000 digital retail banking accounts. The Bank's various digital breakthroughs did not go unnoticed. Our accolades of 2019 included The Asian Banker's Best Cloud Based Initiative, Application or Program in Taiwan, a Red Hat APAC Innovations Award in the Digital Transformation, IT Optimization category, and an Excellence Award of Global Views magazine's Best FinTech Service Bank Awards. In 2020, we won from Excellence magazine the Best Internet Bank Award in its annual survey of the country's banking industry.

Confronted with a rapidly changing marketplace, the Bank continued to focus its R&D on ways to meet customer needs. R&D accomplishments in 2020 included advancement in electronic banking services and the back-end support system, expansion in the wealth management and investment system, upgrade in the cloud service platform, and optimization of loan-processing procedures. Meanwhile, the Bank also diverted R&D resources toward FinTech research, exploration of new technologies, and search for new application scenarios to further improve services and hence the customer experience.

2. Bolster capital structure and enhance the CAR

In 2020, the Bank completed a NT\$2.032 billion capital increase. With the newly issued common shares becoming available for trading on the Taiwan Stock Exchange in November, the exercise was meant to replenish the Bank's operating funds, bolster our capital structure, and raise our capital adequacy ratio as we strive for business expansion.

3. Optimize organizational efficacy and make strategic investment

To adapt to the rapidly changing digital banking market, the Bank set up its Innovation Strategic Center in 2020 for the incubation of innovative business models and development of unique digital banking services through rapid iteration. Separately, a chief technology officer was appointed to oversee implementation of the Bank's IT and technological strategies. In retail banking, organizational readjustment and optimization was conducted to enhance operational and policy-making efficiency, refine customer management, and increase product competitiveness. When it comes to corporate banking, priority was given to expanding the reach of our business and making inroads into the MME segment. In addition to appointing three regional supervisors for different parts of the country, the Bank went on to charge personnel exclusively with business banking affairs in order to further tailor diverse services and effectively meet customer needs.

In terms of our strategic investment, Beijing Sunshine Consumer Finance Co., Ltd., the Bank's joint venture with China Everbright Bank and China CYTS Tours Holding Co., Ltd., became operational in August 2020 and began to deliver innovative consumer banking services digitally. As of the end of 2020, Beijing Sunshine had extended over RMB\$1.7 billion of loans. In the days ahead, it promises to emerge as one of the Bank's key earnings drivers.

4. Win recognition as a responsible corporate citizen while conducting business

Committed to fulfilling corporate social responsibility, the Bank has striven to achieve corporate sustainability. After being certified as a B Corporation at the end of 2017, the Bank won such certification again in early 2021. At the end of 2020, the Bank took the lead to introduce "Impact" Loans, an initiative that combines corporate social responsibility and business pursuit. "Impact" deposits are diverted exclusively toward this lending program that exempts fees and offers low interest rates to give relief to the economically disadvantaged, thereby helping the Bank fulfill its corporate social responsibility.

In 2020, the Bank again won recognition in the CommonWealth Magazine Corporate Citizen Award and TAISE Corporate Sustainability Award. The Bank was awarded the second place prize of "Corporate Citizen Award" in the medium-sized enterprise category, "Taiwanese Companies Sustainability Performance Award" in the Corporate Comprehensive Performance category, "Gender Equality Award" and "Creativity in Communication Award" in the Best Practice category, and a "Corporate Sustainability Report Silver Award" in the Finance and Insurance category. All these accolades attest to the Bank's achievement in honoring CSR and reflect its commitment to employees, customers, shareholders, and members of the general public, with the ultimate aim of achieving a win-win situation for the Bank and all stakeholders.

As 2021 unfolds, the rollout of Covid-19 vaccines is set to foster a global economic recovery. There are, however, uncertainties with regard to the timing of reopening economies, the effectiveness of fiscal stimulus, and the extent of world trade regaining momentum. All in all, it is a reasonable expectation that world trade will gradually pick up but some ups and downs may prove inevitable. Despite some support from domestic demand and investment, Taiwan relies heavily on a global recovery for sustaining outbound shipments. The Bank has thus prudently devised the following key strategies for this year:

1. Continue to optimize retail banking services and focus on niche markets

Since its launch into retail banking in 2017, the Bank has accumulated ample experiences in business operations and built a solid customer base. In the days ahead, we are ready to focus on niche-based lending and customized wealth management services, strengthen and broaden customer management, and develop effective means for rising above competition. Another priority is to usher in such wealth management products as overseas bonds and offshore and onshore structured products to meet diverse customer needs. Separately, the Bank is set to further optimize services at digital outlets to bolster customer retention.

2 Grow corporate banking earnings and enhance the ROE

The Bank has long relied on corporate banking as a key earnings driver. In addition to bolstering our existing customer base, we will make inroads into the MME sector, strive for higher fee income, and improve the interest-spread structure. While making sure to comply with the NSFR and LCR requirements, we will also further enhance corporate banking earnings and increase our return on equity through promoting our TMU business and structured products.

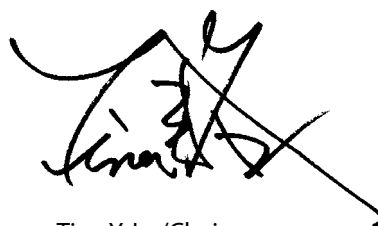
3. Create synergies for the O-Bank Group

With the Bank already offering a comprehensive wealth management product portfolio, we are poised to integrate our retail and corporate banking operations more closely with a view to expanding salary transfers and customized wealth management products. We will also strengthen cooperation with other members of the O-Bank Group and draw on our capacity for innovation to provide tailor-made total solutions, in turn meeting the wealth management needs of both business owners and corporate clients.

4. Fulfill corporate social responsibility and attain sustainability

Alongside its aspiration for following the benevolent way of “benefiting others to fulfill oneself,” the Bank has long been committed to honoring corporate social responsibility and attaining sustainable development. The Bank is ready to persist with corporate social responsibility initiatives and strive for excellence across corporate governance, customer relations, employee care, environment friendliness, and social engagement. Equal emphasis will be placed on developing sustainable banking while building on the Bank’s core business, thereby enhancing financial inclusion. The Bank will also abide by its core values of “Trust, Outstanding, Unity, Creativity, and Honor” as it works toward sustainability to be shared by shareholders and stakeholders alike.

It is my belief that with the concerted efforts of each and every one at O-Bank, our performance will be able to get better with each passing day. We look forward to continued support and guidance from all shareholders.

A handwritten signature in black ink, appearing to read 'Tina Y. Lo', with a long, sweeping horizontal stroke extending to the right.

Tina Y. Lo/Chairman

II. Company Profile

1. Date of Incorporation: July 27, 1999

2. Company History:

Industrial Bank of Taiwan (IBT), precursor of O-Bank, was jointly founded by veteran financiers Samuel C. Shieh and Kenneth C. M. Lo in collaboration with a number of private businesses in 1999. As the first newly established industrial bank in Taiwan, IBT took on the mission to support national economic development, participate in key infrastructure projects, provide investment banking services, and foster strategic emerging industries, thereby accelerating the transformation and restructuring of Taiwan's industrial base. Given the tremendous transformation that Taiwan's industrial structure has undergone over the years, IBT considered it a justifiable statement that it had accomplished its mission to help the government support the manufacturing sector. To better cater to the current financial market, the Bank launched into retail banking in January 2017. Taking on the new name of O-Bank, it aims to provide consumers with simple, convenient, and secure digital banking services and, as Taiwan's first Native Digital Bank, draw on financial technology (Fintech) to make real the vision of financial inclusion. In May 2017, O-Bank was listed on the Taiwan Stock Exchange, no less than a milestone on its path toward moving to higher ground of corporate governance and attaining sustainable development. This was followed by the listing of its first batch of Preferred Stock A in January 2019, an even more solid foundation for the Bank's ceaseless pursuit of business expansion over the long term.

Since its inception, O-Bank has stood by the core values of "Trust, Outstanding, Unity, Creativity, and Honor" as it strives for higher-than-average growth and sustainable development. When it comes to corporate banking, the Bank positions itself as a "boutique bank" that provides clients with a full spectrum of financial services. No matter which phase—initiation, growth, maturity, or restructuring/consolidation—businesses are now undergoing, the Bank is poised to identify their actual needs and deliver the best possible counseling and assistance only a true professional can, thereby increasing local industry's competitiveness and bolstering Taiwan's growth potential. O-Bank's corporate banking services cover the following: short- and mid- to long-term lending, trade financing, factoring, financial commodities trading, asset securitization, project financing, trust, foreign exchange, and international finance. As an expert in syndicated lending, the Bank provides corporate clients with funding services armed with a wide range of products. Given its specialization in offering financial advisory services, the Bank has also proven a valuable partner in helping corporate clients devise business strategies and improve financial health. In terms of trade finance, the Bank is ready with tools to help corporate clients meet capital management needs in different stages, from factoring and trade financing to fully integrated cash management solutions, so that they can expand business reach, accomplish restructuring and upgrade, and make inroads internationally. When it comes to trust, the O-Bank Number One Real Estate Investment Trust (REITs) Fund, the first of its kind to have secured Financial Supervisory Commission approval in Taiwan in nearly a decade, was listed on the Taiwan Stock Exchange in June 2018. Thanks to the mutual trust and reciprocity attained through long-term cooperation over the years, O-Bank has been recognized by corporate clients as the best financial advisor and principal bank that can deliver win-win outcomes.

In terms of retail banking, O-Bank took the forward-looking step of crafting the first digitally focused bank in Taiwan that combines cloud systems and big data analytics to offer the best possible consumer experience: fully online account opening application, unsecured loan applications, foreign exchange, 24-hour video customer service, and robot advisory services. The latest technology is adopted to create a real-time inclusive financial environment that is easily accessible and knows no boundary. As far as physical outlets are concerned, the Bank operates its head

office and main business department in the Taipei NeiHu Technology Park as well as Taipei Zhongxiao-Dunhua Branch and Hsinchu Branch as digital experience centers; the branches in Taoyuan, Taichung, and Kaohsiung. To promote cross-border banking, the Bank set up its offshore banking unit (OBU) in September 2003. This was followed by the opening of the Bank's first overseas branch in Hong Kong in April 2009 to accommodate overseas investment, financing, and Renminbi services. Another objective is to establish a cross-border banking platform that spans Taiwan, Hong Kong, mainland China, and the U.S. with a view to providing customers with a wide range of funding sources and financial services and helping Taiwan-based enterprises with capital allocation and other financial matters in their global expansion. To accommodate business development and expand business scope, the Bank took action in January 2006 and December 2007 to accumulate a nearly 28% stake in China Bills Finance Corp., thereby launching into the short-term bill sector. This alliance through cooperation across operations, techniques, and outlets aims to create synergies shared by both parties. To better serve small and medium-sized enterprises (SMEs), the Bank set up IBT Leasing Co., Ltd. in April 2011 to offer a full range of financial services in support of SME development.

To open up more business opportunities and expand business scope, the Bank acquired California-based EverTrust Bank in March 2007, marking a stride in its global push that enabled the Group to bring its financial services to the U.S. West Coast. A bank of healthy finances and assets with a sound track record, EverTrust Bank deals mainly in deposits, loans, cash management, trade finance, and consumer finance. Its eight outlets in the Greater Los Angeles Area and Silicon Valley cater primarily to an ethnic Chinese clientele.

In June 2011, the Bank's wholly owned subsidiary IBT Leasing Co., Ltd. set up IBT International Leasing Corp. in Suzhou, making it the Group's first subsidiary in mainland China. Branches were soon established in Dongguan, Nanjing, Zhongshan, and Foshan as part of the Group's efforts to accelerate expansion with multiple business locations in mainland China and consolidate its market standing there. In April 2012, the Bank established a representative office in Tianjin, marking the first such entity set up by any Taiwanese bank in this northern coastal metropolis. With the establishment of Hong Kong Branch, IBT International Leasing Corp., and Tianjin representative office, O-Bank Group now operates a well-rounded service network across southern, eastern, and northern China. A cross-border platform that spans Taiwan, Hong Kong, mainland China, and the U.S. is fittingly placed to provide customers with all-encompassing financial services.

Separately, O-Bank secured Financial Supervisory Commission approval in early 2019 to team up with China Everbright Bank and China CYTS Tours Holding Co., Ltd. to form Beijing Sunshine Consumer Finance Co., Ltd., which became operational in August 2020. The prospective joint venture will draw on our experience in financial innovation to provide Chinese consumers with a brand-new digital banking service, thereby giving O-Bank an extra push in its bid for the Greater China market.

Even as the Bank strives aggressively for expansion, it is equally earnest to assert itself beyond the business sphere. The Corporate Culture Promotion Committee initiated at the end of 2013 was followed by the Corporate Social Responsibility Committee at the beginning of 2015. To make real the vision of sustainable development, the Bank commits itself to the following five key areas: corporate governance, employee care, customer relations, social engagement, and environmental protection. Clearly defined objectives are set and specific departments are charged with the responsibility of tracking endeavors undertaken to achieve them, as part of its systematic implementation of corporate social responsibility initiatives. Last year has even seen the Bank undertake nearly 100 upgrade and restructuring plans. In 2016 the Bank published its first corporate social responsibility report. In

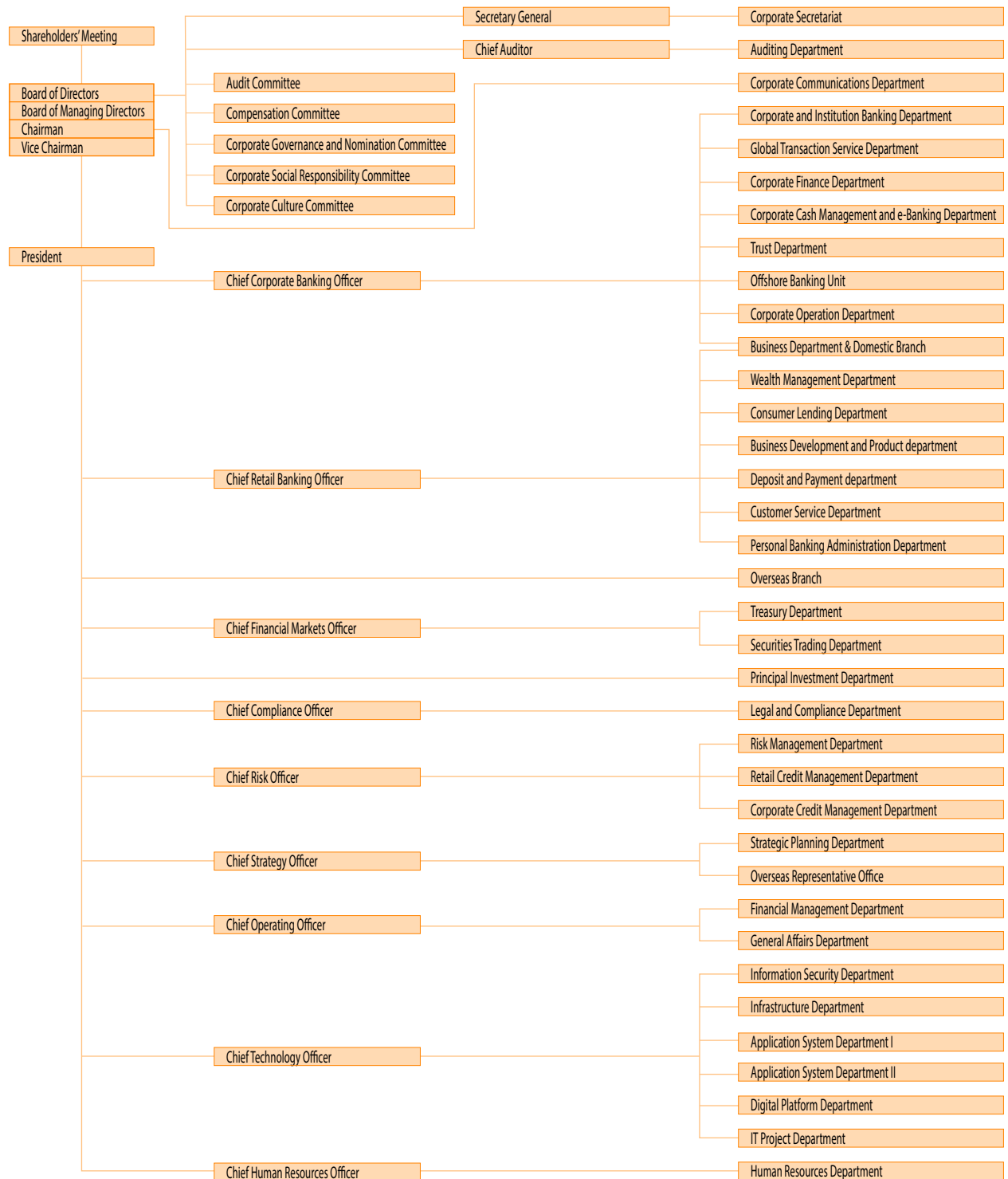
October 2017 the Bank's methodical undertaking of various CSR endeavors persuaded B Lab of the U.S. to certify it as a B Corporation. O-Bank is not only the first listed company and financial services provider in Taiwan but also the first listed bank worldwide to be thus certified. In 2020, the Bank made it to CommonWealth Magazine's second place prize of "Corporate Citizen Award" in the medium-sized enterprise category. For its part, O-Bank was honored at the Taiwan Institute for Sustainable Energy (TAISE) Corporate Sustainability Awards ceremony with "Taiwanese Companies Sustainability Performance Award" in the Corporate Comprehensive Performance category, "Gender Equality Award" and "Creativity in Communication Award" in the Best Practice category, and a "Corporate Sustainability Report Silver Award" in the Finance and Insurance category. Among these awards, the Bank has been recognized as worthy of Corporate Sustainability Report Awards for 5 consecutive years. In the days ahead, O-Bank is set to stand by its corporate culture characterized by sincerity and support as it faithfully fulfills its corporate social responsibility on the path toward the ultimate objective of corporate sustainability.

III. Corporate Governance Report

1 Organization

A. Organizational System

Record Date: April 27, 2021



B. The duties of the functional committees under the Board of Directors are as follows:

1. Audit Committee: Composed of the entire number of independent directors, the committee is intended to assist the Board of Directors in performing the duty of oversight. It is supposed to undertake the following: (1) Enact or amend the internal control system, (2) evaluate the effectiveness of the internal control system, (3) enact or amend the SOP of major financial activities such as acquisition or disposal of assets as well as derivatives transactions, (4) review matters in which directors have personal interests, (5) review major asset or derivatives transactions, (6) review major instances of lending funds or providing endorsements or guarantees, (7) review the offering, issuance, or private placement of equity securities, (8) review the appointment, dismissal, or compensation of CPAs, (9) review the appointment and dismissal of financial, accounting, or internal audit managerial officers, (10) review annual and semi-annual financial statements, and (11) review other major items stipulated by the Bank or the competent authority.
2. Compensation Committee: Composed of the entire number of independent directors, the committee is intended to assist the Board of Directors in assessing and supervising the Bank's compensation policy and remunerations for directors and managerial officers.
3. Corporate Governance and Nomination Committee: Composed of 3 directors with over half independent directors, the committee is intended to designate the standard of the Board members and find, review and nominate candidates; set up and review programs for the director continuing education initiative and succession planning; set up the Bank's Corporate Governance Principles and the Bank's Regulations Governing the Performance Evaluation of the Board of Directors; oversee and supervise corporate governance evaluations and performance evaluations of the Board, and then report to the Board for review and further improvement.
4. Corporate Social Responsibility Committee: Comprising the chairman, vice chairman, and a number of members, the committee is responsible for devising the Bank's corporate social responsibility system and policy directions as well as implementation plans. It is supposed to meet on a regular basis for tracking the implementation of relevant projects and submit a report on implementation results to the Board of Directors each year.
5. Corporate Culture Committee: Composed of the chairman, vice chairman, and a number of members, the committee is responsible for setting corporate culture-related regulations and policies and implementing plans. Also, the committee makes an effort to improve internal measures and adopt policies designed to meet employee needs and build corporate culture and internal cohesion.

C. Duties of various departments:

1. Corporate Secretariat: Convocation of shareholders' meetings and meetings of the Board of Directors; amendment of the Articles of Incorporation; compilation of annual reports; undertaking of archival, confidential, and other office affairs of the Board of Directors; organization and promotion of corporate governance.
2. Auditing Department: Examination and supervision of operations at the Bank's various departments and subsidiaries.

3. Corporate Communications Department: Establishment and development of the Bank's corporate image and relations with the media, the public, and investors; organization of the press conferences and investor conferences; planning of the press releases and media coverage; overall planning with regard to making public the Bank's information and the communication thereof; undertaking of promotion and communication; monitoring of media reports and handling of media crises; establishment and management of brand image; management and promotion of corporate social responsibility and corporate culture initiatives; assessment of corporate sustainability; compilation of corporate social responsibility reports.
4. Corporate and Institution Banking Department: Planning, implementation, and management of development strategies for corporate banking services.
5. Global Transaction Service Department: Development, sales, and management of accounts receivable, trade financing, and supply chain financing services.
6. Corporate Finance Department: Operations with regard to syndicated corporate lending as well as structured, project, M&A, and cross-border loans; provision of project finance consulting; development, sales, and management of such products as NT dollar and foreign currency NCDs.
7. Corporate Cash Management and e-Banking Department: Cash management for corporate banking clients; planning, promotion, and upkeep of electronic banking, online banking, and integrated collection and payment services.
8. Trust Department: Development, planning, promotion, and management of trust services; provision of services for arranging securitized products and advisory services for asset management or realty development.
9. Offshore Banking Unit: Upkeep and amendment of OBU management regulations and contracts; handling of matters in relation to OBU services.
10. Corporate Operation Department: Procedural planning for clearing, settlement, account administration, and other operations with respect to NT dollar and foreign currency corporate lending, deposits and remitted funds, accounts receivable, securitization, import and export foreign exchange, syndicated loans, and money and foreign exchange market, securities, and investment-related products.
11. Business Department and Domestic Branches: Promotion of deposit, lending, and wealth management services; management and upkeep of customer relations.
12. Wealth Management Department: Drafting of business policy, service content, and marketing strategies and plans that target wealth management customers.
13. Consumer Lending Department: Operations Management of retail loans; Strategy planning and implementation management of sales promotion.
14. Business Development and Product Department: Operation Strategy, sales promotion, marketing strategy, and management of wealth management and insurance products.
15. Deposit and Payment department: Handling of retail banking savings accounts; Taiwan dollar and foreign currency savings and remittances; planning and implementation of debit card services, payment services, and salary transfer operations for corporates; integration of payment outlet systems and workflows.

16. Customer Service Department: Planning of retail banking customer service strategies and procedures; upkeep of customer relations; management and implementation of service marketing.
17. Personal Banking Administration Department: Planning of retail banking organization and development strategies; management and implementation of performance targets; data planning and analytics; planning and implementation of social media marketing strategy.
18. Overseas Branches: Promotion of corporate banking services outside Taiwan; upkeep of customer relations; handling of financial products trading, account affairs, and administrative management.
19. Treasury Department: Overall allocation of the Bank's funds; handling of transactions of such financial products as bonds and bills, commodities linked to exchange and interest rates, and other derivatives.
20. Securities Trading Department: Investment in securities and securities-linked derivatives; undertaking of hedging; compilation of analytical reports for securities investment.
21. Principal Investment Department: Evaluation of investment in domestic and foreign manufacturing and venture capital businesses; follow-up management and disposal of investees.
22. Legal and Compliance Department: Overall administration with regard to contract review; legal counseling; chief compliance officer; planning of mechanism for personal data protection act; planning, management, and implementation of AML/CFT.
23. Risk Management Department: Planning of credit/market/operational risk management policy; planning and drafting of the Bank's lending policy; control of the Bank's risk-weighted assets portfolio and follow-up management of unsound loans; litigations or compulsory enforcement with regard to overdue loans and bad-loan write-offs.
24. Retail Credit Management Department: Undertaking of retail banking credit-checking and credit-reviewing procedures; establishment of the Bank's risk management mechanism for retail banking; management of the Bank's risk-weighted assets portfolio; assessment and management of retail banking NPL provisions and losses; management and tracking of retail banking accounts flagged for early warning; appraisal of realty collateral for the Bank.
25. Corporate Credit Management Department: Review of corporate lending applications; introduction and upkeep of the Bank's default probability calculating model and rating system for corporate banking; proposal of annual facility on corporate lending; implementation and control of credit review operations; review of corporate lending contracts and collateral; release of lending facility; identification, measurement, monitoring, management, disclosure, and reporting of corporate banking credit risk.
26. Strategic Planning Department: Planning, analysis, and implementation of the Bank's business guidelines and strategies; planning and drafting of development strategies for the Bank's global business; planning and implementation of cross-border strategic alliances; planning, designing, and development of product portfolios; management of and liaison with the Bank's investees.
27. Overseas Representative Office: Undertaking of overseas market surveys and analysis and research thereof.
28. Financial Management Department: Taking charge of accounting and taxation and the assessment of performance of all departments.

2. Directors, Supervisors and Management Team

(1) Directors and Supervisors

A. Directors

As of April 27, 2021
Unit: Shares/%

Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remarks (Note 2)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	Republic of China	Ming Shan Investment Co., Ltd. (Rep.: Lo, Tina Y.)	Female	2020.6.19	Three years	2011.6.13 2002.5.30	250,769,967 *23,972,980	10.39 *7.99	362,298,574 *23,972,980	13.26 *7.99	-	-	-	-	Vice Chairman, O-Bank • Vice Chairman, EverTrust Bank • Chief Executive, O-Bank Hong Kong Branch • President, IBT Management Corporation MBA, MIT (Massachusetts Institute of Technology) Sloan School of Management, USA	Note 3	Managing Director	Lo, Kenneth C.M.	1st Degree	-
							108,018 *10,743	0.004 *0.004	108,018 *10,743	0.004 *0.004							Director	Chen, Shih-Tze	1st Degree	
																	Director	Lo, Nina Y.C.	2nd Degree	
Managing Director (Honorary Chairman)	Republic of China	Lo, Kenneth C.M.	Male	2020.6.19	Three years	1999.7.12	1,296,443 *128,945	0.05 *0.04	1,431,228 *128,945	0.05 *0.04	-	-	-	-	Chairman, O-Bank • Chairman EverTrust Bank • Chairman / Honorary Chairman, Chinese National Association of Industry and Commerce • President, Chinatrust Commercial Bank M.A. in Finance, The University of Alabama	Note 4	Director	Chen, Shih-Tze	Spouse	-
																	Chairman	Lo, Tina Y.	1st Degree	
																	Director	Lo, Nina Y.C.	1st Degree	
Managing Director	Republic of China	Taiwan Cement Corporation (Rep.: Chang, Nelson An- Ping)	Male	2020.6.19	Three years	1999.7.12 2017.2.22	29,719,000 *2,955,881	1.23 *0.99	32,808,744 *2,955,881	1.20 *0.99	-	-	-	-	Chairman, Taiwan Cement Corporation • Chairman, China Synthetic Rubber Corporation • Chairman, Taiwan Prosperity Chemical Corporation • Independent Director, Synnex Technology International Corp. • Honorary Chairman, Chinese National Association of Industry and Commerce M.B.A., School of Business Administration, New York University	Note 5	-	-	-	-
Managing Director	Republic of China	Yi Chang Investment Co., Ltd. (Rep.: Yeh, Roy J.Y.)	Male	2020.6.19	Three years	1999.7.12 2020.6.19	240,254,084 *23,786,204	9.96 *7.93	265,221,793 *23,786,204	9.70 *7.93	-	-	-	-	Chairman, IBT Management Corporation • Chairman, IBT VII Venture Capital Co., Ltd. • Director, IBT International Leasing Corp. • President, IBT Leasing Co., Ltd. • Chief Corporate Banking Officer/Senior Executive Vice President of Risk Management Department, O-Bank Department of Insurance, Tamkang University	Note 6	-	-	-	-
							51,641 *100,000	0.002 *0.03	51,641 *100,000	0.002 *0.03	10,383 *1,000	0.00 *0.00								
Independent Managing Director	Republic of China	Hu, Fu-Hsiung	Male	2020.6.19	Three years	2020.6.19	-	-	-	-	-	-	-	-	Chairman, Taiwan Cooperative Securities Co., Ltd. • Chairman, Joint Credit Information Center • Director, Mega International Commercial Bank • Director, Taiwan Cooperative Bank MBA, National Taiwan University	Note 7	-	-	-	-

Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remarks (Note 2)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Independent Director	Republic of China	Lin, Hank H.K.	Male	2020.6.19	Three years	2020.6.19	-	-	-	-	-	-	-	-	Chairman, EY Cultural and Educational Foundation ◊ Supervisor, Union MechTronic Inc. ◊ Managing Partner/CPA, EY Taiwan MBA, City University of New York (Brooklyn College)	Note 8	-	-	-	-
Independent Director	Republic of China	Liu, Richard R.C.	Male	2020.6.19	Three years	2014.6.6	-	-	-	-	-	-	-	-	Director, Taishin Bank ◊ Independent Director, First Commercial Bank ◊ Secretary General of Ministry of Finance Master of Economics, University of San Francisco; Master of Public Administration, National Chengchi University	Note 9	-	-	-	-
Director	Republic of China	Tai'Ya Investment Co., Ltd. (Rep.: Chen, Shih-Tze)	Female	2020.6.19	Three years	2002.5.30 1999.7.12	75,307,768 *7,490,185	3.12 *2.50	83,137,161 *7,490,185	3.04 *2.50	-	-	-	-	Chairman, Ming Shan Investment Co., Ltd. ◊ Chairman, Yi Chang Investment Co., Ltd. ◊ Chairman, Tai Hsuan Investment Co., Ltd. ◊ Chairman, Tai Ya Investment Co., Ltd. ◊ Supervisor, IBT II Venture Capital Co., Ltd. ◊ Managing Director, O-Bank ◊ Department of Foreign Languages & Literatures, National Taiwan University	Note 10	Managing Director	Lo, Kenneth C. M.	Spouse	-
																	Chairman	Lo, Tina Y.	1st Degree	
																	Director	Lo, Nina Y.C.	1st Degree	
Director	Republic of China	Abag Investment Holdings Co., Ltd. (Rep.: Cheng, George C.J.)	Male	2020.6.19	Three years	2017.6.14 2015.11.11	50,000	0.002	54,728	0.002	-	-	-	-	Chairman, Abag Enterprise Co., Ltd. ◊ Chairman, Abag Investment Holdings Co., Ltd. ◊ Chairman, San Ho Development Co., Ltd. ◊ Director and President, San Ho Plastics Fabrication Co., Ltd. MBA, St. John's University	Note 11	-	-	-	-
Director	Republic of China	Lee, Mark J.C.	Male	2020.6.19	Three years	2011.6.13	100,390 *9,984	0.004 *0.003	100,390 *9,984	0.004 *0.003	-	-	-	-	Chairman, Sung Yuan Development Co., Ltd. ◊ Director, Bai Tong Investment Co., Ltd. ◊ ◊ Director, Heng Gi Lie Investment Ltd. ◊ President, Heng Tong Machinery Co., Ltd. ◊ President, Heng Kuo Co., Ltd. Department of Accounting, Feng Chia University	Note 12	-	-	-	-

Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience Education	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remarks (Note 2)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director	Republic of China	Tai Ya Investment Co., Ltd. (Rep.: Lee, Elton F.Y.)	Male	2020.6.19	Note 15	2002.5.30	75,307,768 *7,490,185	3.12 *2.50	83,137,161 *7,490,185	3.04 *2.50	-	-	-	-	President, O-Bank ∙ Deputy President, O-Bank Hong Kong Branch ∙ Director, EverTrust Bank ∙ Senior Vice President/ Head of Commercial Banking, HSBC (Taiwan) ∙ First Chief Executive of Suzhou Branch/ Vice President of Taiwanese Business Platform in Shenzhen Branch, HSBC (China) MBA, Manchester Business School	Note 13	-	-	-	-
Director	Republic of China	Yi Chang Investment Co., Ltd. (Rep.: Lin, Gordon W.C.)	Male	2020.6.19	Three years	1999.7.12	240,254,084 *23,786,204	9.96 *7.93	265,221,793 *23,786,204	9.70 *7.93	-	-	-	-	Chairman, IBT Leasing Co., Ltd. ∙ Chairman, IBT International Leasing Corp. ∙ Chairman, IBT Securities Co., Ltd. ∙ Deputy President, O-Bank MBA, National Taiwan University	Note 14	-	-	-	-
Director	Republic of China	Ming Shan Investment Co., Ltd. (Rep.: Lo, Nina Y.C.)	Female	2020.6.19	Three years	2011.6.13	250,769,967 *23,972,980	10.39 *7.99	362,298,574 *23,972,980	13.26 *7.99	-	-	-	-	Chairman, Prudential Fortune Investment Co., Ltd. ∙ CEO, O-Bank Education Foundation ∙ Project Manager, Risk Management Department of O-Bank M.A. in Education Psychology, University of Southern California	Note 15	Managing Director	Lo, Kenneth C.M.	1st Degree	-
						2011.6.13	-	-	-	-						Chairman	Lo, Tina Y.	2nd Degree		
																Director	Chen,Shih-Tze	1st Degree		
Director	Republic of China	Lee, Yunny Y.	Female	2020.6.19	Three years	2020.6.19	-	-	-	-	-	-	-	-	Country Business Manager of Global Consumer Banking, Citibank (Taiwan) Department of Accounting, National Taiwan University	-	-	-	-	-
Director	Republic of China	Lin, Bill K.C.	Male	2020.6.19	Three years	2020.6.19	-	-	-	-	-	-	-	-	Director, EasyCard Investment Holding Co., Ltd. ∙ Director, EasyCard Corporation ∙ Independent Director, GOMAJI Corp. Ltd. ∙ Director, Taiwan Internet and E-Commerce Association(TIEA) ∙ Founder and CEO, Payeasy Digital Integration Co., Ltd. ∙ Executive Consultant of Internet Banking, Taishin International Bank ∙ Sales supervisor of Credit Card Business, Taishin International Bank MBA, Chinese Culture University ∙ EMBA, National Taiwan University	Note 16	-	-	-	-

Note 1: "*" denotes Class A Preferred Shares in this Table.

Note 2: Where the chairman of the Board of Directors and the president or person of an equivalent post (the highest-ranking manager) are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for such and the reasonableness and necessity thereof, as well as the measures adopted in response thereto, such as increasing seats for independent directors and having a majority of (more than half of the total) directors refrain from serving concurrently as employees or managerial officers.

Note 3: Positions concurrently assumed by representative Tina Y. Lo: Vice Chairman, EverTrust Bank ∙ Director, The Eisenhower Fellows Association in the Republic of China ∙ Director, Ming Shan Investment Co., Ltd., ∙ Director, Yi Chang Investment Co., Ltd. ∙ Director, Tai Hsuan Investment Co., Ltd. ∙ Director, Tai Ya Investment Co., Ltd. ∙ Director, IBT Holdings Corp. ∙ Director, KC Investments Corp. ∙ Director, Lucky Bamboo Investments Limited ∙ Managing Supervisor, Friends of the Police Association ∙ Director, Chinese National Association of Industry and Commerce ∙ Director, Bankers Association of the Republic of China ∙ Director, Taiwan Women on Boards Association ∙ Director, Criminal Investigate Association of Republic of China ∙ Managing Director, Taiwan Listed Company Association.

- Note 4: Positions concurrently assumed by Kenneth C.M. Lo : Chairman, O-Bank Education Foundation ▽ Chairman, Hong Ju Investment Co., Ltd ▽ Director, National Taiwan University Economic Research Foundation ▽ Director, C.F. Koo Foundation ▽ Director, Taiwan Cement Corporation ▽ Director, Cross-Strait Common market Foundation ▽ Director, Institute for National Policy Research ▽ Director, Andrew T. Huang Medical Education Promotion Fund ▽ Executive Director, Cross-Strait CEO Summit ▽ Director, Taipei Municipal Jianguo High School Alumni Association ▽ Supervisor, NTU Alumni Association ▽ Supervisor, NTU Alumni Association of Taipei ▽ Honorary Chairman, Chinese National Association of Industry and Commerce.
- Note 5: Positions concurrently assumed by representative Nelson An-ping Chang : Chairman, Taiwan Cement Corporation ▽ Chairman, Ho-Ping Power Company ▽ Chairman, E-One Moli Energy Corp. ▽ Chairman, TCC Investment Corporation ▽ Chairman, Union Cement Traders, INC. ▽ Chairman, TCC Recycle Energy Technology Company ▽ Chairman, TCC Chemical Corp ▽ Chairman, HKC Investment Corp. ▽ Chairman, TCC International Holdings Ltd. ▽ Chairman, TCC (Hangzhou) Environment Co., Ltd. ▽ Chairman, Chia Hsin Foundation ▽ Chairman, TCC Sustainable Energy Investment Corporation ▽ Chairman, TCC Energy Storage Technology Corporation ▽ Chairman, Hong Kong Cement Manufacturing Co., Ltd. ▽ Chairman, TCC International Holdings Ltd. ▽ Chairman, TCC International Ltd. (TCCI) ▽ Chairman, TCC Hong Kong Cement (BVI) Holdings Ltd. ▽ Chairman, TCC Hong Kong Cement International Ltd. ▽ Chairman, Upper Value Investments Ltd. ▽ Chairman, TCC International Holdings Ltd. ▽ Chairman, Molie Quantum Energy ▽ Chairman, Dr. Cecilia Koo Botanic Conservation Center (KBCC) ▽ Chairman, THC International S.A. ▽ Director, Taiwan Stock Exchange Corporation ▽ Chairman, Taiwan Transportation and Storage Corp ▽ Director, Chai Hsin R.M.C Corp. ▽ Chairman, Ta-Ho Maritime Corp ▽ Director, CTCL Corp ▽ Director, Chinatrust Investment Co., Ltd. ▽ Director, TCC Information Systems Corp. ▽ Director, Cheng Hsin Hospital ▽ Director, Hoping Industrial Port Corporation ▽ Director, CIMPOR GLOBAL HOLDINGS B.V. (original name: Dutch Oyak Tcc Holdings B.V.) ▽ Director, Ta-Ho Maritime (Singapore) Pte. Ltd. ▽ Independent Director, Synnex Technology International Corp ▽ Honorary Chairman, Chinese National Association of Industry and Commerce.
- Note 6: Positions Concurrently assumed by representative Roy J.Y. Yeh : Chairman, IBT Management Corporation ▽ Chairman, IBT VII Venture Capital Co., Ltd. ▽ Director, IBT Leasing Co., Ltd. ▽ Director, IBT International Leasing Corp.
- Note 7: Positions concurrently assumed by independent managing director Hu, Fu- Hsiung : Independent Director, Walsin Lihwa Corporation.
- Note 8: Positions concurrently assumed by independent director Hank H.K. Lin : Chairman, EY Cultural and Educational Foundation ▽ Supervisor, Union MechTronic Inc.
- Note 9: Positions concurrently assumed by independent director Richard R.C. Liu, : Independent Director, Taiwan Aulisa Medical Devices Technologies, Inc.
- Note 10: Positions concurrently assumed by representative Shih-Tze Chen : Chairman, Ming Shan Investment Co., Ltd. ▽ Chairman, Yi Chang Investment Co., Ltd. ▽ Chairman, Tai Hsuan Investment Co., Ltd. ▽ Chairman, Tai Ya Investment Co., Ltd. ▽ Director, Kogyoku Foods Co., Ltd. ▽ Director, O-Bank Education Foundation ▽ Director, Paradise Palms Ltd. ▽ Director, KC Park Co. ▽ Director, SKY Capital International Group Inc.(BVI) ▽ Director, Triple Ace Management Co., Ltd.(BVI) ▽ Director, Crystal Lake Global Limited ▽ Director, Eagle Base Holdings Limited ▽ Director, Eagle Dynasty Investments Limited ▽ Director, Global Sail Holdings Limited(BVI) ▽ Director, KC Investments Corp.(BVI) ▽ Director, Star International Pacific Ltd. ▽ Director, Lucky Bamboo Investments Limited ▽ Supervisor, IBT II Venture Capital Co., Ltd. ▽ Supervisor, Prudential Fortune Investment Co., Ltd. ▽ Supervisor, Hong Ju Investment Co., Ltd.
- Note 11: Positions concurrently assumed by representative George C.J. Cheng: Chairman, San Ho Development Co., Ltd. ▽ Chairman, Abag Enterprise Co., Ltd. ▽ Chairman, Abag Investment Holdings Co., Ltd. ▽ Director, San Ho Plastics Fabrication Co., Ltd.
- Note 12: Positions concurrently assumed by Mark J.C. Lee : Chairman, Sung Yuan Development Co., Ltd. ▽ Director, Chia Wheel Enterprises Co., Ltd. ▽ Director, Heng Jih Song Accurate Industries Co., Ltd. ▽ Director, Heng Tin Feng Invest Development Co., Ltd. ▽ Director, Tong Chuan Invest Development Co., Ltd. ▽ Director, Bai Tong Investment Co., Ltd. ▽ Director, Heng Ying Mahinery Co., Ltd. ▽ Director, Heng Tong Assets Management Co., Ltd. ▽ Director, Heng Tong Machinery Co., Ltd. ▽ Director, Heng Gi Lie Investment Ltd. Company ▽ Director, Chang Yan Investment Co., Ltd. ▽ Director, Hong Fu Investment Co., Ltd. ▽ Director, Siang Tai Investment Co., Ltd. ▽ Director, Hong Da Investment Co., Ltd. ▽ Director, Heng Kuo Co., Ltd.
- Note 13: Positions concurrently assumed by representative Elton F.Y. Lee : President, O-Bank ▽ Director, EverTrust Bank.
- Note 14: Positions concurrently assumed by representative Gordon W.C. Lin : Chairman, IBT Leasing Co., Ltd. ▽ Chairman, IBT International Leasing Corp. ▽ Director, IBTS Holdings (BVI) Limited ▽ Supervisor, Gamma Paradigm Capital/Research ▽ Liquidator, Chun Teng New Century Co., Ltd.
- Note 15: Positions concurrently assumed by representative Nina Y.C. Lo : Chairman, Prudential Fortune Investment Co., Ltd ▽ Director, Yi Chang Investment Co., Ltd. ▽ Director, Taiwan Art & Business interdisciplinary Foundation ▽ Director, Tai Ya Investment Co., Ltd. ▽ Supervisor, Ming Shan Investment Co., Ltd. ▽ Director, Silver Maple Enterprises Limited
- Note 16: Positions concurrently assumed by Bill K.C. Lin : Director, EasyCard Investment Holding Co., Ltd. ▽ Director, EasyCard Corporation ▽ Director, UUPON INC. ▽ Director, Curdoctor Information Service Corp ▽ Independent Director, GOMAJI Corp. Ltd.

B. Board Membership Diversification Policy and Implementation Results

In accordance with the Articles of Incorporation, the Bank adopts the candidate nomination system for elections of directors. The selection of board members is not dictated by gender, age, race, or nationality, and the Bank shall bring into professional and experienced elites from various fields to conform to the Bank's diversified development. The Board members shall be equipped with the knowledge, skills, and aptitude to achieve excellence in corporate governance. Moreover, the Board shall be equipped with the capacity for business judgment, accounting and financial analysis, business administration, risk management, crisis management, industry knowledge, a sound perspective of the global market, leadership, and decision-making.

Reflecting its emphasis on diversity, the Bank's 8th Board of Directors comprises elites from the financial, industrial and academic communities. With 11 of them holding master's degrees, they span such disciplines as economics, commerce, business administration, accounting, insurance, public administration, and languages. While all of them command the knowledge, skills, and aptitude required to perform their duties, they also have developed their respective professional competences, including banking, finance, commerce, law, and industry.

Of the Bank's 15 incumbent directors, three are independent directors, (or 20%,) recorded not more than 9 years of service. In terms of age distribution, six directors are aged under 60, five between 61-70, and four over 71, attesting to a thorough mix of experience and innovation. Furthermore, the Bank pays attention to gender equality in the composition of its Board of Directors, with its aim at 25% of female directors or more. In the Bank's 8th Board of Directors, there are four female directors, or 27%, after one more female director was nominated and thus being elected. Separately, there are two directors (13%) who are employees (including employees of the Bank's affiliates) in a concurrent capacity.

At its 5th meeting on December 23, 2020, the Bank's 8th Board of Directors enacted the Bank's "Diversity Policy, Independence Standard, Continuing Education Initiative Program, and Succession Planning for the Board of Directors." The Bank makes it a point to adopt the policy of diversity with regard to composition of the Board of Directors, enhance the independence of the Board, and strengthen the Board functions, so as to bolster corporate governance and attain sustainable development. The objective is to ensure the diversity and independence of the Board members and strengthen the Board functions, thereby bolstering corporate governance and attaining sustainable development.

The diversity of members of this Board of Directors is summarized as follows:

As of April 27, 2021

Core Measures of Diversity Name	Basic Composition									Industry Experience			
	Nationality	Gender	Serving concurrently as employee of the Bank	Age			Years of service as independent director			Banking	Securities	Insurance	Asset Management
				< 60	61-70	> 71	< 3	3-9	> 9				
Lo, Tina Y.	R.O.C	Female		✓						✓	✓	✓	✓
Lo, Kenneth C.M.	R.O.C	Male				✓				✓	✓	✓	✓
Chang, Nelson An-Ping	R.O.C	Male			✓					✓	✓		✓
Yeh, Roy J.Y.	R.O.C	Male			✓					✓	✓		✓
Hu, Fu- Hsiung	R.O.C	Male			✓		✓			✓	✓		
Lin, Hank H.K.	R.O.C	Male		✓			✓						
Liu, Richard R.C.	R.O.C	Male				✓		✓		✓			✓
Chen, Shih-Tze	R.O.C	Female				✓				✓			
Cheng, George C.J.	R.O.C	Male			✓						✓		✓
Lee, Mark J.C.	R.O.C	Male			✓					✓	✓		✓
Lee, Elton F.Y.	R.O.C	Male	✓	✓						✓			
Lin, Gordon W.C.	R.O.C	Male				✓				✓	✓		✓
Lo, Nina Y.C.	R.O.C	Female	✓	✓						✓			✓
Lee, Yunny Y.	R.O.C	Female		✓						✓			
Lin, Bill K.C.	R.O.C	Male		✓						✓			

As of April 27, 2021

Core Measures of Diversity Name	Diversification										
	Capacity for business judgment	Capacity for accounting and financial analysis	Capacity for business administration	Capacity for crisis management	Industry knowledge	A sound perspective of the global market	Capacity for leadership	Capacity for decision-making	Legal Knowledge	IT	Risk Management
Lo, Tina Y.	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓
Lo, Kenneth C.M.	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓
Chang, Nelson An-Ping	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓
Yeh, Roy J.Y.	✓	✓	✓	✓	✓	✓	✓	✓			✓
Hu, Fu- Hsiung	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Lin, Hank H.K.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Liu, Richard R.C.	✓		✓	✓	✓	✓			✓		✓
Chen, Shih-Tze	✓	✓			✓	✓	✓	✓			
Cheng, George C.J.	✓		✓	✓	✓	✓	✓				✓
Lee, Mark J.C.	✓	✓	✓	✓			✓	✓		✓	✓
Lee, Elton F.Y.	✓	✓	✓	✓	✓	✓	✓	✓			✓
Lin, Gordon W.C.	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓
Lo, Nina Y.C.	✓			✓	✓	✓	✓	✓			✓
Lee, Yunny Y.	✓	✓	✓	✓	✓	✓	✓	✓			
Lin, Bill K.C.	✓	✓	✓	✓	✓	✓		✓		✓	

C. Major shareholders of the institutional shareholders

Apr. 27, 2021

Name of Institutional Shareholders	Major Shareholders
Yi Chang Investment Co., Ltd.	Prudential Fortune Investment Co., Ltd.(55.78%) 、Triple Ace Management Co., Ltd. (42.8%) 、Lo, Nina Y.C.(1.43%)
Ming Shan Investment Co., Ltd.	KC Investments Corp.(86.11%) 、Lo, Kenneth C.M.(3.73%) 、Hong Ju Investment Co., Ltd.(3.63%) 、Chen, Shih-Tze(3.62%) 、Lo, Tina Y.(2.91%)
Taiwan Cement Corp.	Chinatrust Investment Co., Ltd.(4%) 、Chia Hsin Cement Corporation(3.6%) 、Taiwan Life Insurance Co., Ltd.(2.02%) 、Labor Retirement Fund (the Old Fund)(1.9%) 、Cathay Life Insurance Co., Ltd.(1.86%) 、China Life Insurance Co., Ltd.(1.83%) 、Labor Pension Fund (the New Fund)(1.8%) 、Chia Hsin International Co.(1.75%) 、Fubon Life Insurance Co., Ltd.(1.74%) 、China Synthetic Rubber Corporation(1.71%)
Abag Investment Holdings Co., Ltd.	Cheng, George C.J.(40%) 、Lin Huei-Chen(20%) 、Cheng, Po- Yun(20%) 、Cheng, Po-Wen(20%)
Tai Ya Investment Co., Ltd.	Crystal Lake Global Limited (65.91%) 、Chen, Shih-Tze(34.09%)

Note: All information disclosed in the above table has been provided by respective institutional shareholders, and O-Bank provided such information accordingly.

D. Major shareholders of the Company's major institutional shareholders

Apr. 27, 2021

Name of Institutional Shareholders	Major Shareholders
Prudential Fortune Investment Co., Ltd.	Lo, Nina Y.C.(96%)、Lo, Kenneth C.M.(2%)、Chen, Shih-Tze(2%)
Triple Ace Management Co., Ltd.	Global Sail Holdings Limited (100%)
KC Investments Corp.	Paradise Palms Ltd.(100%)
Hong Ju Investment Co., Ltd.	Lo, Tina Y.(91.66%)、Lo, Kenneth C.M.(4.17%)、Chen, Shih-Tze(4.17%)
Chinatrust Investment Co., Ltd.	Heng Qiang Investment Co., Ltd.(23.38%)、Fu Pin Investment Co., Ltd.(23.33%)、Taiwan Cement Corp.(9.36%)、China Synthetic Rubber Corporation (4.48%)、TCC Investment Corporation(3.45%)、Hoping Industrial Port Corporation (3.31%)、Kung Ching International Development Co., Ltd. (2.97%)、Qiao Tai Investment Co., Ltd.(2.78%)、Chung Ho Spinning Co., Ltd.(2.31%)、Ta-Ho Maritime Corporation (2.09%)
Chia Hsin Cement Corporation	Chia Hsin International Co.(16.44%)、Sung Ju Investment Corp.(8.88%)、Chang, Yung-Ping (5.39%)、Taiwan Cement Corp.(3.54%)、Ta-Ho Maritime Corporation(3.32%)、Nutri Vita Inc. (2.27%)、Chia Hsin Foundation(1.92%)、Zuo Yao Investment Co., Ltd.(1.89%)、Ku, Kuo-Hui (1.74%)、Chai Hsin R.M.C Corp.(107%)
Taiwan Life Insurance Co., Ltd.	CTBC Financial Holding Co., Ltd.(100%)
Labor Retirement Fund (the Old Fund)	Not applicable (unincorporated entity)
Cathay Life Insurance Co., Ltd.	Wan Pao Development Co., Ltd.(15.71%)、Lin Yuan Investment Co., Ltd (13.72%)、Labor Pension Fund (the New Fund) (2.72%)、Shin Kong Life Insurance Co., Ltd.(1.96%)、Labor Insurance Fund(1.55%)、Nan Shan Life Insurance Co., Ltd.(1.4%)、TransGlobe Life Insurance Inc.(1.31%)、Fubon Life Insurance Co., Ltd.(1.14%)、The Singaporean government's investment account in the custody of Citibank Taiwan(1.07%)、China Life Insurance Co., Ltd. (1.06%)
China Life Insurance Co., Ltd.	China Development Financial Holding Corp.(47.3%)、KGI Securities Co. LTD. (8.66%)、Videoland Inc.(2.42%)、Cathay Life Insurance Co., Ltd.(1.27%)、Chan, Ling-Lang (1.24%)、Song, Guang Ming(0.72%)、The investment account of the iShares MSCI ETF in the custody of Standard Chartered Bank(Taiwan), Main Branch(0.66%)、Chen, Shih-Jin(0.63%)、Norges Bank's investment account in the custody of Citibank Taiwan(0.6%)、Huang, Pei-Ru(0.6%)
Labor Pension Fund(the New Fund)	Not applicable (unincorporated entity)
Chia Hsin International Co.	Chia Hsin Cement Corporation(87.18%)、Chia Hsin Construction & Development Corp. (10.41%)、Chia Ming Co., Ltd.(0.52%)、Sung Ju Investment Corp.(0.42%)、Chang, Ju-Ping(0.25%)、Chang, Yung-Ping(0.22%)、Chung, Chung-Lien(0.19%)、Zuo Yao Investment Co., Ltd.(0.16%)、Chang, Nelson An-Ping (0.12%)、Wang, Robert C. K.(0.11%)
Fubon Life Insurance Co., Ltd.	Fubon Financial Holdings Co., Ltd.(100%)
China Synthetic Rubber Corporation	Taiwan Cement Corp.(15.59%)、Chinatrust Investment Co., Ltd.(7.92%)、TCC Investment Corporation(2.23%)、Fu Pin Investment Co., Ltd.(1.72%)、The investment account of the Vanguard Group's Vanguard Emerging Markets Stock Index Fund in the custody of JPMorgan Chase Bank, N.A., Taipei Branch Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds, in custody of JPMorgan Chase Bank N.A., Taipei Branch(1.64%)、Taiwan Life Insurance Co., Ltd.(1.52%)、CS Development & Investment Co., Ltd.(1.5%)、Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds Special Investment Account of Vanguard Emerging Markets ETC in custody of Morgan Chase Bank Taipei Branch(1.16%)、Polunin Developing Countries Fund, LLC Polunin Capital Partners Emerging Markets Fund in custody of Citibank Taiwan (1.05%)
Crystal Lake Global Limited	Chen, Shih-Tze(100%)

Note: All information disclosed in the above table has been provided by respective institutional shareholders, and O-Bank provided such information accordingly.

(E) Professional qualifications and independence analysis of directors

As of April 27, 2021

Criteria	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria(Note)												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Name																
Lo, Tina Y.			✓	✓		✓			✓	✓	✓	✓		✓		0
Lo, Kenneth C.M.	✓		✓	✓		✓		✓	✓	✓	✓	✓		✓	✓	0
Chang, Nelson An-Ping			✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓		1
Yeh, Roy J.Y.			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Hu, Fu- Hsiung			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Lin, Hank H.K.		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Liu, Richard R.C.			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Chen, Shih-Tze			✓	✓		✓			✓	✓	✓	✓		✓		0
Cheng, George C.J.			✓	✓	✓	✓			✓	✓	✓	✓	✓	✓		0
Lee, Mark J.C.			✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	0
Lee, Elton F.Y.			✓			✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Lin, Gordon W.C.			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Lo, Nina Y.C.			✓			✓			✓	✓	✓	✓		✓		0
Lee, Yunny Y.			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Lin, Bill K.C.			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1

Note: Please tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office.

- Not an employee of the Bank or any of its affiliates.
- Not a director or supervisor of the Bank or any of its affiliates (not applicable in cases where the person is an independent director of the Bank and concurrently serving as such at, its parent company, a subsidiary, or a fellow subsidiary of the same parent company as appointed in accordance with the Securities and Exchange Act or with the laws or regulations of the applicable host country).
- Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Bank or ranking in the top 10 in holdings.
- Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the managerial officers in the previous subparagraph 1, and of any of the persons in the previous subparagraph 2 and 3.
- Not a director, supervisor, or employee of a juristic-person shareholder that directly holds 5% or more of the outstanding shares of the Bank, whose shareholding ranks among the top five, or that is entitled to assign a representative to serve as a director or supervisor of the Bank pursuant to paragraph 1 or 2, Article 27 of the Company Act (not applicable in cases where the person is an independent director of the Bank and concurrently serving as such at, its parent company, a subsidiary, or a fellow subsidiary of the same parent company as appointed in accordance with the Securities and Exchange Act or with the laws or regulations of the applicable host country).
- Not a director, supervisor, or employee of any other company if a majority of the Bank's director seats or voting shares and those of this other company are controlled by the same person (not applicable in cases where the person is an independent director of the Bank and concurrently serving as such at, its parent company, a subsidiary, or a fellow subsidiary of the same parent company as appointed in accordance with the Securities and Exchange Act or with the laws or regulations of the applicable host country).
- Not a director, supervisor, or employee of any other company if the chairperson, president, or person holding an equivalent position of the Bank and a person in any of the said positions at another company or institution are the same person or are spouses (not applicable in cases where the person is an independent director of the Bank and concurrently serving as such at, its parent company, a subsidiary, or a fellow subsidiary of the same parent company as appointed in accordance with the Securities and Exchange Act or with the laws or regulations of the applicable host country).

8. Not a director, supervisor, managerial officer or shareholder holding 5% or more of the outstanding shares of a specific company or institution, with which the Bank has financial or business relationship (not applicable in cases where the said specific company or institution holds 20% or more and not more than 50% of the outstanding shares of the Bank and where the person is an independent director of the Bank and concurrently serving as such at, its parent company, a subsidiary, or a fellow subsidiary of the same parent company as appointed in accordance with the Securities and Exchange Act or with the laws or regulations of the applicable host country).
9. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Bank or any affiliate of the Bank, or that provides commercial, legal, financial, accounting or related services to the Bank or any affiliate of the Bank for which the provider in the past two years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof (not applicable to a member of the remuneration committee, public tender offer review committee, or special committee for mergers and acquisitions, who exercises powers pursuant to the Securities and Exchange Act or the Business Mergers and Acquisitions Act and other applicable laws or regulations).
10. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Bank.
11. Not been a person of any conditions defined in Article 30 of the Company Law.
12. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

(2) Management Team

Apr. 27, 2021
Unit: Shares/%

Title	Nationality	Name	Gender	Effective Date	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remarks (Note 2)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
President	Republic of China	Lee, Elton F.Y.	Male	2020.02.01	737,000	0.03	-	-	-	-	Deputy President, O-Bank MBA, Manchester Business School	Director, EverTrust Bank	-	-	-	-
Deputy President	Republic of China	Chang, David C.C.	Male	2012.03.01	856,965 *200,000	0.03 *0.07	35,191	0.00	-	-	Senior Executive Vice President, O-Bank EMBA, National Chengchi University	Director, China Bills Finance Corp. 、 Supervisor, IBT Leasing Co., Ltd. 、 Supervisor, IBT International Leasing Corp.	Senior Vice President	Yang, Becky Y.W.	2nd Degree	-
Deputy President	Republic of China	Lin, Roger Y. F.	Male	2017.03.01	1,142,091 *300,000	0.04 *0.10	-	-	-	-	Senior Executive Vice President, O-Bank Master of Science in Finance, Tamkang University	Director, EverTrust Bank	-	-	-	-
Senior Executive Vice President	Republic of China	Chang, Niel W.F.	Male	2018.09.17	490,000	0.02	-	-	-	-	Senior Executive Vice President, Head of financial Markets Division, TC Bank MBA, National Taiwan University	Director, China Bills Finance Corp.	-	-	-	-
Senior Executive Vice President	Republic of China	Liu, Gary C. Y.	Male	2020.06.01	-	-	-	-	-	-	Executive Vice President, Head of Wealth Management Division, KGI Bank MBA of Finance, University of Houston	-	-	-	-	-
Senior Executive Vice President	Republic of China	Chyr, Y. H.	Male	2020.09.01	480,000	0.02	-	-	-	-	Senior Executive Vice President, Cathay United Bank Master of Science in Industrial Engineering, New Jersey Institute of Technology	-	-	-	-	-

Title	Nationality	Name	Gender	Effective Date	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remarks (Note 2)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Senior Executive Vice President	Republic of China	Wang, Chia Chi	Female	2021.04.26	-	-	-	-	-	-	Senior Vice President/Chief Board Secretary, Citibank Taiwan Limited LLM, University of Connecticut, School of Law	-	-	-	-	-
Executive Vice President	Republic of China	Fan, Vivian H.J.	Female	2017.04.17	231,393 *300,000	0.01 *0.10	-	-	-	-	Senior Vice President, O-Bank Bachelor of Science in Information Management, Fu Jen Catholic University	-	-	-	-	-
Executive Vice President	Republic of China	Siew, Joy C.Y.	Female	2021.03.01	376,000 *300,000	0.01 *0.10	-	-	-	-	Senior Vice President, O-Bank Master of Arts in International Relations, Johns Hopkins University	Director, China Bills Finance Corp.	-	-	-	-
Executive Vice President	Republic of China	Wang, John Y.C.	Male	2018.01.15	62,364 *25,000	0.00 *0.01	-	-	-	-	Executive Vice President, Corporate Banking Division 1, TC Bank Bachelor of Business Administration, National Cheng Kung University	-	-	-	-	-
Executive Vice President	Republic of China	Chin, Teddy Y.T.	Male	2016.03.01	325,917 *30,000	0.01 *0.01	-	-	-	-	Senior Vice President, O-Bank Master of Science in Economics, National Taiwan University	-	-	-	-	-
Executive Vice President	Republic of China	Lai, Joseph L.J.	Male	2014.03.01	425,000 *90,000	0.02 *0.03	-	-	-	-	Senior Vice President, O-Bank MBA, University of Birmingham	-	-	-	-	-
Executive Vice President	Republic of China	Fang, Stanley H.W.	Male	2018.03.15	200,000	0.01	-	-	-	-	Executive Vice President, Taishin International Bank Master of Science in International Business, Tamkang University	-	-	-	-	-
Executive Vice President	Republic of China	Yeh, Stephen K. W.	Male	2021.03.23	-	-	-	-	-	-	Senior Vice President, Deputy Head, Commercial Banking, Taipei Fubon Bank Bachelor of International Trade Business, Fu Jen Catholic University	-	-	-	-	-
Executive Vice President	Republic of China	Hsieh, Leo T. J.	Male	2020.05.28	-	-	-	-	-	-	Executive Vice President, Dafei Cloud Loan (Beijing) Co., Ltd Bachelor of Economics, Fu Jen Catholic University	-	-	-	-	-
Executive Vice President	Republic of China	Tyane, Edward F.C.	Male	2018.02.01	341,347 *120,000	0.01 *0.04	-	-	-	-	Executive Vice President, Financial Accounting Division, TC Bank Master of Accountancy, National Cheng Kung University	Supervisor, IBT Management Corporation ~ Supervisor, IBT VII Venture Capital Co., Ltd.	-	-	-	-
Executive Vice President	Republic of China	Tsai, Joseph T.S.	Male	2018.06.28	330,000	0.01	-	-	-	-	Senior Vice President, Taiwan Life Insurance EMBA, National Taiwan University	-	-	-	-	-

Title	Nationality	Name	Gender	Effective Date	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remarks (Note 2)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Executive Vice President	Republic of China	Shao, Wen W.C.	Male	2016.02.01	359,412 *100,000	0.01 *0.03	-	-	-	-	Executive Vice President, IBT International Leasing Corp. ▽ Director, MBA, Case Western Reserve University	Director, IBT International Leasing Corp. ▽ Director, Beijing Sunshine Consumer Finance Co., Ltd	-	-	-	-
Executive Vice President	Republic of China	Chen, Paul H.J.	Male	2020.03.01	34,097 *50,000	0.00 *0.02	-	-	-	-	Senior Vice President, O-Bank Master of Accountancy, Soochow University	-	-	-	-	-
Senior Vice President	Republic of China	Chang, Ophelia L.W.	Female	2021.03.01	155,000 *300,000	0.01 0.10	-	-	-	-	Vice President, O-Bank Bachelor of International Business, National Taiwan University	-	-	-	-	-
Senior Vice President	Republic of China	Lin, C. K.	Male	2020.05.01	249,559 *30,000	0.01 *0.01	-	-	-	-	Senior Vice President, O-Bank Bachelor of Management Science, National Chiao Tung University	-	-	-	-	-
Senior Vice President	Republic of China	Chang, Samson W. Y.	Male	2020.09.01	60,000	0.00	-	-	-	-	Vice President, OBU, Yuanta Bank MBA, Tunghai University	-	-	-	-	-
Senior Vice President	Republic of China	Soong, Grace L.H.	Female	2019.03.01	160,000	0.01	-	-	-	-	Vice President, O-Bank MBA, University of California	-	-	-	-	-
Senior Vice President	Republic of China	Fang, Andy C.P.	Male	2017.03.01	145,000	0.01	-	-	-	-	Vice President, O-Bank Master of Science in Information Resource Management, Syracuse University	-	-	-	-	-
Senior Vice President	Republic of China	Tsou, Landy H.C.	Female	2019.8.26	50,000	0.00	-	-	-	-	Vice President, Wealth Management Department, SK Bank MBA, National Cheng Chi University	-	-	-	-	-
Senior Vice President	Republic of China	Hsu, Pei Ling	Female	2019.08.26	100,000	0.00	-	-	-	-	Vice President, Corporate Development Division, Fubon Financial Holding Co. Ltd. MBA, Massachusetts Institute of Technology, Sloan School of Management	-	-	-	-	-
Senior Vice President	Republic of China	Yang, Becky Y.W.	Female	2016.05.16	39,000	0.00	-	-	-	-	Vice President, Strategic Planning & Cards Change Management Head, CitiPhone, Citibank(Taiwan) MBA, Golden Gate University	-	Deputy President	Chang, David C.C.	2nd Degree	-
Senior Vice President	Republic of China	Chen, Gaven Y.	Male	2020.03.01	200,000 *30,000	0.01 *0.01	-	-	-	-	Vice President, O-Bank Bachelor of Finance and Economic, Tamsui Oxford University College	-	-	-	-	-
Senior Vice President	Republic of China	Chen, C.Y.	Male	2020.03.01	119,599	0.00	10,383	0.00	-	-	Vice President, O-Bank EMBA, National Tsing Hua University	-	-	-	-	-

Title	Nationality	Name	Gender	Effective Date	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remarks (Note 2)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Senior Vice President	Republic of China	Tan, Kevin H.C.	Male	2018.03.01	337,037 *50,000	0.01 *0.02	10,383	0.00	-	-	Vice President, O-Bank EMBA, National Chengchi University	-	-	-	-	-
Vice President	Republic of China	Chang, Wesley S.C.	Male	2015.11.01	80,000 *12,585	0.00 *0.00	-	-	-	-	Assistant Vice President, O-Bank Master of Law in International and European Business law, University of Leeds	-	-	-	-	-
Vice President	Republic of China	Lee, Daisy T.H.	Female	2017.04.17	153,458	0.01	-	-	-	-	Assistant Vice President, O-Bank MBA, Cornell University	-	-	-	-	-
Vice President	Republic of China	Pan, Claire Y.Y.	Female	2021.01.01	-	-	-	-	-	-	Vice President, Business Strategy Dept., KGI Bank Master of International Business, National Cheng Chi University	-	-	-	-	-
Vice President	Republic of China	Liu, David C.C.	Male	2011.07.01	10,000	0.00	-	-	-	-	Assistant Vice President, O-Bank MBA, National Cheng Kung University	-	-	-	-	-
Vice President	Republic of China	Hung, Ida K.Y.	Female	2019.11.01	64,000 *10,397	0.00 *0.00	-	-	-	-	Vice President, O-Bank Master of Statistics, National Cheng Chi University	-	-	-	-	-
Vice President	Republic of China	Wu, Ponny T. K.	Male	2021.03.23	152,255 *5,000	0.01 *0.00	-	-	-	-	Vice President, O-Bank Bachelor of Science in Information Management, National Central University	-	-	-	-	-
Vice President	Republic of China	Chen, Jane C. C.	Female	2021.03.23	-	-	-	-	-	-	Vice President, O-Bank Master of Science in Information Management, Fu Jen Catholic University	-	-	-	-	-
Vice President	Republic of China	Chen, Nico S. C.	Female	2020.06.01	-	-	-	-	-	-	Vice President, O-Bank Bachelor of History, Tamkang University	-	-	-	-	-
Vice President	Republic of China	Lin, Doris C. J.	Female	2021.01.01	35,000 *10,000	0.00 *0.00	-	-	-	-	Vice President, O-Bank Master of Management Sciences, Tamkang University	-	-	-	-	-
Assistant Vice President	Republic of China	Chang, Michael C.C.	Male	2014.08.27	86,732	0.00	-	-	-	-	Assistant Vice President, O-Bank Executive Master of Business Administration in International Finance, National Taipei University	-	-	-	-	-
Assistant Vice President	Republic of China	Chuang, Rita H. C.	Female	2020.05.01	15,000	0.00	10,000	0.00	-	-	Assistant Vice President, O-Bank Master of Science in Finance, Fu Jen Catholic University	-	-	-	-	-
Assistant Vice President	Republic of China	Chen, Judy S.F.	Female	2020.03.02	60,000	0.00	-	-	-	-	Sales Manager, Wealth Management Dept., Taichung Bank Master of Finance, National Central University	-	-	-	-	-

Title	Nationality	Name	Gender	Effective Date	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remarks (Note 2)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Assistant Vice President	Republic of China	Chen, Yuko Y. C.	Female	2021.03.23	12	0.00	-	-	-	-	Assistant Vice President, O-Bank MBA, University of Southern Queensland	-	-	-	-	-

Note1: “*” denotes Class A Preferred Shares in this Table.

Note2: Where the president of the Board of Directors and the chairman or person of an equivalent post (the highest-ranking manager) are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for such and the reasonableness and necessity thereof, as well as the measures adopted in response thereto, such as increasing seats for independent directors and having a majority of directors refrain from serving concurrently as employees or managerial officers.

(3) Return to consultant

Chairmen of the board and presidents rehired as consultant after retiring from the Bank or its affiliate enterprises:
None.

3. Remuneration of Directors, President, Deputy Presidents, Vice Presidents and Consultants, and Remuneration of employees in the Most Recent Fiscal Year

(1) Remuneration of Non-independent Directors and Independent Directors

December 31, 2020
Unit: NT\$ thousands/%

Title	Name	Remuneration							Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary or from the Company				
		Base Compensation (A)		Severance Pay (B)		Directors Compensation(C)		Allowances (D)			Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Employee Compensation (G)										
		The company	All companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements					
																		Cash	Stock	Cash	Stock				
Chairman	Ming Shan Investment Co., Ltd. (Rep.: Lo, Tina Y.) (Note 1)																								
Managing Director	Lo, Kenneth C.M. (Note 2)																								
Managing Director	Taiwan Cement Corporation (Rep.: Chang, Nelson An-Ping)																								
Managing Director	Yi Chang Investment Co., Ltd. (Rep.: Yeh, Roy J.Y.) (Note 3)																								
Director	Tai'Ya Investment Co., Ltd. (Rep.:Chen, Shih-Tze)																								
Director	Abag Investment Holdings Co., Ltd. (Rep.:Cheng, George C.J.)																								
Director	Lee, Mark J.C.																								
Director	Tai'Ya Investment Co., Ltd. (Rep.: Lee, Elton F.Y.) (Note 4)																								
Director	Yi Chang Investment Co., Ltd. (Rep.: Lin, Gordon W.C.)	25,000	26,239	524	524	32,111	32,111	4,264	5,046	5.4	5.6	25,121	37,130	136	244	423	-	423	-	-	-	7.6	8.9		
Director	Ming Shan Investment Co., Ltd. (Rep.: Lo, Nina Y.C.)																								
Director	Lee, Yunny Y. (Note 3)																								
Director	Lin, Bill K.C. (Note 3)																								
Managing Director	Yi Chang Investment Co., Ltd. (Rep.: Yang, Tony C.Y.) (Note 5)																								
Director	Pioneer Chemical Corp. (Rep.:Sheng, Bobby P.S.) (Note 5)																								
Director	Wang Hsiang Co., Ltd. (Rep.:Tung, Ta-Nien) (Note 5)																								
Director	Tai'Ya Investment Co., Ltd. (Rep.: Chang, David C.C.) (Note 6)																								
Independent Managing Director	Hu, Fu- Hsiung (Note 3)																								
Independent Director	Lin, Hank H.K. (Note 3)																								
Independent Director	Liu, Richard R.C.	6,000	6,000	-	-	-	-	684	684	0.6	0.6	-	-	-	-	-	-	-	-	-	-	0.6	0.6		
Independent Managing Director	Chan, Hou-Sheng (Note 5)																								
Independent Director	Yue, Thomas C.T. (Note 5)																								

Note 1: Lo, Tina Y. served as the Bank's Vice Chairman of the 7th Board from Jan. 1, 2020 to June 18, 2020, and serves as the Chairman of the 8th Board from June 19, 2020 to December 31, 2020.

Note 2: Lo, Kenneth C.M. served as the Bank's Chairman of the 7th Board from Jan. 1, 2020 to June 18, 2020, and serves as the Managing Director of the 8th Board from June 19, 2020 to December 31, 2020; Mr. Lo was the representative of Yi Chang Investment Co., Ltd. as the Chairman, and is now the natural-person director as the Managing Director.

Note 3: 2020 term of office from June 19, 2020 to December 31, 2020: Yeh, Roy R.Y. (representative of Yi Chang Investment Co., Ltd.) · Lee, Yunny Y. · Lin, Bill K.C. · Hu, Fu-Hsiung · Lin, Hank H.K.

Note 4: 2020 term of office from March 25, 2020 to December 31, 2020: Lee, Elton F.Y. (representative of Tai Ya Investment Co., Ltd.)

Note 5: 2020 term of office from Jan. 1, 2020 to June 18, 2020: Yang, Tony C. Y. (representative of Yi Chang Investment Co., Ltd.) · Sheng, Bobby P.S. (representative of Pioneer Chemical Corp.) · Tung, Ta-Nien (representative of Wang Hsiang Co., Ltd.) · Chan, Hou-Sheng · Yue, Thomas C.T.

Note 6: 2020 term of office from Jan. 1, 2020 to March 24, 2020: Change, David C.C. (representative of Tai Ya Investment Co., Ltd.)

Note 7: Compensation for chauffeurs assigned to directors amounted to NT\$2,137 thousand and that for those assigned to employees charged with concurrent posts, NT\$1,634 thousand.

Note 8: As of the date of publication of this annual report, the Bank had yet to finalize details with regard to distributing employee remunerations for 2020. The amount given here is an estimate based on the actual distribution for 2019.

1. Spell out the policy, system, criteria, and structure concerning remuneration of independent directors as well as such remuneration's correlation with their duties, risk assumed, and time devoted:

In accordance with its Articles of Incorporation, the Bank excludes independent directors from distribution of earnings but may pay them remuneration no matter if it makes a profit or loss. The Board of Directors is authorized to decide on remuneration for independent directors on the basis of their involvement in the Bank's operations, the value of their contributions, and the result of performance evaluation of the Board while also taking into account such remuneration among industry peers.

2. On top of the items disclosed above, remuneration collected by directors for rendering services to companies included in the Bank's consolidated financial statements (such as acting as non-employee advisors) during the most recent year: None.

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
Less than NT\$ 1,000,000	Yang, Tony C. Y. · Chen, Shih-Tze · Lin, Gordon W.C. · Cheng, George C.J. · Pioneer Chemical Corp. · Sheng, Bobby P.S. · Lo, Nina Y.C. · Chang, David C.C. · Lee, Elton F.Y. · Yue, Thomas C.T. · Yeh, Roy J.Y.	Yang, Tony C. Y. · Chen, Shih-Tze · Lin, Gordon W.C. · Cheng, George C.J. · Pioneer Chemical Corp. · Sheng, Bobby P.S. · Lo, Nina Y.C. · Chang, David C.C. · Lee, Elton F.Y. · Yue, Thomas C.T. · Yeh, Roy J.Y.	Chen, Shih-Tze · Lin, Gordon W.C. · Cheng, George C.J. · Pioneer Chemical Corp. · Sheng, Bobby P.S. · Lo, Nina Y.C. · Yue, Thomas C.T. · Yeh, Roy J.Y.	Chen, Shih-Tze · Cheng, George C.J. · Pioneer Chemical Corp. · Sheng, Bobby P.S. · Lo, Nina Y.C. · Yue, Thomas C.T.
NT\$ 1,000,000 (inclusive) ~ NT\$2,000,000 (exclusive)	Chang, Nelson An-Ping · Wang Hsiang Co., Ltd · Chan, Hou-Sheng · Liu, Richard R.C. · Lee, Yunny Y. · Lin, Bill K.C. · Hu, Fu-Hsiung · Lin, Hank H.K.	Chang, Nelson An-Ping · Wang Hsiang Co., Ltd · Chan, Hou-Sheng · Liu, Richard R.C. · Lee, Yunny Y. · Lin, Bill K.C. · Hu, Fu-Hsiung · Lin, Hank H.K.	Chang, Nelson An-Ping · Wang Hsiang Co., Ltd · Chan, Hou-Sheng · Liu, Richard R.C. · Lee, Yunny Y. · Lin, Bill K.C. · Hu, Fu-Hsiung · Lin, Hank H.K.	Chang, Nelson An-Ping · Wang Hsiang Co., Ltd · Chan, Hou-Sheng · Liu, Richard R.C. · Lee, Yunny Y. · Lin, Bill K.C. · Hu, Fu-Hsiung · Lin, Hank H.K.
NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive)	Taiwan Cement Corporation · Abag Investment Holdings Co., Ltd. · Lee, Mark J.C.	Taiwan Cement Corporation · Abag Investment Holdings Co., Ltd. · Lee, Mark J.C.	Taiwan Cement Corporation · Abag Investment Holdings Co., Ltd. · Lee, Mark J.C. · Yang, Tony C. Y. · Chang, David C.C.	Taiwan Cement Corporation · Abag Investment Holdings Co., Ltd. · Lee, Mark J.C. · Yang, Tony C. Y. · Chang, David C.C. · Yeh, Joy J.Y.
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)	-	-	-	-
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)	Lo, Kenneth C.M. · Ming Shan Investment Co., Ltd. · Tai Ya Investment Co., Ltd.	Lo, Kenneth C.M. · Ming Shan Investment Co., Ltd. · Tai Ya Investment Co., Ltd.	Lo, Kenneth C.M. · Ming Shan Investment Co., Ltd. · Tai Ya Investment Co., Ltd.	Lo, Kenneth C.M. · Ming Shan Investment Co., Ltd. · Tai Ya Investment Co., Ltd. · Lin, Gordon W.C.

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)	Yi Chang Investment Co., Ltd. 、Lo, Tina Y.	Yi Chang Investment Co., Ltd. 、Lo, Tina Y.	Yi Chang Investment Co., Ltd. 、Lo, Tina Y.	Yi Chang Investment Co., Ltd. 、Lo, Tina Y.
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive)	-	-	Lee, Elton F.Y.	Lee, Elton F.Y.
NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (exclusive)	-	-	-	-
NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (exclusive)	-	-	-	-
Greater than or equal to NT\$100,000,000	-	-	-	-
Total	27	27	27	27

Note: The compensation amounts disclosed here are not a conceptual equivalent to the "income" defined in the Income Tax Act. As such, these numbers are meant for information disclosure instead of taxation.

(2) Remuneration of President and Vice Presidents

December 31, 2020
Unit: NT\$ thousands/%;

Title	Name	Remuneration										Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Compensation Paid to President and Vice Presidents from an Invested Company Other than the Company's Subsidiary or from the Company
		Base Compensation (A)		Severance Pay (B)		Bonus to Supervisors (C) [note 1]		Allowances (D) [note 2]						
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
Cash	Stock							Cash	Stock					
President	Lee, Elton F.Y.	82,442	83,669	3,053	3,053	68,111	69,160	2,895	—	2,895	—	13.64	13.84	—
President	Yang, Tony C.Y. (Note 3)													
Deputy President	Chang, David C.C.													
Deputy President	Lin, Roger Y.F.													
Senior Executive Vice President	Liu, Nancy S.F.													
Senior Executive Vice President	Huang, Indra Y.C.													
Senior Executive Vice President	Chang, Niel W.F.													
Senior Executive Vice President	Wei, Jonathan C.H. (Note 3)													
Senior Executive Vice President	Chen, Yi Fen (Note 3)													
Senior Executive Vice President	Liu, Gary C. Y. (Note 3)													
Senior Executive Vice President	Chyr, Y. H. (Note 3)													
Executive Vice President	Wang, Angela T.C.													
Executive Vice President	Fan, Vivian H.J.													
Executive Vice President	Wang, John Y.C.													
Executive Vice President	Chin, Teddy Y.T.													
Executive Vice President	Lai, Joseph L.J.													
Executive Vice President	Fang, Stanley H.W.													
Executive Vice President	Lin, Tom A.K.													
Executive Vice President	Chen, Paul H.J.													
Executive Vice President	Shao, Wen W.C.													
Executive Vice President	Tyane, Edward F.C.													
Executive Vice President	Tsai, Joseph T.S.													
Executive Vice President	Wu, Simon W.H.													
Executive Vice President	Hsieh, Leo T. J. (Note 3)													
Executive Vice President	Chu, Chris T.H. (Note 3)													
Executive Vice President	Yeh, Sherry H.Y. (Note 3)													

Note 1: Compensation for chauffeurs amounted to NT\$2,269 thousand.

Note 2: As of the date of publication of this annual report, the Bank had yet to finalize details with regard to distributing employee remunerations for 2020. The amount given here is an estimate based on the actual distribution for 2019.

Note 3: 2020 tenure of managerial officers: Yang, Tony C.Y. (1.1~1.31) 、Wei, Jonathan C.H.(1.1~2.24) 、Chen, Yi Fen (1.1~5.31) 、Liu, Gary C. Y. (6.1~12.31) 、Chyr, Y. H. (9.1~12.31) 、Hsieh, Leo T. J. (5.28~12.31) 、Chu, Chris T.H.(1.1~2.21) 、Yeh, Sherry H.Y.(1.1~2.19).

Range of Remuneration	Name of President and Vice Presidents	
	The company	Companies in the consolidated financial statements
Less than NT\$ 1,000,000	Yeh, Sherry H.Y. 、Chu, Chris T.H.	Yeh, Sherry H.Y. 、Chu, Chris T.H.
NT\$ 1,000,000 (inclusive) ~ NT\$2,000,000 (exclusive)	Wei, Jonathan C.H.	Wei, Jonathan C.H.
NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive)	Chyr, Y. H. 、Hsieh, Leo T. J. 、Yang, Tony C.Y. 、Chen, Yi Fen	Chyr, Y. H. 、Hsieh, Leo T. J. 、Yang, Tony C.Y. 、Chen, Yi Fen
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)	Wang, Angela T.C. 、Chin, Teddy Y.T. 、Lin, Tom A.K. 、Chen, Paul H.J. 、Tyane, Edward F.C. 、Tsai, Joseph T.S.	Wang, Angela T.C. 、Chin, Teddy Y.T. 、Lin, Tom A.K. 、Chen, Paul H.J. 、Tyane, Edward F.C. 、Tsai, Joseph T.S.
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)	Chang, David C.C. 、Liu, Nancy S.F. 、Huang, Indra Y.C. 、Liu, Gary C. Y. 、Fan, Vivian H.J. 、Wang, John Y.C. 、Lai, Joseph L.J. 、Fang, Stanley H.W. 、Shao, Wen W.C. 、Wu, Simon W.H.	Chang, David C.C. 、Liu, Nancy S.F. 、Huang, Indra Y.C. 、Liu, Gary C. Y. 、Fan, Vivian H.J. 、Wang, John Y.C. 、Lai, Joseph L.J. 、Fang, Stanley H.W. 、Shao, Wen W.C. 、Wu, Simon W.H.
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)	Chang, Niel W.F. 、Lin, Roger Y.F.	Chang, Niel W.F. 、Lin, Roger Y.F.
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive)	Lee, Elton F.Y.	Lee, Elton F.Y.
NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (exclusive)	-	-
NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (exclusive)	-	-
More than or equal to NT\$100,000,000	-	-
Total	26	26

Note: Given conceptual differences, the numbers given here are meant for information disclosure instead of taxation.

(3) Remuneration of Employees

December 31, 2020
Unit: NT\$ thousands

	Title	Name	Employee Compensation - in Stock (Fair Market Value)	Employee Compensation - in Cash	Total	Ratio of Total Amount to Net Income (%)
Executive officers	President	Lee, Elton F.Y.	-	2,895 (Note 1)	2,895	0.3
	Deputy President	Chang, David C.C.				
	Deputy President	Lin, Roger Y.F.				
	Senior Executive Vice President	Liu, Nancy S.F.				
	Senior Executive Vice President	Huang, Indra Y.C.				
	Senior Executive Vice President	Chang, Niel W.F.				
	Senior Executive Vice President	Liu, Gary C. Y. (Note 2)				
	Senior Executive Vice President	Chyr, Y. H. (Note 2)				
	Executive Vice President	Wang, Angela T.C.				
	Executive Vice President	Fan, Vivian H.J.				
	Executive Vice President	Wang, John Y.C.				
	Executive Vice President	Chin, Teddy Y.T.				
	Executive Vice President	Lai, Joseph L.J.				
	Executive Vice President	Fang, Stanley H.W.				
	Executive Vice President	Lin, Tom A.K.				
	Executive Vice President	Chen, Paul H.J.				
	Executive Vice President	Shao, Wen W.C.				
	Executive Vice President	Tyane, Edward F.C.				
	Executive Vice President	Tsai, Joseph T.S.				
	Executive Vice President	Wu, Simon W.H.				
	Executive Vice President	Hsieh, Leo T. J. (Note 2)				

Note 1: As of the date of publication of this annual report, the Bank had yet to finalize details with regard to distributing employee remunerations for 2020. The amount given here is an estimate based on the actual distribution for 2019.

Note 2: 2020 tenure of managerial officers: Liu, Gary C. Y. (6.1~12.31) 、Chyr, Y. H. (9.1~12.31) 、Hsieh, Leo T. J. (5.28~12.31)

(4) Analysis of the compensation for directors, the president, and vice presidents during the most recent two years:

- A. The Bank and all the companies covered by its consolidated financial statements paid remunerations of NT\$295,449 thousand and NT\$241,500 thousand to directors, the president and vice presidents in 2019 and 2020 respectively. The two sums accounted for 26.8% and 21.0% of the Bank's consolidated net income recorded in 2019 and 2020.
- B. Article 22 and 32 of the Bank's Articles of Incorporation prescribe respectively distribution of director remunerations and employee remunerations. If the Bank records a profit in a year, the Bank shall appropriate not more than 2.5% of the profit for director remunerations and 1-2.5% for employees. If the Bank has accumulated losses, however, the profit shall be used to offset the aforesaid accumulated losses first.
- C. The Bank's Board of Directors has set up the Compensation Committee. Composed of the entire number of independent directors, the committee is intended to assist the board in drafting and periodically reviewing performance evaluation for directors and managerial officers as well as the policy, system, criteria, and structure of compensation-setting, the committee also assesses remunerations for directors and managerial officers on a regular basis.
- D. With remuneration granted by industry peers also considered for reference, the Bank's director remuneration policy takes account of its own business performance, director contributions and responsibilities, and the result of performance evaluation of Board of Directors (key appraisal items include, participation in the company's operation, the quality of the board's/functional committees' decision making, composition and structure of the board of directors/functional committees, election of directors, understanding of the board/committee members' duties and responsibilities, professional qualifications and continued knowledge development of directors, internal control, and other important issues). Compensation for senior executives comprises fixed pay and variable pay. The Bank basically takes into consideration what is being paid in the industry when deciding on fixed pay that is commensurate with the responsibilities and specialized skills required of their respective positions as well as their on-the-job performance. Variable pay, on the other hand, is subject to the Bank's business performance and future risks as well as the personal performance of the managerial officers in question, based on which reasonable distribution is to be achieved. The performance of managerial officers is appraised against both financial indicators (pretax profit, attainment of short- and long-term business objectives, etc.) and nonfinancial indicators (the Bank's core value, innovation, leadership and management, legal compliance, internal control, risk management, etc.). The Bank's remuneration mechanism not only offers competitive incentives but also takes account of future risks, with some remuneration for senior managers deferred in the form of equities to tie its actual value to the Bank's future share price, so as to ensure that managerial remuneration is closely aligned with the Bank's business performance, as well as create a respectable corporate image, lay a solid foundation for sustainable development, and maximize employee, customer, and shareholder interests.

4. Implementation of Corporate Governance

(1) Board of Directors

A. Board of Managing Directors

A total of 11 (A) meetings of the 7th Board of Managing Directors were held in 2020 (January 1 – June 18, 2020). The attendance of managing directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Chairman	Yi Chang Investment Co., Ltd. (Rep.: Lo, Kenneth C. M.)	11	0	100	
Vice Chairman	Ming Shan Investment Co., Ltd. (Rep.: Lo, Tina Y.)	11	0	100	
Managing Director	Taiwan Cement Corporation (Rep.: Chang, Nelson An-Ping)	7	4	64	
Independent Managing Director	Chan, Hou-Sheng	11	0	100	
Managing Director	Yi Chang Investment Co., Ltd. (Rep.: Yang, Tony C.Y.)	10	1	91	

A total of 12 (A) meetings of the 8th Board of Managing Directors were held in 2020 (June 19 – December 31, 2020). The attendance of managing directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Chairman	Ming Shan Investment Co., Ltd. (Rep.: Lo, Tina Y.)	12	0	100	
Managing Director	Lo, Kenneth C. M.	12	0	100	
Managing Director	Taiwan Cement Corporation (Rep.: Chang, Nelson An-Ping)	9	3	75	
Independent Managing Director	Hu, Fu-Hsiung	12	0	100	
Managing Director	Yi Chang Investment Co., Ltd. (Rep.: Yeh, Roy J.Y.)	12	0	100	

B. Board of Directors

A total of 4 (A) meetings of the 7th Board of Directors were held in 2020 (January 1 – June 18, 2020). The attendance of directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Chairman	Yi Chang Investment Co., Ltd. (Rep.: Lo, Kenneth C. M.)	4	0	100	
Vice Chairman	Ming Shan Investment Co., Ltd. (Rep.: Lo, Tina Y.)	4	0	100	
Managing Director	Taiwan Cement Corporation (Rep.: Chang, Nelson An-Ping)	1	3	25	
Independent Managing Director	Chan, Hou-Sheng	4	0	100	
Managing Director	Yi Chang Investment Co., Ltd. (Rep.: Yang, Tony C.Y.)	4	0	100	

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Director	Tai Ya Investment Co., Ltd. (Rep.:Chen, Shih-Tze)	4	0	100	
Director	Yi Chang Investment Co., Ltd. (Rep. : Lin, Gordon W.C.)	4	0	100	
Director	Abag Investment Holdings Co., Ltd. (Rep.: Cheng, George C.J.)	4	0	100	
Director	Lee,Mark J.C.	4	0	100	
Director	Pioneer Chemical Corp. (Rep.: Sheng, Bobby P.S.)	4	0	100	
Independent Director	Yue, Thomas C.T.	4	0	100	
Independent Director	Liu, Richard R.C.	4	0	100	
Director	Ming Shan Investment Co., Ltd. (Rep.: Lo, Nina Y.C.)	4	0	100	
Director	Wang Hsiang Co., Ltd. (Rep.: Tung, Ta-Nien)	3	1	75	
Director	Tai Ya Investment Co., Ltd. (Rep.: Chang, David C.C.)	2	0	100	Note
	Tai Ya Investment Co., Ltd. (Rep.: Lee, Elton F.Y.)	2	0	100	Note

Note: Tai Ya Investment Co., Ltd., the juristic-person director, replaced its representative David C.C. Chang with Elton F.Y. Lee on March 25, 2020

A total of 5 (A) meetings of the 8th Board of Directors were held in 2020 (June 19 – December 31, 2020). The attendance of directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Chairman	Ming Shan Investment Co., Ltd. (Rep. : Lo, Tina Y.)	5	0	100	
Managing Director	Lo, Kenneth C. M	5	0	100	
Managing Director	Taiwan Cement Corporation (Rep. : Chang, Nelson An-Ping)	3	2	60	
Managing Director	Yi Chang Investment Co., Ltd. (Rep. : Yeh, Roy J.Y.)	5	0	100	
Independent Managing Director	Hu, Fu- Hsiung	5	0	100	
Independent Director	Lin, Hank H.K.	5	0	100	
Independent Director	Liu, Richard R.C.	5	0	100	
Director	Tai Ya Investment Co., Ltd. (Rep.: Chen, Shih-Tze)	5	0	100	
Director	Abag Investment Holdings Co., Ltd. (Rep.: Cheng, George C.J.)	5	0	100	
Director	Lee, Mark J.C.	5	0	100	
Director	Tai Ya Investment Co., Ltd. (Rep.: Lee, Elton F.Y.)	5	0	100	
Director	Yi Chang Investment Co., Ltd. (Rep. : Lin, Gordon W.C.)	5	0	100	
Director	Ming Shan Investment Co., Ltd. (Rep.: Lo, Nina Y.C.)	5	0	100	

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Director	Lee, Yunny Y.	5	0	100	
Director	Lin, Bill K.C.	5	0	100	

Other mentionable items:

1. If any of the following circumstances occur, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the company's response should be specified:

- (1) Matters referred to in Article 14-3 of the Securities and Exchange Act: Not applicable because, as required by law, the Bank has established the Audit Committee.
- (2) Other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that require a resolution by the board of directors None.

2. If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified:

Date	Content of Motion	Director	Cause for Avoidance	Participation in Voting
2020.2.26 The 7th Board of Directors in its 22nd meeting	Proposal for making a donation to the Chinese National Association of Industry and Commerce	Kenneth C.M. Lo, Tina Y. Lo, Nelson An-Ping Chang, Shih-Tze Chen, Nina Y.C. Lo	In compliance with Article 14 of the Procedural Rules Governing Board Meetings (Interested Parties)	The Bank's directors stand by the principle of recusal and refrain from participating in the discussion of and voting on motions that may cause conflicts of interest.
	Proposal for making a donation to the O-Bank Education Foundation	Kenneth C.M. Lo, Tina Y. Lo, Tony C. Y. Yang, Shih-Tze Chen, David C.C. Chang, Nina Y.C. Lo		
2020.3.25 The 7th Board of Directors in its 24th meeting	Release of non-competition restrictions on directors	Elton F.Y. Lee		
	Amendment to 2020 Audit plan	Elton F.Y. Lee		
	Proposal for director remunerations and employee remunerations for 2019	Directors recusing themselves from motion on director remunerations: the entire number of non-independent directors—Kenneth C.M. Lo, Tina Y. Lo, Nelson An-Ping Chang (abstention), Tony C. Y. Yang, Shih-Tze Chen, Gordon W.C. Lin, George C.J. Cheng, Mark J.C. Lee, Bobby P.S. Sheng, Nina Y.C. Lo, Ta-Nien Tung, Elton F.Y. Lee Directors recusing themselves from motion on employee remunerations: Elton F.Y. Lee		
	Proposal for reappointment of the Chairman of the Bank's subsidiary IBT International Leasing Corp.	Gordon W.C. Lin		
2020.4.29 The 7th Board of Directors in its 25th meeting	Release of non-competition restrictions on directors of the 8th Board	Kenneth C.M. Lo, Tina Y. Lo, Nelson An-Ping Chang (abstention), Shih-Tze Chen, Gordon W.C. Lin, George C.J. Cheng, Mark J.C. Lee, Nina Y.C. Lo, Elton F.Y. Lee		

Date	Content of Motion	Director	Cause for Avoidance	Participation in Voting
2020.6.19 The 8th Board of Directors in its 1st meeting	Proposal for appointment of the Bank's 5th Remuneration Committee members	Fu-Hsiung Hu, Hank H.K. Lin, Richard R.C. Liu	In compliance with Article 14 of the Procedural Rules Governing Board Meetings (Interested Parties)	The Bank's directors stand by the principle of recusal and refrain from participating in the discussion of and voting on motions that may cause conflicts of interest.
2020.7.7 The 8th Board of Directors in its 2nd meeting	Proposal for making a donation to the Eisenhower Fellows Association in the R.O.C.	Tina Y. Lo, Kenneth C.M. Lo, Shih-Tze Chen, Nina Y.C. Lo		
	Proposal for remuneration of the Bank's Chairman	Tina Y. Lo, Kenneth C.M. Lo, Shih-Tze Chen, Nina Y.C. Lo, Elton F.Y. Lee		
	Proposal for retirement of the Bank's former Chairman Kenneth C.M. Lo	Tina Y. Lo, Kenneth C.M. Lo, Shih-Tze Chen, Nina Y.C. Lo, Elton F.Y. Lee		
	Amendment to the Bank's Regulations Governing Employee Compensation	Tina Y. Lo, Kenneth C.M. Lo, Shih-Tze Chen, Nina Y.C. Lo, Elton F.Y. Lee		
2020.8.21 The 8th Board of Directors in its 3rd meeting	Proposal for reviewing a loan application by one of the Bank's borrowers	Nelson An-Ping Chang	In compliance with Article 33-1 of the Banking Act (Interested Parties)	
	Proposal for making a donation to the Chinese National Association of Industry and Commerce	Tina Y. Lo, Kenneth C.M. Lo, Nelson An-Ping Chang, Shih-Tze Chen, Nina Y.C. Lo	In compliance with Article 14 of the Procedural Rules Governing Board Meetings (Interested Parties)	

Date	Content of Motion	Director	Cause for Avoidance	Participation in Voting
2020.11.4 The 8th Board of Directors in its 4th meeting	Proposal for the appointment of the Bank's 1st Corporate Governance and Nomination Committee members	Tina Y. Lo, Kenneth C.M. Lo, Fu-Hsiung Hu, Hank H.K. Lin, Shih-Tze Chen, Nina Y.C. Lo	In compliance with Article 14 of the Procedural Rules Governing Board Meetings (Interested Parties)	The Bank's directors stand by the principle of recusal and refrain from participating in the discussion of and voting on motions that may cause conflicts of interest.
	Proposal for the establishment of the Bank's Risk Management Committee and appointment of the committee members	Tina Y. Lo, Kenneth C.M. Lo, Roy J.Y. Yeh, Shih-Tze Chen, Nina Y.C. Lo		
	Proposal for making a donation to the National Taiwan University Economic Research Foundation	Tina Y. Lo, Kenneth C.M. Lo, Shih-Tze Chen, Nina Y.C. Lo		
	Proposal for making a donation to the Criminal Investigation and Prevention Association	Tina Y. Lo, Kenneth C.M. Lo, Shih-Tze Chen, Nina Y.C. Lo		
2020.12.23 The 8th Board of Directors in its 5th meeting	2021 Audit plan	Elton F.Y. Lee		
	2021 Internal Auditing Plan for the Concurrent Conducting of Insurance Agent Business	Elton F.Y. Lee		

Note: "Abstention" in this table refers to a director opting to appoint another director as proxy to attend a board meeting on his/her behalf and specifying in the power of attorney abstention from any motion that may make the former an interested party.

3. Evaluation of Board of Directors:

2020 Internal Evaluation of the Performance of Board of Directors and Functional Committees	
Evaluation Cycle	Once a year
Evaluation Period	January 1 to December 31, 2020
Evaluation Scope	Board of Directors, Functional Committees (including Audit Committee, Compensation Committee, and Corporate Governance and Nomination Committee), and Board members (self-assessment)
Evaluation Method	Self-evaluation of Board of Directors, Functional Committees, and Board Members
Evaluation Contents	<p>(1) The Bank's internal evaluation of the performance of the Board of Directors employs 5-point scale: "Excellent (5 points), Very Good (4 points), Good (3 points), Fair (2 points), Needs Improvement (1 point)" for quantified evaluation. The resulting average scores are then used for measurement.</p> <p>(2) The Bank's Board performance evaluation covers 5 aspects:</p> <ul style="list-style-type: none"> A. Participation in company operations B. Improvement on the quality of the board's decision making C. Composition and structure of the board of directors D. Election of directors and continued knowledge development E. Internal control <p>(3) Functional committee performance evaluation covers 5 aspects:</p> <ul style="list-style-type: none"> A. Participation in company operations B. Understanding of the committee members' duties and responsibilities C. Improvement on the quality of the committee's decision making D. Composition of the committees and election of the committee members E. Internal control <p>(4) Board member performance evaluation (self-assessment) covers 6 aspects:</p> <ul style="list-style-type: none"> A. Understanding of company goals and missions B. Understanding of the directors' duties and responsibilities C. Participation in company operations D. Internal relationship management and communications E. Professional qualifications of directors and continued knowledge development F. Internal control

2020 Internal Evaluation of the Performance of Board of Directors and Functional Committees

Evaluation Contents (5) Result of 2020 Performance Evaluation:

A. The average score of Board performance evaluation on each aspect is between 4.69~4.88:

Evaluation Aspect	Average Score
A. Participation in company operations	4.69
B. Improvement on the quality of the board's decision making	4.82
C. Composition and structure of the board of directors	4.85
D. Election of directors and continued knowledge development	4.86
E. Internal control	4.84
F. Others (issues such as fair treatment of clients, personal information management, AML/CFT, information security management, corporate social responsibility, etc.)	4.88

B. The average score of functional committee performance evaluation on each aspect is between 4.87~5 in Audit Committee, 5 in Compensation Committee, and 5 in Corporate Governance and Nomination Committee:

Evaluation Aspect	Average Score of Audit Committee	Average Score of Compensation Committee	Average Score of Corporate Governance and Nomination Committee
A. Participation in company operations	5	5	5
B. Understanding of the committee members' duties and responsibilities	4.87	5	5
C. Improvement on the quality of the committee's decision making	4.95	5	5
D. Composition of the committees and election of the committee members	5	5	5
E. Internal control	4.93	5	5

C. The average score of Board member performance evaluation (self-assessment) on each aspect is between 4.69 ~ 4.88:

Evaluation Aspect	Average Score
A. Understanding of company goals and missions	4.82
B. Understanding of the directors' duties and responsibilities	4.88
C. Participation in company operations	4.81
D. Internal relationship management and communications	4.73
E. Professional qualifications of directors and continued knowledge development	4.69
F. Internal control	4.80

(6) The result of 2020 Performance Evaluation of Board of Directors was approved by the Corporate Governance and Nomination Committee and the Board of Directors on February 24, 2021. The evaluation result would be provided to the Board of Directors and functional committees as reference for continued improvement, and to the Compensation Committee as reference for setting the remuneration for Board and functional committee members. On the whole, the Bank's Board of Directors and functional committees are operating and functioning competently by adequately fulfilling their duties of supervising and advising on the Bank's strategic plans, major business, and risk management. In the meantime, the Board members effectively improve the corporate governance by understanding their responsibilities, participating in the Bank's operations, and providing proper decision-making.

4. Measures taken to strengthen the functionality of the board: The Board of Directors has established an Audit Committee and a Remuneration Committee to assist the board in carrying out its various duties.

A. Improvement of information transparency:

- For better transparency on the Board of Directors: The Bank's (1) important resolutions of the Board are disclosed in the annual reports and on the Bank's website; (2) Board meeting attendance is disclosed in the annual report and on the Market Observation Post System; (3) status of Directors' continuing education is disclosed on the Market Observation Post System.

B. Functional Committees:

- To ensure effective corporate governance, the Bank introduced the Audit Committee to its 5th Board of Directors in accordance with the Securities and Exchange Act in 2011. Three independent directors were called upon to make up the Audit Committee under the Board of Directors, and the Bank's Audit Committee Organizational Rules were enacted accordingly. Also put in place were the Bank's Regulations Governing the Scope of Duties of Independent Directors. On February 26, 2020, the Board of Directors approved amendments to Audit Committee Organizational Rules; on August 21, 2020, the Board of Directors approved amendments to the Regulations Governing the Scope of Duties of Independent Directors.
- To build a comprehensive compensation management mechanism, the Bank established the Compensation Committee under the Board of Directors and adopted the Compensation Committee Organizational Rules in 2009. It was followed by the Board's amendments to the Rules and changing of its Chinese name in 2011. The committee is composed of the entire number of independent directors. In accordance with statutory revisions, the Board of Directors approved amendments to the Compensation Committee Organizational Rules on February 26, 2020.
- To strengthen the director (including independent director) election system and build a diverse and professional Board, the Bank established Corporate Governance and Nomination Committee under the Board of Directors on November 4, 2020, and adopted Corporate Governance and Nomination Committee Organizational Rules. The committee is composed of 3 directors with over half independent directors and its primary duties are to: designate the standard of the Board members and find, review and nominate candidates; set up and review programs for the director continuing education initiative and succession planning; set up the Bank's Corporate Governance Principles and the Bank's Regulations Governing the Performance Evaluation of the Board of Directors; oversee and supervise corporate governance evaluation systems and performance evaluation of the Board, and then report to the Board for review and further improvement.
- To fulfill corporate social responsibility, the Bank established the Corporate Social Responsibility Committee under the Board of Directors. On the front of CSR, the Bank commits itself to the following 6 key areas: corporate governance, customer relations, employee care, environmental protection, social engagement, and green finance. The committee meets regularly to stay up to date with CSR implementation status and effectiveness and files an annual report to the Board of Directors so that the latter can fulfill its supervisory responsibility and examine the Bank's endeavors on this front. Separately, the Bank also set up the Corporate Culture Committee under the Board of Directors to undertake employee care measures and devise corporate culture-related projects. Implementation results, along with the CSR report, are presented

to the Board of Directors, which in turn is responsible for taking the lead to foster the Bank's corporate culture of "benefitting others to fulfill oneself."

C. Enforcement of corporate governance:

- To bolster corporate governance and assist directors in performing their duties, thereby strengthening board functions, the Board of Directors approved adopting O-Bank's Standard Operating Procedures for Handling Director Requests in 2019.
- To accommodate statutory revisions by the competent authority, the Board approved amendments to the Bank's Procedural Rules Governing Board Meetings with regard to defining matters to be resolved at a board meeting that may make directors interested parties on February 26, 2020.
- To build a sound corporate governance system and promote sound business development, the Board of Directors approved O-Bank Co., Ltd. Corporate Governance Principles in 2017. The Principles were amended in tandem with the norms set by the competent authority on December 23, 2020.
- To enhance the bank's board functions and implement corporate governance, the Bank adopted O-Bank's Regulations Governing the Performance Evaluation of the Board of Directors in 2019, specifying that the Board of Directors and functional committees should conduct an internal board performance evaluation at least once a year. Also, the evaluation should be conducted at least once every 3 years by external evaluation institutions or panel of external experts and scholars. In accordance with statutory revisions, the Board of Directors approved amendments to the Regulations on December 23, 2020. The Bank's 2020 Performance Evaluation of Board of Directors was completed and the result was then provided as reference for continued improvement and setting the remuneration for the Board and the functional committees. Furthermore, the Bank intends to commission an independent external agency to conduct board performance evaluation by the end of 2021.

D. Enhancement of Board Functionality:

- To fulfill the Bank's goal of sustainability and commitment to strengthening the functions of the Board of Directors, the Bank, when planning succession candidates for the Board, takes into consideration its diversification policy, the candidates' familiarity to the industry, and the mid- to long-term operation strategies.
- In addition to further promoting its functions and enhance the Bank's corporate governance throughout, the Board of Directors has endorsed the competent authority's guideline over getting aligned with international practices and, through keeping close communication with the Bank's management, helped promote and implement policies with regard to corporate social responsibility, fair treatment of clients, ethical management, AML/CFT, personal information protection, and information security management.

(2) Audit Committee

To ensure effective corporate governance, the Board of Directors adopted the resolution on establishing the Audit Committee in lieu of supervisors and enacted the Audit Committee Organizational Rules on February 24, 2011. Established on June 13 of the same year upon approval of a regular shareholders' meeting, the Audit Committee is composed of the entire number of independent directors.

1. Fair presentation of the Bank's financial statements.
2. Selection (dismissal) of CPAs and their independence and performance.
3. Effective implementation of the Bank's internal control system.
4. The Bank's compliance with applicable laws and regulations.
5. Control of the Bank's existing or potential risks.

The Audit Committee is supposed to perform the following duties:

1. Enact or amend the internal control system and evaluate its effectiveness.
2. Enact or amend the SOP of major financial activities such as acquisition or disposal of assets and derivatives transactions.
3. Review matters in which directors have personal interests.
4. Review major asset or derivatives transactions.
5. Review major instances of lending funds or providing endorsements or guarantees.
6. Review the offering, issuance, or private placement of equity securities.
7. Review the appointment, dismissal, or compensation of CPAs.
8. Review the appointment and dismissal of financial, accounting, or internal audit managerial officers.
9. Review annual financial statements signed or sealed by Chairman, managerial officers, and Head of Accounting, and semi-annual financial statements.
10. Review other major items required by the Bank or the competent authority.

Audit Committee

A total of 5 (A) meetings of the 3rd Audit Committee meetings were held in 2020 (January 1- June 18, 2020). The attendance of independent directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Independent Director	Yue, Thomas C.T.	5	0	100	Convener
Independent Managing Director	Chan, Hou-Sheng	4	0	80	
Independent Director	Liu, Richard R.C.	5	0	100	

A total of 5 (A) meetings of the 4th Audit Committee meetings were held in 2020 (June 19 – December 31, 2020). The attendance of independent directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Independent Director	Lin, Hank H.K.	5	0	100	Convener
Independent Managing Director	Hu, Fu-Hsiung	5	0	100	
Independent Director	Liu, Richard R.C.	5	0	100	

- Examine financial statements

The Board of Directors has compiled and submitted the Bank's consolidated and parent balance sheets, income statements, statements of changes in shareholders' equity, and cash flow statements for 2020 audited by CPAs Yin-Chou Chen and Wang-Sheng Lin of Deloitte & Touche, business report, and statement of distribution of earnings to the Audit Committee. After reviewing the abovementioned statements and reports, the Audit Committee has found them to meet the requirements of applicable laws and regulations.

- Evaluate the effectiveness of the Bank's internal control system

In accordance with the Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking industries and the Regulations Governing the Implementation of Internal Control and Audit System and Business Solicitation System of Insurance Agent Companies and Insurance Broker Companies enacted by the Financial Supervisory Commission, the Bank has established its internal control system, for which three lines of defense are set up to ensure its ongoing and effective operation and the Bank's sound management.

The Audit Committee meets on a regular basis to examine the internal control system adopted or revised by the Bank and evaluate its effectiveness as well as review matters in which directors have personal interests, selection (dismissal) of CPAs, appointment or dismissal of managerial officers charged with accounting or internal audits, and the Bank's financial statements. By also drawing on the Audit Department's inspection reports and routine updates, the Audit Committee stays up to date with the Bank's implementation of auditing affairs and its control mechanism already adopted in order to conduct oversight and correct deficiencies thereof. To ensure the effective operation of the internal control system, the committee also meets with internal audit personnel twice every year to jointly examine internal control deficiencies.

- Engage CPAs

Yin-Chou Chen and Wang-Sheng Lin of Deloitte Taiwan have been the Bank's CPAs from the first quarter of 2019.

In accordance with the Corporate Governance Best-Practice Principles for Banking Industries, the Bank is supposed to evaluate the independence and suitability of CPAs. Before hiring the CPAs of Deloitte Taiwan to audit and certify the Bank's financial and tax statements for 2021 and thereafter, therefore, it was of necessity to evaluate the independence and suitability of the appointed CPAs. The Bank evaluated the independence of its CPAs and presented the result to the Audit Committee and the Board of Directors on December 23, 2020 for review, and both gave their approval.

A summary of the major proposals reviewed by the Audit Committee in 2020 and the results thereof is as follows:

Board meeting	Proposal and subsequent measures	Item listed in Article 14-5 of the Securities and Exchange Act	Item rejected by the Audit Committee but approved by the Board of Directors in a not less than 2/3 majority vote
2020.2.26 The 7th Board of Directors in its 22nd meeting	Amendment to the Bank's Audit Committee Organizational Rules	✓	-
	Amendment to the Bank's Procedural Rules Governing Board Meetings	✓	-
	Adjustment in the Bank's industry risk exposure limits on wholesaling and retailing, transportation and storage, information and communication, and real estate.	✓	-
	Adjustment in the stop-loss ceilings in the Bank's trading book for NCD transactions with the central bank and in its banking book	✓	-
	Proposal to write off bad loans to "XX HK Ltd," "Chase X Development Ltd.," and "XX International Limited"	✓	-
	Examination opinions presented by the Financial Supervisory Commission in its 2019 routine examination of the conducting of business at the Hong Kong Branch and the status of the improvements thereof	✓	-
	Proposal for making a donation to the Chinese National Association of Industry and Commerce	✓	-
	Proposal for making a donation to the O-Bank Education Foundation	✓	-
	Amendment to the Bank's Regulations for Reviewing Authorized Limits of Retail Banking Loans	✓	-
	Establishment of the Bank's Regulations for Qualification Requirements and Screening Procedures Concerning Wealth Management Professional Investors	✓	-
	Amendment to the Bank's Code of Ethical Conduct	✓	-
	Amendment to the Bank's Organizational Rules	✓	-
	Outcome of the Audit Committee's deliberations: (2020.2.26) Unanimous approval by all members		
	The Bank's handling of the Audit Committee's opinion: Unanimous approval by all directors present		
2020.3.19 The 7th Board of Directors in its 23rd meeting	The Bank's Share Repurchase and transfer to employees	✓	-
	The Bank's 2019 business report, and consolidated and parent financial statements	✓	-
	Proposal for 2019 earnings distribution	✓	-
	Outcome of the Audit Committee's deliberations: (2020.3.19) Unanimous approval by all members		
	The Bank's handling of the Audit Committee's opinion: Unanimous approval by all directors present		

Board meeting	Proposal and subsequent measures	Item listed in Article 14-5 of the Securities and Exchange Act	Item rejected by the Audit Committee but approved by the Board of Directors in a not less than 2/3 majority vote
2020.3.25 The 7th Board of Directors in its 24th meeting	Proposal for releasing non-competition restrictions on directors	✓	-
	Amendment to the Bank's Procedural Rules Governing Shareholders' Meetings	✓	-
	Amendment to the Bank's Articles of Incorporation	✓	-
	Amendment to the Bank's Regulations Governing the Scope of Powers in Reviewing Authorized Limits of Loans and the latter's renaming to Regulations Governing the Scope of Powers in Reviewing Authorized Limits of Loans and Financial Transactions	✓	-
	Amendment to the Bank's Regulations Governing the Scope of Powers in Reviewing Limits for AR Buyers	✓	-
	Amendment to the Bank's Regulations for the Control of Aggregate Limit of Loans to Any Single Juridical Person and the latter's renaming to Regulations for the Control of Aggregate Limit of Loans to Any Single Juridical Person/ Conglomerate	✓	-
	Application for a loan by "Hsin X Investment Co., Ltd."	✓	-
	The Bank's 2019 Report on Across-the-Board Evaluation of Money Laundering and Terrorism Financing Risks (headquarter version)	✓	-
	The Bank's 2019 report on Evaluation of Money Laundering and Terrorism Financing Risks on the Bank's Insurance Agent Business	✓	-
	The Bank's 2020 Plan on Control of Money Laundering and Terrorism Financing Risks (headquarter version)	✓	-
	The Bank's 2019 Statement on the Design and Implementation of its AML/CFT Internal Control System as well as the AML/CFT Internal Control Statement	✓	-
	The Bank's 2019 Internal Control System Statement and the Internal Control System Statement for the Concurrent Conducting of Insurance Agent Business	✓	-
	Amendment to the Bank's 2020 audit plan	✓	-
	Amendment to the Regulations for the Delegation of Responsibility for Extending Loans and Making Investment and for the Use of Rewards and Discipline	✓	-
	Amendment to the Bank's Corporate Social Responsibility Best Practice Principles	✓	-
	Amendment to the Bank's Procedures for Ethical Management and Guidelines for Conduct	✓	-
	Amendment to the Bank's Working Regulations	✓	-
	Hike in the Bank's aggregate stop-loss ceiling for 2020 and adjustment in sub-ceilings for individual products	✓	-
	Outcome of the Audit Committee's deliberations: (2020.3.25) Unanimous approval by all members		
	The Bank's handling of the Audit Committee's opinion: Unanimous approval by all directors present		
2020.4.29 The 7th Board of Directors in its 25th meeting	The Bank's 2020 consolidated financial statements for the 1st quarter	✓	-
	Proposal for releasing non-competition restrictions on candidates for directors and their juristic-person directors of the 8th term	✓	-
	Amendment to the Bank's Lending Policy	✓	-
	Amendment to the Bank's Regulations for the Control of Lending Limits on Individual Financial Institutions	✓	-
	Proposal to write off bad loans to "XX Lee" and 38 other borrowers	✓	-
	Self-assessment of the Bank's implementation of "Fair Treatment of Customers" in 2019	✓	-
	Amendment to the Bank's Principles for Fair Treatment of Customers	✓	-
	Outcome of the Audit Committee's deliberations: (2020.4.29) Unanimous approval by all members		
	The Bank's handling of the Audit Committee's opinion: Unanimous approval by all directors present		

Board meeting	Proposal and subsequent measures	Item listed in Article 14-5 of the Securities and Exchange Act	Item rejected by the Audit Committee but approved by the Board of Directors in a not less than 2/3 majority vote
2020.7.7 The 8th Board of Directors in its 2nd meeting	Amendment to the Bank's Regulations Governing Internal Control System for the Concurrent Conducting of Securities Business and Implementation Rules for Internal Audit of Proprietary Bond Trading	✓	-
	Proposal to conduct issuance of the Bank's common shares through cash capital increase in 2020	✓	-
	Amendment to the Bank's Regulations Governing Share Repurchase	✓	-
	Application for a loan by "Grand XX Investment & Development Co., Ltd."	✓	-
	Application for a change in the terms of an existing loan by "Cheng XX Development Co., Ltd."	✓	-
	Proposal to write off bad loans to "XX Yang" and 17 other borrowers	✓	-
	Proposal to sell the NPL incurred by the Bank's corporate borrower "XX International Limited"	✓	-
	Amendment to the Bank's Regulations for the Control of Lending Limits on Individual Financial Institutions and its Derivatives	✓	-
	The Bank's 2020 lending limits on individual financial institutions and its derivatives	✓	-
	Amendment to the Bank's Lending Policy	✓	-
	Amendment to the Bank's Regulations for Trading Book and Banking Book Management	✓	-
	Division of the Bank's ceiling for forex trading to "intraday position ceiling" and "overnight position ceiling" and hike in the ceiling for strategic equity holdings	✓	-
	Amendments to the Bank's Recovery Plan for the Hong Kong Branch	✓	-
	Proposal to grant unsecured lending for the Hong Kong Branch	✓	-
	Amendment to the Bank's Regulations for the Pricing of Derivatives, which was renamed Guidelines for the Pricing of Derivative	✓	-
	Amendment to the Bank's Regulations Governing Suitability of Financial Derivatives	✓	-
	Amendment to the Bank's Regulations Governing the Sale of Structured Products, which was renamed Guidelines for the Sale of Structured Products	✓	-
	Adoption of the Bank's Guidelines for Authorizing Designated Foreign Exchange Branches to Recommend Financial Derivatives	✓	-
	Amendment to the Bank's Regulations for Handling Financial Dealings With Conglomerate Affiliates and Interested Parties	✓	-
	Proposal for making a donation to the Eisenhower Fellows Association in the R.O.C.	✓	-
	The Bank's handling of the Audit Committee's opinion: (2020.7.7) Unanimous approval by all directors present		
	The Bank's handling of the Audit Committee's opinion: Unanimous approval by all directors present		

Board meeting	Proposal and subsequent measures	Item listed in Article 14-5 of the Securities and Exchange Act	Item rejected by the Audit Committee but approved by the Board of Directors in a not less than 2/3 majority vote
2020.8.21	The Bank's consolidated and parent financial statements for first half of 2020	✓	-
The 8th Board of Directors in its 3rd meeting	Amendment to the Bank's Audit Committee Organizational Rules	✓	-
	Amendment to the Bank's Regulations Governing the Scope of Duties of Independent Directors	✓	-
	Amendment to the Bank's Whistleblowing Policy	✓	-
	Amendment to the Bank's Regulations for Managing the Risk in Trading Bonds/Bills, Interest Rates, and Credit Derivatives	✓	-
	Amendment to the Bank's Regulations for Appraising Collateral	✓	-
	Amendment to the Bank's Lending Policy	✓	-
	Proposal to write off bad loans to "XX Lee" and 18 other borrowers	✓	-
	Declaration to assume the collateralized land of NPL account holder "New XX Inc." in the event of a failed tender process approved by the court	✓	-
	Proposal to sell the NPL incurred by the Hong Kong Branch's borrower "XX Holding Company Limited"	✓	-
	Proposal to sell the NPL incurred by and to write off bad loans to the Hong Kong Branch's borrower "XX Fu"	✓	-
	Application for a loan by "XX Chemical Corp."	✓	-
	Proposal for making a donation to the Chinese National Association of Industry and Commerce	✓	-
	Amendment to the Bank's Corporate Social Responsibility Principles	✓	-
	Amendment to the Bank's Regulations Governing the Review of Making Donations	✓	-
	Amendment to the Bank's Corporate Culture Committee Organizational Rules	✓	-
	Amendment to the Bank's Regulations for Qualification Requirements and Screening Procedures Concerning Wealth Management Professional Investors	✓	-
	Amendment to the Bank's Code of Ethical Conduct	✓	-
	Amendment to the Bank's Organizational Rules	✓	-
	Amendment to the Bank's Delegation of Responsibility Chart	✓	-
	Outcome of the Audit Committee's deliberations: (2020.8.21) Unanimous approval by all members		
	The Bank's handling of the Audit Committee's opinion: Unanimous approval by all directors present		

Board meeting	Proposal and subsequent measures	Item listed in Article 14-5 of the Securities and Exchange Act	Item rejected by the Audit Committee but approved by the Board of Directors in a not less than 2/3 majority vote
2020.11.4	The Bank's consolidated financial statements for the third quarter of 2020	✓	-
The 8th Board of Directors in its 4th meeting	Establishment of the Bank's Corporate Governance and Nomination Committee and Adoption of Corporate Governance and Nomination Committee Organizational Rules	✓	-
	Establishment of the Bank's Risk Management Committee and Adoption of Risk Management Committee Organizational Rules	✓	-
	Amendment to the Bank's Risk Management Policy	✓	-
	Amendment to the Bank's Regulations Governing Lending to Interested Parties and change of the Regulation's Chinese name	✓	-
	Amendment to the Bank's Regulations for the Control of Aggregate Credit Risk Assumed on Any Single Business/Conglomerate	✓	-
	Amendment to the Bank's Regulations for Managing Liquidity and Interest Rate Sensitivity Risks	✓	-
	Proposal to sell the NPL incurred by and to write off bad loans to Hong Kong branch's borrower "XX Fu"	✓	-
	Proposal to write off bad loans to "New XX Inc.," "XX Koo," and 15 other borrowers	✓	-
	Application for a loan by "San X Investment Co., Ltd."	✓	-
	Application for a general AR credit limit by "Ho X Co., Ltd."	✓	-
	Application for a loan by "Cheng X Development Co., Ltd."	✓	-
	Application for a loan by "Guo X Construction Co., Ltd."	✓	-
	Adoption of the Bank's Fair Treatment to Customers Committee Organizational Rules	✓	-
	Amendment to the Bank's Guidelines for Fair Treatment of Customers	✓	-
	The Bank's 2019 Report on Across-the-Board Evaluation of Money Laundering and Terrorism Financing Risks (bank-wide version)	✓	-
	Adoption of the Bank's Handling Procedures for Concurrently Acting as Brokerage and Trading Foreign Bonds	✓	-
	Amendment to the Bank's Product Suitability Policy on Concurrent Conducting of Securities Business	✓	-
	Amendment to the Bank's Regulations Governing Internal Control System for the Concurrent Conducting of Securities Business and the Implementation Rules Governing Internal Audits for the Concurrent Conducting of Securities Business	✓	-
	Adoption of the Bank's Regulations for OBU's Handling Non-Discretionary Money Trust Investment in Foreign Currency Securities	✓	-
	Amendment to the Bank's Internal Control System for Undertaking Non-Discretionary Money Trust for Investment	✓	-
	Amendment to the Bank's Regulations for Managing Insurance Business Solicitation Mechanisms and Procedures	✓	-
	Amendment to the Bank's Corporate Social Responsibility Best Practice Principles	✓	-
	Proposal for making a donation to the National Taiwan University Economic Research Foundation	✓	-
	Proposal for making a donation to the Criminal Investigation and Prevention Association	✓	-
	Adoption of the Bank's Intellectual Property Right Management Policy	✓	-
	Proposal for extending the rental of the Bank's headquarters building to affiliate China Bills Finance Corp.	✓	-
	Outcome of the Audit Committee's deliberations: (2020.11.4) Unanimous approval by all members		
	The Bank's handling of the Audit Committee's opinion: Unanimous approval by all directors present		

Board meeting	Proposal and subsequent measures	Item listed in Article 14-5 of the Securities and Exchange Act	Item rejected by the Audit Committee but approved by the Board of Directors in a not less than 2/3 majority vote
2020.12.23 The 8th Board of Directors in its 5th meeting	Evaluation of CPA independence and suitability as well as appointment of Deloitte & Touche's CPAs for auditing and certifying the Bank's financial and tax reports from 2021	✓	-
	Amendment to the Bank's Corporate Governance Principles	✓	-
	Amendment to the Bank's Regulations Governing the Performance Evaluation of the Board of Directors	✓	-
	Amendment to the Bank's Internal Regulations Governing the Holding of Concurrent Positions by Responsible Persons	✓	-
	Report on improvements based on examination opinions presented by the Financial Supervisory Commission in its 2018 routine examination of the Bank's conducting of business	✓	-
	Result of the Bank's evaluation of subsidiaries done by audits in 2020	✓	-
	The Bank's 2021 audit plan	✓	-
	The Bank's 2021 Internal Audit Plan for Concurrent Conducting of Insurance Agent Business	✓	-
	Amendment to the Bank's Whistleblowing Policy	✓	-
	The O-Bank Group's AML/CFT Plan for 2020	✓	-
	The Bank's 2020 report on self-evaluation of personal information protection	✓	-
	Amendment to the Bank's Regulations for Appraising Collateral	✓	-
	Amendment to the Bank's Guidelines for Managing Credit Risk	✓	-
	Adjustment in the Bank's industry risk exposure limits for 2021	✓	-
	Amendment to the Bank's Assets and Liabilities Management Committee Organizational Rules	✓	-
	Adoption of the Bank's 2021 guidelines for the management of market risk	✓	-
	Adoption of the Bank's 2021 guidelines for the management of liquidity and interest rate sensitivity risks	✓	-
	Amendment to the Bank's Regulations for Managing Operational Risk	✓	-
	Proposal to write off bad loans to borrowers "XX Fu," "XX Tu," and 27 other borrowers		
	Proposal to write off bad loans to "Nan XX Co., Ltd.," "XX Limited," and "XX Co., Ltd."	✓	-
	Adoption of the Bank's Business Plan for OBU to Deal in Bond Trading	✓	-
	Amendment to the Bank's Product Suitability Policy on Concurrent Conducting of Securities Business	✓	-
	Amendment to the Bank's Regulations Governing Internal Control System for the Concurrent Conducting of Securities Business	✓	-
	Review report on the Bank's derivatives business strategy, operating guidelines, and performance in 2020	✓	-
	Amendment to the Bank's Stewardship Principles and Compliance Statement on Stewardship Principles for Institutional Investors	✓	-
	Amendments to the Bank's Regulations Governing the Management of Invested Companies	✓	-
	Amendment to the Bank's Retail Banking Data Governance Policy	✓	-
	Adoption of Hong Kong Branch's Code of Conduct	✓	-
	Amendment to the Bank's Organizational Rules	✓	-
	Amendment to the Bank's Delegation of Responsibility Chart	✓	-
	Outcome of the Audit Committee's deliberations: (2020.12.23) Unanimous approval by all members		
	The Bank's handling of the Audit Committee's opinion: Unanimous approval by all directors present		

Other mentionable items:

1. In the event that any matter listed in Article 14-5 of the Securities and Exchange Act has failed to secure the approval of the Audit Committee but has won the consent of two-thirds or more of all directors, the date of the given board meeting, term of the board, contents of the matter, outcome of the Audit Committee's deliberations, and the Company's handling of the Audit Committee's opinion shall be recorded in the minutes of the aforesaid board meeting: None (please refer to the table above).
2. If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None.
3. Communications between the independent directors, the Company's chief internal auditor and CPAs
 - (1) Communication between the chief internal auditor and independent directors:
 - A. In addition to submitting updates of its work to independent directors, the Auditing Department communicates with independent directors at audit seminars held twice a year; the minutes of such seminars are presented to the Board of Directors.
 - B. Each year the Bank issues a statement on internal control, which will be submitted to the Board of Directors for approval after being examined by the Audit Committee.
 - C. The reports compiled by the Auditing Department after its audits of the Bank's departments and subsidiaries are submitted to independent directors.
 - D. With respect to the opinions of and shortfalls detected by financial examination agencies, CPAs, internal audit units, and various departments after self-audits, as well as the items specified by the Statement on Internal Control as in need of improvement, the Auditing Department is responsible for conducting follow-up examination and submitting reports on the status of improvement to the Audit Committee and Board of Directors.
 - E. Before a fiscal year runs its course, the Auditing Department is supposed to present the audit plan for the following year to the Audit Committee for review and to the Board of Directors for approval.
 - F. The Bank's chief auditor has maintained smooth communication with independent directors who, in turn, have been able to keep track of the Bank's implementation of audit operations and the result thereof.

An extract with respect to the aforesaid communication in 2020 is as follows:

Date	Means	Counterparty	Subject	Outcome
2020.2.26	The 3rd Audit Committee in its 22nd meeting	The Bank's Chief Auditor	Report on Improvements Based on Examination Opinions (Table A) with respect to the 2019 routine examination undertaken by the Financial Supervisory Commission of the Hong Kong's conducting of business (follow-up)	No objection; submitted to the Board of Directors for examination
			Report on Improvements Based on Examination Opinions (Table B) with respect to the 2019 routine examination undertaken by the Financial Supervisory Commission of the Hong Kong's conducting of business (follow-up)	Approved for reference
			Report on Improvements Based on Examination Opinions (Table B) with respect to the 2019 special examination undertaken by the Financial Supervisory Commission of the Bank's extending loans to the New Site Industries Group (follow-up)	Approved for reference
			Report on Improvements Based on Examination Opinions (Table B) with respect to the 2018 routine examination undertaken by the Financial Supervisory Commission of the Bank's conducting of business (follow-up)	Approved for reference
			Examination opinions presented by the Central Bank in its 2019 special examination of the Bank's handling of foreign exchange transfer telegrams or messages and the status of the improvements thereof (follow-up)	Approved for reference
			The Bank's conducting audit operations in 2019	Approved for reference
	A seminar on audit affairs	The Bank's Chief Auditor And Auditing Department personnel	Review of the Bank's internal control system deficiencies for the second half of 2019	1. Implemented as proposed 2. Approved by the 7th Board of Directors in its 24th meeting on March 25, 2020
2020.3.25	The 3rd Audit Committee in its 24th meeting	The Bank's Chief Auditor	Amendment to the Bank's 2020 audit plan	No objection; submitted to the Board of Directors for examination
			The Bank's Internal Control System Statement for 2019 (including the Bank's concurrent conducting of insurance agent business)	No objection; submitted to the Board of Directors for examination
			CPA report on the Bank's implementation of negotiations with regard to its internal control system in 2019 (including the Bank's concurrent conducting of insurance agent business)	Approved for reference
			Report on Improvements Based on Examination Opinions (Table B) with respect to the 2019 routine examination undertaken by the Financial Supervisory Commission of the Hong Kong's conducting of business (follow-up)	Approved for reference
2020.4.29	The 3rd Audit Committee in its 25th meeting	The Bank's Chief Auditor	Report on Improvements Based on Examination Opinions (Table B) with respect to the 2019 routine examination undertaken by the Financial Supervisory Commission of the Hong Kong's conducting of business (follow-up)	Approved for reference
			The Bank's conducting audit operations in the first quarter of 2020	Approved for reference

Date	Means	Counterparty	Subject	Outcome
2020.7.7	The 4th Audit Committee in its 2nd meeting	The Bank's Chief Auditor	Report on Improvements Based on Examination Opinions (Table B) with respect to the 2019 routine examination undertaken by the Financial Supervisory Commission of the Hong Kong's conducting of business (follow-up)	Approved for reference
			Report on Improvements Based on Examination Opinions with respect to the 2019 examination undertaken by the Hong Kong Monetary Authority of the Hong Kong Branch's compliance with the Deposit Protection Scheme Ordinance	Approved for reference
			Report on Improvements Based on Examination Opinions with respect to the 2020 special examination undertaken by Central Deposit Insurance Corp. of the Bank's filing of electronic data and its deposit insurance premium base	Approved for reference
2020.8.21	The 4th Audit Committee in its 3rd meeting	The Bank's Chief Auditor	Report on Improvements Based on Examination Opinions (Table B) with respect to the 2020 special examination undertaken by the Financial Supervisory Commission of the Bank's conducting internal control of the dealing room	Approved for reference
			Report on Improvements Based on Examination Opinions (Table B) with respect to the 2020 special examination undertaken by the Financial Supervisory Commission of the Bank's conducting liquidity risk management	Approved for reference
			Report on Improvements Based on Examination Opinions (Table B) with respect to the 2019 routine examination undertaken by the Financial Supervisory Commission of the Hong Kong's conducting of business (follow-up)	Approved for reference
			The Bank's conducting of audit operations in the first half of 2020	Approved for reference
			Special audit report on the Bank's outsourcing of its SFDC cloud services in 2020	Approved for reference
			Amendment to the Bank's Regulations for Handling Whistleblower Reports	No objection; submitted to the Board of Directors for examination
	A seminar on audit affairs	The Bank's Chief Auditor and Auditing Department personnel	Review of the Bank's internal control system deficiencies and supervision of auditing operations at overseas branches in the first half of 2020	1. Implemented as proposed 2. Approved by the 8th Board of Directors in its 4th meeting on November 4, 2020
2020.11.4	The 4th Audit Committee in its 4th meeting	The Bank's Chief Auditor	Report on Improvements Based on Examination Opinions (Table B) with respect to the 2019 routine examination undertaken by the Financial Supervisory Commission of the Hong Kong's conducting of business (follow-up)	Approved for reference
			Report on Improvements Based on Examination Opinions (Table B) with respect to the 2020 special examination undertaken by the Financial Supervisory Commission of the Bank's conducting internal control of the dealing room (follow-up)	Approved for reference
			The Bank's conducting of audit operations in the third quarter of 2020	Approved for reference

Date	Means	Counterparty	Subject	Outcome
2020.12.25	The 4th Audit Committee in its 5th meeting	The Bank's Chief Auditor	Report on Improvements Based on Examination Opinions (Table A) with respect to the 2018 routine examination undertaken by the Financial Supervisory Commission of the Bank's conducting of business (follow-up)	No objection; submitted to the Board of Directors for examination
			Results of the Bank's evaluation of subsidiaries done by audits in 2020	No objection; submitted to the Board of Directors for examination
			The Bank's audit plan for 2021	No objection; submitted to the Board of Directors for examination
			The Bank's 2021 Internal Audit Plan for Concurrent Conducting of Insurance Agent Business	No objection; submitted to the Board of Directors for examination
			Amendment to the Bank's Regulations for Handling Whistleblower Reports	No objection; submitted to the Board of Directors for examination
			Report on Improvements Based on Examination Opinions (Table B) with respect to the 2019 routine examination undertaken by the Financial Supervisory Commission of the Hong Kong's conducting of business (follow-up)	Approved for reference
			Report on the Bank's routine audit of outsourcing its SFDC cloud service platform in 2020	Approved for reference
			Results of the Bank's evaluation of internal units done by audits in 2020	Approved for reference

(2) Communication between CPAs and independent directors:

By means of briefing at quarterly meetings, certified public accountants Yin-Chou Chen and Wang-Sheng Lin of Deloitte & Touche report to and communicate with the Audit Committee about matters related to their auditing and attesting to the Bank's financial statements.

A summary of the communication between CPAs and independent directors as well as the reports presented therein in 2020 is as follows:

Date	Means	Counterparty	Subject	Outcome
2020.3.19	The 3rd Audit Committee in its 23rd meeting	CPA	Auditing of 2019 consolidated and parent financial statements and key audit items	No objection; submitted to the Board of Directors for examination
2020.4.29	The 3rd Audit Committee in its 25th meeting	CPA	Reviewing of consolidated financial statements for the first quarter of 2020	No objection; submitted to the Board of Directors for examination
2020.5.19	The 3rd Audit Committee in its 26th meeting	CPA	Compilation of 2019 financial statements and reports for the Board of Directors to present to the Shareholders' Meeting	No objection; submitted to the Shareholders' Meeting for ratification
2020.8.21	The 4th Audit Committee in its 3rd meeting	CPA	Auditing of consolidated and parent financial statements for the first half of 2020 and key audit items	No objection; submitted to the Board of Directors for examination
2020.11.4	The 4th Audit Committee in its 4th meeting	CPA	Reviewing of consolidated financial statements for the third quarter of 2020	No objection; submitted to the Board of Directors for examination

(3) Disclosures required under the Banking Industry Corporate Governance Best-Practice Principles

Please refer to the Bank's website (<https://www.o-bank.com>) and the Market Observation Post System (<https://mops.twse.com.tw>).

(4) Corporate Governance Implementation Status and Deviations from the Corporate Governance Best Practice Principles for Banks

Item Evaluated	Status			Deviations (if any) from the Corporate Governance Best-Practice Principles for Banks and reasons for such discrepancies
	Yes	No	Brief Explanation	
1. Shareholding Structure and Shareholders' Equity				None
(1) Does the Bank enact a set of internal operational procedures for handling shareholder proposals, doubts, disputes, and litigations, as well as act in accordance with the said procedures?	✓		(1) On the Bank's website, the section for investors contains "Contact Us" and the section for corporate governance offers direct access to services meant specifically for stakeholder-shareholders. Shareholders may, by phone or email, present proposals, doubts, disputes, and litigations, and the Bank's designated personnel will respond to them as warranted.	
(2) Does the Bank have access to the major shareholders who have actual control over the Bank as well as that of their ultimate control persons?	✓		(2) As required by regulations, the Bank files monthly reports on stockholding changes of major shareholders. Verification of the roster of shareholders is conducted to coincide with book closure, thereby taking hold of the stockholding of the major shareholders who have actual control over the Bank. Also, the Bank discloses related legal announcement and such forms on its website to make public to general shareholders, thereby taking hold of the list of the major shareholders' ultimate control persons.	
(3) Does the Bank establish and implement risk management and firewall mechanisms for its dealings with affiliated businesses?	✓		(3) The Bank and its affiliated businesses have in place clearly defined division of management duties and powers. The O-Bank Co., Ltd. Regulations on Investee Management is enacted precisely for this purpose.	

Item Evaluated	Status			Deviations (if any) from the Corporate Governance Best-Practice Principles for Banks and reasons for such discrepancies
	Yes	No	Brief Explanation	
2. Composition and Duties of the Board of Directors				None
(1) Besides setting up the Compensation Committee and Audit Committee, as required by law, does the Bank voluntarily establish other functional committees?	✓		(1) In addition to setting up the Compensation Committee and Audit Committee, as required by law, the Bank has established the Corporate Governance and Nomination Committee, Corporate Social Responsibility Committee, and Corporate Culture Committee.	
(2) Does the TSEC/TPEx listed Bank enact regulations and methods for evaluating Board of Directors performance, conduct such evaluation on an annual basis, present evaluation results to the Board of Directors, and use these as reference for considering the remuneration and reelection nomination of each director?	✓		(2) To further improve corporate governance, bolster the Board of Directors, and establish goals for strengthening its operations, the 7th Board of Directors enacts the Bank's Regulations Governing the Performance Evaluation of the Board of Directors in its 18th meeting on June 26, 2019. The Board of Directors and functional committees should conduct an internal performance evaluation at least once a year. Also, the evaluation should be conducted at least once every 3 years by external evaluation institutions or panel of external experts and scholars. In the first quarter of 2021, the Bank completed the 2020 Performance Evaluation of the Board of Directors, the result of which was reported to the 1st meeting of the 3rd Corporate Governance and Nomination Committee and the 6th meeting of the 8th Board of Directors on February 24, 2021. All in all, the Board of Directors and functional committees have operated smoothly and fulfilled the responsibility of guiding and supervising the Bank's strategy implementation, major operations, and risk management. Fully aware of their duties, directors actively engage in corporate operations and deliver fitting decisions, thereby helping enhance governance quality. The result of the aforesaid evaluation is not only intended for the reference of the Board of Directors and functional committees in striving for improvement but also taken into account alongside the Bank's business performance, director involvement in corporate operations, and director contributions and responsibilities as the basis for setting director remuneration. Meanwhile, the Bank is ready to undertake timely review, whenever this is warranted by the state of business and applicable laws and regulations, to ensure that the Bank's business guidelines remain compatible with its commitment to corporate governance.	
(3) Does the Bank evaluate the independence of its CPAs on a regular basis?	✓		(3) The Bank evaluates the independence of its CPAs on an annual basis and presents the result to the Audit Committee and the Board of Directors for review and approval. Yin-Chou Chen and Wang-Sheng Lin of Deloitte Taiwan have been the Bank's CPAs since the first quarter of 2019. The Bank evaluated the new appointments and presented the result to the Audit Committee and the Board of Directors on December 23, 2020 for review, and both gave their approval. CPAs Yin-Chou Chen and Wang-Sheng Lin of Deloitte Taiwan were found to meet the Bank's criteria of independence and thus qualify as the Bank's CPAs. The Bank also secured the required statements from both CPAs.	

Item Evaluated	Status			Deviations (if any) from the Corporate Governance Best-Practice Principles for Banks and reasons for such discrepancies
	Yes	No	Brief Explanation	
3. Does the Bank appoint a reasonable number of eligible corporate governance personnel and place a managerial officer in charge of corporate governance affairs (including but not limited to preparation of materials for directors and supervisors to perform their duties, assistance to directors and supervisors for legal compliance, undertaking of matters related to board meetings and shareholders' meetings, and compilation of board and shareholders' meeting minutes)?	✓		<p>The corporate governance subcommittee under the Corporate Social Responsibility Committee is served by Corporate Secretariat and is charged with the responsibility of implementing the Bank's corporate governance operations, including enacting the Bank's guiding principles for business development and handling corporate governance affairs related to ethical management and risk management. In particular, these include legal compliance, transparency of information disclosure, information protection, and protection of shareholder rights and interests.</p> <p>On December 27, 2017, the Board of Directors enacted the O-Bank Co., Ltd. Corporate Governance Principles to further bolster the Bank's corporate governance system. The said principles spell out endeavors to ensure legal compliance and upgrade internal management, protect shareholder rights and interests, strengthen the functions of the Board of Directors, maximize the functions of the Audit Committee, honor the rights and interests of interested parties, and increase the transparency of information disclosure.</p> <p>Separately, the Board of Directors approved the appointment of Vice President Chang, Wesley S.C. as the Bank's head of corporate governance on February 27, 2019; he had previously accumulated a managerial experience with respect to legal, stock, or meeting affairs at a public company for more than three years. The Bank's head of corporate governance is charged with providing information needed for directors to perform their duties; helping directors comply with applicable laws and regulations, assume office, and continue to undergo training; undertaking matters in relation to Board of Directors and shareholders' meetings and produce the minutes thereof; and conducting other duties prescribed in the Articles of Incorporation and relevant contracts.</p> <p>A summary of the duties performed in 2020 is as follows:</p> <ol style="list-style-type: none"> 1. Assist directors and independent directors in performing their duties and providing the information needed as well as make arrangements for their training. : <ol style="list-style-type: none"> (1) Bring members of the Board of Directors up to date with the latest statutory developments in the areas of corporate management and governance on a regular basis. (2) Determine the classification levels of relevant information based on which to provide directors with such and help facilitate communication between directors and heads of various business departments. (3) Assist directors and independent directors in setting annual training programs and scheduling courses based on the Bank's business characteristics and their educational and occupational backgrounds. 2. Help ensure the compliance of procedures and resolutions of Board of Directors and shareholders' meetings : <ol style="list-style-type: none"> (1) Ascertain whether Board of Directors and shareholders' meetings comply with applicable laws and corporate governance principles. (2) Remind directors of applicable laws and regulations they are supposed to comply with over the course of performing duties or before the Board of Directors adopts any resolution; speak up when the Board of Directors adopts any illegal resolution. (3) Handle publication of major resolutions adopted by the Board of Directors, a process in which priority shall be given to ensuring information legality and accuracy so as not to result in information asymmetry for investors. 3. Draft the agenda of a scheduled Board of Directors meeting and present it to directors by the statutory deadline; convene the said meeting and provide the materials thereof. 4. Register the date of a scheduled shareholders' meeting in advance, as required by law, and compile the meeting notice, agenda handbook, and meeting minutes by the statutory deadlines; register any amendment to the Articles of Incorporation or reelection of directors. 	None

Item Evaluated	Status			Deviations (if any) from the Corporate Governance Best-Practice Principles for Banks and reasons for such discrepancies																								
	Yes	No	Brief Explanation																									
			<p>5. Formulate and implement the Bank’s ethical management policy and preventive measures thereof as well as report to the Board of Directors on a regular basis.</p> <p>A summary of the Bank’s implementation of ethical management in 2020 is as follows :</p> <p>(1) Implement quantitative indicators for ethical management.</p> <p>(2) Establish a mechanism for assessing the risk of unethical conduct.</p> <p>(3) Stand by the Bank’s ethical management policy.</p> <p>(4) Complete ethical management promotion and training.</p> <p>(5) Implement the Bank’s reporting system faithfully.</p> <p>(6) Conduct audits of ethical management and evaluation of the effectiveness thereof.</p> <p>A summary of the Bank’s training for the head of corporate governance in 2020 is as follows:</p> <table><tr><th>Date</th><th>Organizer</th><th>Course</th><th>Hour</th></tr><tr><td>8/14</td><td>Corporate Operation Association</td><td>M&A and Corporate Governance Practices</td><td>3</td></tr><tr><td>8/28</td><td>The Bankers Association of R.O.C.</td><td>Building an Across-the-Bank Compliance Mechanism—Migrating Toward Corporate Governance 3.0</td><td>3.5</td></tr><tr><td>10/13</td><td>Corporate Operation Association</td><td>Recent Examples of Procedural Disputes in Board/ Shareholders’ Meetings When Managerial Control is being Contested</td><td>3</td></tr><tr><td>10/19</td><td>Corporate Operation Association</td><td>Acquisition and Structure of Shareholders’ and Voting Rights When Managerial Control is being Contested</td><td>3</td></tr><tr><td>11/5</td><td>Taiwan Corporate Governance Association</td><td>10 Lessons in Corporate Governance</td><td>3</td></tr></table>	Date	Organizer	Course	Hour	8/14	Corporate Operation Association	M&A and Corporate Governance Practices	3	8/28	The Bankers Association of R.O.C.	Building an Across-the-Bank Compliance Mechanism—Migrating Toward Corporate Governance 3.0	3.5	10/13	Corporate Operation Association	Recent Examples of Procedural Disputes in Board/ Shareholders’ Meetings When Managerial Control is being Contested	3	10/19	Corporate Operation Association	Acquisition and Structure of Shareholders’ and Voting Rights When Managerial Control is being Contested	3	11/5	Taiwan Corporate Governance Association	10 Lessons in Corporate Governance	3	
Date	Organizer	Course	Hour																									
8/14	Corporate Operation Association	M&A and Corporate Governance Practices	3																									
8/28	The Bankers Association of R.O.C.	Building an Across-the-Bank Compliance Mechanism—Migrating Toward Corporate Governance 3.0	3.5																									
10/13	Corporate Operation Association	Recent Examples of Procedural Disputes in Board/ Shareholders’ Meetings When Managerial Control is being Contested	3																									
10/19	Corporate Operation Association	Acquisition and Structure of Shareholders’ and Voting Rights When Managerial Control is being Contested	3																									
11/5	Taiwan Corporate Governance Association	10 Lessons in Corporate Governance	3																									
4. Has the Bank established channels for communicating with stakeholders (including but not limited to shareholders, employees, customers, and suppliers), assigned a stakeholder section on its website, and addressed major corporate social responsibility issues that stakeholders are concerned about in a proper manner?	✓		<p>The Bank’s website has a section meant specifically for stakeholders with a view to providing customers, shareholders, employees, suppliers, the media, and government agencies with comprehensive information, reflecting the Bank’s commitment to taking their rights and interests seriously and ensuring smooth communication with them.</p>	None																								

Item Evaluated	Status			Deviations (if any) from the Corporate Governance Best-Practice Principles for Banks and reasons for such discrepancies
	Yes	No	Brief Explanation	
5. Information Disclosure				None
(1) Does the Bank install a website for disclosing information on finances, operations, and corporate governance?	✓		(1) The Bank has installed a corporate website to disclose information with regard to financial operations, corporate governance, and other material matters. The Bank also conducts information publication and disclosure on the Market Observation Post System in accordance with applicable regulations.	
(2) Does the Bank adopt other means of information disclosure (such as installing an English website, designating personnel to collect and disclose material information, appointing a spokesperson to communicate with the general public, and making public the recordings of investor briefings on its website)?	✓		(2) The Bank's corporate website is presented in both Chinese and English for the reference of overseas investors. A dedicated department is charged with the collection and disclosure of information. The Bank has also appointed a spokesperson and an acting spokesperson who are responsible for announcing financial information and information with regard to corporate operations in a timely fashion. Meanwhile, information with regard to presentations at the Bank's investor briefings is made public and disclosed on both its website and the Market Observation Post System in accordance with applicable regulations.	
3. Does the Bank, in accordance with applicable provisions of the Banking Act and the Securities and Exchange Act, publish and report its annual financial statements by the specified deadline after the end of a fiscal year, and publish and report, by the respective specified deadlines, its financial statements for the first, second, and third quarters of the current year as well as its operating results of each month before the specified deadline?	✓		(3) The Bank, in accordance with applicable provisions of the Banking Act and the Securities and Exchange Act, publishes and reports its financial statements for the most recent fiscal year and for the first, second, and third quarters of the current year as well as its operating results of each month before the respective specified deadlines.	
6. Is there other important information that can facilitate better understanding of the Bank's corporate governance practices (including but not limited to employee rights and interests, employee care, investor relations, rights and interests of interested parties, records of training for directors and supervisors, implementation of risk management policy and risk evaluation criteria, implementation of customer relations policy, purchases of professional indemnity insurance for directors and supervisors, and donations to political parties, stakeholders, and charitable groups)?	✓		<p>(1) Employee rights and interests and employee care:</p> <p>The Bank gives priority to employee rights and interests and devotes itself toward employee care. In addition to having employees covered by labor and national health insurance, as dictated by law, the Bank also provides employees with group insurance and periodic health examinations. The Bank also appropriates funds, as stipulated by law, for the establishment of an employee welfare committee that offers information regarding cultural and artistic activities and sponsors various group activities to promote employee wellbeing and facilitate their holistic development. To further cement employee identification with the Bank, the Employee Shareholders Association has been formed. Employees are encouraged to save over the long term and prepare for retirement by holding the Bank's shares and sharing in its growth.</p> <p>(2) Investor relations:</p> <p>The Bank's website comes with an investor section that provides investors with real-time information concerning corporate updates, finances, stock affairs, investor activities and services, etc.</p> <p>(3) Rights and interests of interested parties:</p> <p>The rights and interests of the Bank's stakeholders are protected under applicable laws and regulations as well as the Bank's internal rules. Stakeholders can find various means of communication with the Bank on its website.</p> <p>(4) Training for directors:</p> <p>The Bank offers information with regard to the training of directors in corporate governance, securities statutes, ethical management, AML, CFT, fair treatment of customers, information technology, ISG, international industrial and economic trends, CSR, ESG, etc. In 2020, a total of 162 CPE (Continuing Professional Education) hours was completed by directors all together and the summary of the training has been made public and disclosed in the corporate governance section of the Market Observation Post System in accordance with regulations.</p>	None

Item Evaluated	Status			Deviations (if any) from the Corporate Governance Best-Practice Principles for Banks and reasons for such discrepancies
	Yes	No	Brief Explanation	
			<p>(5) Implementation of risk management policy and risk evaluation criteria:</p> <p>The Board of Directors has enacted the Bank's risk management policy, capital adequacy and risk management information disclosure policy, credit risk management guidelines, regulations for managing liquidity and interest rate sensitiveness risks, regulations for managing investment and transaction risks, regulations for managing operational risks, lending business risk management mechanism, evaluation mechanism for asset quality and classification, and mechanism for safeguarding information security as the bedrock of the Bank's risk management. The control of various risks (including the control of loan portfolio, market, interest rate, liquidity, and operational risks; the operations and risk exposure of leasing subsidiaries; and risk control at EverTrust Bank) is submitted to the Board of Directors for approval and reference.</p> <p>In addition, the Bank has assigned a section on its website exclusively for risk management under Corporate Governance. The section covers such two fields as risk management mechanism and climate change risk. Disclosed here is information with regard to the Bank's risk management policy and procedures, management scope, organizational structure, and implementation status, as well as the Bank's business transformation assessment and risk management measures deriving from the identification of risk factors in the face of climate change. The Bank has also assigned a section on its website for capital adequacy and risk management under Statutory Public Disclosure. Information disclosed therein includes the Bank's capital adequacy management, credit risk management system, market risk management system, operational risk management system, IRRBB management system, and liquidity risk management system.</p> <p>(6) Implementation of customer relations policy:</p> <p>To provide customers with comprehensive financial services, the Bank enacts and implements a customer relations policy that takes account of both business characteristics and customer needs.</p> <p>(7) Purchases of professional indemnity insurance for directors:</p> <p>The Bank began purchasing professional indemnity insurance for directors in June 2009 with a view to offering directors and managerial officers buffers against the risk and liability they assume.</p> <p>Renewal of the said professional indemnity insurance in 2020 was already reported to the Board of Directors and disclosed in the corporate governance section of the Market Observation Post System (https://mops.twse.com.tw).</p> <p>(8) Donations to political parties, stakeholders, and charitable groups:</p> <p>In 2020, the Bank donated NT\$5.72 million to the O-Bank Education Foundation, NT\$300,000 to the Criminal Investigation and Prevention Association, NT\$300,000 to the Chinese National Association of Industry and Commerce, NT\$132,000 to the National Taiwan University Economic Research Foundation, NT\$30,000 to the Eisenhower Fellows Association in the R.O.C., NT\$10,000 to Taiwan Prevent Blindness Foundation, and supplies to Junyi Academy Foundation, New Taipei Municipal JiChin Elementary School in Ruifang District, and New Taipei Municipal PingLin Elementary School in Pingling District. Total amount of the 2020 donation is NT\$6,582,370, supplies included.</p>	

Item Evaluated	Status			Deviations (if any) from the Corporate Governance Best-Practice Principles for Banks and reasons for such discrepancies
	Yes	No	Brief Explanation	
7. Please describe the status of improvement already made based on the results of the Corporate Governance Evaluation System released by the Taiwan Stock Exchange Corporate Governance Center in the most recent year, as well as priority matters and measures in areas where improvement has yet to be made: In the 7th corporate governance evaluation conducted by the Taiwan Stock Exchange in 2020, the Bank ranked among the top 5 % in the listed company category. Taking its lead from the competent authority's Corporate Governance 3.0 -Sustainable Development Roadmap, the Bank is set to usher in all warranted measures to further improve the effectiveness of its corporate governance endeavors. The Bank has completed a number of improvement on corporate governance in 2020 and planned to participate in evaluations conducted by external evaluation institutions in 2021. The Company's improvement in corporate governance in 2020: 1. Over half of the directors and the convener of Audit Committee attended the Shareholder Meeting. 2. The Bank already strengthened the independence of the 8th Board of Directors (at least two independent directors with not more than 3 consecutive terms of office). 3. The Bank already disclosed the deliberations and decisions of the Compensation Committee. 4. The Bank already established Corporate Governance and Nomination Committee and disclosed its composition, duties, and implementation. 5. The Bank already disclosed the dividend policy in its annual report. 6. The Bank already disclosed the linkage between evaluating the performance of directors and managerial officers and setting their remuneration. 7. The Bank already convened two investor conferences. 8. The Bank already disclosed adjustment in the average employee remuneration on the Market Observation Post System. 9. The Bank already assessed the immediate and potential risks and opportunities that climate change may bring about for the Bank and implemented countermeasures accordingly.				

8. Others

(1) Deviations (if any) from the Corporate Governance Best Practice Principles for TSEC/TPEX Listed Companies and reasons for such discrepancies

Item Evaluated	Status			Deviations (if any) from the Corporate Governance Best-Practice Principles for TSEC/TPEX Listed Companies and reasons for such discrepancies
	Yes	No	Brief Explanation	
1. Has the Bank enacted and disclosed its corporate governance principles based on the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	✓		The Bank's 7th Board of Directors enacted the Bank's Corporate Governance Principles at its 5th meeting on December 27, 2017, and has reviewed and amended, when necessary, with a view to strengthening the Bank's corporate governance. The said principles were then disclosed on the Bank's website and the Market Observation Post System.	None
2. Does the Bank adopt internal rules that prohibit insiders from trading securities based on information not yet disclosed to the market?	✓		The Bank has set in place the 「Shareholding Management Regulations」, 「Ethical Corporate Management Best Practice Principles」, 「Insider Trading Prevention Principles」, and 「Code of Ethical Conduct」 that apply to directors, managerial officers, and employees.	None

Item Evaluated	Status		Deviations (if any) from the Corporate Governance Best-Practice Principles for TSEC/TPEx Listed Companies and reasons for such discrepancies
	Yes	No	
3. Does the Bank adopt a policy of diversity with regard to composition of the Board of Directors and implement it faithfully?	✓		<p>At its 5th meeting on December 27, 2017, the Bank's 7th Board of Directors enacted the Bank's Corporate Governance Principles, in which Chapter 4 "Strengthen Board of Directors Functions" spells out a guideline for the diversity of its composition. The Bank abides by the Articles of Incorporation when it comes to nominating and selecting members of the Board of Directors. In addition to cautiously reviewing the qualifications of nominees, the Bank makes it a point to comply with the Regulations for Board Election and the Corporate Governance Principles in order to ensure the diversity and independence of board members.</p> <p>Diversity is given priority in making up the Bank's 8th Board of Directors. Members are elites from finance, industry, and academia. Of the directors, 11 hold MAs, covering such fields of study as economics, commerce, business administration, management, accounting, insurance, public administration, and languages. All of them have the knowledge, skills, and capacity needed for performing their duties. Their specialties include financial services, finance, commerce, law, and industry.</p> <p>Of the Bank's 15 incumbent directors, three are independent directors, (or 20%,) recorded not more than 9 years of service. In terms of age distribution, six directors are aged under 60, five between 61-70, and four over 71, attesting to a thorough mix of experience and innovation. Furthermore, the Bank pays attention to gender equality in the composition of its Board of Directors, with its aim at 25% of female directors or more. In the Bank's 8th Board of Directors, there are four female directors, or 27%, after one more female director was nominated and thus being elected. Separately, there are two directors (13%) who are employees (including employees of the Bank's affiliates) in a concurrent capacity.</p> <p>At its 5th meeting on December 23, 2020, the Bank's 8th Board of Directors enacted the Bank's Diversity Policy, Independence Standard, Continuing Education Initiative Program, and Succession Planning of the Board of Directors. The objective is to ensure the diversity and independence of the Board members and strengthen the Board functions, thereby bolstering corporate governance and attaining sustainable development.</p>
4. Does the Bank entrust a specialized stock agency to handle affairs related to shareholders' meetings?	✓		<p>The Bank's affairs related to shareholders' meetings are handled by CTBC Bank's Corporate Trust Operation and Service Department.</p>

(Note) Criteria for Evaluating the Independence of CPAs

Item Evaluated	Evaluation Result	Compliance with Independence Requirements
1. Do the CPAs have a direct or material indirect financial interest in the Bank?	No	✓
2. Have the CPAs engaged in financing or guarantees with the Bank or any of its directors?	No	✓
3. Do the CPAs have a close business relationship and a potential employment relationship with the Bank?	No	✓
4. Do the CPAs and members of their audit team currently serve as the Bank's directors or managerial officers or hold positions that may exert significant influence over the subject matter of their engagement, or did the same hold true in the most two recent years?	No	✓
5. Do the CPAs provide the Bank with non-audit services that may have a direct impact on their audit work?	No	✓
6. Do the CPAs broker equities or other securities issued by the Bank?	No	✓
7. Do the CPAs serve as the Bank's advocate or seek to reconcile the Bank's conflicts with third parties on its behalf?	No	✓
8. Do the CPAs have family relationship with anyone who is a director or managerial officer of the Bank or whose position may exert significant influence over the subject matter of their engagement?	No	✓

(5) Composition, Responsibilities and Operations of the Compensation Committee and other Functional Committees

A. Compensation Committee

Based on a resolution adopted by the Board of Directors, the Compensation Committee was established on April 22, 2009. It was followed by the board's adopting the Compensation Committee Organizational Rules on August 26 of the same year and changing the committee's Chinese name on December 28, 2011. Composed of the entire number of independent directors, the committee is intended to assist the Board of Directors in drafting and periodically reviewing performance evaluation for directors and managerial officers as well as the policy, system, criteria, and structure of compensation-setting; assessing remunerations for directors and managerial officers on a regular basis; and setting down the criteria for evaluating the performance of service personnel and standards for deciding on their compensation. The committee shall convene at least twice a year and may convene at any time when necessary. In 2020, the committee met on January 10, February 26, March 25, April 29, June 19, July 7, August 21, October 8, November 4, and December 23.

a. Professional Qualifications and Independence Analysis of Compensation Committee Members

Title	Criteria	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independence Criteria (Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as a Compensation Committee Member	Remarks
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10		
Independent Managing Director	Hu, Fu-Hsiung			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	
Independent Director	Lin, Hank H.K.		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	Liu, Richard R.C.			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

Note: Please tick the corresponding boxes that apply to a member during the two years prior to being elected or during the term(s) of office.

- Not an employee of the Bank or any of its affiliates.
- Not a director or supervisor of the Bank or any of its affiliates (not applicable in cases where the person is an independent director of the Bank and concurrently serving as such at, its parent company, a subsidiary, or a fellow subsidiary of the same parent company as appointed in accordance with the Securities and Exchange Act or with the laws or regulations of the applicable host country).
- Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Bank or ranking in the top 10 in holdings.
- Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the managerial officers in the previous subparagraph 1, and of any of the persons in the previous subparagraph 2 and 3.
- Not a director, supervisor, or employee of a juristic-person shareholder that directly holds 5% or more of the outstanding shares of the Bank, whose shareholding ranks among the top five, or that is entitled to assign a representative to serve as a director or supervisor of the Bank pursuant to paragraph 1 or 2, Article 27 of the Company Act (not applicable in cases where the person is an independent

director of the Bank and concurrently serving as such at, its parent company, a subsidiary, or a fellow subsidiary of the same parent company as appointed in accordance with the Securities and Exchange Act or with the laws or regulations of the applicable host country).

6. Not a director, supervisor, or employee of any other company if a majority of the Bank's director seats or voting shares and those of this other company are controlled by the same person (not applicable in cases where the person is an independent director of the Bank and concurrently serving as such at, its parent company, a subsidiary, or a fellow subsidiary of the same parent company as appointed in accordance with the Securities and Exchange Act or with the laws or regulations of the applicable host country).
7. Not a director, supervisor, or employee of any other company if the chairperson, president, or person holding an equivalent position of the Bank and a person in any of the said positions at another company or institution are the same person or are spouses (not applicable in cases where the person is an independent director of the Bank and concurrently serving as such at, its parent company, a subsidiary, or a fellow subsidiary of the same parent company as appointed in accordance with the Securities and Exchange Act or with the laws or regulations of the applicable host country).
8. Not a director, supervisor, managerial officer or shareholder holding 5% or more of the outstanding shares of a specific company or institution, with which the Bank has financial or business relationship (not applicable in cases where the said specific company or institution holds 20% or more and not more than 50% of the outstanding shares of the Bank and where the person is an independent director of the Bank and concurrently serving as such at, its parent company, a subsidiary, or a fellow subsidiary of the same parent company as appointed in accordance with the Securities and Exchange Act or with the laws or regulations of the applicable host country).
9. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Bank or any affiliate of the Bank, or that provides commercial, legal, financial, accounting or related services to the Bank or any affiliate of the Bank for which the provider in the past two years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof (not applicable to a member of the remuneration committee, public tender offer review committee, or special committee for mergers and acquisitions, who exercises powers pursuant to the Securities and Exchange Act or the Business Mergers and Acquisitions Act and other applicable laws or regulations).
10. Not been a person of any conditions defined in Article 30 of the Company Law.

B. Attendance of Members at Compensation Committee Meetings

1. There are three members in the Compensation Committee.

2. The members of the 5th Compensation Committee shall serve a three-year term from June 19, 2020 through June 18, 2023. In the most recent year, the Compensation Committee convened 10 meetings:

A total of 4(A) meetings of the 4th Compensation Committee were held in 2020 (January 1 – June 18, 2020).

The attendance record of the Compensation Committee members was as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Convener	Chan, Hou-Sheng	4	0	100	
Committee Member	Yue, Thomas C.T.	4	0	100	
Committee Member	Liu, Richard R.C.	4	0	100	

A total of 6(A) meetings of the 5th Compensation Committee were held in 2021 (June 19 – December 31).

The attendance record of the Compensation Committee members was as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Convener	Hu, Fu-Hsiung	6	0	100	
Committee Member	Lin, Hank H.K.	6	0	100	
Committee Member	Liu, Richard R.C.	6	0	100	

Other mentionable items:

- a. A Summary of the major proposals reviewed by the Compensation Committee in 2020 and the results thereof is as follows :

Date and Meetings of the Compensation Committee	Proposal	Outcome of the deliberations	Company's dealing with the deliberations of the Compensation Committee
2020.1.10 The 4thth Compensation Committee in its 20th meeting	Proposal for granting 2019 year-end bonuses to the Bank's chairman, vice chairman, and managerial officers and allocating talent retention bonuses	Approved upon the chair's putting it before all committee members present at the meeting	Except for the proposals approved by the Chairman with the authorization by the Board, the rest are submitted to the Board of Directors and approved by all directors present
2020.2.26 The 4thth Compensation Committee in its 21th meeting	Proposal for remuneration of newly appointed managerial officers Amendment to the Bank's Compensation Committee Organizational Rules Report on the Bank's 2019 Performance Evaluation of Board of Directors		
2020.3.25 The 4thth Compensation Committee in its 22nd meeting	Proposal for salary adjustment in 2020 Approval of proposed policy for reviewing director remunerations on a regular basis Distribution of remunerations to directors and employees for 2019 Amendment to the Bank's Employee Stock Ownership Trust Management Regulations Proposal for salary adjustment for the Bank's chairman, vice chairman, and managerial officers in 2020	Acknowledged.	Acknowledged.
2020.4.29 The 4thth Compensation Committee in its 23rd meeting	Amendment to the Bank's Rules for Its 2nd Repurchase of Shares for Transfer to Employees Amendment to the Bank's Regulations Governing Sales Bonuses of Treasury Department and the Bank's Regulations Governing Sales Bonuses of Securities Trading Department Proposal for remuneration of the Bank's newly appointed managerial officers		
2020.6.19 The 5thth Compensation Committee in its 1st meeting	Appointment of the convener and the chairman of the Bank's 5th Compensation Committee	All committee members present at the meeting appointed the independent managing director Fu-Hsiung Hu as the convener and the chairman of the Bank's 5th Compensation Committee	Not applicable

Date and Meetings of the Compensation Committee	Proposal	Outcome of the deliberations	Company's dealing with the deliberations of the Compensation Committee
2020.7.7 The 5thth Compensation Committee in its 2nd meeting	Amendment to the Bank's Regulations Governing Employee Compensation Proposal for compensation of the Bank's newly elected Chairman Proposal for the retirement of the Bank's former Chairman Kenneth C.M. Lo Proposal for the distribution of 2019 employee remuneration among managerial officers	Approved upon the chair's putting it before all committee members present at the meeting	Except for the proposals approved by the Chairman with the authorization by the Board, the rest are submitted to the Board of Directors and approved by all directors present
2020.8.21 The 5thth Compensation Committee in its 3rd meeting	Proposal for remuneration of the Bank's newly appointed managerial officers		
2020.10.8 The 5thth Compensation Committee in its 4th meeting	Proposal for the Bank's managerial officers' subscription of its common shares through cash capital increase in 2020		
2020.11.4 The 5thth Compensation Committee in its 5th meeting	Proposal for pay adjustment for specific managerial officers		
2020.12.23 The 5thth Compensation Committee in its 6th meeting	Proposal for remuneration of newly appointed managerial officers		

- b. If the board of directors declines to adopt or modifies a recommendation of the compensation committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the compensation committee's opinion (eg., the compensation passed by the Board of Directors exceeds the recommendation of the compensation committee, the circumstances and cause for the difference shall be specified): None.
- c. Resolutions of the compensation committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.
- d. The Compensation Committee's Scope of Duties:
The Committee shall exercise the duty of care to faithfully perform the following duties and present its recommendations to the Board of Directors for discussion:
 - (1) Establish and periodically review the policies, systems, standards, and structures with regard to evaluating the performance of directors and managerial officers and setting their remuneration.
 - (2) Assess the remuneration of directors and managerial officers on a regular basis.
 - (3) Establish the performance evaluation and remuneration standards for salespeople, that is, employees whose remuneration or performance evaluation derives from the sale of financial products and services.

B. Corporate Governance and Nomination Committee

The Bank's Corporate Governance and Nomination Committee was established on November 4, 2020 with the approval of the Board of Directors. With such approval, the Committee shall comprise at least 3 directors with over half independent directors and it is the independent director who shall be the convener and chairman of the Committee. The Committee's primary duties are to: designate the standard of the Board

members and find, review and nominate candidates; set up and review programs for the director continuing education initiative and succession planning; set up the Bank's Corporate Governance Principles and the Bank's Regulations Governing the Performance Evaluation of the Board of Directors; oversee and supervise corporate governance evaluations and performance evaluations of the Board,, and then report to the Board for review and further improvement. The committee shall convene at least once a year and may convene at any time when necessary. In 2020, the committee met on November 4, and December 23.

a. Professional Qualifications and Independence Analysis of Corporate Governance and Nomination Committee Members

Title	Criteria Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria(Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as a Corporate Governance Committee member or Nomination Committee member	Remarks
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10		
Independent Managing Director	Hu, Fu- Hsiung			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Chairman	Lo, Tina Y.			✓	✓		✓			✓	✓	✓	✓	✓	0	
Independent Director	Lin, Hank H.K.		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

Note: Please tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office.

- Not an employee of the Bank or any of its affiliates.
- Not a director or supervisor of the Bank or any of its affiliates (not applicable in cases where the person is an independent director of the Bank and concurrently serving as such at, its parent company, a subsidiary, or a fellow subsidiary of the same parent company as appointed in accordance with the Securities and Exchange Act or with the laws or regulations of the applicable host country).
- Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Bank or ranking in the top 10 in holdings.
- Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the managerial officers in the previous subparagraph 1, and of any of the persons in the previous subparagraph 2 and 3.
- Not a director, supervisor, or employee of a juristic-person shareholder that directly holds 5% or more of the outstanding shares of the Bank, whose shareholding ranks among the top five, or that is entitled to assign a representative to serve as a director or supervisor of the Bank pursuant to paragraph 1 or 2, Article 27 of the Company Act (not applicable in cases where the person is an independent director of the Bank and concurrently serving as such at, its parent company, a subsidiary, or a fellow subsidiary of the same parent company as appointed in accordance with the Securities and Exchange Act or with the laws or regulations of the applicable host country).
- Not a director, supervisor, or employee of any other company if a majority of the Bank's director seats or voting shares and those of this other company are controlled by the same person (not applicable in cases where the person is an independent director of the Bank and concurrently serving as such at, its parent company, a subsidiary, or a fellow subsidiary of the same parent company as appointed in accordance with the Securities and Exchange Act or with the laws or regulations of the applicable host country).
- Not a director, supervisor, or employee of any other company if the chairperson, president, or person holding an equivalent position of the Bank and a person in any of the said positions at another company or institution are the same person or are spouses (not applicable in cases where the person is an independent director of the Bank and concurrently serving as such at, its parent company, a subsidiary, or a fellow subsidiary of the same parent company as appointed in accordance with the Securities and Exchange Act or with the laws or regulations of the applicable host country).
- Not a director, supervisor, managerial officer or shareholder holding 5% or more of the outstanding shares of a specific company or institution, with which the Bank has financial or business relationship (not applicable in cases where the said specific company or institution holds 20% or more and not more than 50% of the outstanding shares of the Bank and where the person is an independent director of the Bank and concurrently serving as such at, its parent company, a subsidiary, or a fellow subsidiary of the same parent

company as appointed in accordance with the Securities and Exchange Act or with the laws or regulations of the applicable host country).

9. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Bank or any affiliate of the Bank, or that provides commercial, legal, financial, accounting or related services to the Bank or any affiliate of the Bank for which the provider in the past two years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof (not applicable to a member of the remuneration committee, public tender offer review committee, or special committee for mergers and acquisitions, who exercises powers pursuant to the Securities and Exchange Act or the Business Mergers and Acquisitions Act and other applicable laws or regulations).
10. Not been a person of any conditions defined in Article 30 of the Company Law.

b. Attendance of Members at Corporate Governance and Nomination Committee Meetings

(a) There are three members in the Corporate Governance and Nomination Committee.

(b) The members of the 1st Corporate Governance and Nomination Committee shall serve a three-year term from November 4, 2020 through June 18, 2023. In the most recent year, the Corporate Governance and Nomination Committee convened 2 meetings:

A total of 2(A) meetings of the 1st Corporate Governance and Nomination Committee were held in 2020. The attendance record of the committee members was as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Convener	Hu, Fu- Hsiung	2	0	100	Note
Committee Member	Lo, Tina Y.	2	0	100	Note
Committee Member	Lin, Hank H.K.	2	0	100	Note

Note: Fu-Hsiung Hu, the convener as well as independent managing director, was the Chairman of Taiwan Cooperative Securities Co., Ltd. and Chairman of Joint Credit Information Center; Tina Y. Lo, the Bank's Chairman and the committee member, was the Bank's Vice Chairman, Chief Strategy Officer, and Chief Executive of Hong Kong Branch; Hank H.K. Lin, the committee member was managing partner of EY. All three committee members are fully equipped with the professional skills required by the Corporate Governance and Nomination Committee. Please refer to "Directors" of this annual report for the committee members' complete experience and education.

Other mentionable items:

- a. A Summary of the major proposals reviewed by the Corporate Governance and Nomination Committee in 2020 and the results thereof is as follows :

Date and Meetings of the Corporate Governance and Nomination Committee	Proposal	Outcome of the deliberations	Company's dealing with the deliberations of the Corporate Governance and Nomination Committee
2020.11.4 The 1st Corporate Governance and Nomination Committee in its 1st meeting	Appointment of the convener and Chairman of the Committee	All committee members present at the meeting appointed Fu-Hsiung Hu, the independent managing director, as the convener and the chairman of the Bank's 5th Compensation Committee	Not Applicable
2020.12.23 The 1st Corporate Governance and Nomination Committee in its 2nd meeting	Proposal for the Bank's Diversity Policy, Independence Standard, Continuing Education Initiative Program, and Succession Planning of the Board of Directors	Approved upon the chair's putting it before all committee members present at the meeting.	Approved upon the chair's putting it before all directors present at the Board meeting.
	Amendment to the Bank's Corporate Governance Principles		
	Amendment to the Bank's Regulations Governing the Performance Evaluation of the Board of Directors		

- b. If the board of directors declines to adopt or modifies a recommendation of the Corporate Governance and Nomination Committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the committee's opinion: None.
- c. Resolutions of the compensation committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.
- d. The Corporate Governance and Nomination Committee's Scope of Duties:
The Committee shall exercise the duty of care to faithfully perform the following duties and present its recommendations to the Board of Directors for discussion:
- (1) Establish the standards of independence and a diversified background covering the expertise, experience, gender, etc. of members of the board, and find, review, and nominate candidates for directors based on such standards.
 - (2) Set up and review programs for the director continuing education initiative and succession planning.
 - (3) Establish the Bank's Corporate Governance Principles
 - (4) Establish the Bank's Regulations Governing the Performance Evaluation of the Board of Directors
 - (5) Oversee and supervise the Bank's participating in Corporate Governance Evaluation System, System Assessment, and Performance Evaluation of the Board, and then report to the Board for review and further improvement.
 - (6) Board of Directors pointed out the other matters that need to be handled by the Committee.

(6) Corporate Social Responsibility Implementation Status and Deviations from "the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies"

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
1. Does the Bank, based on the materiality principle, undertake risk assessment of environmental, social, and corporate governance issues in relation to its business operations and adopt a risk management policy or strategy accordingly?	✓		In 2015, the Bank established its Corporate Social Responsibility Committee to take charge of reviewing and assessing how various material issues may impact its operations and how much stakeholders are concerned about them on an annual basis. The aforesaid material issues cover such areas as corporate governance, environmental protection, employee care, customer relations, and social inclusion. The 5 subcommittees under Corporate Social Responsibility Committee addresses the potential risks posed by these material issues by implementing management policies and guidelines and convenes quarterly meetings for tracking implementation progress and effectiveness. Please refer to Item 7 of this table for a detailed account of the importance of each material issue to the Bank as well as the risk involved, the Bank's management policy, and the scope of impact thereof.	None
2. Does the Bank establish an exclusive (concurrent) unit to promote corporate social responsibility, with the Board of Directors authorizing senior executives to take charge and report on its operations?	✓		In accordance with the Corporate Social Responsibility Committee Organizational Regulations approved by the Board of Directors, the committee comprises a chairman, a vice chairman, and a number of members, all of whom shall be appointed or assigned by the Chairman of the Board. The committee is to report to the Board of Directors on the result of the Bank's implementation of its corporate social responsibility plan at least once a year. Also, the Bank established a Sustainable Development Division under the Corporate Communications Department to ensure effective implementation of its CSR plans.	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
3. Environmental Concerns (1) Does the company establish proper environmental management systems based on the characteristics of their industries? (2) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment? (3) Does the company evaluate the potential risk and opportunities in climate change with regard to the present and future of its business, and take appropriate action to counter climate change issues? (4) Does the company take inventory of their greenhouse gas emissions, water consumption, and total waste produced over the last two years, and implement policies on energy efficiency and carbon reduction, greenhouse gas reduction, water reduction, or waste management?	✓		(1) The Bank is committed to taking environmental concerns into account over the course of daily operations. In 2018, the Bank ushered in an ISO14001-compliant environmental management system and obtained the certification. The establishment of comprehensive and sound environmental management mechanisms ensures that environmental management measures are taken effectively. In addition, since 2019 the Bank has carried out ISO 14064 greenhouse gas inventories and acquired the verification statement every year. The Bank's continuing to monitor and review the carbon emission has proven another significant token of its commitment to striving for co-existence and mutual prosperity with the environment. (2) The Bank's purchasing prioritizes and emphasizes environmental protection and suppliers that comply with green energy requirements, and we strive to engage in green purchasing, by purchasing recycled paper and recyclable and reusable ink cartridges for the Bank's paper usage. We emphasize water management in office buildings, including restrooms and outdoor vegetation, and we have strengthened control of water usage. Furthermore, we are continuing to implement an electronic approval system for official document and to promote paper reuse, so as to improve resource efficiency. (3) In accordance with the Task Force on Climate-Related Financial Disclosures (TCFD) established by the Financial Stability Board, the Bank has identified three most significant climate-related risks: severity of extreme weather events and impact of a higher frequency of their occurrence on our operations, severity of extreme weather events and impact of a higher frequency of their occurrence on our business, and stigmatization of sector. By contrast, the three most significant opportunities are to be found in an upgrade in sustainability/ESG index ratings, increased diversification of financial assets, and new revenue streams from new environmental markets and products. In terms of the three most significant climate-related risks, the Bank has devised countermeasures and assessed their possible financial impact with a view to increasing climate resilience. To capitalize on the three most significant climate-related opportunities, relevant business departments are called upon to develop fitting products and services accordingly. (4) The Bank's Environmental Management Policy spells out goals for energy conservation and carbon reduction. With 2017 as the base year, these include an 8.2%; 2.2%; and 0.2% reduction per capita in carbon emissions, water use, and waste output in the long term, or by 2030. To effectively conserve energy and reduce carbon emissions, O-Bank has adopted a multifaceted environmental protection policy. The inventory report shows that the greenhouse gas emission from the Bank's business region in Taiwan amounted to 3,628.5 metric tons in 2019 and 3,428.7 metric tons in 2020; the water consumption from the Bank's headquarters amounted to 12,911 tons in 2019 and 12,742 tons in 2020; and total waste from the Bank's headquarters amounted to 79.5 tons in 2019 and 80.3 tons in 2020.	None
4. Social Concerns (1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights??	✓		(1) Committed to protecting human rights, the Bank observes the UN Universal Declaration of Human Rights and other international human rights conventions. The O-Bank Co., Ltd. Human Rights Policy has been enacted with a view to putting an end to any conduct that infringes or violates human rights. To be sure, this policy aims to ensure diversity in the workplace that is safe, free from any discrimination, and accessible for communication through multiple channels. At the same time, we strictly uphold the labor laws and regulations of the places where we conduct business and provide employees with an equitable, safe, and healthy working environment. To enhance employee awareness of human rights, new hires are required to undergo training in such areas as legal compliance, gender equality, sexual harassment prevention, and care for the disadvantaged. To be sure, similar training is implemented to bolster the entire workforce's understanding of human rights-related issues.	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
(2) Does the Company set out and implement reasonable employee benefits (including pay, leave, and other benefits), and reasonably reflect operating performance or results into its employee compensation policy?	✓		(2) In the Bank's Regulations for Managing Employee Compensation, stipulations are spelled out concerning how salaries and other forms of compensation are to be granted. As an extra incentive for employees to bring out their potential and strive for excellence, bonuses equivalent to a certain percentage of annual profits, if any, are to be paid out on the basis of every employee's position and performance. Moreover, the Bank tracks the salaries granted by industry peers on a regular basis for the reference of revising its own compensation policy so as to keep up a competitive compensation regime. The Bank has thus been included as a component of the TWSE RAFI® Taiwan High Compensation 100 Index for three straight years. Moreover, on top of sick leave, menstrual leave, wedding leave, funeral leave, parental leave, maternity leave, paternity leave, and family care leave as required by law, the Bank goes a step further to offer paid leave for outstanding performance, family occasions or charity events and for male employees to keep their wives company for pregnancy checkups, thereby helping employees balance work and life.	None
(3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	✓		(3) We strive to provide a safe, healthy, and comfortable working environment. Measures toward this end include primary air handling unit and fresh air ventilation systems, inspection of CO2 emissions on a regular basis, daily cleaning, and disinfection performed every week or every other week as dictated by the pandemic, a test of indoor air quality every two years, a building safety test every two years, a self-defense and firefighting drill every six months, cleaning of water tanks on a semiannual basis, quarterly random testing of drinking water, and two elevator maintenance checks each month. Implemented to protect employees from occupational accidents, the Bank's Occupational Safety and Health Operational Rules clearly spell out matters worthy of attention and health standards at the workplace and give detailed accounts of the basics with regard to emergency measures and equipment. The Bank offers comprehensive training on occupational safety and health at least once a year to minimize the risk of occupational accidents. Furthermore, the Bank pays attention to employee health by holding different types of sporting groups on a regular basis to promote healthy lifestyle. The Bank also provides employees with periodic health examination and health seminars. The receiving of Healthy Workplace Certification and Exercise Enterprise Certification Award reflects the Bank's effort in promoting sports in the workplace.	
(4) Does the company provide its employees with career development and training sessions?	✓		(4) Based on employees' needs for career development, the Bank devises training programs that take account of its core competence requirements each year. These courses cover such categories as work skills, management skills, financial expertise, and general knowledge. In 2020, the Bank recorded an average of over 36.8 training hours per person. To stay on top of the economic trends and market changes, we invited outside experts to give talks, and we asked in-house experts to devise online courses so that employees could strengthen their expertise in financial technology and related issues. To help in-house talent move up another rung as next-generation managerial officers, the Bank implements the "O-Star" initiative, under which outperforming employees are given across-the-board training that offers extra allowances for a full year.	

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(5) Does the Company comply with applicable laws and regulations and international guidelines on customer health, safety, and privacy in marketing and labeling its products and services, as well as implement a consumer protection policy and reporting procedures for consumers to file complaints?	✓		(5) The Bank not only complies with Personal Data Protection Act but also implements its own Regulations for Safeguarding the Security of Personal Information and other information security management mechanisms. Separately, the Bank offers comprehensive explanations of its products and discloses information concerning service fee charging standard on its official website. That is, the Bank implements a well-rounded explanatory mechanism for its products so that customers can fully understand product characteristics, risks, and fees before engaging in any transaction. In terms of advertisement, the Bank adopts Guidelines for Advertisement Solicitation and Sales Campaigns to ensure that the Bank's publicity activities meet the spirit of honesty and protecting financial consumers. In terms of protecting consumer rights and interests and creating channels for consumer complaints, the Bank has enacted such internal regulations as Regulations on Handling Customer Complaints and Financial Consumer Disputes, Guidelines for Reporting and Handling Customer Complaints and Dispute Incidents, and Procedures for Accepting and Handling Disputes in the Trust Business, and thereby formulating a well-rounded mechanism for consumers to file complaints and effectively protecting their rights and interests.	None
(6) Does the Company implement supplier management policies to require suppliers observe certain regulations and implementation status on environmental protection, occupational health and safety, or labor human rights?	✓		(6) The Bank's Rules for Promotion of Fulfillment of Corporate Social Responsibilities by Suppliers encourage suppliers to adopt corporate, ethical, labor, and environmental standards. The Bank also resorts to a “Supplier CSR Self-Assessment Form” to assess supplier performance on this front, including employment equality, employees' human rights, safety and health, and environmental protection. Transactions can proceed only if suppliers are confirmed to have committed no violations thereof. If suppliers are found to have broken their pledge in terms of ethical management and corporate social responsibility or have otherwise incurred a conspicuous impact on the environment and society, the Bank may blacklist and block them from bidding for procurement, maintenance, and installation projects. In accordance with the Taiwan Stock Exchange Corporation Rules Governing Information Reporting by Companies with TWSE Listed Securities and Offshore Fund Institutions with TWSE Listed Offshore Exchange-Traded Funds, we regularly disclose relevant information on the Bank's website and the Market Observation Post System. We have also established a CSR section on our website to disclose CSR-related information on a regular basis.	
5. Does the Company refer to internationally accepted guidelines or guidance for compiling a corporate social responsibility report and the like for disclosing nonfinancial information? Has the aforesaid report been verified or certified by a third party?	✓		The Bank's corporate social responsibility report is compiled and structured in accordance with the GRI Sustainability Reporting Standards (GRI Standards) and the AA1000 Accountability Principles, with reference also taken from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies, ISO 26000 Guidance on Social Responsibility, the UN Global Compact, and the Sustainable Development Goals. The report is subsequently assured by the British Standards Institution pursuant to the GRI Sustainability Reporting Standards and the AA1000's Type 1—Accountability Principles to perform third-party verification, and the Bank has obtained the BSI Independent Assurance Opinion every year.	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
6. If the Company has established the corporate social responsibility principles based on "the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies," please describe any discrepancy between the Principles and their implementation: None.				
7. Other important information to facilitate better understanding of the company's corporate social responsibility practices:				
<ul style="list-style-type: none"> • Stakeholders and material issues: Based on discussions among internal CSR representatives from various departments and considering relevance to the duties of the said departments as well as the frequency of contact therewith, the Bank has identified the following six major stakeholders: employees, shareholders, government agencies, customers, suppliers, and the general public. After conducting surveys of the six major stakeholders and internal departments, we have identified issues that the stakeholders are most concerned about. In turn, we have established exclusive contact channels for the respective stakeholders and made such a public announcement on the Bank's website. • Three Lines of Defense for Internal Control: Jointly enacted by the Bank's three internal control departments (Legal and Compliance Department, Auditing Department, and Risk Management Department), the Principles for Three Lines of Defense for Internal Control secured approval from the 6th Board of Directors during its 25th meeting on February 22nd, 2017. Pursuant to relevant regulations, the Human Resources Department is charged with the responsibility of overseeing all departments in performing risk management duties and conducting monitoring required of their respective line of defense in accordance with the scope of duties and powers specified in the foregoing principles. • AML/CTF: In accordance with relevant guidelines of the competent authority, the Bank has adopted the risk-based approach toward assessing its vulnerability to money laundering and financing of terrorism. Likewise, pertinent internal regulations and management mechanisms have been put in place and employees have been offered related training. Moreover, Deloitte consultants were engaged for the optimization of the Bank's AML/CTF monitoring of irregular transactions. This project was completed in February 2020 ; consistent provision of AML/CFT training (including that of directors); optimization of the mechanism for monitoring suspicious money laundering or terrorism financing transactions; and due diligence and routine examination of customers of different risk grades. • Fair Treatment of Customers: To create a corporate culture committed to protecting financial consumers and thus enhancing their confidence therein, the Bank established its Fair Treatment of Customers Committee in November 2020. Chaired by the president, the committee convenes every two months to review such matters as customer complaints, operational risk case studies, and training on this front. Moreover, an annual conference is held to evaluate and review the Bank's implementing fair treatment of customers. In 2020, the Bank promoted employee awareness and understanding of the Financial Consumer Protection Act and the Principles for Financial Service Industries to Treat Clients Fairly by offering online training for self-evaluation of compliance and a 3-hour online session for getting familiar with the Financial Consumer Protection Act. • Personal Information Management System: In 2017, the Bank ushered in Personal Information Management System (PIMS) and adopts the PDCA (Plan-Do-Check-Act) approach toward building its personal information protection system. Its personal information management policy is faithfully implemented by analyzing operational procedures, information systems, and third-party management and keeping stringent control over the acquisition, handling, use, transmission, storage, and sealing and destruction of personal information. In addition, the Bank continues to offer a series of training courses on personal information protection. Combining this initiative with its promotion of legal awareness and training on legal compliance, the Bank was proactive to incorporate personal information protection awareness into its corporate culture. Based on the composition and functions required of such a personal information management entity, the Bank has established its Personal Information Management Committee. With the president of the Bank as convener, the committee is charged with the oversight of personal information protection and management across the Bank. On November 18, 2020, the committee convened its annual meeting to review and decide on matters related to personal information as well as present a personal information self-evaluation report to the Board of Directors. • Lending Policy Incorporating the spirit of the Equator Principles: The Bank's lending policy has incorporated the spirit of the Equator Principles. The Bank shall expand the applicability of the Equator Principles from project financing to corporate loans. If any customer is found to come under a negative light in areas such as the environment, society, law, and ML/TF over the course of credit checking and post-lending management, the responsible unit, after assessing the impact thereof, shall make full disclosure, ask for appropriate collateral and corrective action by a deadline, present the case to a higher checking authority, and keep track of the subsequent impact. For instance, the Bank is proactive to make sure if borrowers' operating factories in mainland China conform to environmental protection regulations there. When reexamining loan applications from such borrowers or local businesses that rely on mainland China for more than 50% of their production capacity, the Bank will, when it sees fit, ask them to produce documents that certify successful completion of environmental impact assessment and final acceptance as well as permits for waste discharge for the reference of loan approval. 				

• The importance of the Bank's material issues and the risks, internal management policy, and scope of impact thereof:

Material Issue	Key Risk and Opportunity	Major Internal Policy	Scope of Impact
Ethical Management and Corporate Governance	The financial services industry is charged with the safekeeping of people's properties. Honesty and integrity deserves to be the core value. To secure stakeholder trust and support, a competent and independent board of directors is needed to perform the duty of making decisions and conducting oversight. Any dishonest act tends to incur a corporate loss or government penalty, either of which will severely hurt the corporate image.	<ul style="list-style-type: none"> • Ethical Corporate Management Best Practice Principles • Code of Ethical Conduct • Corporate Governance Principles • Insider Trading Prevention Principles • Procedural Rules Governing Board Meetings • Regulations Governing the Scope of Duties of Independent Directors • Regulations Governing the Performance Evaluation of the Board of Directors 	Employees, shareholders, customers, the general public, government agencies
Information Transparency and Product Disclosure	Establish a transparent and public information disclosure channel so that stakeholders can learn more about and place greater trust in the Bank. Covered were such information as financial information, governance implementation status, product disclosure, etc.	<ul style="list-style-type: none"> • Policy for Disclosing Information on Capital Adequacy and Risk Management • Procedures for Filing External Reports and Disclosures • Regulations Governing Suitability of Financial Derivatives • Guidelines for Advertisement Solicitation and Sales Campaigns • Guidelines for Wealth Management Product Applicability 	Shareholders
Risk Management	Enforcing risk management faithfully can prevent or mitigate various risks that may have a negative impact on the Bank, and keep risks to a minimum in the event of a major contingency and ensure that it is business as usual. Effective risk management can thus enhance the Bank's competitiveness in the case of market risks or environment risks.	<ul style="list-style-type: none"> • Risk Management Policy • Lending Policy • Guidelines for Managing Credit Risk • Regulations for Managing Market Risk • Regulations for Managing Operational Risk • Regulations for Handling Major Contingencies • Major Accident Emergency Response and Recovery Plan Implementation Guidelines • Procedures for Emergency Response in the Event of Natural Disasters 	Employees, shareholders, customers, the general public, government agencies, suppliers
Legal Compliance and Internal Audit	The banking industry must abide by financial laws and regulations, uphold internal audit systems, and ensure compliance of all employees to prevent violations and penalties, both of which will surely incur a loss and undermine operations and reputation.	<ul style="list-style-type: none"> • Principles for Three Lines of Defense for Internal Control • Regulations Governing the Bank's Legal Compliance System • Regulations Governing the Examination of Bank Operations • Self-Inspection and Self-Evaluation Regulations • Whistleblowing Policy • AML/CFT Policy • Regulations for Preserving the Security of Personal Information Files • Personal Information Management Policy 	Employees, shareholders, customers, the general public, government agencies
Business Performance	Securing profit and growth is the fundamental goal of businesses, and keeping up a solid business performance over the long term is crucial for sustainable development. While a decline in performance is bound to undermine employee and shareholder confidence, an uplift will promote corporate development on all fronts.	<ul style="list-style-type: none"> • Articles of Incorporation • Regulations for Implementing Management by Objectives • Procedural Rules Governing Shareholders' Meetings • Shareholding Management Regulations 	Employees, shareholders
Innovation and Strategy	It is essential to implement well-defined strategies for short-, medium-, and long-term development. Equally important is to persist with innovation and grow uniqueness and competitiveness in order to stay abreast of the market.	<ul style="list-style-type: none"> • Articles of Incorporation • Regulations for Implementing Management by Objectives 	Employees, shareholders, customers

Material Issue	Key Risk and Opportunity	Major Internal Policy	Scope of Impact
Information Security	Financial transaction security and customer information protection are surely the primary responsibilities of the financial services industry. Ensuring information security is all the more important for digital financial services to earn customer trust and avoid information security risks.	<ul style="list-style-type: none"> • Information Security Policy • Guidelines for Implementation of Information Security Organizations • Guidelines for Information Security Management Mechanism • Guidelines for Managing Online Corporate Banking Operations • Guidelines for Managing Online/Mobile Retail Banking Operations 	Customers, government agencies
Service Quality and Customer Satisfaction	Delivering a premium financial services experiences and well-rounded reporting channels is prerequisite to increasing customer satisfaction, creating good customer relations, and preventing brand image damage and goodwill loss.	<ul style="list-style-type: none"> • Principles for Fair Treatment of Customers • Regulations for Handling Customer Complaints and Financial Consumer Disputes • Guidelines for Reporting and Handling Customer Complaints and Dispute Incidents 	Customers, government agencies
Financial Inclusion	Financial inclusion is set to help create a business model conducive to building an environment that is favorable to society and environmental sustainability and makes financial services available to more consumers. In turn, the financial services industry itself can expect to enjoy long-term development and attain sustainability.	<ul style="list-style-type: none"> • Articles of Incorporation • Regulations for Implementing Management by Objectives 	Customers, government agencies
Talent Cultivation and Training	Corporate growth hinges on talent; well-rounded talent cultivation is crucial for the Bank to stay on long-term growth track in an increasingly competitive environment.	<ul style="list-style-type: none"> • Guidelines for Implementing Employee Training • Performance Management Regulations • Regulations Governing Employee Promotions 	Employees
Equal and Friendly Workplace	Offer a diverse, equitable, and healthy working environment and uninhibited channels for internal communication, thereby creating a happy workplace that can effectively meet employee needs, attract and retain talent, and prevent occupational accidents or discrimination.	<ul style="list-style-type: none"> • Human Rights Policy • Recruitment and Selection Guidelines • Guidelines for Sexual Harassment Prevention, • Occupational Safety and Health Rules • Employee Health Examination Guidelines • Employee Retirement Regulations 	Employees, government agencies
Employee Compensation and Benefits	Build a comprehensive and fair compensation system and provide competitive compensation and benefits in order to attract fine talents, thereby driving the company's progress and development and avoiding labor disputes.	<ul style="list-style-type: none"> • Regulations Governing Employee Compensation • Employee Stock Ownership Trust Management Regulations • Regulations for Managing Employee Loans • Employee Attendance Management Guidelines 	Employees

(7) Ethical Corporate Management Implementation Status and Deviations from “the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies”

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Abstract Illustration	
1. Establishment of ethical corporate management policies and programs				None
(1) Does the Bank enact an ethical management policy that has been approved by the Board of Directors and declare in both internal regulations and external documents this ethical management policy, relevant measures, and the commitment of the Board of Directors and senior executives to rigorously implementing the said policy?	✓		<p>(1) Upon its establishment in 1999, the Bank enacted the Self-Discipline Rules for Ethical Conduct. Employees were required to conform to all applicable codes and regulations. The guiding principle for interaction with customers was that one shall not, by virtue of his/her position at the Bank, secure any personal gains; shall not solicit business or secure business or personal gains by bribery, kickback, allowances, gratuities, or other illegal means; shall remain fair and impartial when conducting procurement or issuing invitations for bids; and shall not assist customers in falsifying documentation or overvaluing assets.</p> <p>The Bank also included the foregoing provisions together with Article 35 of the Banking Act—neither the responsible person nor any staff member of a Bank shall accept, under any pretense, commissions, rebates, and the amount of other unwarranted benefits from depositors, borrowers, or other customers—as common items for legal compliance. Training and examination thereof were conducted on a regular basis.</p> <p>In line with statutory changes and amendments, the Board of Directors adopted the Code of Ethical Conduct and Ethical Corporate Management Best-Practice Principles in 2015, followed by the enactment of the Procedures for Ethical Corporate Management and Guidelines for Conduct in 2016. Given their conviction of ethical management and commitment to being honest, transparent, and responsible, members of both the Board of Directors and management are set to keep up their implementation of ethical management policies, creating sound corporate governance, and building an environment for sustainable development. In addition, the Bank discloses its ethical management policies and the implementation of ethical management in its CSR report, and on the its website and the Market Observation Post System.</p>	
(2) Does the Bank establish a mechanism for analyzing and assessing aspects of its business operations that have a relatively higher vulnerability to unethical conduct and, in turn, adopt a program for preventing unethical conduct that at least covers the acts listed in paragraph 2, Article 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies?	✓		<p>(2) To ensure ethical management and enhance employee awareness thereof, the Bank started in 2019 to undertake self-assessment of risk on this front throughout the entire workforce and to implement preventive measures to mitigate vulnerability to unethical conduct in business operations. Meanwhile, all employees were asked to sign a declaration of consent to comply with the Bank's ethical management policy and faithfully stand by the preventive measures laid out in paragraph 2, Article 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, thereby preventing unethical conduct. Moreover, the Bank requires personnel of specific departments to undergo periodic rotation so as to ensure a well-rounded internal control system and operational security. The Bank also resorts to negotiating with employees about taking holidays in a bid to further bolster risk management. Separately, the Bank has adopted the Regulations Governing the Review of Making Donations as the guideline for such activities. On top of the principles of honesty, integrity, and prudence, all business activities are undertaken in accordance with applicable regulations.</p>	
(3) Does the Bank spell out operating procedures, guidelines for conduct, punishment for violation, and rules of appeal in the aforesaid program for preventing unethical conduct, implement it faithfully, and review and amend it on a regular basis?	✓		<p>(3) The Bank's Ethical Corporate Management Best Practice Principles, Procedures for Ethical Management and Guidelines for Conduct, and Code of Ethical Conduct all unequivocally prohibit unethical conduct by employees and specify matters for their attention in the course of performing duties. Upon the discovery of any violation of ethical corporate management and conduct regulations, a report shall be made immediately to an independent director or managerial officer, the chief internal auditor, or another suitable managerial officer. Upon verification of any such allegations, the violator shall be dealt with in accordance with applicable laws and regulations or the Bank's internal regulations on employee rewards and penalties. In 2020, the Bank's Code of Ethical Conduct and Procedures for Ethical Management and Guidelines for Conduct were amended in compliance with applicable laws and regulations and in conformity with the Bank's operations. Separately, while offering training to newly recruited employees and to all employees with regard to legal compliance, the Bank makes it a point to exhort them to stay honest and fair and conform to applicable laws and regulations in the course of performing their duties. As such, training on regulations related to ethical management is undertaken to ensure that all employees always keep good-faith management in mind and act accordingly.</p>	

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Abstract Illustration	
2. Fulfill operations integrity policy				None
(1) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	✓		<p>(1) In accordance with applicable laws and regulations, the Bank has in place specific regulations governing lending, investment, trust, financial transactions, or other business dealings that involve interested parties. Also adopted are clearly defined regulations that specify the following: with the exception of those granted priority status thanks to a solid CSR track record in accordance with the Bank's Guidelines for Urging Suppliers to Fulfill Corporate Social Responsibility, there shall be no preference for any specific party over the course of conducting procurement or issuing invitations for bids, and internal audit personnel shall be involved in the price negotiation process for procurement projects of NT\$1 million or more; personnel engaging in investment or lending shall conform to applicable internal regulations and honor the obligation of reporting when warranted, thereby preventing conflicts of interest.</p> <p>Over the course of conducting business, the Bank shall incorporate compliance with and commitment to ethical corporate policy into all contracts signed with transaction counterparties lest it should transact with any party that has engaged in unethical conduct.</p> <p>Given that the banking industry is required to secure sanctioning of the competent authority and thus subject to stringent supervision, the Bank is obligated to ensure that its business activities, donations, accounting system, and business secrets conform to the Company Act, Securities and Exchange Act, Business Entity Accounting Act, and Banking Act. In accordance with applicable laws and regulations, the Bank has also established an internal control and audit system and a self-audit system. Internal auditors and CPAs conduct random checks on the undertaking of business activities and submit reports to the Audit Committee and Board of Directors at least on a quarterly basis, thereby promoting sound management and ensuring the efficiency of business operations, reliability of financial reporting, and compliance with applicable laws and regulations.</p>	
(2) Does the Bank establish a unit under the Board of Directors that is devoted exclusively to promoting ethical management and reports on a regular basis (at least once a year) to the Board of Directors on its supervision of the Bank's implementation of its ethical management policy and program for preventing unethical conduct?	✓		(2) To attain ethical corporate management, the corporate governance team under the Corporate Social Responsibility Committee is charged with the responsibility of enacting and implementing the Bank's ethical corporate management policy and related plans. It is also responsible for submitting reports on implementation results to the Board of Directors each year (at least once a year). Such reports are to contain results of promotion and training of ethical corporate management, accomplishment of the "informant's mailbox," and measures taken to prevent unethical conduct and the results thereof, which are all intended to ensure the Bank's ethical corporate management.	
(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	✓		<p>(3) It is specified in the Bank's Corporate Governance Principles that when the Board of Directors or Audit Committee meets, the Bank's highly self-disciplined directors shall refrain from participating in the discussion and voting process in relation to any matters that involve their personal interests and do not exercise the voting rights of other directors by proxy. Directors also exercise self-discipline and refrain from extending one another improper support otherwise. Furthermore, in the Bank's Ethical Corporate Management Best Practice Principles and Code of Ethical Conduct, it is stipulated that the directors, managerial officers, employees, mandataries, and substantial controllers shall not take advantage of their positions or influence in the Bank to obtain improper benefits for themselves, spouses, parents, children, or any other person. Meanwhile, corporate governance courses are made available to directors to enhance their capacity for supervision and governance, in turn strengthening the Bank's corporate governance and attaining ethical corporate management.</p> <p>Separately, the Bank has installed its whistleblower system in the corporate governance section of its website. Available therein are the Bank's Whistleblowing Policy and the means by which to file such reports. Anyone who finds reason to implicate any person of the Bank in criminal acts, frauds, or violations of laws and regulations may file a report to the Bank by email or mail. To uphold corporate governance and ethical management, the Bank shall keep confidential both the identity of the whistleblower and the contents of the aforesaid report and take action to verify allegations therein.</p>	

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Abstract Illustration	
(4) Does the Bank, in order to ensure ethical management, establish effective accounting and internal control systems and have its internal audit department take account of the result of its assessment of unethical conduct risk while mapping out an audit plan to examine the Bank's compliance with its program for preventing unethical conduct or engage CPAs for conducting such audits?	✓		(4) To faithfully conduct ethical management, the Bank has established effective internal control and accounting systems in accordance with the Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries. In addition to conducting audits of domestic business, financial, asset custody, information, and other management units on a regular basis, the Bank engages CPAs for routine audits in order to ensure effective operations of the said systems. Separately, the Bank's Auditing Department has incorporated the result of its assessment of unethical conduct risk into its auditing plan to ensure the Bank's ethical management.	None
(5) Does the company regularly hold internal and external educational trainings on operational integrity?	✓		(5) As prescribed by applicable regulations, the Bank organizes sessions to promote employee awareness of ethical management and offers training thereof each year. Highlights include the Principles for Ethical Management and the Procedures for Ethical Management and Guidelines for Conduct as well as instances of unethical conduct. Separately, the Bank undertakes sessions on a regular basis to familiarize all employees with the latest statutory developments and important instances of domestic banks or financial holding companies being penalized, thereby helping employees enhance ethical standards and strengthen compliance awareness. Meanwhile, training of self-audit personnel is also conducted on a regular basis to ensure effective implementation of self-audits, strengthen internal control of business units, and prevent unethical conduct.	None
3. Operation of the integrity channel				None
(1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	✓		(1) The Bank has, in accordance with law, established a whistleblower system, including the Whistleblowing Policy and a whistleblower mailbox. Employees are encouraged to report on unlawful and unethical conduct and any other act in violation of ethical management. Meanwhile, a unit with the capacity for performing duties independently is charged with the acceptance and investigations of whistleblower reports. Anyone found to have violated applicable laws and regulations shall be dealt with in accordance with the Bank's Regulations Governing the Rewards and Penalties for Employees and other applicable regulations.	
(2) Does the Bank establish standard operating procedures for investigating whistleblower allegations, follow-up measures in the wake of such an investigation, and the confidentiality mechanism thereof?	✓		(2) The Bank has adopted stringent operating procedures for conducting investigations on allegations in whistleblower reports. The contents of these reports and the handling thereof as well as other related information are all kept confidential to protect both the whistleblower and personnel involved in such investigations. After such an investigation is completed, the Bank follows up with courses of action and other pertinent measures it deems proper.	
(3) Does the company provide proper whistleblower protection?	✓		(3) The Bank keeps confidential all whistleblower reports—internal and external—so as to make sure that the whistleblower is not subject to any improper treatment accordingly.	
4. Strengthening information disclosure Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?	✓		Not only does the Bank disclose its Ethical Corporate Management Best Practice Principles, Procedures for Ethical Management and Guidelines for Conduct, and Code of Ethical Conduct, on its website and the Market Observation Post System (MOPS), the Bank also disclose its implementation of ethical management both in its annual report and on its website. Separately, the Bank's website also fully discloses other information with regard to its business operations, interest rates, and assessment of economic conditions for the reference of the general public. In accordance with applicable laws and regulations, the Bank also discloses material financial and operational information on the Market Observation Post System (MOPS) in a timely fashion. Meanwhile, the Bank's fulfillment of corporate social responsibility is disclosed in its annual report.	None
5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the policies and their implementation. There have been no differences.				

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Abstract Illustration	
6. Other important information to facilitate a better understanding of the company's ethical corporate management policies.				
To effectively implement its ethical management policy and promote sound business, the Bank has established a whistleblower system and relevant regulations. Strategic management is conducted to secure quantitative data for the evaluation of the Bank's effectiveness in implementing its ethical management policy:				
(1)Success rate of training on ethical management:				
To effectively establish measures to promote ethical management and prevent unethical conduct, the Bank organized a lecture on corporate governance and ethical management for directors in 2020. A lecturer from the Taiwan Corporate Governance Association helped the Bank's directors enhance awareness of corporate ethics and strengthen their capacity for corporate governance by speaking on the ethics principles for companies listed on the Taiwan Stock Exchange and Taipei Exchange. Separately, training on ethical management was also conducted across the Bank. Covered were such topics as the Principles of Four-Lines of Defense for Ethical Management, the Procedures for Ethical Management and Guidelines for Conduct, instances of unethical conduct, and preventive measures for business activities vulnerable to the risk of unethical conduct. A total of 917 employees participated in the training, translating into a 100% success rate.				
(2)Establishment of a whistleblower system:				
To encourage internal and external personnel to report unethical conduct or misconduct, the Bank adopted its Whistleblowing Policy. Any person who discovers that a director, supervisor, manager, employee, or mandatary of O-Bank or a member of the O-Bank Group, or a person having substantial control of O-Bank or the Group, has possibly committed crimes, cheating, or regulatory violations, may submit a whistleblowing report through phone, email, or written form. Information pertaining to the whistleblower's identity shall be kept confidential. The Bank shall not, due to the filing of a whistleblowing report: fire, dismiss, or demote the whistleblower; harm the rights and interests that the whistleblower ought to enjoy under law, contract, or established practice; or otherwise take actions prejudicial to the interests of the whistleblower. In 2020, the Bank received 11 emails, all without specific alleged perpetrator being indicated or any whistleblowing issue being involved; in addition, no legal violation or fraud was found. Therefore, no whistleblower report was recorded.				
(3)Ratio of imposing penalties against reports being presented on conduct in violation of ethical management principles in 2020:				
No report was recorded on any conduct in violation of ethical management principles in 2020 and, therefore, no penalty was imposed.				

(8) Corporate Governance Guidelines and Regulations

Please refer to the Bank's website (<https://www.o-bank.com>) as well as the Market Observation Post System (<https://mops.twse.com.tw>).

(9) Other Important Information Regarding Corporate Governance

A. Succession Planning of the Board of Directors

(A) Board of Directors

O-Bank, abiding by its Articles of Incorporation, adopts the candidate nomination system for election of directors. The qualification of the directors shall conform to the laws and regulations governing the qualification requirements of Banks. The Board shall be equipped with the capacity for business judgment, accounting and financial analysis, operations and management, risk management, crisis management, industry knowledge, international market perspectives, leadership, and decision making. The Board shall be comprised of directors with diverse specializations and rich experiences in line with the Bank's goal of diversified developments. When planning succession candidates for the Board, the Bank shall take into consideration its diversification policy, the candidates' familiarity to the industry, and the mid- to long-term operation strategies, in order to fulfill the Bank's goal of sustainability and commitment to strengthening the functions of the Board of Directors. The Bank completed its 8th Board of Directors re-election at its Shareholders' Meeting on June 19, 2020. The Shareholders' Meeting elected 15 directors, including 7 natural-person directors. Ms. Tina Y. Lo was elected as Chairman, and Mr. Kenneth C.M. Lo, the former Chairman, was appointed as Honorary Chairman.

When making continuing education arrangements, the Bank is set to assist the directors to enhance their professional expertise and legal knowledge and to develop their distinguished attributes and decision-making abilities. Based on “Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies,” the Bank’s newly-appointed directors completed a minimum of 12 CPE (Continuing Professional Education) hours, while re-appointed directors completed a minimum of 6, with a total of 162 hours completed by the overall Board in 2020. All in all, the continuing education scheme has operated smoothly.

(B) Senior Management

To accommodate organizational development and ensure the continuity of management, the Bank formulates a comprehensive training program in tandem with its business strategy to cultivate next-generation managers, thereby enhancing competitiveness and securing sustainable growth.

This training program for next-generation managers centers on a number of core concepts. That is, would-be managers are to be imbued with core competences that are defined by Trust, Outstanding, Unity, Creativity, and Honor. In addition to an excellent working capacity, they are supposed to hold personal values compatible with the Bank’s corporate culture and possess such traits as honesty, passion, and leadership. In keeping up with the Bank’s business plan and future prospects, Elton F.Y. Lee was appointed as the President of O-Bank by the Board of Directors on October 24, 2019.

We draw from specialized training to ensure that employees primed for key positions, from senior managers to departmental supervisors, fully understand the importance of their personal development to the Bank’s future development. Emphasis is placed on giving trainees opportunities to temper themselves and develop a solid capacity for decision making and judgment calls. The training comprises:

- Management Competency: Domestic and foreign experts are engaged to lecture on leadership to different levels of managerial employees.
- EMBA Programs or the Taiwan Academy of Banking and Finance’s Leading Executive Apex Program (LEAP): Employees who hold promise are enrolled in such programs of eminent institutions for industry-academia training to grow them into top-tier managers who possess a global vision, the capacity for comprehensive strategic thinking, and skills in information technology.
- Proxy System: The proxy system makes it possible for senior managers reporting directly to the CEO to undergo training in the capacity as the latter’s deputy, thereby bolstering their decision-making and management capability.
- Rotation of Managerial Positions among Affiliates: Next-generation leaders are to undergo rotation of managerial positions among affiliates to help them get familiar with different operations of the O-Bank Group and accumulate a hands-on experience in cross-sector management.
- Assignments as Directors/Supervisors of Affiliates: The experience of serving as directors and supervisors of affiliates is crucial to strengthening the capacity for corporate governance, operations of the Board of Directors, and legal practices associated with business management, thereby creating an all-encompassing managerial capacity.

B. Please refer to the Bank’s website (<https://www.o-bank.com>) for other important information.

(10) Internal Control Systems

A. Statement on Internal Control System

O-Bank Co., Ltd.

Statement on Internal Control System

1. On behalf of O-Bank Co., Ltd., we hereby certify that in the period from January 1, 2020 to December 31, 2020, the Bank duly complied with the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" in establishing its internal control system, conducting risk management, designating an independent audit department to conduct audits, and presenting reports to the Board of Directors and Audit Committee on a regular basis. With regard to the securities business, the Bank assessed the effectiveness of the design and implementation of its internal control system based on the evaluation criteria set forth in the "Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets" promulgated by the Securities and Futures Bureau, Financial Supervisory Commission. After prudent evaluation, we hereby certify that except items listed in the attachments, the internal control and legal compliance systems of all departments were effectively implemented during the year.
2. With regard to the Bank's concurrent conducting of insurance agent business
 - (1) The Bank evaluates the effectiveness of the design and implementation of its internal control system based on the criteria provided in the "Regulations Governing the Implementation of Internal Control and Audit System and Business Solicitation System of Insurance Agent Companies and Insurance Broker Companies" (hereafter the "Regulations"). According to the criteria set forth in the Regulations, there are five absolutely essential items: (1) controlled environment, (2) risk assessment, (3) controlled operations, (4) information and communication, and (5) supervision operations.
 - (2) The Bank already evaluated the effectiveness of the design and implementation of its internal control system based on the aforesaid criteria.
 - (3) Based on the results of the foregoing evaluation, the Bank regards the design and implementation of its internal control system (including affirmation of the soundness of business operations, reliability of reporting, and compliance with applicable laws and regulations) during the aforesaid period as effective, thereby providing reasonable assurance for achieving the goals cited above.
3. This Statement will be included as a major component of the Bank's annual report and other prospectuses and disclosed to the public. Any information contained in this Statement that is found to involve falsification, concealment, or other illegalities shall be subject to legal liabilities prescribed in Articles 20, 32, 171, and 174 of the Securities and Exchange Act or other applicable regulations listed above.
4. This Statement was approved by the Board of Directors on March 22, 2021.

The Statement is submitted to the Financial Supervisory Commission

Declarant

Chairman: Lo, Tina Y.

President: Lee, Elton F.Y.

Chief Auditor: Fan, Vivian H.J.

Chief Compliance Officer: Liu, Nancy S.F.

March 22, 2021

O-Bank Internal Control System:**Items in Need of Improvement and Corrective Plan**

Record Date: December 31, 2020

Items in Need of Improvement	Corrective Measure	Time Expected for Completion of Improvement
While the Bank did use encryption keys when uploading customer information to SFDC, it did not handle safekeeping of these keys on its own. This proved unfavorable for keeping customer information confidential and protecting customer rights and interests.	The Bank completed de-identification, on October 30, 2020, of the customer information previously uploaded to SFDC. A letter reporting this was submitted to the competent authority on December 28, 2020.	Improvement completed
Irregular compulsory redemptions of ROBOT Foreign Currency Investment Portfolio	<ol style="list-style-type: none"> 1. Compensation was paid to 15 customers affected by the incident. 2. The compulsory redemption mechanism of ROBOT Foreign Currency Investment Portfolio was reviewed and rectified; additional reporting on transaction monitoring was ushered in. 3. Maintenance and testing of the ROBOT system was strengthened. 	Improvement completed
There is room for improvement in the Bank's OA division across office space that has proven unfavorable to ensuring internet security and preserving operational history.	The Bank has set out to readjust OA division and install firewalls to keep users away from OA servers. Access control will also be introduced on the basis of operational needs.	Improvement is due to be completed in June 2021.
There is room for improvement in the Bank's reviewing process to verify the uniqueness and validity of customers' email addresses.	When customers open accounts or change their email addresses, the Bank will strengthen its system responsible for verifying their uniqueness and validity.	Improvement is due to be completed in March 2021.

B. Where a CPA has been hired to carry out a special audit of the internal control system, the audit report shall be disclosed: None.

(11) Status of any sanctions imposed due to violations of laws or regulations in the most recent two years and up to the publication date of this annual report, and major deficiencies and status of the improvement thereof

Item	2019		2020		2021, up to the publication date of this annual report	
	Violation and Fine	Status of Improvement	Violation and Fine	Status of Improvement	Violation and Fine	Status of Improvement
1. Any indictment of a responsible person or employee by the prosecution for an occupational offense	None	-	None	-	None	-
2. (1) Any fine imposed by the Financial Supervisory Commission for statutory violations or penalty slapped by the Bank on internal personnel for violating provisions of its internal control system, either of which may have a material impact on shareholders' equity or share price or can be interpreted as ranking among matters listed in Article 2 of the Financial Supervisory Commission's Explanatory Notes on Taking Major Punitive Measures for Violations of Financial Regulations	The Financial Supervisory Commission imposed a NT\$2 million fine on the Bank for failing to effectively establish or faithfully implement its internal control system in reviewing, approving, and allocating loans to the New Site Industries Group.	The Bank has amended internal regulations on factoring and lending operations, strengthened procedures for reviewing, approving, and allocating loans, and undertaken an across-the-board examination of accounts receivable financing (factoring) cases already concluded as of the record Date (2019.12.31). Such improvement is completed.	None	-	None	-
2. (2) Any sanctions imposed by the Financial Supervisory Commission pursuant to Article 61-1 of the Banking Act	None	-	The Financial Supervisory Commission found fault with the Bank's design and implementation of its identity verification mechanism for opening the third category of digital deposit accounts and demanded rectification thereof.	The Bank has amended internal regulations on opening personal deposit accounts, strengthened the identity verification mechanism for opening digital accounts, and adjusted the procedures thereof. Such improvement is completed.	None	-

Item	2019		2020		2021, up to the publication date of this annual report	
	Violation and Fine	Status of Improvement	Violation and Fine	Status of Improvement	Violation and Fine	Status of Improvement
3. Any security incident arising from employee infidelity or material contingencies (e.g. fraudulent acquisition, theft, misappropriation, or robbery of assets; forgery of documents or securities; acceptance of a bribe; losses from natural disaster; losses from external causes; hacker attack, data theft, or leak of trade secrets or customer data; or other such material incidents) or failure to faithfully adopt necessary measures for upholding security. If actual losses, whether singly or in aggregate, exceed NT\$50 million in any given year, disclose the nature and amount of such losses.	None	-	None	-	None	-
4. Other disclosures required by the Financial Supervisory Commission	<p>While the Bank did use encryption keys when uploading customer information to SFDC, it did not handle safekeeping of these keys on its own and change them on a regular basis. Meanwhile, the Bank's outsourcing contract with SFDC did not restrict the site of storage and processing for the aforesaid information or give the Bank the right of consent thereto. All of this proved unfavorable for keeping customer information confidential and protecting customer rights and interests.</p> <p>The Hong Kong Branch's lending operations proved of unsatisfactory quality and was thus in need of strengthening credit appraisal and credit operations in order to enhance such quality</p>	<p>1. The Bank has amended relevant operating guidelines and made encryption key changes on a regular basis and will also modify the relevant systematic structure and operating procedures. These improvements are due to be completed in October 2020.</p> <p>2. The contract renewed in 2019 between the Bank and SFDC specifies restrictions over the site of storage and processing for the Bank's information and stipulates that any proposal for changing this site shall be implemented only after it has secured prior consent of the Bank and been presented to the Financial Supervisory Commission for reference. Such improvement is completed.</p> <p>To enhance the quality of lending operations at the Hong Kong Branch, the Bank has amended its regulations for lending operation and imposed ceilings on its loans to mainland Chinese borrowers. Such improvement is completed.</p>	<p>Same as that given in the left column (2019)</p> <p>None</p>	<p>Continued (1. of 2019): Encryption key changes are now made on a regular basis. Improvement was completed upon the October 30, 2020 de-identification of the customer information previously uploaded to SFDC.</p> <p>-</p>	<p>None</p> <p>None</p>	<p>-</p> <p>-</p>

(12) Major Resolutions of Shareholders' Meeting and Board Meetings**A. Major Resolutions of 2020 General Shareholders' Meeting**

1) Ratification of business report and financial statements for 2019

Implementation result: The aforesaid report and statements were disclosed by means of a public announcement in accordance with applicable regulations and submitted to the competent authority for future reference.

2) Ratification of proposal for distribution of 2019 earnings

Implementation result: The Bank set August 8, 2020 as the ex-dividend record date and August 27 of the same year as the payout day. Shareholders were paid cash dividends of NT\$0.425 for every preferred share, totaling NT\$127,500,000 and cash dividend of NT\$0.40095327 for every common share, totaling NT\$965,202,521.

3) Approval of amendments to the Bank's Articles of Incorporation

Implementation result: The amended Articles of Incorporation was adopted and made public on the Bank's website; the Ministry of Economic Affairs approved registration of the same on August 4, 2020.

4) Approval of amendments to the Bank's Procedural Rules Governing Shareholders' Meetings

Implementation result: The amended Procedural Rules Governing Shareholders' Meetings was uploaded to the Market Observation Post System (MOPS) and made public on the Bank's website.

Such procedures have been conducted accordingly since.

5) Election of 15 members to make up the 8th Board of Directors. The roster of the newly elected directors, whose three-year term is due to expire on June 18, 2023, is as follows:

Directors Elected	Votes
Ming Shan Investment Co., Ltd. Rep. : Lo, Tina Y.	4,108,271,419
Lo, Kenneth C. M.	3,645,309,747
Taiwan Cement Corporation Rep. :Chang, Nelson An-Ping	3,031,447,186
Tai Ya Investment Co., Ltd. Rep.: Chen, Shih-Tze	2,336,692,755
Yi Chang Investment Co., Ltd. Rep. : Yeh, Roy J.Y.	2,012,058,742
Abag Investment Holdings Co., Ltd. Rep.: Cheng, George C.J.	1,971,417,672
Lee., Mark J.C.	1,957,401,754
Tai Ya Investment Co., Ltd. Rep.: Lee, Elton F.Y.	1,920,061,547
Yi Chang Investment Co., Ltd. Rep. : Lin, Gordon W. C.	1,908,943,820
Ming Shan Investment Co., Ltd. Rep.: Lo, Nina Y.C.	1,831,241,599
Lee, Yunny Y.	1,777,376,258
Lin, Bill K.C.	1,747,259,821
Hu, Fu-Hsiung (Independent Director)	216,759,243
Lin, Hank H.K. (Independent Director)	212,110,601
Liu, Richard. R.C. (Independent Director)	211,193,703

Implementation result: The foregoing roster was made public on the Bank's website and the Market Observation Post System (MOPS) on June 19, 2020, as required by regulations; the Ministry of Economic Affairs approved registration of the same on August 4 of the same year.

6) Approval of proposal for release of non-competition restrictions on members of the 8th Board of Directors:

Director	Position at the Bank	Positions at other companies
Ming Shan Investment Co., Ltd.	Juristic-person Director	Director, China Bills Finance Corporation
Lo, Tina Y.	Representative of Juristic-person Director	Director, Ming Shan Investment Co., Ltd. Director, Tai Ya Investment Co., Ltd. Director, Tai Hsuan Investment Co., Ltd. Director, Yi Chang Investment Co., Ltd. Director, IBT Holdings Corp. Vice Chairman, EverTrust Bank Director, KC Investments Corporation
Taiwan Cement Corporation	Juristic-person Director	Chairman, TCC Investment Corporation Director, Chinatrust Investment Co., Ltd.
Chang, Nelson An-Ping	Representative of Juristic-person Director	Chairman, TCC Investment Corporation Chairman, Union Cement Traders Inc.
Chen, Shih-Tze	Representative of Juristic-person Director	Chairman, Ming Shan Investment Co., Ltd. Chairman, Tai Ya Investment Co., Ltd. Chairman, Tai Hsuan Investment Co., Ltd. Chairman, Yi Chang Investment Co., Ltd. Director, Crystal Lake Global Limited Director, KC Investments Corporation Director, Global Sail Holdings Ltd. Director, Triple Ace Management Co., Ltd. Director, Paradise Palms Ltd. Sky Capital International Group Inc.
Yeh, Roy J.Y.	Representative of Juristic-person Director	Director, IBT Leasing Co., Ltd. Director, IBT International Leasing Corp. Chairman, IBT Management Corporation Chairman, IBT VII Venture Capital Co., Ltd.
Cheng, George C.J.	Representative of Juristic-person Director	Chairman, Abag Investment Holdings Co., Ltd.
Lee, Mark J.C.	Natural-person Director	Director, Heng Tin Feng Invest Development Co., Ltd. Director, Heng Gi Lie Investment Co., Ltd. Director, Bai Tong Investment Co., Ltd. Director, Tong Chuan Invest Development Co., Ltd. Director, Chang Yan Investment Co., Ltd. Director, Hong Fu Investment Co., Ltd. Director, Siang Tai Investment Co., Ltd. ¼ Director, Hong Da Investment Co., Ltd.
Lee, Elton F.Y.	Representative of Juristic-person Director	Director, EverTrust Bank
Lin, Gordon W.C.	Representative of Juristic-person Director	Director, IBTS Holdings (BVI) Limited Chairman, IBT Leasing Co., Ltd. Chairman, IBT International Leasing Corp.
Lo, Nina Y.C.	Representative of Juristic-person Director	Director, Yi Chang Investment Co., Ltd. Director, Tai Ya Investment Co., Ltd.
Lin, Bill K.C.	Natural-person Director	Director, EasyCard Investment Holding Co., Ltd. Director, EasyCard Corporation

B. Major Resolutions of Board Meetings in 2020 and up to March 22, 2021

- 1) 2020/2/26: the 22nd meeting of the 7th Board of Directors
 - * Approval of the date, venue, and agenda of 2020 general shareholders' meeting
 - * Approval of candidate nominations for the 8th Board of Directors (including independent directors)
 - * Approval of amendments to the Bank's Code of Ethical Conduct, Procedural Rules Governing Board Meetings, Organizational Rules, Compensation Committee Organizational Rules, and Audit Committee Organizational Rules
 - * Approval of the change of the Bank's acting spokesperson
- 2) 2020/3/19: the 23rd meeting of the 7th Board of Directors
 - * Approval of proposal for the Bank's Share Repurchase and transfer to employees
 - * Approval of 2019 business report, consolidated financial statements, and parent financial statements
 - * Approval of proposal for distribution of 2019 earnings
- 3) 2020/3/25: the 24th meeting of the 7th Board of Directors
 - * Approval of the change in the representative of Tai Ya Investment Co. Ltd., the Bank's juristic-person director, and proposal for releasing non-competition restrictions on the director.
 - * Approval of the change of date of 2020 general shareholders' meeting and the period for candidate nominations for the 8th Board of Directors (including independent directors)
 - * Approval of proposal for director remunerations and employee remunerations for 2019
 - * Approval of proposal for releasing non-competition restrictions on directors
 - * Approval of amendments to the Bank's Procedural Rules Governing Shareholders' Meetings, Articles of Incorporation, Corporate Social Responsibility Principles, and Procedures for Ethical Management and Guidelines for Conduct
 - * Approval of proposal to review the Bank's director remuneration policy on a regular basis
 - * Approval of the Bank's 2019 report on Evaluation of Money Laundering and Terrorism Financing Risks and Evaluation of Money Laundering and Terrorism Financing Risks on the Bank's Insurance Agent Business, and Internal Control System Statement
 - * Approval of the Bank's 2020 Audit Plan and Plan on Control of Money Laundering and Terrorism Financing Risks
 - * Approval of application for a loan by "Hsin X Investment Co., Ltd."
- 4) 2020/4/29: the 25th meeting of the 7th Board of Directors
 - * Approval of proposal for candidates nominated for the 8th Board of Directors (including independent directors)
 - * Approval of proposal to apply for release of non-competition restrictions on candidates nominated for the 8th Board of Directors (including independent directors)
 - * Approval of the Bank's 2019 self-assessment of implementation of "Fair Treatment of Customers" and amendment to the Bank's Principles for Fair Treatment of Customers
 - * Approval of application for a loan by "Yuan X Investment Co., Ltd.," "Bai X Investment Co., Ltd.," and "Fu X Investment Co., Ltd."
 - * Approval of the change of Chief Retail Banking Officer
- 5) 2020/6/19: the 1st meeting of the 8th Board of Directors
 - * Election of the 8th managing directors, who in turn elected Ms. Tina Y. Lo as the 8th Chairman.
 - * Approval of the appointment of members for the 5th Compensation Committee

- 6) 2020/7/7: the 2nd meeting of the 8th Board of Directors
 - * Setting of August 8, 2020 as the record date for distribution of 2019 cash dividends of preferred stock and common stock
 - * Approval of proposals to conduct issuance of the Bank's common shares through cash capital increase in 2020.
 - * Approval of proposal for remuneration of the Bank's Chairman
 - * Approval of proposal for the retirement of the Bank's former Chairman Kenneth C.M. Lo
 - * Approval of application for a loan by "Grand XX Investment & Development Co., Ltd."
 - * Approval of proposal to adjust the Corporate Culture Committee to be directly under Board of Directors.
- 7) 2020/8/21: the 3rd meeting of the 8th Board of Directors
 - * Approval of consolidated and parent financial statements for the first half of 2020
 - * Approval of amendments to the Bank's Code of Ethical Conduct, Corporate Social Responsibility Principles, Whistleblowing Policy, Organizational Rules, and Audit Committee Organizational Rules
 - * Approval of application for a loan by "XX Chemical Corp."
- 8) 2020/11/4: the 4th meeting of the 8th Board of Directors
 - * Approval of establishment of the Bank's Corporate Governance and Nomination Committee, adoption of its Organizational Rules, and appointment of the committee members.
 - * Approval of amendments to the Bank's Corporate Social Responsibility Principles, Risk Management Policy, and Principles for Fair Treatment of Customers
 - * Approval of application for a loan by "San X Investment Co., Ltd.," "Cheng X Development Co., Ltd.," "Guo X Construction Co., Ltd.," and "Ho X Co., Ltd."
 - * Approval of the new business item on the Concurrent Conducting of Securities Business
- 9) 2020/12/23: the 5th meeting of the 8th Board of Directors
 - * Approval of issuing plan of senior unsecured bank debentures and subordinated debentures
 - * Approval of evaluation of CPAs as independent and suitable and of the Bank's hiring them as such
 - * Approval of the implementation of the O-Bank Group's 2020 Plan for AML/CFT, the Bank's 2020 report on Self-evaluation of Personal Information Protection, and the results of the Bank's 2020 evaluation of audits at subsidiaries
 - * Approval of budgets proposed for 2021, 2021 audit plan and 2021 internal audit plan for the concurrent conducting of insurance agent business
 - * Approval of amendments to the Bank's Corporate Governance Principles, Whistleblowing Policy, Regulations Governing the Performance Evaluation of the Board of Directors, and Organizational Rules
 - * Approval of the new operation of the proprietary trading of bonds by the OBU's Concurrent Conducting of Securities Business
- 10) 2021/2/24: the 6th meeting of the 8th Board of Directors
 - * Approval of the date, venue, and agenda of 2021 general shareholders' meeting
 - * Approval of the transition of IBOR
 - * Approval of application for a loan by "XX Company"

11) 2021/3/22: the 7th meeting of the 8th Board of Directors

- * Approval of 2020 business report, consolidated financial statements, and parent financial statements
- * Approval of proposal for distribution of 2020 earnings, and director remunerations and employee remunerations for 2020
- * Approval of proposal to review the Bank's director remuneration policy on a regular basis
- * Approval of proposal for releasing non-competition restrictions on directors
- * Approval of establishment of Green Finance Subcommittee under Corporate Social Responsibility Committee
- * Approval of amendments to the Bank's Procedural Rules Governing Board Meetings, Election Procedures for Directors, Risk Management Policy, Organizational Rules, and Compensation Committee Organizational Rules
- * Approval of the Bank's 2020 report on "Evaluation of Money Laundering and Terrorism Financing Risks," "Evaluation of Money Laundering and Terrorism Financing Risks on the Bank's Insurance Agent Business," "Internal Control System Statement," and self-assessment of the implementation of "Fair Treatment of Customers"
- * Approval of the Bank's "2021 plan on Control of Money Laundering and Terrorism Financing Risks"
- * Approval of the change of the Bank's Chief Risk Officer
- * Approval of proposal for the new operation of superficies trust business

(13) Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors: None.

(14) Resignation or Dismissal of the Company's Key Individuals

April 27, 2021

Title	Name	Date of Appointment	Date of Termination	Reasons for Resignation or Dismissal
Chairman	Lo, Kenneth C.M.	2002.5.30	2020.6.19	Retirement

Note: The Company's Key Individuals include the Chairman, President, Heads of Finance, Accounting, Internal Audit, and Corporate Governance, etc.

5. Information Regarding the Company's Audit Fee

(1) Audit Fee

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Remarks
Deloitte & Touche	Chen, Yin-Chou Lin, Wang-Sheng	2020.01.01-2020.12.31	

Fee Range	Fee Items	Audit Fee	Non-audit Fee	Total
1 Under NT\$2,000 thousand				
2 NT\$2,000 thousand (including) ~ NT\$4,000 thousand				
3 NT\$4,000 thousand (including) ~ NT\$6,000 thousand		✓		
4 NT\$6,000 thousand (including) ~ NT\$8,000 thousand				
5 NT\$8,000 thousand (including) ~ NT\$10,000 thousand				
6 Over NT\$10,000 thousand (including)			✓	✓

(2) Amount of Audit Fee and Non-Audit Fee and Services of Non-Audit

Unit: NT\$ thousands

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Period Covered by CPA's Audit	Remarks
			System of Design	Company Registration	Human Resource	Others	Subtotal		
Deloitte & Touche	Chen, Yin-Chou Lin, Wang-Sheng	5,400	-	-	-	18,553	18,553	2020.01.01-2020.12.31	Non-audit fees for 2020 were meant mainly for services with regard to negotiations (NT\$2,213 thousand), special projects (NT\$4,461 thousand), information technology projects (NT\$672 thousand); and counseling for legal compliance (NT\$11,207 thousand).

6. Replacement of CPA**(1) Regarding the former CPA: Not Applicable.****(2) Regarding the successor CPA: Not Applicable.****(3) The reply letter from former CPAs with regard to matters spelled out in Article 10.6.1 and Article 10.6.2-3 of these Regulations: Not Applicable.****7. Audit Independence**

The Company's Chairman, President, and managers in charge of its finance and accounting operations did not hold any positions in the Company's independent auditing firm or its affiliates during 2020.

8. Changes in Shareholding of Directors, Managers and Major Shareholders

(1) Changes of Shareholding

A. Transfers of shareholdings and changes in pledges of such by directors and managerial officers

Unit: Shares

Title	Name	2020		As of Apr. 27, 2021	
		Holding Increase (Decrease) *Preferred Shares	Pledged Holding Increase (Decrease) *Preferred Shares	Holding Increase (Decrease) *Preferred Shares	Pledged Holding Increase (Decrease) *Preferred Shares

The 7th Board of Directors in the previous period (Jan.1,2017-Jun18, 2020)

Chairman	Yi Chang Investment Co., Ltd. (Note1)	-	-	/	/
	Rep. : Lo, Kenneth C.M.	-	-	/	/
Vice Chairman	Ming Shan Investment Co., Ltd. (Note1)	4,078,000	-	/	/
	Rep. : Lo, Tina Y.	-	-	/	/
Managing Director	Taiwan Cement Corporation (Note1)	-	-	/	/
	Rep. : Chang, Nelson An-Ping	-	-	/	/
Independent Managing Director	Chan, Hou-Sheng	-	-	/	/
Managing Director	Yi Chang Investment Co., Ltd. (Note1)	-	-	/	/
	Rep. : Yang, Tony C.Y.	18,104	-	/	/
Director	Tai Ya Investment Co., Ltd.(Note1)	-	-	/	/
	Rep.: Chen, Shih-Tze	-	-	/	/
Director	Yi Chang Investment Co., Ltd. (Note1)	-	-	/	/
	Rep. : Lin, Gordon W.C.	-	-	/	/
Director	Abag Investment Holdings Co., Ltd.	-	-	/	/
	Rep.: Cheng, George C.J.	-	-	/	/
Director	Lee, Mark J.C.	-	-	/	/
Director	Pioneer Chemical Corp.	-	-	/	/
	Rep.: Sheng, Bobby P.S.	-	-	/	/
Independent Director	Yue, Thomas C.T.	-	-	/	/
Independent Director	Liu, Richard R.C.	-	-	/	/
Director	Ming Shan Investment Co., Ltd. (Note1)	4,078,000	-	/	/
	Rep.: Lo, Nina Y.C.	-	-	/	/
Director	Wang Hsiang Co., Ltd.	-	-	/	/
	Rep.: Tung, Ta-Nien	-	-	/	/
Director	Tai Ya Investment Co., Ltd. (Note1)	-	-	/	/
	Rep.: Chang, David C.C.(2020.03.25 outgoing)	-	-	/	/
	Rep.: Lee, Elton F.Y.(2020.03.25 incoming)	-	-	/	/

The 8th Board of Directors (Jun.19, 2020-Jun.18, 2023)

Chairman	Ming Shan Investment Co., Ltd.(Note1)	111,528,607	-	-	-
	Rep. : Lo, Tina Y.	-	-	-	-
Managing Director	Lo, Kenneth C.M.	134,785	-	-	-
Managing Director	Taiwan Cement Corporation(Note1)	3,089,744	-	-	-
	Rep. : Chang, Nelson An-Ping	-	-	-	-

Title	Name	2020		As of Apr. 27, 2021	
		Holding Increase (Decrease) *Preferred Shares	Pledged Holding Increase (Decrease) *Preferred Shares	Holding Increase (Decrease) *Preferred Shares	Pledged Holding Increase (Decrease) *Preferred Shares
Managing Director	Yi Chang Investment Co., Ltd.(Note1)	24,967,709	-	-	-
	Rep. : Yeh, Roy J.Y.	-	-	-	-
Independent Managing Director	Hu, Fu-Hsiung	-	-	-	-
Independent Director	Lin, Hank H.K.	-	-	-	-
Independent Director	Liu, Richard R.C.	-	-	-	-
Director	Tai Ya Investment Co., Ltd.(Note1)	7,829,393	-	-	-
	Rep.: Chen, Shih-Tze	-	-	-	-
Director	Abag Investment Holdings Co., Ltd.	4,728	-	-	-
	Rep.: Cheng, George C.J.	-	-	-	-
Director	Lee, Mark J.C.	-	-	-	-
Director	Tai Ya Investment Co., Ltd.(Note1)	7,829,393	-	-	-
	Rep.: Lee, Elton F.Y.	500,000	-	-	-
Director	Yi Chang Investment Co., Ltd.(Note1)	24,967,709	-	-	-
	Rep. : Lin, Gordon W.C.	19,450	-	-	-
Director	Ming Shan Investment Co., Ltd.(Note1)	111,528,607	-	-	-
	Rep.: Lo, Nina Y.C.	-	-	-	-
Director	Lee, Yunny Y.	-	-	-	-
Director	Lin, Bill K.C.	-	-	-	-
President	Yang, Tony C.Y.(2020.02.01 outgoing)	18,104	-	/	/
President	Lee, Elton F.Y.(2020.02.01 incoming)	500,000	-	-	-
Deputy President	Chang, David C.C.	200,000	-	-	-
Deputy President	Lin, Roger Y.F.	650,000	-	-	-
Senior Executive Vice President	Chang, Niel W.F.	490,000	-	-	-
Senior Executive Vice President	Huang, Indra Y.C.(2021.04.16 outgoing)	784,303 (including 283,680 held through nominee shareholders)	-	-	-
Senior Executive Vice President	Liu, Nancy S.F.(2021.04.26 outgoing)	100,000	-	-	-
Senior Executive Vice President	Wei, Jonathan C.H.(2020.02.25 outgoing)	-	-	/	/
Senior Executive Vice President	Chen, Yi Fen(2020.06.01 outgoing)	-	-	/	/
Senior Executive Vice President	Liu, Gary C. Y.(2020.06.01 incoming)	-	-	-	-
Senior Executive Vice President	Chyr, Y. H.(2020.09.01 incoming)	480,000	-	-	-
Senior Executive Vice President	Wang, Chia Chi(2021.04.26 incoming)	/	/	-	-
Executive Vice President	Wang, Angela T.C.(2021.01.01 outgoing)	360,000	-	/	/
Executive Vice President	Fan, Vivian H.J.	100,000	-	-	-

Title	Name	2020		As of Apr. 27, 2021	
		Holding Increase (Decrease) *Preferred Shares	Pledged Holding Increase (Decrease) *Preferred Shares	Holding Increase (Decrease) *Preferred Shares	Pledged Holding Increase (Decrease) *Preferred Shares
Executive Vice President	Siew, Joy C.Y.	300,000	-	-	-
Executive Vice President	Wang, John Y.C.	62,364	-	-	-
Executive Vice President	Chin, Teddy Y.T.	200,000	-	-	-
Executive Vice President	Lai, Joseph L.J.	150,000 *(10,000)	-	-	-
Executive Vice President	Yeh, Sherry H.Y.(2020.02.20 outgoing)	-	-	/	/
Executive Vice President	Fang, Stanley H.W.	200,000	-	-	-
Executive Vice President	Chu, Chris T.H.(2020.02.22 outgoing)	-	-	/	/
Executive Vice President	Yeh, Stephen K.W.(2021.03.23 incoming)	/	/	-	-
Executive Vice President	Hsieh, Leo T. J.(2020.05.28 incoming)	-	-	-	-
Executive Vice President	Tyane, Edward F.C.	341,347	-	-	-
Executive Vice President	Tsai, Joseph T.S.	330,000	-	-	-
Executive Vice President	Lin, Tom A.K.(2021.03.16 outgoing)	50,000 (50,000)	-	-	-
Executive Vice President	Shao, Wen W.C.	340,000	-	-	-
Executive Vice President	Wu, Simon W.H.(2021.01.01 outgoing)	-	-	/	/
Executive Vice President	Chen, Paul H.J.	30,000	-	-	-
Senior Vice President	Chang, Ophelia L.W.	150,000	-	-	-
Senior Vice President	Lin, Daisy C.I.(2020.05.01 outgoing)	-	-	/	/
Senior Vice President	Lin, C. K.(2020.05.01 incoming)	215,000	-	-	-
Senior Vice President	Chang, Samson W. Y.(2020.09.01 incoming)	60,000	-	-	-
Senior Vice President	Soong, Grace L.H.	105,000	-	-	-
Senior Vice President	Fang, Andy C.P.	100,000	-	-	-
Senior Vice President	Tsou, Landy H.C.	50,000	-	-	-
Senior Vice President	Hsu, Pei Ling	80,000	-	-	-
Senior Vice President	Hsiao, Bimice S.H.(2020.03.01 outgoing)	-	-	/	/
Senior Vice President	Cheng, Tina W.H.(2021.01.01 outgoing)	100,000	-	/	/
Senior Vice President	Liu, Michelle M.M.(2020.03.01 outgoing)	-	-	/	/
Senior Vice President	Yang, Becky Y.W.	35,000	-	-	-
Senior Vice President	Yan, Eugene W.C.(2021.01.01 outgoing)	100,000	-	/	/
Senior Vice President	Chen, Gaven Y.	200,000	-	-	-
Senior Vice President	Chen, C.Y.(2020.03.01 incoming)	50,000	-	-	-
Senior Vice President	Tan, Kevin H.C.	261,838	-	-	-
Senior Vice President	Chiu, Jean Y.C.(2021.03.09 outgoing)	50,000	-	-	-
Vice President	Chang, Wesley S.C.	54,000	-	-	-
Vice President	Lee, Daisy T.H.	127,458	-	-	-
Vice President	Jung, John Y.C.(2020.06.01 outgoing)	-	-	/	/
Vice President	Pan, Claire Y. Y.(2021.01.01 incoming)	/	/	-	-
Vice President	Liu, David C.C.	-	-	-	-
Vice President	Hung, Ida K.Y.	60,000	-	-	-
Vice President	Wu, Ponny T. K.(2021.03.23 incoming)	/	/	-	-
Vice President	Chen, Jane C. C.(2021.03.23 incoming)	/	/	-	-

Title	Name	2020		As of Apr. 27, 2021	
		Holding Increase (Decrease) *Preferred Shares	Pledged Holding Increase (Decrease) *Preferred Shares	Holding Increase (Decrease) *Preferred Shares	Pledged Holding Increase (Decrease) *Preferred Shares
Vice President	Chen, Nico S. C.(2020.06.01 incoming)	-	-	-	-
Vice President...	Lin, Doris C. J.(2021.01.01 incoming)	/	/	-	-
Assistant Vice President	Chang, Michael C.C.	20,000	-	-	-
Assistant Vice President	Chuang, Rita H. C.(2020.05.01 incoming)	-	-	10,000 (including 10,000 held by spouse & minor children)	-
Assistant Vice President	Chen, Judy S.F.(2020.03.02 incoming)	60,000	-	-	-
Assistant Vice President	Chen, Yuko Y. C.(2021.03.23 incoming)	/	/	-	-
Manager	Chen, Linzy Y.C.(2020.10.06 outgoing)	-	-	/	/

Note 1: Major shareholders who hold over 1% of the total number of issued shares of the Bank.

Note 2: "*" denotes Class A Preferred Shares in this Table.

Note 3: In columns of this table "-" is used to indicate no increase or decrease.

B. Reporting on transfers of shareholdings and changes in pledges of such in accordance with Article 11 of the Regulations Governing a Same Person or Same Related Person Holding the Issued Shares with Voting Rights Over a Particular Ratio of a Bank

Unit: Shares

Title	Name	2020		As of Apr. 27, 2021	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Same Person or Same Related Person	Lo, Kenneth C.M.	134,785	-	-	-
Same Person or Same Related Person	Lo, Tina Y.	-	-	-	-
Same Person or Same Related Person	Chen, Yu-Shuan(2020.10.20 incoming)	800,000	-	-	-
Same Person or Same Related Person	Chen, Yu-Da(2020.10.20 incoming)	800,000	-	-	-
Same Person or Same Related Person	Ming Shan Investment Co., Ltd.(Note1)	115,606,607	-	-	-
Same Person or Same Related Person	Yi Chang Investment Co., Ltd.(Note1)	24,967,709	-	-	-
Same Person or Same Related Person	Tai Ya Investment Co., Ltd(Note1)	7,829,393	-	-	-
Same Person or Same Related Person	Tai Hsuan Investment Co., Ltd.(Note1)	24,805,942	-	-	-

Note 1: Major shareholders who hold over 1% of the total number of issued shares of the Bank.

Note 2: Class A Preferred Shares issued by the Bank do not come with voting rights, and therefore the numbers of shareholding refer to common shares.

Note 3: In columns of this table "-" is used to indicate no increase or decrease.

(2) Shares Transfer Information: None.

(3) Shares Pledge Information: None.

9. Relationship among the Top Ten Shareholders

As of April 27, 2021

Unit: shares/%

Name	Current Shareholding		Spouse's/ minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Ming Shan Investment Co., Ltd. Rep. : Chen, Shih-Tze	386,271,554	12.74%	-	-	-	-	Chen, Shih-Tze	Chairman is the same person	
Yi Chang Investment Co., Ltd. Rep. : Chen, Shih-Tze	289,007,997	9.53%	-	-	-	-			
Tai Hsuan Investment Co., Ltd. Rep. : Chen, Shih-Tze	287,135,501	9.47%	-	-	-	-			
Tai Ya Investment Co., Ltd. Rep. : Chen, Shih-Tze	90,627,346	2.99%	-	-	-	-			
Heng Tong Machinery Co., Ltd. Rep. : Tseng, Tsai-Bau	148,374,456	4.89%	-	-	-	-	-	-	
China Steel Corporation Rep. : Wong, Chao-Tung	103,847,695	3.42%	-	-	-	-	-	-	
ADI Corporation Rep. : Liao, Chi-Cheng	103,847,695	3.42%	-	-	-	-	-	-	
Chailease Finance Co., Ltd. Rep. : Chen, Albert F.L.	92,694,047	3.06%	-	-	-	-	-	-	
Hung Sheng Construction Co., Ltd. Rep. : Lin, Hsin-Chin	67,827,000	2.24%	-	-	-	-	-	-	
The Great Taipei Gas Corp. Rep. : Hsieh, Jung-Fu	56,833,777	1.87%	-	-	-	-	-	-	

Note: Numbers and ratios of shareholdings refer to both common and preferred shares.

10. Ownership of Shares in Affiliated Enterprises

As of Dec. 31, 2020

Unit: shares/ %

Affiliated Enterprises	Ownership by the Company		Direct or Indirect Ownership by Directors and Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
IBT Holdings Corp.	10,869,286	100.00	-	-	10,869,286	100.00
IBT Management Corporation	13,400,000	100.00	-	-	13,400,000	100.00
IBT Leasing Co., Ltd.	264,300,000	100.00	-	-	264,300,000	100.00
China Bills Finance Corporation	380,981,600	28.37	1,549,600	0.11	382,531,200	28.48
Taiwan Mobile Payment Co., Ltd.	300,000	0.50	-	-	300,000	0.50
Beijing Sunshine Consumer Finance Co., Ltd.	200,000,000	20.00	-	-	200,000,000	20.00
IBT II Venture Capital Co., Ltd. (dissolved and liquidated in March 2017)	9,847,450	-	4,595,476	-	14,442,926	-
Chun Teng New Century Co., Ltd. (Formerly known as IBT Securities Co., Ltd.) (dissolved and liquidated in November 2016, and still recognized using the equity method)	318,280,588	99.75	-	-	318,280,588	99.75

IV. Capital Overview

1. Capital and Shares

(1) Source of Capital

A. Issue Shares

As of April 27, 2021

Unit: NT\$; shares

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount (NT\$)	Shares	Amount (NT\$)	Sources of Capital	Capital Increased by Assets Other than Cash	Other
Aug. 1999	10	2,300,000,000	23,000,000,000	2,300,000,000	23,000,000,000	Initial capital	-	1999/5/14 (1999) Tai-Cai-Zheng (1)No. 16978
Aug. 2000	10	35,234,043	352,340,430	35,234,043	352,340,430	Capital increase from retained earnings	-	2000/7/12 (2000) Tai-Cai-Zheng (1)No. 60116
Aug. 2001	10	30,358,043	303,580,430	30,358,043	303,580,430	Capital increase from retained earnings	-	2001/7/12 (2001) Tai-Cai-Zheng (1)No. 145190
July 2002	10	24,914,215	249,142,150	24,914,215	249,142,150	Capital increase from retained earnings	-	2002/7/9 Tai-Cai- Zheng-Yi-Zi No. 0910137604
July 2004	10	200,000,000	2,000,000,000			Appropriation for employee share subscription warrants	-	2004/7/16 Jing- Shou-Shang-Zi No. 0930129910
May 2017	7~9.3			22,500,000	225,000,000	Capital increase by cash	-	2017/5/4 Tai- Zheng-Shang-Yi-Zi No. 10600075162 2017/7/4 Jing- Shou-Shang-Zi No. 10601090090
Nov. 2018	10	909,493,699	9,094,936,990	300,000,000	3,000,000,000	Issuance of preferred stock A	-	2018/10/3 Jin- Guan-Zheng-Fa No.1070335566 2018/12/21 Jing- Shou-Shang-Zi No.10701154030
Oct. 2020	6.35			320,000,000	3,200,000,000	Capital increase by cash	-	2020/8/26 Jin- Guan-Zheng-Fa No.1090353284 2020/11/16 Jing- Shou-Shang-Zi No.10901206490
Total		3,500,000,000	35,000,000,000	Common Shares: 2,733,006,301 Preferred Shares: 300,000,000	Common Shares: 27,330,063,010 Preferred Shares: 3,000,000,000		-	

B. Type of Stock

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common Shares	2,733,006,301	466,993,699	3,500,000,000	Listed Shares
Preferred Shares	300,000,000			

Note: Treasury stock is included and please refer to (9) Buyback of Treasury Stock for more information.

(2) Status of Shareholders**A. Common Shares**

As of April 27, 2021
Unit: shares

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Foreign Institutions & Natural Persons	Individuals	Treasury	Total
Number of Shareholders	1	2	118	95	24,105	1	24,322
Shareholding (shares)	100	7,004,365	2,132,159,015	53,405,744	534,700,077	5,737,000	2,733,006,301
Percentage	0.00%	0.26%	78.02%	1.95%	19.56%	0.21%	100.00%

B. Preferred Shares

As of April 27, 2021
Unit: shares

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Foreign Institutions & Natural Persons	Individuals	Treasury Stock	Total
Number of Shareholders	0	1	41	1	4,393	0	4,436
Shareholding (shares)	0	4,855,000	242,678,524	298	52,466,178	0	300,000,000
Percentage	0.00%	1.62%	80.89%	0.00%	17.49%	0.00%	100.00%

(3) Shareholding Distribution Status**A. Common Shares**

As of April 27, 2021
Par value per share: NT\$10

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	3,610	1,132,172	0.04%
1,000 ~ 5,000	10,051	25,652,683	0.94%
5,001 ~ 10,000	2,865	23,376,578	0.86%
10,001 ~ 15,000	3,936	43,645,217	1.60%
15,001 ~ 20,000	839	15,651,266	0.57%
20,001 ~ 30,000	832	20,738,788	0.76%
30,001 ~ 40,000	417	14,659,618	0.54%
40,001 ~ 50,000	334	15,607,459	0.57%
50,001 ~ 100,000	655	47,394,681	1.73%
100,001 ~ 200,000	343	47,470,604	1.74%
200,001 ~ 400,000	184	51,500,646	1.88%
400,001 ~ 600,000	85	42,054,236	1.54%
600,001 ~ 800,000	29	20,685,037	0.76%
800,001 ~ 1,000,000	14	12,721,655	0.47%
1,000,001 or over	128	2,350,715,661	86.00%
Total	24,322	2,733,006,301	100.00%

B. Preferred Shares

As of April 27, 2021
Par value per share: NT\$10

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	792	251,789	0.08%
1,000 ~ 5,000	2,712	10,051,267	3.35%
5,001 ~ 10,000	338	2,697,817	0.90%
10,001 ~ 15,000	116	1,508,889	0.50%
15,001 ~ 20,000	86	1,608,538	0.54%
20,001 ~ 30,000	84	2,239,697	0.75%
30,001 ~ 40,000	48	1,755,000	0.58%
40,001 ~ 50,000	98	4,562,898	1.52%
50,001 ~ 100,000	62	4,648,814	1.55%
100,001 ~ 200,000	45	6,259,707	2.09%
200,001 ~ 400,000	21	6,253,153	2.08%
400,001 ~ 600,000	5	2,319,523	0.77%
600,001 ~ 800,000	1	753,000	0.25%
800,001 ~ 1,000,000	1	1,000,000	0.33%
1,000,001 or over	27	254,089,908	84.71%
Total	4,436	300,000,000	100.00%

(4) List of Major Shareholders

As of April 27, 2021

Shareholder's Name	Shareholding	
	Shares	Percentage (%)
Ming Shan Investment Co., Ltd.	386,271,554	12.74%
Yi Chang Investment Co., Ltd.	289,007,997	9.53%
Tai Hsuan Investment Co., Ltd.	287,135,501	9.47%
Heng Tong Machinery Co., Ltd.	148,374,456	4.89%
China Steel Corporation	103,847,695	3.42%
ADI Corporation	103,847,695	3.42%
Chailease Finance Co., Ltd.	92,694,047	3.06%
Tai Ya Investment Co., Ltd.	90,627,346	2.99%
Hung Sheng Construction Co., Ltd.	67,827,000	2.24%
The Great Taipei Gas Corp.	56,833,777	1.87%
San Ho Plastics Fabrication Co., Ltd.	54,852,278	1.81%
Cheng, Chung-Ming	51,923,847	1.71%
Grand Pacific Investment & Development Co., Ltd.	51,923,847	1.71%
Chinatrust Investment Co., Ltd.	51,923,847	1.71%
Mei Ta Industrial Co., Ltd.	50,000,000	1.65%
TECO Electric & Machinery Co., Ltd.	47,838,847	1.58%
Taiwan Cement Corp.	35,764,625	1.18%
Chi Yi Investment Co., Ltd.	33,032,000	1.09%
He Jia Investment Co., Ltd.	30,396,000	1.00%

Note: Numbers and ratios of shareholdings refer to both common and preferred shares.

(5) Market Price, Net Worth, Earnings, and Dividends per Share

Unit: NT\$

Items	2021/4/27	2020	2019
Market Price per Share			
Highest Market Price	7.69	7.84	8.53
Lowest Market Price	6.52	5.36	7.57
Average Market Price	7.03	6.96	7.85
Net Worth per Share			
Before Distribution	12.92 (Note 2)	11.75	12.26
After Distribution	Not applicable	(Note 1)	11.86
Earnings per Share			
Weighted Average Shares (thousand shares)	3,030,326 thousand (Note 2)	2,774,683 thousand	2,442,431 thousand
Diluted Earnings Per Share	0.15(Note 2)	0.37	0.45
Dividends per Share			
Cash Dividends	Not applicable	(Note 1)	0.40
Stock Dividends			
Dividends from Retained Earnings	-	-	-
Dividends from Capital Surplus	-	-	-
Accumulated Undistributed Dividends	-	-	-
Return on Investment			
Price / Earnings Ratio (Note 1)	-	18.81	17.44
Price / Dividend Ratio (Note 2)	-	(Note 1)	19.63
Cash Dividend Yield Rate (Note 3)	-	(Note 1)	5.10%

Note 1: Not for disclosure as the amount has not yet been approved by the 2021 general shareholder's meeting.

Note 2: The figures are calculated based on financial statements dated March 31, 2021 but not yet audited by CPA.

(6) Dividend Policy and Implementation Status**A. Dividend Policy**

The Bank's dividend policy is spelled out in Article 32-1 of the Articles of Incorporation :

The distribution of earnings and dividend policy were amended and approved by the 2020 General Shareholders' Meeting on June 19, 2020.

If there is a profit after its annual closing of books, the Bank shall first set aside funds for taxes and offset the accumulated losses from previous years before appropriating 30% of the profit toward its legal reserve. No appropriation shall be required if the Bank's legal reserve already equals the total amount of its paid-in capital. After appropriation or reverse of any special reserve and distribution of cash dividends for preferred shares, if a profit remains, the outstanding balance together with undistributed earnings from previous years shall be used as the basis for the Board of Directors to propose distribution and seek a resolution of a shareholders' meeting thereof.

The distribution of common stock dividend shall not be lower than 20% of distributable earnings after deducting distributable but not yet distributed preferred stock dividends for the current year. In particular, the cash dividend payout shall account for not less than 20% of the total common stock dividend payout for any given year. Separately, before the legal reserve equals the total amount of capital stock, the maximum cash distribution of earnings shall not exceed 15% of the total amount of paid-in capital.

With regard to the foregoing distribution of common stock dividends, the Bank adopts a policy of stability and balance that takes into account capital budget planning, capital needs for business operations, and commitment to a sound financial structure. The aforesaid method of dividend distribution is intended only as a principle-based guideline; the Bank may consider actual needs and, via the Board of Directors, propose an amendment and seek shareholder approval in the form of a resolution adopted by a shareholders' meeting.

B. Proposed Distribution of Dividend

It is proposed at the 2021 Shareholders' Meeting that shareholders will be entitled to a cash dividend of NT\$0.425 per preferred share A, totaling NT\$127,500,000 and cash dividend of NT\$0.20 per common share, totaling NT\$545,453,860.

(7) Impact of the stock dividend distribution proposed at this shareholders' meeting upon the Bank's business performance and earnings per share: Not applicable.

(8) Compensation of Employees and Directors

A. Information Relating to Compensation of Employees and Directors in the Articles of Incorporation

Article 22

If the Bank records a profit in a year, the Bank shall appropriate not more than 2.5% of the profit for director remunerations, but independent directors shall be excluded from such distribution. If the Bank has accumulated losses, however, the aforesaid profit shall be used to offset accumulated losses first.

Article 32

If the Bank records a profit in a year, the Bank shall set aside 1-2.5% of the profit for employee remunerations. If the Bank has accumulated losses, however, the profit shall be used to offset the aforesaid accumulated losses first.

Distribution of employee remunerations in stock or cash shall require a resolution adopted through a majority vote of the directors present at a meeting attended by not less than two-thirds of all directors, which in turn shall be submitted to a shareholders' meeting. The employees entitled to the aforesaid remunerations may include those employed by the Bank's affiliated companies who meet specific requirements.

B. The basis for estimating the amount of employee and director compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period.

After a given fiscal year runs its course, any major discrepancy deriving from the actual distribution amount adopted by the Board of Directors will be recorded as an expense for the year.

C. Distribution of Compensation of Employees and Directors for 2020 Approved in the Board of Directors Meeting

- (1) In 2021, the Board of Directors approved cash dividends of NT\$16,055,726 in employee remunerations and NT\$32,111,453 in director remunerations, showing no discrepancy with those specified in the Bank's financial statements for 2020.
- (2) The amount of any employee compensation distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee compensation: Not applicable.

D. On March 25, 2020, the Board of Directors approved cash dividends of NT\$15,715,484 in employee remunerations and NT\$31,430,968 in director remunerations for 2019, showing no discrepancy with those specified in the Bank's financial statements for 2019.

(9) Buyback of Treasury Stock:

The Bank's Share Repurchase and its implementation (already completed)

As of April 27, 2021

Batch of Repurchase	First Batch
Purpose of repurchase	Transfer to employees
Period for the repurchase	March 23-April 28, 2020
Price range for the repurchase	NT\$5.00-7.00 per share
Types and number of shares actually repurchased	5,737,000 common shares
Total monetary amount of shares actually repurchased	NT\$38,304,469 (transaction fees included)
Ratio of number of shares already repurchased against the planned number of shares to be repurchased (%)	16.39%
Capital adequacy ratio before the repurchase	Record date: 2019.12.31 Ratio: 14.00%
Capital adequacy ratio after the repurchase	Record date: 2020.6.30 Ratio: 12.32%
Number of shares retired and transferred	0 shares
Accumulated number of own shares held	5,737,000 shares
Ratio of accumulated number of own shares held during the repurchase period against the total number of the Bank's issued shares (%)	0.24%
Progress in implementing transfer of the repurchased shares to employees	Not yet transferred
Instances where the Bank has failed to complete transfer within 3 years after repurchase and thereby caused the FSC to adopt restrictions	None (Less than 3 years after the repurchase)

2. Issuance of Bank Debenture

As of April 27, 2021

Bank Debenture Type	2014 Subordinated Bank Debentures, Phase II	2014 Subordinated Bank Debentures, Phase III	2014 Subordinated Bank Debentures, Phase IV
Date/reference number of the competent authority's approval letter	2013/11/7 Jin-Guan-Yin-Piao-Zi No. 10200301650	2013/11/7 Jin-Guan-Yin-Piao-Zi No. 10200301650	2013/11/7 Jin-Guan-Yin-Piao-Zi No. 10200301650
Date of issuance	2014/6/26	2014/9/26	2014/11/5
Denomination	NT\$10 million	NT\$10 million	NT\$10 million
Place of issuance and for trading	-	-	-
Currency	NT\$	NT\$	NT\$
Issue price	Issue by denomination	Issue by denomination	Issue by denomination
Total amount	NT\$1 billion	NT\$600 million	NT\$1.5 billion
Interest rate	1.85% per annum	1.95% per annum	2.20% per annum
Tenor	7 years maturity date: 2021/6/26	7 years maturity date: 2021/9/26	7.5 years maturity date: 2022/5/5
Priority	Subordinated	Subordinated	Subordinated
Guarantor	-	-	-
Consignee	-	-	-
Underwriter	IBT Securities Co., Ltd. as lead underwriter	KGI Securities Co., Ltd. as lead underwriter	Yuanta-Polaris Securities as lead underwriter
Certifying attorney	-	-	-
CPA	Yang, Chen-Hsiu	Yang, Chen-Hsiu	Yang, Chen-Hsiu
Certifying institution	-	-	-
Repayment method	Repayment in lump sum upon maturity	Repayment in lump sum upon maturity	Repayment in lump sum upon maturity
Outstanding balance	NT\$1 billion	NT\$600 million	NT\$1.5 billion
Paid-in capital of the previous year	NT\$23,905,063 thousand	NT\$23,905,063 thousand	NT\$23,905,063 thousand
Shareholders' equity of the previous year	NT\$26,265,527 thousand	NT\$26,265,527 thousand	NT\$26,265,527 thousand
Performance	-	-	-
Terms for redemption or early repayment	None	None	None
Terms for conversion and exchange	None	None	None
Restrictive clause	Subordinated	Subordinated	Subordinated
Funds utilization plan	Medium- and long-term lending	Medium- and long-term lending	Medium- and long-term lending
Issuance amount plus the outstanding balance of previous issues against shareholders' equity of the previous year (%)	49.04%	51.32%	57.03%
Whether included as eligible equity capital and its category	Yes/Tier 2 capital	Yes/Tier 2 capital	Yes/Tier 2 capital
Credit rating agency, rating date, and rating assigned	Agency: Taiwan Ratings Date: 2014/9/30 Rating: twBBB	Agency: Taiwan Ratings Date: 2014/9/30 Rating: twBBB	Agency: Taiwan Ratings Date: 2014/10/29 Rating: twBBB

Bank Debenture Type	2015 Subordinated Bank Debentures, Phase I	2016 Subordinated Bank Debentures, Phase I, Batch A	2016 Subordinated Bank Debentures, Phase I, Batch B
Date/reference number of the competent authority's approval letter	2015/1/16 Jin-Guan-Yin-Piao-Zi No. 10400001080	2016/4/20 Jin-Guan-Yin-Piao-Zi No. 10500083270	2016/4/20 Jin-Guan-Yin-Piao-Zi No. 10500083270
Date of issuance	2015/12/29	2016/6/29	2016/6/29
Denomination	NT\$10 million	NT\$10 million	NT\$10 million
Place of issuance and for trading	-	-	-
Currency	NT\$	NT\$	NT\$
Issue price	Issue by denomination	Issue by denomination	Issue by denomination
Total amount	NT\$1 billion	NT\$1.5 billion	NT\$1.5 billion
Interest rate	1.85% per annum	1.70% per annum	1.80% per annum
Tenor	7 years maturity date: 2022/12/29	7 years maturity date: 2023/6/29	8 years maturity date: 2024/6/29
Priority	Subordinated	Subordinated	Subordinated
Guarantor	-	-	-
Consignee	-	-	-
Underwriter	Yuanta Securities as lead underwriter	Yuanta Securities as lead underwriter	Yuanta Securities as lead underwriter
Certifying attorney	-	-	-
CPA	Yang, Chen-Hsiu	Yang, Chen-Hsiu	Yang, Chen-Hsiu
Certifying institution	-	-	-
Repayment method	Repayment in lump sum upon maturity	Repayment in lump sum upon maturity	Repayment in lump sum upon maturity
Outstanding balance	NT\$1 billion	NT\$1.5 billion	NT\$1.5 billion
Paid-in capital of the previous year	NT\$23,905,063 thousand	NT\$23,905,063 thousand	NT\$23,905,063 thousand
Shareholders' equity of the previous year	NT\$27,725,528 thousand	NT\$28,482,879 thousand	NT\$28,482,879 thousand
Performance	-	-	-
Terms for redemption or early repayment	None	None	None
Terms for conversion and exchange	None	None	None
Restrictive clause	Subordinated	Subordinated	Subordinated
Funds utilization plan	Medium- and long-term lending	Medium- and long-term lending	Medium- and long-term lending
Issuance amount plus the outstanding balance of previous issues against shareholders' equity of the previous year (%)	53.92%	63.02%	63.02%
Whether included as eligible equity capital and its category	Yes/Tier 2 capital	Yes/Tier 2 capital	Yes/Tier 2 capital
Credit rating agency, rating date, and rating assigned	-	-	-

Bank Debenture Type	2017 Subordinated Bank Debentures, Phase I	2017 Subordinated Bank Debentures, Phase II, Batch A	2017 Subordinated Bank Debentures, Phase II, Batch B
Date/reference number of the competent authority's approval letter	2016/9/8 Jin-Guan-Yin-Piao-Zi No. 10500215650	2017/11/13 Jin-Guan-Yin-Piao-Zi No. 10600259320	2017/11/13 Jin-Guan-Yin-Piao-Zi No. 10600259320
Date of issuance	2017/9/5	2017/12/27	2017/12/27
Denomination	NT\$10 million	NT\$10 million	NT\$10 million
Place of issuance and for trading	-	-	-
Currency	NT\$	NT\$	NT\$
Issue price	Issue by denomination	Issue by denomination	Issue by denomination
Total amount	NT\$2 billion	NT\$750 million	NT\$1 billion
Interest rate	1.97% per annum	4.00% per annum	1.82% per annum
Tenor	10 years maturity date: 2027/9/5	No maturity date (Note)	10 years maturity date: 2027/12/27
Priority	Subordinated	Subordinated	Subordinated
Guarantor	-	-	-
Consignee	-	-	-
Underwriter	Yuanta Securities as lead underwriter	Yuanta Securities as lead underwriter	Yuanta Securities as lead underwriter
Certifying attorney	-	-	-
CPA	Yang, Chen-Hsiu	Yang, Chen-Hsiu	Yang, Chen-Hsiu
Certifying institution	-	-	-
Repayment method	Repayment in lump sum upon maturity	(Note)	Repayment in lump sum upon maturity
Outstanding balance	NT\$2 billion	NT\$750 million	NT\$1 billion
Paid-in capital of the previous year	NT\$23,905,063 thousand	NT\$23,905,063 thousand	NT\$23,905,063 thousand
Shareholders' equity of the previous year	NT\$28,478,741 thousand	NT\$28,478,741 thousand	NT\$28,478,741 thousand
Performance	-	-	-
Terms for redemption or early repayment	None	None	None
Terms for conversion and exchange	None	None	None
Restrictive clause	Subordinated	Subordinated	Subordinated
Funds utilization plan	Medium- and long-term lending	Medium- and long-term lending	Medium- and long-term lending
Issuance amount plus the outstanding balance of previous issues against shareholders' equity of the previous year (%)	65.49%	71.63%	71.63%
Whether included as eligible equity capital and its category	Yes/Tier 2 capital	Yes/Tier 2 capital	Yes/Tier 2 capital
Credit rating agency, rating date, and rating assigned	-	-	-

Note: The Bank may, upon approval of the competent authority, allow early redemption of the said debentures 5.3 years after their issuance (after 2023/4/15) if the Bank's capital adequacy ratio meets the minimum requirement after this redemption.

Bank Debenture Type	2018 Subordinated Bank Debentures, Phase I, Batch A	2018 Subordinated Bank Debentures, Phase I, Batch B	2019 Subordinated Bank Debentures, Phase I
Date/reference number of the competent authority's approval letter	2017/11/13 Jin-Guan-Yin-Piao-Zi No. 10600259320	2017/11/13 Jin-Guan-Yin-Piao-Zi No. 10600259320 and 2018/6/14 Jin-Guan-Yin-Piao-Zi No. 10702116800	2018/6/14 Jin-Guan-Yin-Piao-Zi No. 10702116800
Date of issuance	2018.6.29	2018.6.29	2019.6.6
Denomination	NT\$10 million	NT\$10 million	NT\$10 million
Place of issuance and for trading	-	-	-
Currency	NT\$	NT\$	NT\$
Issue price	Issue by denomination	Issue by denomination	Issue by denomination
Total amount	NT\$700 million	NT\$1.05 billion	NT\$2.5 billion
Interest rate	4.00% per annum	1.75% per annum	1.5% per annum
Tenor	Maturity date: none (Note)	10 years Maturity date: 2028/6/29	7 years Maturity date: 2026/6/6 (Note)
Priority	Subordinated	Subordinated	Subordinated
Guarantor	-	-	-
Consignee	-	-	-
Underwriter	Yuanta Securities as lead underwriter	Yuanta Securities as lead underwriter	Yuanta Securities as lead underwriter
Certifying attorney	-	-	-
CPA	Yang, Chen-Hsiu	Yang, Chen-Hsiu	Chen, Yin-Chou
Certifying institution	-	-	-
Repayment method	(Note)	Repayment in lump sum upon maturity	Repayment in lump sum upon maturity
Outstanding balance	NT\$700 million	NT\$1.05 billion	NT\$2.5 billion
Paid-in capital of the previous year	NT\$24,130,063 thousand	NT\$24,130,063 thousand	NT\$27,130,063 thousand
Shareholders' equity of the previous year	NT\$28,558,691 thousand	NT\$28,558,691 thousand	NT\$31,558,691 thousand
Performance	-	-	-
Terms for redemption or early repayment	None	None	None
Terms for conversion and exchange	None	None	None
Restrictive clause	Subordinated	Subordinated	Subordinated
Funds utilization plan	Medium- and long-term lending	Medium- and long-term lending	Medium- and long-term lending
Issuance amount plus the outstanding balance of previous issues against shareholders' equity of the previous year (%)	62.50%	62.50%	59.25%
Whether included as eligible equity capital and its category	Yes/Tier 2 capital	Yes/Tier 2 capital	Yes/Tier 2 capital
Credit rating agency, rating date, and rating assigned	-	-	-

Note: The Bank may, upon approval of the competent authority, allow early redemption of the said debentures 5 years and 1 month after their issuance if the Bank's capital adequacy ratio meets the minimum requirement after this redemption.

3. Preferred Shares

Issuance (launch) date		November 29, 2018
Item		
Face value		NT\$10
Issuance price		NT\$10 per share
Number of shares		300,000,000 shares
Total issuance amount		NT\$3,000,000,000
Rights and obligations	Distribution of dividends and bonuses	<p>These preferred shares offer dividends of 4.25% per annum (5-year IRS 0.94375%+3.30625% as of the record date—October 29, 2018) calculated pursuant to the issuance price per share. The 5-year IRS rate will be reset on the day after 5 years and 6 months of the issuance date and the day after each subsequent 5-year-and-6-month period thereafter, and the record date thereof shall be the second business day for financial institutions in Taipei prior to the aforesaid day of rate reset. The 5-year IRS rate shall be the arithmetic mean of 5-year IRS quotations as published by Reuters, PYTDWFIX, and COSMOS3 at 11:00 a.m. of the day of the reset record date (must be a business day for Taipei's financial institutions). If the above quotations cannot be obtained on the reset record date, the Bank shall decide on such in good faith while taking into account reasonable market rates.</p> <p>If the Bank's annual accounting shows any profit, after having paid all taxes and dues and covering the losses accumulated in previous years, it shall set aside a legal reserve as well as appropriate or reverse a special reserve in accordance with the laws before giving priority to using the balance for the year's dividend distribution for these preferred shares. The Bank has sole discretion on dividend distribution for these preferred shares. When no or not sufficient profit is recorded for distributing dividends for preferred shares in a given year, or if preferred share dividend declaration would render the Bank's capital adequacy ratio below the minimum level required by law or the competent authority, or due to any other necessary considerations, the Bank may decide not to declare preferred stock dividends, to which holders of these preferred shares shall file no opposition. These preferred shares are not cumulative in nature, that is, undeclared or underdeclared dividends are not to be paid in subsequent years with profits recorded. Dividends for these preferred shares are declared in cash once per year. After the Bank's financial statements secure approval at its annual shareholders' meeting, the Board of Directors shall set the record date for distribution of available dividends from the previous year. Dividend distribution for the years of issuance and redemption shall be calculated pursuant to actual days after issuance in the year in question. Dividends distributed shall be specified in the dividend certificate.</p> <p>Except for receipt of dividends at the aforementioned dividend rate, holders of these preferred shares cannot participate in distribution of cash or stock dividends to holders of common shares from profits or additional paid-in capital.</p>
	Priority of claims in liquidation	<p>When it comes to priority of claims in liquidation, holders of these preferred shares have the same order of priority as holders of common shares when, in accordance with the Regulations Governing the Capital Adequacy and Capital Category of Banks, the competent authority assigns officials to take receivership over the Bank, order the Bank to suspend and wind up business, or liquidate the Bank. In the event of the Bank's subsequent distribution of residue property, holders of these preferred shares shall be superior to holders of common shares—the same priority of claims for holders of all other preferred shares issued by the Bank—but inferior to holders of Tier 2 capital, depositors, and other general creditors. Claims by holders of these preferred shares shall be capped at the total issuance amount.</p>
	Exercise of voting rights	<p>Holders of these preferred shares have no voting rights and cannot elect directors at the general meetings of shareholders. This restriction does not apply to meetings of holders of preferred shares and general meetings of shareholders that address matters with regard to the rights and obligations of holders of preferred shares, occasions where holders of preferred shares have the rights to vote and be elected directors.</p>
	Others	<p>When the Bank conducts rights issues for cash, holders of these preferred shares have the same subscription rights as holders of common shares.</p>

Issuance (launch) date		November 29, 2018	
Item			
Outstanding preferred shares	Amount redeemed or converted	NT\$0	
	Balance of shares not yet redeemed or converted	NT\$3,000,000,000	
	Terms of redemption or conversion	<p>1. These shares of Preferred Stock A have no maturity date but the Bank may, upon approval of the competent authority, redeem all or part of these preferred shares at the issuance price on the day after 5 years and 6 months of the issuance date. Holders of any unredeemed preferred shares shall thereafter be entitled to the same rights and obligations listed above. If the General Meeting of Shareholders resolves on paying dividends for a given year when the Bank is redeeming these preferred shares, dividend distribution thereof shall be calculated pursuant to actual days in the year up to the date of redemption.</p> <p>2. These preferred shares shall not be convertible within 1 year of the issuance date (inclusive). From the day after the first anniversary of issuance, holders of these preferred shares may apply to convert all or part of their holdings into common shares at a conversion ratio of 1:1, after which the rights and obligations entailed by common shares shall apply. Dividend distribution for the years of conversion shall be calculated pursuant to actual days in the year up to the date of conversion. Nevertheless, holders of preferred shares who convert their holdings into common shares prior to the ex-rights (ex-dividend) record date in a given year shall not be entitled to distribution of dividends for these preferred shares for the same year and the subsequent year. Such shareholders, however, shall be entitled to distribution of earnings and capital reserves among holders of common shares.</p>	
Market price per share	2018	High	Not applicable
		Low	Not applicable
		Average	Not applicable
	2019	High	NT\$ 10.65
		Low	NT\$ 10.10
		Average	NT\$ 10.46
	2020	High	NT\$ 10.65
		Low	NT\$ 8.82
		Average	NT\$ 10.24
	Year to date as of April 27, 2021	High	NT\$ 10.25
		Low	NT\$ 10.10
		Average	NT\$ 10.16
Other rights	Amount converted or subscribed to as of the date of publication of this annual report		NT\$0
	Issuance and conversion/subscription rules		<p>These preferred shares shall not be convertible within 1 year of the issuance date (inclusive). From the day after the first anniversary of issuance, holders of these preferred shares may apply to convert all or part of their holdings into common shares at a conversion ratio of 1:1, after which the rights and obligations entailed by common shares shall apply. Dividend distribution for the years of conversion shall be calculated pursuant to actual days in the year up to the date of conversion. Nevertheless, holders of preferred shares who convert their holdings into common shares prior to the ex-rights (ex-dividend) record date in a given year shall not be entitled to distribution of dividends for these preferred shares for the same year and the subsequent year. Such shareholders, however, shall be entitled to distribution of earnings and capital reserves among holders of common shares.</p>

Item	Issuance (launch) date November 29, 2018
Impact of issuance on equity of shareholders of preferred shares and possible dilution of equity	<p>The Bank's capital increase via this issuance of Preferred Stock A comes with no maturity date. Investors are not given a put option but may convert their holdings into common shares at a 1:1 conversion ratio 1 year after issuance. As holders of these preferred shares are expected to exercise conversion at different points of time, any dilution of equity will be deferred and an immediate impact on the Bank's managerial control and earnings per share is deemed unlikely.</p> <p>If all the holders of these preferred shares choose to convert their holdings into common shares, the maximum equity dilution ratio will be:</p> $= \frac{\text{Number of new shares issued for this capital increase}}{\text{Number of shares outstanding} + \text{Number of new shares issued for this capital increase}}$ $= \frac{300,000,000 \text{ shares}}{2,413,006,000 \text{ shares} + 300,000,000 \text{ shares}} = 11.06\%$ <p>As shown above, if all the holders of these preferred shares choose to convert their holdings into common shares, the maximum equity dilution ratio will be 11.06%, a reasonably acceptable level. Moreover, no dilution will be incurred until holders of these preferred shares start to apply for conversion. Any dilution of equity is thus expected to be deferred and only a limited impact on the equity of existing shareholders is to be expected over the long term.</p>
Impact on equity of existing shareholders	<p>Dividend distribution for the years of conversion shall be calculated pursuant to actual days in the year up to the date of conversion. Nevertheless, holders of preferred shares who convert their holdings into common shares prior to the ex-rights (ex-dividend) record date in a given year shall not be entitled to distribution of dividends for these preferred shares for the same year and the subsequent year. Such shareholders, however, shall be entitled to distribution of earnings and capital reserves among holders of common shares.</p> <p>In terms of the impact on equity of existing shareholders, issuance of these preferred shares necessitates distribution of dividends among their holders prior to conversion, thereby reducing the earnings available for distribution among holders of common shares. Upon conversion of these shares of Preferred Stock A into common shares, however, dividend distribution for preferred shares will decrease as well. While holders of these preferred shares are entitled to convert their holdings into common shares, their conversion tends to occur at different points of time and thus the dilution of earnings per share will not be immediate. Moreover, this capital increase has ushered in regulatory capital, which not only gives an immediate boost to the Bank's capital adequacy ratio but also can be used in extending loans. This will help the Bank enhance its earnings capacity over the medium-to-long term and thus have a positive effect on equity of existing shareholders.</p>
Impact of redeeming preferred shares on the ratio of regulatory capital to risk-weighted assets	Not applicable

Note: November 29, 2018 was the record date (issuance date) for this capital increase via issuance of preferred stock A, with the shares thereof becoming available for trading on the Taiwan Stock Exchange on January 9, 2019.

4. Global Depository Receipts 、Employee Stock Options 、New Restricted Employee Shares and Information of Other Financial Institutions Acquired or Transferred: None.

5. Financing Plans and Implementation

■ Plans for Bank Debentures and Implementation Status

A. Plan Content:

Any uncompleted public issue or private placement of equities or bank debentures or any such issue and placement that was completed in the most recent three years but has not yet fully yielded the intended benefits: None.

B. Implementation Status: None.

V. Operational Highlights

1. Business Activities

The Bank mainly operates the following businesses:

- Acceptance of various types of deposits.
- Issuance of financial bonds.
- Handling of loans, discounts, and acceptances.
- Handling of domestic and foreign exchange services.
- Handling of domestic and foreign guarantee services.
- Issuance of domestic and foreign L/Cs.
- Agency collection and payment services.
- Investment in and underwriting of securities.
- Proprietary trading of government bonds.
- Factoring services.
- Provision of financial consulting connected with financing and non-financing services.
- Wealth management services.
- Acting as an agent for personal insurance and property insurance.
- Handling of debit card services.
- Handling of guarantee services connected with export and import foreign exchange, outward and inward remittances, foreign currency deposits and loans, and foreign currency guaranteed payments.
- Handling of services permitted under the Trust Enterprise Act.
- Handling of financial derivatives services.
- Handling of other services approved by the competent authority.

Key Business Area	Major Business Activity
Corporate Banking Services	Provision of corporate/juristic-person financial products and services: lending and deposit, corporate foreign exchange and international finance, project, corporate financial advisory services, and corporate cash management and e-Banking services, etc.
Retail Banking Services	Provision of personal financial products and services: lending and deposit, digital retail banking services, payment, insurance, wealth management, etc.
Trust Business	Trust, securitization, trust asset management, etc.
Investment Business	Financial products and securities transaction, and direct investment.
Investment under Equity Method	Please refer to this annual report "Review of Financial Conditions, Operation Results, and Risk Management" for investment details.

Weight of Business Profits

Unit: NT\$ thousands

Item	Year		2020		2019	
	Amount	%	Amount	%	Amount	%
Net interest income	1,914,583	41	1,957,451	37		
Net fee income	583,947	13	808,793	15		
Gains or losses on financial assets (liabilities) at fair value through profit or loss	(840,982)	(18)	908,385	17		
Gains from sale of fair value through other comprehensive income financial assets	257,439	6	133,451	2		
Net gain or loss on exchange	1,642,073	35	293,516	6		
Gain on reversal of impairment loss	(3,704)	-	1,284	-		
Share of profit or loss of subsidiaries and affiliated businesses accounted for using equity method	990,158	21	1,098,480	21		
Net profit apart from interest	107,962	2	103,855	2		
Net income	4,651,476	100	5,305,215	100		

Weight of Major Business Operations

Unit: NT\$ thousands

Asset	2020.12.31	Percentage (%)	Percentage Increase (Decrease) from the previous year	2019.12.31	Percentage (%)
Loans- Corporate Banking	138,400,828	42.09	(10.14)	154,011,510	45.94
Loans- Retail Banking	27,699,465	8.42	23.68	22,395,242	6.68
Investment	121,440,257	36.93	4.34	116,385,765	34.72
Investment under Equity Method	16,542,108	5.03	10.87	14,920,171	4.45

Unit: NT\$ thousands

Revenue	2020.12.31	Percentage (%)	Percentage Increase (Decrease) from the previous year	2019.12.31	Percentage (%)
Corporate Banking Services	2,669,190	57.38	(16.96)	3,214,248	60.59
Investment	868,808	18.68	(0.57)	873,806	16.47
Investment under Equity Method	990,158	21.29	(9.86)	1,098,480	20.71
Others		2.65	3.91	118,681	2.23
Net Income	4,651,476	100.00	(12.32)	5,305,215	100.00

Volume of Foreign Exchange:

Unit: US\$ thousands

Item	2020	Percentage (%)	Percentage Increase (Decrease) from the previous year	2019	Percentage (%)
Import (Issuance of L/C;DA;DP)	126,212	0.69	(52.77)	267,225	1.46
Export (Negotiation;Collection;DA;DP)	42,953	0.24	(53.86)	93,094	0.51
Remittance (Outward;Inward)	18,054,029	99.07	0.64	17,939,825	98.03
Total	18,223,194	100	(0.42)	18,300,144	100

Trust Asset:

Unit: NT\$ thousands

Item	2020.12.31	Percentage (%)	Percentage Increase (Decrease) from the previous year	2019.12.31	Percentage (%)
Monetary	8,182,562	57.39	7.26	7,628,635	59.56
Real Estate	6,075,235	42.61	17.29	5,179,695	40.44
Total	14,257,797	100	11.32	12,808,330	100

Note: The item is categorized under Trust Enterprise Act, Article 16.

(1) Business Review

In 2020, the Bank's domestic business locations included its Taipei Headquarters, Zhongxiao Dunhua Branch, Taoyuan Branch, Hsinchu Branch, Taichung Branch, and Kaohsiung Branch. In addition, the competent authority approved the establishment of regional service units in Taoyuan and Tainan; apart from promoting this Bank's financial products, these service units also provide all-round financial services to clients throughout northern, central, and southern Taiwan. Our first overseas branch (Hong Kong Branch) opened in April 2009; this branch has since extended our financial products and services platform to Hong Kong and the Greater China area, thereby serving local clients and Taiwanese-invested enterprises from a close distance and promoting win-win outcomes through long-term cooperation characterized by mutual trust and reciprocity.

1) Credit Extension

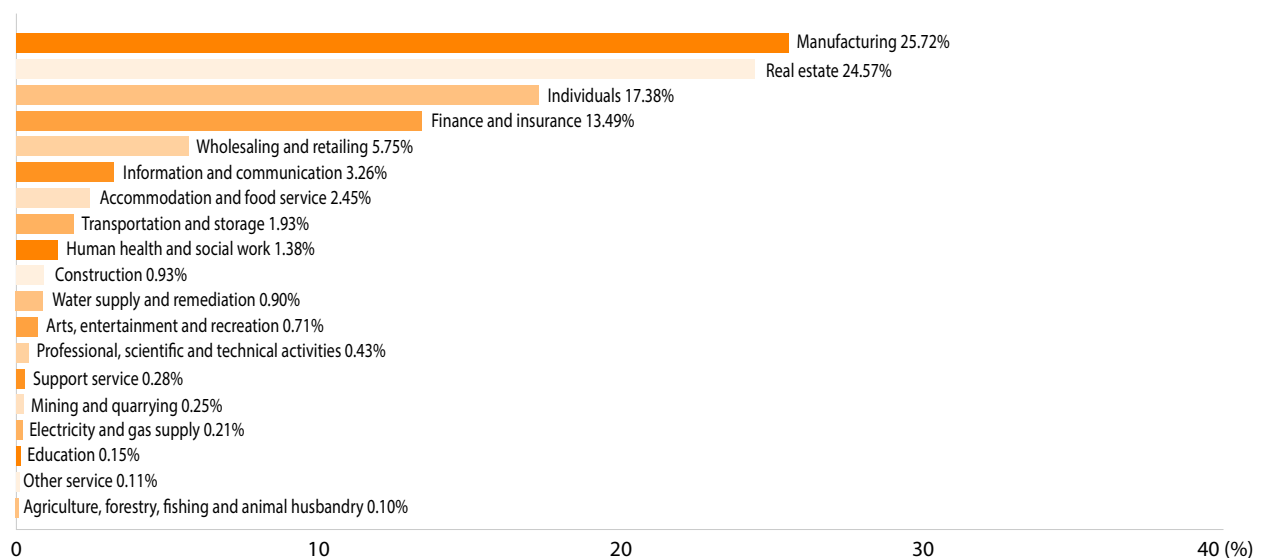
In 2020, the Bank made aggressive inroads into the personal banking sector while continuing to actively cultivate clients in Taiwan and abroad for its corporate banking services. In order to cater to different customer segments, the Bank developed a wide range of loan products—coming with different loan limits, interest calculations, repayment methods, fee discounts, and binding periods—that truly meet customer needs. On the back of sustained growth in both mortgages and unsecured loans, the Bank's retail banking business saw its loan extension in 2020 increase 23.68% from a year earlier. Moreover, the “My Data” personalized digital services platform was introduced to provide a better-rounded online channel for loan applicants and a faster, safer, and more convenient service to customers. In line with government policy, the Bank shouldered its social responsibility by offering lenient flexibilities to borrowers who had been furloughed or suffered otherwise due to the Covid-19 pandemic.

In 2020, the Bank's corporate banking business sustained negative growth in both lending volume and earnings as the Covid-19 pandemic dampened the broader economy and the central bank's rate cut undermined the banking industry's interest income. Given an external environment marked by global uncertainty, the Bank would rather adopt a prudent approach toward expanding its corporate banking business. Rather than seeking a major increase in lending, the objective was to make the best of the limited interest spread and grow fee income while keeping credit risk under control.

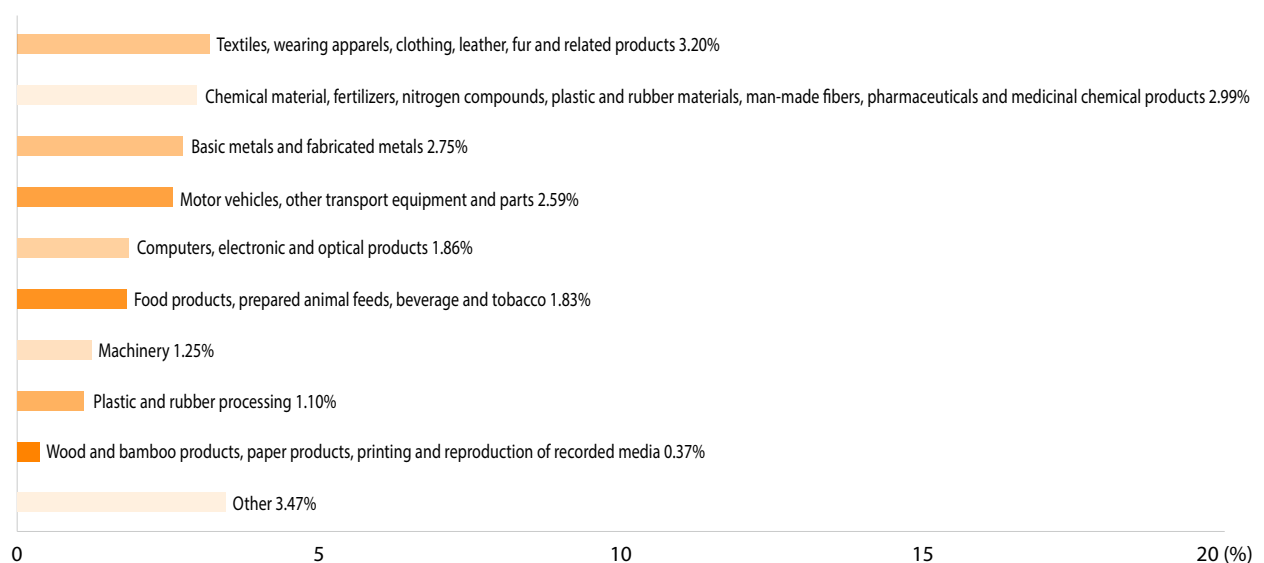
By Standard Industrial Classification of Directorate General of Budget, Accounting and Statistics, the Bank's 2020 overall credit risk exposure came in at NT\$203.5 billion (including loans, factoring, receivable acceptance, guarantee, and receivable L/C amounts), and NT\$192.2 billion, excluding that fully secured by the Bank's certificates of deposit. Of these numbers, the manufacturing industries category accounted for the greatest share of our credit risk exposure at 25.72%. Next came the real estate category with 24.57%, the individuals with 17.38%, the financial and insurance industry with 13.49%, the wholesaling and retailing industry with 5.75%, the information and communication industry with 3.26%, the accommodation and food service industry with 2.45%, the transportation and storage industry with 1.93%, the human health and social work industry with 1.38%, the construction industry with 0.93%, the water supply and remediation industry with 0.90%, the arts, entertainment and recreation industry with 0.71%, the professional, scientific and technical activities industry with 0.43%, the support service industry with 0.28%, the mining and quarrying industry with 0.25%, the electricity and gas supply industry with 0.21%, the education industry with 0.15%, the other service industry with 0.11%, the agriculture, forestry, fishing and animal husbandry industry with 0.10%. Within the manufacturing sector, the electronic parts and components industry recorded the

greatest credit risk exposure of 4.31%, followed by the textiles, wearing apparels, clothing, leather, fur and related products industry with 3.20%, the chemical material, fertilizers, nitrogen compounds, plastic and rubber materials, man-made fibers, pharmaceuticals and medicinal chemical products industry with 2.99%, the basic metals and fabricated metals industry with 2.75%, the motor vehicles, other transport equipment and parts industry with 2.59%, the computers, electronic and optical products industry with 1.86%, the food products, prepared animal feeds, beverage and tobacco industry with 1.83%, the machinery industry with 1.25%, the plastic and rubber processing industry with 1.10%, the wood and bamboo products, paper products, printing and reproduction of recorded media industry with 0.37%, and other industry with 3.47%.

The credit risk exposure (excluding that fully secured by the Bank's certificates of deposit) at the end of 2020:



The credit risk exposure within the manufacturing sector (25.72%):



We are actively cultivating new clients in Taiwan and abroad. To seek stable growth and diversify operating risk, we are proactive to consolidate our existing customer base and make inroads into the niche segment of mid-market enterprises, which promises to make an important foundation for promoting various co-marketing undertakings.

Syndicated loans have always been the mainstay of our lending business. The Bank established the Corporate Finance Department to provide customized, quick and precise financing solutions to clients, raise funds for them, and help them solve critical problems. Our target customers are mainly based in the Greater China area (Taiwan and Hong Kong) from all business sectors. Coming with a full spectrum of funding solutions, the Bank is ready to share growth with domestic and international businesses. Furthermore, with refined and professional services, not only does the Bank help corporates keep growing, but also boost its own competitiveness in the market.

In 2020, companies reduced their capital expenditures amid the Covid-19 pandemic and slowing economic growth both at home and abroad, a worsening trade war between the U.S. and China, and an ever-deteriorating global market. Alongside a gradual decrease in syndicated loans, it was increasingly difficult to secure lead bank status, especially when most businesses are applying for low-interest loans to cover operation costs. Yet, on top of a solid customer base built over the years, the Bank always prides itself on being a “boutique bank” that refrains from vying for small margins, specializes in cross-border structured cases, stays focused on corporate clients with growth prospects, and joins forces with affiliates for co-marketing endeavors. It is the Bank’s focusing only on niche projects that brought one of its key earnings drivers.

2) Deposits

As of the end of 2020, the Bank's outstanding balance of NT dollar and foreign currency deposits came in at approximately NT\$246.4 billion, an increase of 1.15% from a year earlier. For the sake of both liquidity and security, the Bank gives priority to deposit stability. As such, emphasis is placed on diversifying the maturities of time deposits while actively soliciting demand deposits and small and medium-sized enterprises (SMEs) deposits to bring down capital costs.

The Bank’s various personal deposit products and services have something in common: they are all driven by customer needs. These include online opening of NT dollar and foreign currency digital accounts without visiting a physical branch, NT dollar and foreign currency demand and time deposits, children’s accounts, foreign exchange swap, various payment, and “Mobile Number is Account Number” transfer services. We seek to meet clients' cash management and funds allocation needs via both digital and physical channels.

3) Foreign Exchange and Offshore Banking

We continued to offer trade financing services and give priority to maintaining a reasonable interest spread in our foreign exchange financing operations. In 2020, although the Bank’s import and export business slowed down from the adjustment of target customer segment, the exchange amount continues to grow steadily.

With regard to offshore banking, the Bank offered DBU and OBU services across the Taiwan Strait while further strengthening services to clients that have established multinational operations centers so that they could secure the funds needed for offshore operations. Meanwhile, the Bank responded to the rapid

1000

1. _____

[illegible]

“

Journal of Management Education 36(8) 907-927

8) Trust Business

When it comes to trust business, the Bank mainly aims to develop trust, securitization, and asset management services. Our trust services focus on monetary and real estate trust; our securitization services are geared toward developing various kinds of securitized products; and our asset management services are mainly aimed at helping clients allocate assets and build well-rounded portfolios.

With regard to mutual funds, we are earnest to create comprehensive product lines. Emphasis is also placed on promoting "Robot Advisory": big data analytics is adopted to help clients optimize investment portfolios that strike a balance between flexibility and security for their asset allocations.

As of the end of 2020, the outstanding balance of assets entrusted to the Bank came in at NT\$14.2 billion, a year-on-year increase of NT\$1.4 billion.

9) Cash Management and e-Banking

While reinventing itself as a commercial bank and launching into retail banking in 2017, the Bank also upgraded its corporate e-banking platform and ushered in an automated online payroll service. With customer demand for remittances and the automated online payroll service steadily on the rise, the Bank further upgraded both tangible and intangible aspects in 2018 to optimize these services and help customers conclude massive transactions in no time. By staying flexible to offer customized services, the Bank was able to help corporate clients reduce financial and manpower costs and enhance transaction efficiency. This stride toward meeting a growing variety of customer needs certainly contributed to strengthening customer loyalty. The Bank's corporate e-Banking platform recorded from a total of 468,102 online transactions in 2019 to 507,296 in 2020.

As the market became increasingly digitized, we introduced a digital corporate banking platform in 2018. This platform, accessible anytime and anywhere, integrates the Bank's internal systems and strengthens our sales, management, and efficiency across the bank, thereby optimizing our management of corporate banking services. Also adopted during the year was a dynamic security verification mechanism for transactions by fax, a move meant to make the Bank's payment service more efficient. In 2020, we initiated an automated confirmation-handling mechanism by integrating all relevant internal systems to deliver automatic output. With the number of confirmation cases steadily on the rise, the new initiative proved effective in enhancing efficiency and reducing operating risk.

On top of our preferential-rate offerings for NTD demand deposits, we introduced a similar campaign for time deposits during the year to attract fresh funds. The initiative was meant not only to attract new customers and bring in funds of different tenors but also to foster growth in deposits and add diversity to our customer base. In line with our goal of sustainability and commitment to engaging in and promoting the B Corporation initiative, we also introduced Corporate Higher Rate Campaign for Mega-Customer in NTD Savings Account specifically for the B Corporation community in 2017. This was followed in 2018 by two similar preferential offerings: one meant for social enterprises and the other for small and medium-sized enterprises. In keeping with our commitment to social engagement and sustainable development, the Bank also ushered in a Preferential Tiered-Rate Demand Deposit Campaign for Startups in 2019.

10) Digital Retail Banking Services

- **Electronic Banking Services:** We provide secure and convenient online/mobile banking services, and our user-friendly interface and convenient functions allow users to easily check their accounts, make transfers, sell or buy foreign exchange, pay fees, perform mutual fund transactions, "Robot Advisory," and conduct various other operations. We also offer 24-hour video customer service: our customers are invited to take advantage of all manner of financial services anytime, anywhere.
- **Digital Wealth Management Services:** We provide a wide range of wealth management products, including mutual funds, back-end load mutual funds, overseas bonds, and "Robot Advisory." In addition, the option of Taiwan dollar and foreign currency is provided, to meet the diverse customer needs.

11) Payment Services

- **Card Payment Services:** In addition to debit cards with various personalized card designs for customers to choose from, we continued to provide co-branded and affinity cards issued in conjunction with members in the consumer markets, chain restaurants, public welfare entities, schools, electronic stored value card operators, etc. Featuring specific debit card discounts, cash rebate and zero-risk card use, they rightly give cardholders peace of mind.
- **Electronic Payment Services:** We have provided customers with the service of immediate deductions from their accounts when they make use of such payment platforms as GAMA PAY, JKOPAY, LINE Pay, and iPASS. As such, we are poised to give customers richer possibilities as to where they can conduct transactions and support a greater number of payment instruments.

12) Insurance Services

Teaming up with PCA Life, we have introduced protection-oriented life insurance, medical insurance, accident insurance, and NTD/foreign currency savings-oriented insurance. Through face-to-face and phone marketing, and other channels, we provide a wide range of products and services to ensure that customers have access to the best-fitting insurance in different stages of their lives. Apart from bring out the spirit of protection through insurance, the Bank's offering of professional insurance service is reciprocated in the customers' trust and loyalty.

13) Wealth Management Services

With our consultants serving the individuals and business owners separately, the Bank provides customers with tailor-made financial products and advisory services, including deposits, investment products, insurance products, and tax and asset arrangement. We provide a full spectrum of services in a bid to attract high-end customers so as to broaden and deepen their interaction with the Bank.

(2) Business Plan for 2021

1) Credit Extension

In the face of an intensely competitive financial market, we strategically consider ourselves a "boutique bank" in the corporate banking sector. We are ready to build on our existing customer base and implement the following action plans:

- (A) **Expand the Bank's customer base:** In addition to bolstering the primary customer base composed of large corporations, we will work equally hard to make inroads into the mid-market enterprises (MME)

sector. Through provision of a full spectrum of corporate banking and wealth management products, we aim to become the primary bank they count on.

- (B) Strengthen trade finance and forex trading: Build on the benefits of e-banking and e-factoring to promote trade finance services, foster deposits derived from customers' capital flow, and grow the Bank's global transaction service (GTS) business, thereby complementing the growth in fee income and demand deposits. Besides taking the advantage of existing large clients as the basis for expanding to other members of their supply chains, the Bank develops business opportunities of mid-sized enterprises—an expansion of both our customer base and business opportunities.
- (C) Develop different types of project financing opportunities and vie for domestic and overseas syndicated loans: in addition to promoting project loans in tandem with government policy, the Bank also uncover structured deal opportunities and actively vie for quality domestic and overseas syndicated loans in order to meet customer needs for fund-raising and capital allocation, thereby increasing fee income.
- (D) Optimize assets: Aim for an increase in both the ROA and ROE with a view to maximizing profits out of a reasonable asset base.

In terms of retail banking, four action plans will be implemented to strive for steady growth and vigorous innovation:

- (A) Strengthen customer service throughout: More meticulous customer segmentation is required as the number of customers increases in order to meet customer needs of different types, stages in life, and scenarios.
- (B) Enhance product competitiveness: Constantly monitor market changes and customer needs for the reference of product development with a view to coming up with a full spectrum of loan offerings.
- (C) Optimize the customer experience and improve operational efficiency: We always give top priority to delivering a satisfying customer experience. By taking advantage of ongoing deregulation to strive for FinTech breakthroughs, we are keen to provide customers with the best possible digital experience.
- (D) Grow risk control empowerment: Draw on big data to analyze and seek out potential customers and enhance risk identification at the same time. Committed to innovation, we are set to adopt unorthodox risk management models in the development of small-scale trial projects to cater to hitherto unfamiliar customers. The objective is to establish an innovative digital service model to meet different customer needs.

2) Deposits

To expand sources of stable funds, reduce liquidity risk and lower capital cost, we make it a point to increase the weighting of demand deposits and strengthen solicitation of small and medium-sized enterprises (SMEs) deposits in terms of corporate deposits in 2021.

Restructuring into a commercial bank means that our bid for attracting more depositors is no longer bound by regulations governing industrial banks and that we are free to pursue expansion by building on our corporate customer base. Meanwhile, we will continue to optimize our corporate e-banking services, enhance incentives for new deposits, offer favorable terms for large corporate deposits that are invariably price-sensitive, and strengthen solicitation of small and medium-sized enterprises (SMEs) deposits, thereby securing long-term, low-interest funds and keeping up our interest spread on the back of low-cost funds. Based on our business goals, we will come up with different deposit plans designed specifically for different customer segments. Such preferential offers as tiered-rate demand deposit packages will be introduced to persuade customers to keep more deposits with us, thereby making O-Bank their primary partner bank.

1. *Journal of the American Medical Association*, 1997; 278: 1039-1044.

[illegible]

policy and expand its presence in Southeast Asia via forming strategic alliances, setting up outposts, and integrating OBU and cross-border syndicated lending operations, thereby giving further impetus to its overseas bid.

4) Direct Investment

In the wake of the Bank's reorganization into a commercial bank, we will give priority to disposing of our original investment portfolio in 2021. Such disposals are expected to be completed by the end of 2021.

5) Financial Product Trading and Investment

As the year 2021 unfolds, the ongoing Covid-19 pandemic looks poised to be considerably alleviated toward the end of the year as vaccination picks up momentum worldwide. Following the emergency rate cut and QE expansion by the Fed (Federal Reserve) in 2020, the yields of U.S. bonds fell to an all-time low while Wall Street hit a record high after another. After taking office as president, Biden had his administration adopt an ambitious relief program that is expected to accelerate America's economic recovery. While the Fed may put an end to its bond purchase program by the end of the year, America's widening fiscal deficit and further increase in bond issuances are expected to result in a steeper bond yield curve. This, in turn, may mean an opportunity for the financial services industry to bet on bonds. On the other hand, geopolitical disruptions are set to shroud global financial markets with uncertainty and exacerbate the complexity in transacting financial products.

All in all, the economic fallout of the Covid-19 pandemic is here to stay even though the pandemic itself may ease off over time. After the FOMC convened its first meeting of 2021, Fed Chair Jerome Powell said the pace of economic and employment recovery has been slow and the future remains a highly uncertain one.

After its March 18, 2021 board meeting, Taiwan's central bank said that outbound shipments had grown substantially since the beginning of the year on the back of still brisk demand for electronic components and parts and ICT products, as well as more robust purchases of old-economy goods. In terms of domestic demand, the labor market remained stable, unemployment rate came down, consumer confidence recovered, and retail sales continued to grow. Leading technology companies expanded capex and imported more capital equipment. As such, the local economy grew steadily. It was expected that the year 2021 would see major economies enjoy an accelerated recovery, demand for emerging technologies and their applications remain solid, and "remote" businesses continue to boom. Taiwan's exports thus look poised to sustain a further boost and private investment will increase as well. For its part, Taiwan's central bank forecast GDP growth of 4.53% on the back of economic activities picking up and private consumption growing mildly in 2021. On the other hand, return of higher prices for crude oil and other commodities and rate increases for international shipping look poised to push up import prices. Coupled with a pickup in private consumption, the central bank gave a bit higher inflation projections: Taiwan's CPI and core CPI were forecast to increase 1.07% and 0.77% respectively in 2021. Combined, despite uncertainties lingering on financial markets, still high geopolitical risks, a mild inflation outlook mean that Taiwan will most likely keep its monetary policy loose in 2021. For its part, the Taiwan dollar is expected to experience wider swings precisely because of the many international uncertainties cited above.

(A) Trading and investing in fixed-income products

The Bank is set to strengthen balance sheet management and stringently control asset quality. This year we continue to pay attention to dealing in quality assets to utilize funds effectively. The rationale is to enhance the profitability and strengthen the liquidity reserves ratio. Given ongoing drastic changes across financial markets, the Bank is set to strengthen post-investment managing and stringently control and monitor asset rate and credit risk.

(B) Marketing financial products

Committed to sustaining long-term relations with customers, our sales team will, based on market conditions and customer characteristics and needs, carefully assess their risk tolerance while delivering meticulous market analysis and diverse financial products to help them hedge risk and conduct investment.

6) Securities Trading

With the worldwide vaccine rollout likely to get the Covid-19 pandemic under control, the global economy is expected to head for a gradual recovery from the second half of 2021. The IMF has projected global growth of 5.5% or so for the year and Taiwan's Directorate- General of Budget, Accounting and Statistics official forecast is for GDP to grow 4.64%. Corporate earnings are also expected to stay on growth track. Of course, many external uncertainties remain: the pandemic's subsequent development, the U.S.-China contention, military tension across the Taiwan Strait, and geopolitical confrontations elsewhere. In particular, the global speculative mood fueled by a flood of easy money has pushed stock markets to relative highs, setting the stage for intensified fluctuations this year. On the other hand, the applications of HPC, 5G/AIOT, electric car, and other emerging technologies are only in their nascent stages. This promises to keep the global semiconductor industry booming and help Taiwan's chip-making sector stay on growth track. Combined, fundamental support and ample liquidity are expected to provide local equities with further upside going forward. To keep up profit generation, the Bank is ready to adopt a flexible trading strategy, that is, focusing on blue chips and high-yield shares while also buying into select targets that are expected to benefit from still promising industry trends and continue delivering reasonable earnings growth.

7) Project Finance

As the year 2021 unfolds, we will build on our extensive customer base in the Greater China area (Taiwan and Hong Kong) to deliver tailored boutique banking services and provide corporate clients with optimal customized solutions. Assistance will be offered in such areas as corporate consolidation and M&As, debt arrangement, restructuring, fund-raising, M&A financing, and tax planning. At the same time, we will draft feasible financial and commercial frameworks for various development projects and create financing and investment opportunities that are likely to emerge accordingly.

8) Trust Business

The Bank is proactive to develop trust services and diversify trust offerings to cater to even more consumers. In 2021, priority will be given to giving customers an additional option in terms of investment and wealth management by undertaking custody services for overseas bonds. Emphasis will also be placed on developing escrow, advance payment trust, and personal trust services. In short, we will devise tailor-made trust contracts to meet all manner of customer needs.

9) Cash Management and e-Banking

In 2018, O-Bank introduced its digital corporate banking platform, a fully integrated IT platform that draws on FinTech and big data analytics to internally deliver real-time services at all times. In 2019, a dynamic verification mechanism was developed and introduced into transactions by fax. In addition to simplicity and convenience, this will enhance transaction security by doing away with the risk associated with hard copies, increase efficiency, and bring down costs for both the Bank and its customers. Equally important for the Bank in 2020 will be to further upgrade security control components, and expand and adapt to more diversified browser applications. To offer more efficient payment services, the Bank is ready to provide corporate clients with online inter-bank remittance services within an FXML distribution mechanism. In 2021, the Bank will also continue to expand and upgrade its collection and payment services in the corporate banking sector. In particular, convenience stores will be added to the Bank's collection services network. Furthermore, in 2021, the Bank will continuously develop more deposit offerings for corporate clients with a view to building up a capital position that comprises U.S. dollar demand deposits as well as those in the Taiwan dollar to enhance our liquidity and lower capital costs while further strengthening our collection and payment services. The goal is to create a win-win scenario in which the Bank benefits from earnings growth while building closer customer relations.

10) Digital Retail Banking Services

In terms of business strategies, we will continue to focus on seeking out new quality customers while strengthening our partnership with existing ones.

- E-banking Services: Continue to optimize platform layout and operations, refine customer experiences, upgrade services, and provide customers with fitting product information based on customer behavior and dealings with the Bank. In addition, continue to optimize security control system to provide customers with even more convenient and safer transaction service.
- Digital Wealth Management Services: Complement preferential mutual fund offerings with our Robot Advisory initiative to give customers not only fee discounts but also custom-made recommendations with regard to their investment portfolios. In 2021, the Bank is ready to further diversify wealth management services and promote financial inclusion by giving online access to small bond and back-end load fund investors. Separately, the Bank will work with the Department of Finance, National Sun Yat-sen University in course design and research projects to enhance the core capacity for smart wealth management and data analytics while repaying society through training students at the same time.

11) Payment Services

- Card Payment Services: The Bank will continue to issue debit cards that the market and customers truly need by drawing on our capacity to identify customer preferences through data analytics. On the back of our integrating the physical and virtual, we will also tap the O-Bank group's resources to introduce debit cards that effectively meet customer needs. All in all, the objective is to increase card issuances, the active rate, and cardholder spending. In line with our altruistic ideal of "benefiting others to fulfill oneself," we are ready to keep up our corporate culture that values repaying society and caring for the less fortunate.

- **Electronic Payment Services:** In 2021, we will also take advantage of our strength as a digital bank in developing new products to cater to the younger generation, including those applicable to the EasyWallet platform. We are ready to make a presence across campuses to build up our young clientele willing to engage more proactively in digital banking. Meanwhile, more alliances will be formed with ecommerce platforms, startup partners, and electronic payment institutions to better serve customers in making payments.

12) Insurance Services

By forming strategic alliances with life insurers and working with nonlife insurers, we will provide a broad spectrum of specialized services based on customer needs so as to boost customer confidence and retention. Separately, an e-fast track section will be set up on our online platform for insurance purchases to facilitate application processing and cut short the time needed for policy approval, thereby increasing convenience and ensuring timeliness.

13) Wealth Management Services

- (A) Adjust the existing business structure and make branches one of the trading platforms to effectively expand our service reach. Provide a wide range of customized wealth management products and services. Strive for further innovation and draw on our digital platform to get close to customers. Enhance the customer experience by means of such services as mobile wealth management consultation and placing orders over the phone.
- (B) Continue to deepen our customer base and form a team of wealth management professionals to serve the business owners of the Bank and its affiliates' corporate banking clients. Seek out promising clients to promote cross-selling, a collaborative initiative that promises to maximize a win-win for the Bank and its customers.
- (C) Bolster the competence of our wealth management team. Devise attractive incentives for customers as part of our comprehensive wealth management package.
- (D) Above all, bolster the risk management mechanism, from sales to operations, and ensure rigorous legal compliance to protect customer rights and interests.

(3) Market Analysis

A. Industry status and future prospects

In 2020, the global economy sustained a heavy blow from the outbreak of the Covid-19 pandemic. Many governments responded with stimulus measures and gradually reopened their economies. Yet, the global economic recovery hardly remains a sure thing. Against this backdrop, Taiwan enjoyed a relatively stable economy thanks to its success in pandemic control, the homecoming of businesses from overseas, and an influx of foreign capital. According to Directorate General of Budget, Accounting and Statistics tallies, Taiwan's GDP growth came in at 3.11% in 2020, a record high in 3 years.

Taiwan's financial services industry saw its total pretax profit grow 6.5% from a year earlier to NT\$675.7 billion in 2020. By industry, the securities (including securities brokerage, securities investment, and futures), and insurance sectors posted record earnings of 43.88% and 30.7% increase from the year before in pretax profit. The Banking sector (including domestic banks, local branches of foreign banks, Chunghwa Post Co., Ltd., bills finance corporations, and credit cooperative associations), however, saw its pretax profit fall 8.9%

from the year before. Combined, domestic banks saw their 2020 pretax profit fall 13.3% from the year before to NT\$312.7 billion. The decline in earnings was caused mainly by unusually large fluctuations in domestic and overseas financial markets that saw the net profit of banks from their investment portfolios shrink by NT\$45.5 billion. Other contributing factors include exchange rate swings that incurred losses for overseas outlets and lower interest rates that resulted in a decrease in interest income.

By overseas and domestic branches, Taiwan's domestic banks saw its total pretax profit decrease 14.9% from a year earlier to NT\$186.8 billion in 2020, resulting from the fact that the headquarters and domestic branches of local banks had their investment and other pretax profit fall. OBU registered a 4% increase from the year before in pretax profit to NT\$99.8 billion; overseas branches registered a 49.9% decrease from the year before in pretax profit to NT\$20.5 billion; mainland China branches registered a 30.8% increase from the year before in pretax profit to NT\$5.6 billion. In the overall earnings, the headquarters and domestic branches of local banks accounted for the greatest share of the overall earnings at 59.7%. Next came the OBU at 31.9%, and followed by overseas branches at 6.6% and mainland China branches at 1.8%.

As a whole, domestic banks saw their 2020 ROE and ROA decline from 9.38% and 0.72% the year before to 7.7% and 0.59%. In terms of asset quality, domestic banks registered NPL and NPL coverage ratios of 0.22% and 623.24% respectively at the end of 2020, attesting to reasonably sound asset quality. Given the advances in FinTech, Taiwan saw the number of domestic banks' branches decrease by 2 from a year earlier to 3,403 at the end of 2020.

Macro-economically, the rollout of Covid-19 vaccines is set to foster a global recovery in 2021. There are, however, uncertainties with regard to the timing of reopening economies, the effectiveness of fiscal stimulus, and the extent of world trade regaining momentum. All in all, it is a reasonable expectation that world trade will gradually pick up but some ups and downs may prove inevitable. Despite the relatively steady economy because of some support from domestic demand and investment, Taiwan relies heavily on a global recovery for sustaining outbound shipments. Taiwan's Directorate General of Budget, Accounting, and Statistics thus forecast GDP growth of 4.64% for 2021.

When it comes to the operating environment facing Taiwan's banking industry this year, domestic banks should be able to find support for their earnings prospects from an anticipated rebound in the world economy, government support for retailers and other businesses in many countries, and their own relatively strong balance sheets. On the other hand, the pandemic has also created an environment of ultra-low interest rates due to monetary easing worldwide. Coupled with government relief for impacted businesses slowing down, banks may have to cope with mounting pressure on their earnings and asset quality. Meanwhile, banks are confronted with many other challenges, notably higher costs stemming from the need to ensure compliance with anti-money laundering (AML), information security, and personal information protection regulations. Coupled with the competent authority's increasingly stringent regulations governing capital and liquidity, caution is warranted for assessing the 2021 earnings outlook of domestic banks.

B. An outburst of internet-only banks

To accommodate the banking industry's moving toward digital services and meet consumer needs, the Financial Supervisory Commission issued internet-only bank licenses in July 2019 to LINE Corp. (LINE Bank), Chunghwa Telecom Co., Ltd. (Next Bank), and Rakuten, Inc. (Rakuten International Commercial Bank Co., Ltd.). After Rakuten International Commercial Bank became operational in January 2021, the Financial Supervisory Commission granted LINE Bank its business license the following month, and then LINE Bank became operational in April of the same year. All these internet-only bank aspirants are partners from different lines of business whose thinking is entirely different from that of traditional banks. Their catch is to focus on financial innovation and delivery of financial services to all sorts of consumption platforms, thereby making a business model and offering services unlike what their peers from the established banking industry have to offer. Separately, these cross-sector operators will be able to take the information they get from online banking for use by their original lines of business. As such, consumer stickiness will be increased in a better-rounded ecosystem of digital services. Against this unstoppable move toward digital banking, internet-only banks are set to have a major impact on the country's financial services market.

C. Transformation of banks driven by digital technology

The rapid advances in financial technology (FinTech) have not only changed how banks interact with customers but also revolutionized the operating model traditional banks used to take for granted. Coupled with the entry of nonfinancial businesses armed with technological knowhow into the arena, banks have come under even greater pressure to go digital. Against this backdrop, the Financial Supervisory Commission began easing regulations in 2014 to help foster a digital banking environment. The financial services industry has since then been permitted to engage in online deposits, loans, and wealth management and invest in fintech enterprises. Since the promulgation of the Financial Technology Development and Innovative Experimentation Act in 2018, the Financial Supervisory Commission has driven regulatory sandbox applications and made clear its intention of urging further financial innovation. In the highlight are Open Banking, cloud outsourcing of financial operations, InsurTech, RegTech, and integration of electronic payment and electronic stored value cards.

Fintech applications are playing an increasingly important role in the transformation of banks and the improvement of competitiveness. Mobile communications, social media, cloud services, and big data analytics have found their way into payment, insurance, financing, fund-raising, and investment services. For financial services, the physical is making way for the virtual by the day. In a departure from the dependence of traditional banks on a massive network of physical outlets, O-Bank has adopted a strategy of focusing on virtual channels and delivering banking services under a brand-new business model precisely with a view to taking advantage of this ongoing trend. Separately, the Bank is also proactive to seek out partners outside the financial services industry in order to secure the advanced technologies or customer pools of technology companies or platform operators.

D. Development strategy and positive/negative factors

(A) Development strategy:

Our retail banking services will be geared mainly toward digital finance. We are using advanced information systems and technologies in conjunction with social media and cloud marketing to transform ourselves into a digitally focused bank that draws on virtual channels and rapid iteration to develop

unique digital banking services. On top of cost savings and a most satisfying customer experience, ours is a more convenient, accessible service mode of financial inclusion that can effectively cater to customers of the new generation. Separately, the Bank is set to build on the retail banking service experience and customer base accumulated since its transformation to strengthen its niche lending business. An elite team of professionals will be called upon to develop tailor-made wealth management services and products to broaden and deepen our customer reach. In terms of corporate banking services, we will persist with our “intensive cultivation” strategy, expand our client base across industry chains of existing customers, vigorously expand MME customer base, bolster risk management mechanisms, strengthen co-marketing endeavors, and improve asset quality so as to effectively boost customer contribution to our earnings, thereby maximizing the capital efficiency.

To meet the rapidly growing financing needs of SMEs in China, we will further expand our leasing ventures across the Taiwan Strait and establish a shared platform on this front. The Bank teamed up with China Everbright Bank and China CYTS Tours Holding Co., Ltd. to form Beijing Sunshine Consumer Finance Co., Ltd, and became operational in August 2019. It is ready to make inroads into China’s consumer banking market that comprises both SMEs and individuals, thereby maximizing the benefits of our investments on the mainland. In the days ahead, we will continue to seek out domestic and foreign opportunities for acquisitions, expand our service scale, and strengthen our position in the domestic market, thereby achieving both external growth and earnings growth.

(B) Positive factors:

The Bank prides itself in being spared any burden of outdated systems and running on a highly agile organization. We are ready to adopt the world's most advanced information systems, and our organizational structure is highly flexible, allowing us to make rapid business decisions. We are using virtual channels to develop a business model characterized by agility, speed, and convenience, through which customers are provided with financial services of excellent quality at reasonable prices.

In addition, we have accumulated ample corporate banking experiences and an extensive customer base comprising business conglomerates. All these naturally form a solid backing for our launching into retail banking. In the future, the O-Bank Group will continue to adopt an all-encompassing strategy to build on our existing corporate and individual clients for creating an equally solid foundation for retail banking services.

(C) Negative factors:

Being a newcomer—a lesser-known name—in the retail banking market, the Bank will continue to draw on social media and other channels to increase exposure and expand customer sources. Moreover, brick-and-mortar outlets will be called upon to help attract customer attention and enhance the Bank’s brand image, thereby creating a comprehensive service network that seamlessly integrates the physical and the virtual. In terms of physical outlets, we will reposition our branches as digital service experience centers that come with features attractive enough to draw customer attention. We will also work to have virtual and physical channels complement each other. The ultimate objective is to have customers appreciate us as a bank that is always ready to provide them with financial services.

(4) Financial Product Research and Business Development

A. Principal financial products and new lines of business added in the past two years and their scale and profitability as of the date of publication of this annual report

■ Corporate Banking:

In recent years the Bank has committed itself to strengthening both tangible and intangible channels as well as optimizing funds transference and remittance services to help customers conclude massive transactions in no time. In 2019, the Bank introduced a dynamic security verification mechanism for transactions by fax, a move that enhances efficiency and helps corporate customers cut down on financial and manpower costs. To offer more efficient payment services, the Bank introduced an FXML distribution mechanism for its online inter-bank remittance services intended for corporate clients in 2020.

Separately, the Bank has made it a point to offer both preferential-rate offerings for NTD demand deposits and similar initiatives for time deposits when warranted by internal and external developments. This approach was meant not only to attract new customers but also to bring in funds of different tenors. Our 2018 launch of the Preferential Tiered-Rate Demand Deposit Campaign for Social Enterprises and Preferential-Rate Demand Deposit Campaign for SMEs was followed by that of a similar initiative for startups in 2019. All these will create a win-win scenario while contributing to our customer diversity and deposit growth.

■ Trust Business:

In 2021, the Bank will give customers an additional option in terms of investment and wealth management by undertaking custody services for overseas bonds. With regard to monetary trusts, we are keen to apply innovative technologies and develop such services as advance collections trusts and electronic payment stored-value trusts. At the same time, we are set to promote charitable trusts in line with our altruistic ideal of “benefiting others to fulfill oneself.”

To ensure reliable long-term income for investors in the O-Bank Number One Real Estate Investment Trust (REITs) Fund, the Bank is ready to buy more properties when the time is right by drawing on financing below the regulatory ceiling. Likewise, it does not rule out disposing of properties after reasonable value increment so as to increase the liquidity of the Fund.

Trust products offered during the most recent two years and their amounts:

Unit: NT\$ millions

Item	2020	2019
Non-discretionary money trusts for investing in domestic and foreign securities	1,222	1,159
Other monetary trusts	3,037	2,872
Real estate investment trusts	3,235	3,235
Advance collections trusts	688	363
Total	8,182	7,629
Real estate trusts	6,075	5,180

■ Retail Banking:

Established on January 1, 2021, the Business Development and Product Department is staffed with a team of wealth management professionals to serve the business owners of the Bank and its affiliates' corporate

banking clients. Its responsibility is to seek out promising clients and promote cross-selling, a collaborative initiative that promises to maximize a win-win for the Bank and its customers.

The scale and profitability of the Bank's principle financial products: Please refer to Chapter 1, Business Activity, Weight of Major Business Operations.

B. R&D expenditures incurred in the past two years and the results achieved; future R&D projects

■ Corporate Banking:

Since its initiation in 2015, the Bank's online corporate banking platform has persisted with strengthening its security control capability as dictated by incessant environmental changes. A highlight in 2019 was the addition of a bolstered end-to-end encryption mechanism to ensure both the security of information transmission upon customer log-in and the accuracy of information thus transmitted. A further upgrade was done in security control for the online corporate banking platform in 2020. To solve the limitation of single-browser clearance and for fear that IE may be removed sometime in the future, other browsers (Chrome, Edge, and Firefox) were incorporated into the platform. Working toward compatibility with other browsers in 2021, we will develop applications accessible to corporate clients who are MAC users.

The Bank introduced a dynamic security verification mechanism for transactions by fax at the end of 2019. This new feature provides customers with more convenient and safer transaction service and eliminates the risk inherent with delivery of hard copies. Both the Bank and its customers will benefit from significant cost savings and transaction efficiency will be greatly enhanced. In keeping with its commitment to corporate social responsibility and sustainable development, the Bank is ready to promote this mechanism across its corporate banking customers to minimize waste derived from copy printing and delivery in 2020. In 2021, the Bank will further expand collection outlets, such as convenience stores.

R&D expenditures during the most recent two years and expected future expenditures:

Unit: NT\$ thousands

Year	2021 (projected number)	2020 (actual number)	2019 (actual number)
Amount	1,400	2,052	2,650
Growth rate (%)	(31.77%)	(22.57%)	76.67%

■ Retail Banking

On top of optimizing the Bank's existing features and services, our R&D expenses of the most recent two years went toward developing such new products, such as second-lien mortgages and "Robot Advisory" for foreign exchange wealth management.

(1) E-banking: We offer a number of online services such as multiple account transfer options (transfer by QR code, "Mobile Number Is Account Number," transfer by contacts, etc.), online and automatic payments, and online queries and quota-setting for children's accounts. Also offered are such services as expenditure analysis, easy bookkeeping, and automatic reconciliation. Meanwhile, we examine the aforesaid services for the sake of optimization on a regular basis so as to make sure that our services truly meet customer needs.

(2) Robot Advisory: We provide customers with easy and rational choices when it comes to investing and managing their assets. Our system's algorithm lets customers assemble investment portfolios that match their risk attributes and notifies them of opportune times for portfolio adjustments offered by changes in the market. To cater to different customer needs, we introduced the "Dividend Robot" and the "Brand Robot," and in 2020, the introduction of foreign currency alternatives offers the option for customers to manage their investment in US Dollar or South Africa Rand. Customers can then enjoy the intelligent wealth management services and also avoid rate risks.

(3) Impact Loans project: This project was designed specifically to help the economically disadvantaged employees or assisted subjects of the Bank's partner institutions so that they can tide over emergencies in life. Joining forces with consumers to give relief to the less fortunate attests to our altruistic ideal of "benefiting others to fulfill oneself."

(4) Second-Lien Mortgages: These were introduced to make a better-rounded family of loan products and meet diverse customer needs.

(A) R&D expenditures during the most recent two years and expected future expenditures:

Unit: NT\$ thousands

Year	2021 (projected number)	2020 (actual number)	2019 (actual number)
Amount	55,000	81,757	96,797
Growth rate (%)	(32.73%)	(15.54%)	(29.31%)

(B) Research and development results during 2020

Unit: NT\$ thousands

Project	Investment
Strengthening of e-banking	28,720
Strengthening of back-end support system	17,534
Wealth management/investment system (including overseas bonds)	14,779
Strengthening of cloud service platform	12,418
Optimization of lending procedures	8,306

(C) Future research and development plans

Unit: NT\$ thousands

Plans/projects during the most recent year	Current progress	Further required R&D expenses	Expected date of completion	Main factors weighing on success of future R&D
Strengthening of wealth management/investment and related system	In progress (completion: 55%)	16,439	2021.6.30	Integrity of business planning and availability of system development manpower
Strengthening of e-banking	In progress (completion: 15%)	11,800	2021.12.31	
Installation of overseas stock system	Under planning	9,000	2021.12.31	
Strengthening of back-end support system	Under planning	17,761	2021.12.31	

In the days ahead, we will always give priority to meeting customer needs as we adapt to a rapidly changing market and take up the challenge posed by an anticipated outburst of internet-only banks. We will focus our resources on developing and delivering features and services that customers really want and need, thereby making their bank of first choice.

■ Risk Management

In accordance with pertinent statutory requirements, the Bank teamed up with our consulting team to establish a GRC (Governance, Risk Management, Compliance) management platform in 2018 in order to effectively implement a risk-driven internal control mechanism, build a more efficient and fully integrated internal control system, and make possible timely risk analysis and management.

Starting with an operating risk management module, the GRC platform went online at the beginning of 2019. We had already completed installing the fundamental structure for compliance and auditing as of the end of 2020 and expect to have it activated in the end of 2021.

The installation of GRC platform costs a total of NT\$13,963 thousand and the Bank has continued to make the payment since 2018. The expenditures during the most recent three years:

Unit: NT\$ thousands

Year	2021 (projected number)	2020 (actual number)	2019 (actual number)
Amount	1,980	0	7,260

(5) Short- and Mid- to Long-Term Business Development Plans

Taking into account current political and economic conditions at home and abroad and various factors favorable and unfavorable to our development, the Bank will work vigorously for business growth. To achieve the said goal, we have drafted the following short- and mid- to long-term business development plans:

A. Short-term business development plans:

(A) Further expand retail customer base and enhance customer contribution

Over the course of four years since its transformation into a commercial bank, the Bank has successfully launched into retail banking business. But faced with a daunting environment of fierce competition and incoming challenges of internet-only banks, the Bank will work along several lines to grow our retail banking customer base and enhance customer contribution. On one hand, we will establish strategic alliances for provision of joint services that focus on everyday needs. As we gradually establish a brand alliance and ecosystem, we will be able to enter consumers' everyday applications and reap large numbers of new customers. Meanwhile, we will focus on developing new businesses to break through the competitive market by small-scale testing and quick replacement trying. On the other hand, we will establish a team of elite professionals to focus on serving high-end customers. With emphasis placed on both quality and quantity, the objective is to convince existing customers to subscribe to the Bank's comprehensive and fully flexible wealth management products, thereby increasing product penetration and customer contribution. Equal emphasis will be placed on delivering an optimal customer experience, thereby creating an excellent reputation and soliciting customer loyalty and customer recommendations to others.

(B) Persist with the corporate banking "intensive cultivation" strategy to increase ROA

Confronted with economic environment changes and an increasingly stringent regulatory environment, "intensive cultivation" will remain our core strategy for corporate banking services. On top of keeping up a quality balance sheet, we will seek to maximize the benefits of capital utilization. In the days ahead, emphasis will also be placed on expanding our customer base to all segments of the relevant industry chains on the basis of our existing customers, and making inroads into the MME sector. Extension of loans will be intended as the first step toward building up wealth management and TMU businesses as

well. The ultimate objective is to improve our interest spread structure and enhance fee income, thereby further increasing our earnings capacity in the corporate banking sector while meeting the NSFR and LCR requirements for liquidity.

(C) Draw on the capacity for innovation to create synergies for the Bank and affiliates

We will make good use of our existing corporate banking customer base and new MME customer base in expanding such services as salary transfers and customized wealth management opportunities. Priority will be given to promoting treasury marketing unit (TMU) business by facilitating cooperation between treasury marketing officers and corporate banking relationship managers and even across O-Bank affiliates. We expect to combine our innovations to provide tailor-made and integrated financial solutions, in turn meeting the wealth management needs of both business owners and corporate clients.

(D) Continue growing competent professionals

In tandem with our business and organizational development, the Bank will continue to search for professionals from different disciplines called for in this emerging digital age of ours. We are also ready to train inexperienced novices through industry-academia collaboration and summer internship programs. Separately, on top of offering various training in compliance with external regulations, the Bank is ready to map out a special program under which promising employees from all departments will be selected for systematic training, thereby helping with the Bank's talent retention.

(E) Stand by commitment to corporate social responsibility

Since our continuous efforts in various corporate social responsibility initiatives and sustainable development, the Bank has won not only international certification as a B corporation but also a good number of accolades from outside organizations dedicated to CSR evaluation. In the days ahead, the Bank is ready to keep up our solid track record and do our share in serving both the environment and community.

B. Mid- to long-term business development plans:

(A) Create a competitive digital banking brand name

We will actively seek out opportunities for cooperation in the areas of FinTech applications and innovative business models with a view to ushering advanced technology into digital banking operations and revolutionizing how banks are to be run, thereby crafting a wider range of inclusive financial services. At the same time, we will make good use of big data and cloud computing to develop a wide range of products that meet diverse customer needs. At the end of the day, we aim to consolidate our position and image as a powerful digital bank capable of providing customers with an utterly refreshing experience in digital innovation.

(B) Enhance overall efficiency via M&As or strategic alliances

To consolidate resources, expand business, and create synergies, the Bank will continue evaluating M&A and investment plans or opportunities in line with its operational strategy. These include consolidation of existing investees, investment in FinTech ventures, and formation of cross-sector strategic alliances.

(C) Continue to promote the “Wangdao” spirit

We have long believed that every enterprise is defined by its corporate culture. Thus, the Bank is proactive not only to promote the “wangdao (benevolent way)” spirit of “benefiting others to fulfill oneself” internally but also to share this altruistic ideal with all stakeholders. As the Bank continues to expand, we will stand by this benevolent way as we invite more like-minded professionals to get on board. While our organization is set to get bigger and bigger, the Bank will enhance operational efficiency through

following this benevolent way faithfully. Externally, the Bank has also taken the lead to demonstrate our commitment to this altruistic ideal by endorsing the B Corporation initiative. In the days ahead, we expect to develop financial services that combine our corporate social responsibility and professional financial expertise and prove even more beneficial to the public.

2. Human Resources

(1) The Bank's number of employees, as well as their average years of service, average age, educational background, and professional licenses held during the most recent two years and the current year up to the date of publication of this annual report:

Year		2021/4/27	2020/12/31	2019/12/31
Number of Employees	Clerks	878	897	872
	Workers	18	18	23
	Total	896	915	895
Average Age		41.0	40.7	39.2
Average Years of Service		4.8	4.8	4.3
Distribution of Academic Degrees	PhD	0.0%	0.1%	0.1%
	MA	30.1%	29.3%	31.8%
	BA	64.4%	64.8%	65.0%
	Senior High School	5.5%	5.8%	3.1%
Professional Licenses Held	Banks' Internal Control and Audit Exam	394	393	420
	Exam on Financial Market Knowledge and Professional Ethics	402	395	443
	Trust Services Competency Exam	337	322	348
	Structured Commodities Salesperson Qualification Exam	130	121	132
	Financial Derivatives Salesperson Qualification Exam	62	57	40
	Securities Brokerage Salesperson Qualification Exam	63	63	65
	Securities Brokerage Senior Salesperson Qualification Exam	115	115	108
	Personal Insurance Salesperson Qualification Exam	216	213	266
	Property Insurance Salesperson Qualification Exam	147	153	178
	Exam for Personal Insurance Salespeople Selling Foreign Currency, Non-Investment Products	61	61	66
	Entry-Level Lending Personnel Qualification Exam	161	159	164
	Entry-Level Forex Personnel Qualification Exam	138	137	130
	Bond Trading Competency Exam	29	28	28
	Forex Trading Competency Exam	7	7	6
	Bills Salesperson Qualification Exam	37	36	39
	Securities Investment and Trust Salesperson Qualification Exam	77	76	69
	Securities Analyst Qualification Exam	5	5	5
	ACAMS Certification	8	8	6
	CISA Certification	2	2	1
	CPA Certification of the ROC	3	3	3

Note: The employee tallies in the table do not take account of those working at overseas branch entities.

(2) Status of employee training:

To meet the need for migrating toward digital banking and ushering in a new business model, the Bank devises comprehensive training programs and career paths for employees based on its operating strategy and goal while paying special attention to incorporating the Bank's core values and specific requirements. Each year, training programs that focus on management capacity and specialized skills are designed separately for employees of different levels to enhance their competitiveness.

In 2020, the Bank hosted 422 internal training courses and drew on outside organizations for another 545 courses. Trainees totaled 26,181 persons. Combined, the Bank's employees underwent a total of 32,928.6 hours of training, averaging out to 36.8 hours at an average cost of over NT\$3,764.5 per person.

On top of the internal and external courses cited above, the Bank's digital learning platform—O-Bank Digital Academy—also provides a wide range of in-house and outsourced courses that cover various financial disciplines, legal compliance, and management issues. In 2020, a total of 327 such online training courses were offered and employee attendances amounted to 18,025.2 hours.

To accommodate migration toward updated international criteria for certification of personal information protection, the Bank offered a series of training on personal information protection in 2020 to get aligned with international practices and enhance employee awareness on this front.

3. Corporate Social Responsibilities and Code of Ethical Conduct

Committed to sustainable development since its inception, the Bank has continuously devoted itself to the five major corporate social responsibility areas of employee care, customer service, corporate governance, environmental protection, and social engagement. In January 2015, the Bank established its Corporate Social Responsibility Committee and took in the highest-ranking managerial officers of all departments as committee members. Reporting to the Board of Directors on an annual basis, the committee is charged with the task of making real the Bank's belief in ethical management throughout, thereby ensuring that the Bank fulfills its responsibilities to all stakeholders: employees, customers, shareholders, suppliers, and the public. Since publishing its first year report to disclose results of implementing corporate social responsibility initiatives in 2016, the Bank has to date emerged a recipient of the Taiwan CSR Awards granted by the Taiwan Institute for Sustainable Energy for five consecutive years.

With regard to employee care, we continue to provide annual training to bolster employee competitiveness. We have also trained in-house lecturers and developed a digital platform for e-learning. In addition to strengthening employee awareness of health and safety, we strive to foster different types of sporting groups among employees in order to create a workplace conducive to a balanced lifestyle. Equal attention is paid to creating a working environment of gender equality as well as diversity and equity. In the area of customer service, we faithfully comply with the competent authority's regulations, effectively protect customer privacy and transaction security, and provide customers with convenient and quick financial services, both physical and virtual. Since our launch into retail banking in 2017, we have been committed to innovation in digital banking while delivering products that meet consumer needs. In the area of corporate governance, we make it a point to maintain information transparency and open disclosure. We have established the Audit Committee and appointed independent directors to ensure the effective supervision of internal company operations. Furthermore, we have enacted the Procedures for Ethical Management and Guidelines for Conduct and Principles for Fair Treatment of Customers. In addition, we have established a "whistleblower mechanism," drafted anti-corruption and fraud prevention policies, and

promoted employee training and awareness, thereby making real our belief in ethical management in every aspect of our business. In terms of environmental protection, we advocate energy conservation and carbon reduction, strengthen water resources management and waste reduction, promote green procurement, and urge suppliers to do their part in fulfilling corporate social responsibility. Highlights on this front was the Bank's securing ISO 14001 certification in environmental management in 2018 and ISO 14064-1 greenhouse gas emissions verification statement in 2019. In terms of social engagement, we abide by our humane belief as we participate in a wide array of social concern and public welfare activities. Apart from concern for underprivileged groups, we also dedicate our efforts to promoting art education and encourage employees to join us in such endeavors. Thanks to the Bank's multifaceted, systematic endeavors toward fulfilling corporate social responsibility, we won certification of B Lab of the U.S. in 2017 as a B Corporation, the highest honor in the sphere of corporate social responsibility for today's business community worldwide. O-Bank was not only the first listed bank to have been thus certified worldwide but also the first listed company and financial services provider in Taiwan to have won this honor.

In keeping with its commitment to corporate social responsibility, the Bank maintains a spirit of service that values learning, innovation, and sustainability. Setting up an education foundation as early as July 2000, we draw on our corporate expertise, government support, and private resources to vigorously promote various industry-academia collaborations, technology management seminars, entrepreneurship workshops, and artistic and cultural activities. We hope to open new horizons for the public and the younger generation, inspire the spirit of innovation, and cultivate the capacity for art appreciation, thereby boosting the country's competitiveness and cultural endowment. With its sponsorship of art events meant for charity, innovative startups, and social engagement events, the O-Bank Education Foundation was a recipient of the Arts & Business Awards of the Council for Cultural Affairs in 2010 and of the 9th National Civic Service Awards of the Ministry of the Interior in 2011. These honors attest to the Bank's dedication to fulfilling its corporate social responsibility.

- Social Welfare

Over the years the Bank has been proactive to get involved in social welfare activities in line with its aspiration for following the "Wangdao (benevolent way)" spirit of "benefiting others to fulfill oneself" as well as its commitment to fulfilling corporate social responsibility. In 2020, our major social welfare undertakings consisted of participation in activities benefiting schoolchildren in isolated areas and promotion of social enterprises. To keep schoolchildren in remote areas company in their childhood, we provided both support for schools and daily assistance: offering scholarships to outstanding young students, joining schoolchildren in celebrating the holidays, sponsoring many events to promote financial knowledge and outdoor experiential events, and hosting events at the Dream Cinema.

We have actively promoted and supported social enterprises through tangible actions, including the holding of farmers' markets, invitation for social enterprises to set up stalls, and initiation of group buying from social enterprises. In addition, we also host lectures for the managers of social enterprises to promote their cause so that the ideal of social enterprises can gain a bigger audience and all employees of the Bank can learn more about them. In 2018, the Bank introduced a couple of financial services tailored specifically for social enterprises: preferential demand deposit interest rates and salary transfer account services. As Taiwan's first bank to be certified as a B Corporation, we are also proactive to help promote the B Corporation initiative in this country. After offering preferential demand deposit interest rates and salary transfer account services to certified companies in 2017, the Bank ushered in loans designed specifically for them in 2018. By taking action

and drawing on financial resources to support “businesses that do good to the world,” the Bank demonstrates its resolve to make a staunch ally of Taiwan’s B Corporation community. In 2020, the Bank launched preferential loan program for social enterprises and B corporations to help them weather the business impact of the COVID-19 pandemic.

- Education in Culture and the Arts

In order to promote art education, we have held a series of artistic and cultural activities since 2008, including concerts, exhibitions, “Stars of Tiding Exhibition,” “Stars of Tiding Art Advocacy Project,” “Go To Taiwan Solicitation for Visual Artworks” “Taipei Art District Festival,” “Art Salons,” “Creating Arts and Experiences,” and “Handicraft Workshops.” We provide stages for new artistic talents to perform on, help emerging artists to engage in interdisciplinary study, and promote the development of the art industry.

In 2020, the O-Bank Education Foundation held a total of 34 artistic and cultural events. Of these, 15 were concerts, 2 lectures on culture and the arts, 8 art exhibitions, 1 event co-hosted with outside organizers, 1 handicraft workshops for senior citizens, and 7 artistic and cultural workshops intended for underprivileged schoolchildren. These activities attracted over 13,000 participants. Under the Art Advocacy Project, the O-Bank Education Foundation continued to organize exhibitions and concerts—stages for young artists to assert themselves. In 2020, a total of 31 young musicians and 12 young artists benefitted from this project. In addition, the O-Bank Education Foundation and Apollo Art Gallery co-hosted the 3rd “Go to Taiwan Solicitation for Artworks” and 2 touring exhibitions. There were 7 young artists benefitting from this event and the winner of the first prize was awarded with a one-month trip to Vienna for the artistic experience. Furthermore, the nominated and award-winning artworks were bound in volume for collection by libraries.

To cultivate art appreciation ability across the age spectrum, we organized 7 “Creating Arts and Experiences” sessions and 1 handicraft workshops for senior citizens in 2020. The participating artists personally designed teaching materials as well as provided guidance to encourage elementary school pupils to develop their artistic talents and senior citizens to have fun in lifetime learning. Due to COVID-19, however, the “Handicraft Workshops” has been put on a halt since February 2020 and “Creating Arts and Experiences” has changed the event venue to campus. Of the 112 people participating in the series of sessions, 102 were underprivileged children and 10 senior citizens.

4. Number, Average Salary, and Median Salary of Fulltime and Non-Executive Employees; Their Differences from the Previous Year:

Year	2020	2019	Difference (%)
Number of Non-Executive Employees	746	745	0.1%
Average Salary of Employees (NT\$ thousands)	1,169	1,189	-1.7%
Median Salary of Employees (NT\$ thousands)	986	1,004	-1.8%

Note: The employee tallies in the table do not take account of those working at overseas branch entities.

5. Information Equipment

(1) Hardware and Software Configurations of Major Information Systems

The Bank's major information systems include those meant for front-end trading, mid-end management, back-end operations, and office automation. The primary hardware lineup includes IBM RS6000, Oracle SPARC, HP ProLiant, and Lenovo xServer while software, IBM AIX, RedHat Linux, Oracle Solaris, Windows Server, VMware, Oracle DB, and Windows SQL DB. Besides conducting in-house supervision and maintenance of the said major hardware and software, the Bank has also contracted suppliers for routine maintenance and emergency repairs in order to make sure that all information equipment runs smoothly at all times. The Bank is ready to gradually expand the foregoing information systems in coming years if this is warranted by business needs and performance considerations.

(2) System Development or Procurement

A. Major Special Projects Undertaken in 2020:

- 1) Core Switch Replacement Project: Intended to bolster communications security and increase internet speed and stability, the new core switch went online on November 17, 2020.
- 2) Addition of continuous trading to the electronic securities trading system: In accordance with Financial Supervisory Commission regulations, continuous trading went online on March 23, 2020.
- 3) Electronic reporting of CRS-required financial account information for tax purposes: The Bank's reporting system adopted the format given by the Ministry of Finance and went online on June 10, 2020.
- 4) The SWIFT GPI Messaging Project: The Bank's SWIFT GPI-compliant messaging system went online on November 9, 2020.
- 5) FXML corporate financial service: This new online interbank transaction service for corporate clients went online on October 9, 2020.
- 6) Corporate online banking project for making reservations for Taiwan dollar and foreign currency time deposits: This new corporate banking service went online on October 28, 2020.
- 7) Installation of the Bank's overseas debts system: The Bank set up non-discretionary money trust services for overseas debts and offshore structured products on March 7, 2020.
- 8) ROBOT foreign currency trust: Going online on May 16, 2020, this new trust service now has the U.S. dollar and the South African rand as possible portfolio components.
- 9) Institutional trust: Going online on July 24, 2020, this newly added non-discretionary money trust meant for institutional investors deals in such products as mutual funds, overseas debts, and offshore structured products.
- 10) Revolving mortgage: Going online on March 7, 2020, revolving products was added as a new option on the list of mortgage loans.
- 11) Accessible app: An accessible app was launched in tandem with the government initiative to promote accessible financial services. The system went online on May 16, 2020.
- 12) Upgrading of the online/mobile banking platforms: Going online on December 25, 2020, the structures of both the mobile and online banking platforms were upgraded to enhance flexibility and reliability.
- 13) Modification of the SFDC structure
 - a. Customer de-identification of the SFDC structure: Customer identification was removed and cloud-to-ground integration was implemented to conform to requirements imposed by Financial Examination Bureau.

- b. Switching from Classic to Lightning: A meticulous assessment confirmed higher system applicability and thus led to switching from Salesforce's Classic user interface to its latest Lightning version.
- c. Optimization of system functions and monitoring of the threshold point: System functions underwent modifications in accordance with recommendations by Salesforce; the threshold point was monitored so that an alert was to be sent upon meeting the conditions thus set. This modification project went online on October 30, 2020.

B. Major Special Projects Undertaken in 2021 and Future Plans:

- 1) Installation of the OA firewall: Improve the Bank's firewall structure and minimize information security vulnerability.
- 2) Infrastructure integration: This Infra project is meant to reduce data and voice service expenses, enhance service quality, optimize management and maintenance, and install mobile extensions.
- 3) Transition to the post-LIBOR era: In preparation for LIBOR's exit at the end of 2021 and following the corresponding time frame set by the Bankers Association, the Bank is to complete migrating to a new interest rate benchmark in order to ensure compliance with market practices and stay integrated with international markets.
- 4) Installation of an overseas debts custodian system: Launch into the proprietary overseas debts business and establish a custodian bank system to boost transactions and offer additional channels for selling such products.
- 5) Switching of the SYSTEX system and integration with retail banking operations: Improve workflow, enhance efficiency, and conduct integration with the O-Way CRM digital platform.
- 6) Integration of CIF data: Complete consolidation of customer information across systems to increase the efficiency of information upkeep.
- 7) Bolstering capacity for autonomous upkeep of financial information and check clearing systems: Open the APIs for financial information and check clearing systems to empower autonomous upkeep.
- 8) Enhancing capacity for autonomous upkeep of the IBMB ROBOT advisory and wealth management system (WMS): Open the APIs for the system in question and establish a fully integrated operational platform in order to speed up product development and strengthen installation and maintenance capability.
- 9) Three-year plan for T24: Business categories will be readjusted for the T24 core banking system and non-account modules will be moved to the middle-office system to reduce T24's workload. A double-center approach will be adopted for remote backup to ensure 24/7/365 operations.
- 10) Optimization of the IBMB platform: This undertaking is intended to empower our IBMB platform's independent functioning, in turn shortening the time to market of our products and facilitating the rapid iteration of IBMB UIUX. Reducing dependence on a single supplier and going toward boosting our autonomy in maintenance and management.
- 11) Building a data analysis platform: Complete integration of the corporate and retail banking databanks; retire or replace software packages that have been left idle or proven short of expectations. Build the capacity for collecting E2E data and help business units establish a data platform for business and performance analysis.
- 12) Establishing the proprietary O-Way CRM platform:
 - a. The prospective CRM platform is to replace Salesforce, in particular functions already developed and currently in use.

- b. Bring down the annual maintenance cost for using the SFDC system and save expenses in managing the compliance risk of cloud systems.
- 13) Integration of service channels: Establish a “3D branch” service model and draw on IoT technology to offer real-time video transmissions, thereby creating a fully integrated O2O trading and service model that features mobile wealth management advisors, mobile tellers, and/or over-the-air customer service. Under this 3D branch model, service is to be rendered wherever the customer is. In tandem with its business strategy, the Bank will also develop other information systems characterized by security, scalability, and integrability, thereby attaining business goals and enhancing customer satisfaction.

(3) Mock Drills for Information Security

The Bank conducts drills for DoS Attacks, Malware Attacks, Personal Information Leakage, and operational sustainability for information and business operations on an annual basis. The objective is to make sure that the Bank, in the event of any accident caused by natural disasters, human errors, or malignant attacks, can report and handle it in a timely manner and thus keep its impact to a minimum.

1. Drills for DoS Attacks: Every year the Bank joins forces with telecom operators to organize drills for DoS attacks to get thoroughly familiar with all the emergency response procedures. Meanwhile, the Bank’s Emergency Response Program for DoS Attacks is subject to revision whenever warranted.
2. Drills for Malware Attacks: Simulations are implemented annually for IT personnel to get familiar with all the procedures—evaluation, notification, sequestration, handling, and recovery—in the event of a malware attack against PCs or servers.
3. Drills for Personal Information Leakage: With a different scenario designed each year, the drills may involve more participants if this is warranted by the scope and severity of the simulated impact. A post-drill review is conducted to ensure a swift response in the event of an actual leakage going forward.
4. Drills for Operational Sustainability for Information and Business Operations: Simulations are implemented annually to enhance employee capacity for crisis response and disaster recovery and to ensure the smooth operations at a pivotal time.

(4) Information Security

A. Information Security Organization:

To effectively implement its information security management system and enforce relevant operations, the Bank established an information security promotion team and an information security implementation and examination team in November 2016. Convened by the chief technology officer, the information security promotion team is responsible for supervising and deciding on matters in relation to the information security management system. The team also convenes regular meetings to examine the implementation status of the information security management system and provide the resources needed.

B. Information Security Management System:

To ensure the confidentiality, completeness, usability, and legality of information assets and prevent intentional or accidental threats both within and without, the Bank has taken account of its business needs while enacting its information security policy and operational regulations, and thus “Information Security Policy” was approved by the Board of Directors. From setting information security policies and goals and adopting implementation and maintenance measures to reviewing and amending policies and regulations on a regular basis and assessing risks, the Bank follows the PDCA (Plan-Do-Check-Act) cycle as it seeks ceaselessly to improve and strengthen all relevant aspects on this front. After securing ISO 27001 certification

for information security management in January 2017, the Bank won recertification after a three-year cycle in December 2019 and extended the effective certification period from January 20, 2020 to January 20, 2023, giving testimony to the effective operations of its information security management system.

The Bank's information security goals are as follows:

- Ensure the confidentiality of information assets by enforcing control of access to information and requiring that only authorized personnel are given such access.
- Ensure the completeness of information operations management to prevent unauthorized alteration.
- Ensure the uninterrupted functioning of information operations.
- Ensure the compliance of information operations with applicable laws and regulations.

C. Protective Measures for Information Security:

To ensure the security of its information environment, the Bank has installed the following: antivirus software, double firewalls, intrusion prevention, file and mainframe access control, network traffic anomaly detection, automatic updating of patches, website links control, instant messaging control, email filtering, control of USB storage devices, information leakage prevention, database monitoring, control of mobile devices, management of privileged accounts, 2FA, laptop HD encryption, APT protection, and protection against DDoS attacks. In terms of application security, the Bank has adopted source code, black box, and open source tools and built an online inspection and testing mechanism. Meanwhile, the Bank also engages specialized institutions to verify the information security of apps on an annual basis.

D. Information Security Training and Awareness Promotion:

In 2020, the Bank provided all employees with three-hour training on information security to help them better grasp its importance and the threats and regulatory trends on this front as well as advocated information security otherwise on an irregular basis, thus enhancing their information security awareness and vigilance. Separately, the Bank's dedicated personnel charged with information security are required to undergo relevant training of not less than 15 hours.

E. Overall Information Security Implementation:

With a plan to report to the Board annually, on February 24, 2021, the Bank filed a report to the Board of Directors on overall information security implementation during the previous year. As such, the Board of Directors and senior management are charged with the responsibility of overseeing security on this front. Each year the head of the dedicated information security unit was joined by the chairman of the board, the president, and the chief auditor in issuing the Declaration of Overall Information Security Implementation.

6. Labor Relations

(1) Employee benefit plans and retirement system as well as the status of their implementation; the status of labor-management agreements and measures for preserving employee rights and interests:

A. Benefit Plans:

- (1) Employee Insurance: In addition to offering labor insurance and national health insurance, as required by law, the Bank provides employees and their families with group insurance and increases their coverage under term insurance, accident and injury insurance, hospitalization insurance, cancer insurance, accident insurance for overseas business trips, and occupational hazard insurance. This makes a well-rounded insurance scheme that helps create a carefree working environment for employees.

- (2) **Health Checkups:** Each year employees of the Bank are entitled to health checkups that are more thorough than is required by applicable laws and regulations. The Bank also conducts follow-up inquiries to help employees keep track of their health in order to ensure that they are taken good care of both physically and mentally.
- (3) **Study Grants:** The Bank offers grants for employees to take outside courses, pursue academic degrees, go abroad for advanced studies, and take various certification tests.
- (4) **Preferential Loans:** The Bank provides employees with preferential loans to meet personal needs, including mortgages and consumer loans.
- (5) **Counseling:** To help employees relieve stress, the Bank teams up with “Teacher Chang” to offer counseling on family and interpersonal relations and those between the sexes as well as self-adjustment at the workplace. Employees are free to go to Teacher Chang and book a counseling session directly.
- (6) **Massaging:** Visually impaired massagists are engaged to help employees relieve stress in the office while giving people with visual impairments a job opportunity.
- (7) **Health Station:** Employees are provided with a variety of fitness and recreational facilities, including treadmills, spinning bikes, cross trainers, stationary bikes, dart machines, and golf driving range equipment, to help them relieve stress and stay efficient in the office.
- (8) **Reading Room:** All sorts of books, periodicals, and magazines are offered to help employees gain knowledge and relax themselves.
- (9) **Other Benefits:** To enhance employee wellbeing, the Bank offers gifts of money for major traditional holidays and birthdays, childcare subsidies, and wedding, funeral, childbirth, and illness allowances, as well as organizes family day events, year-end dinners, and club activities.
- (10) Considering employees’ needs to take care of their families, the Bank offers special leave in the event of parents or children getting sick, leave for volunteering, leave for male employees to keep their wives company for pregnancy checkups, and flexible working hours. Meanwhile, the Bank has taken the lead to care for transgender employees. With same-sex partner certificates issued by the relevant household registration office or other relevant certificates, employees are equally entitled to marital leave, leave for keeping partners company for pregnancy checkups, paternity leave, and funeral leave.
- (11) The Bank organizes a diversity of arts and humanities activities—artistic and cultural performances, guided concerts, and guided visits to art exhibitions—on a non-routine basis.

B. Retirement System:

To effectively care for employees, the Bank implements an employee retirement system in accordance with the Labor Standards Act, the Labor Pension Act, and the Regulations for the Allocation and Management of the Workers’ Retirement Reserve Funds. Based on the Bank’s Regulations Governing Employee Retirement, all employees in Taiwan are entitled to the following retirement system:

- (A) **Retirement system under the Labor Standards Act:** The Bank, in accordance with provisions of the Labor Standards Act, makes a monthly labor pension reserve appropriation equivalent to 2% of an employee’s total wage and has the Labor Pension Reserve Fund Supervisory Committee deposit this amount in a designated account at the Bank of Taiwan whose management is entrusted to the Bureau of Labor Funds, Ministry of Labor. In 2020, the Bank’s appropriations toward this end amounted to NT\$2,639,000.

(B) Labor Pension Act: The Bank makes monthly appropriations to be deposited in the labor pension reserve fund account. Upon implementation of the Labor Pension Act, the Bank also began, on a monthly basis, making labor pension contributions not lower than 6% of qualified employees' monthly wages to their individual accounts at the Bureau of Labor Insurance, Ministry of Labor. In terms of employees who voluntarily make contributions out of their wages to the labor pension reserve fund, the Bank shall withhold a percentage of their wages of their choosing and deposit the amount in their individual accounts at the Bureau of Labor Insurance, Ministry of Labor. In 2020, the Bank's appropriations toward this end amounted to NT\$51,897,000.

(C) Qualifications for Employees to Apply for Retirement:

a. Voluntary Retirement

An employee may apply for voluntary retirement under any of the following circumstances:

1. Where the employee attains the age of 55 and has worked for not fewer than 15 years.
2. Where the employee has worked for not fewer than 25 years.
3. Where the employee attains the age of 60.
4. Where the employee attains the age of 55 and has worked as a driver or security guard.

b. Compulsory Retirement

The Bank shall notify an employee of compulsory retirement if either of the following situations has occurred:

1. Where the employee attains the age of 65.
2. Where the employee is unable to perform his/her duties due to disability.

(D) Criteria for Payment of Pensions:

a. For employees who reported to work prior to June 30, 2005 and choose to retain applicability to the retirement mechanism in the Labor Standards Act:

- Two bases are given for each full year of service rendered. But for the rest of the years over 15 years, one base is given for each full year of service rendered. The total number of bases shall be not more than 45. The length of service is calculated as half year when it is less than six months and as one year when it is more than six months;
- In accordance with Article 55, paragraph 1, subparagraph 2, an additional 20% on top of the aforesaid amount shall be given to employees forced to retire due to disability incurred from the execution of their duties.

b. For employees applicable to provisions of the Labor Pension Act, which went into effect July 1, 2005:

- Of the employees who reported to work prior to June 30, 2005, their years of service before their choosing a switch of applicability to the Labor Pension Act shall be reserved and, in turn, their pension entitlement for the given period shall be calculated in accordance with provisions laid out above.
- In terms of the employees applicable to provisions of the Labor Pension Act, which went into effect July 1, 2005, the Bank shall, pursuant to the Table of Monthly Contributions for Labor Pension promulgated by the Ministry of Labor, contribute the equivalent to 6% of their monthly wages as labor pension on a monthly basis.

C. Labor-Management Agreements:

To promote labor-management relations and hear what employees have to say, the Bank's has established a number of channels for communicating with them:

- (A) Hold labor-management meetings on a regular basis: The annual labor-management meeting is held to discuss matters with regard to the protection of labor under applicable laws and regulations, such as overtime work and nighttime work for female employees. Any resolution adopted by the meeting shall be incorporated into the Bank's working regulations and made known to all employees. Meanwhile, the Bank continues to promote employee awareness of key regulations governing attendance and overtime work, thereby ensuring the rights and interests of all employees.
- (B) Organize employee conferences on a regular basis: To strengthen the interaction between employees and senior managers, the Bank holds employee conferences on a regular basis so that employees and senior managers can exchange opinions and communicate face to face.
- (C) Install mailboxes to communicate with and care for employees: To protect employee rights and ensure effective communication, the Bank has established mailboxes for employees to file general complaints and sexual harassment charges. Complaint documents and letters shall be treated as confidential information to protect the rights and interests of the informing party. Separately, the "WeCare Mailbox" is put in place to encourage employees to make suggestions on employee care and help establish a workplace open to communication.
- (D) "Corner for O-Bank Employees": The Bank has established "Corner for O-Bank Employees" on Facebook to make public all sorts of information whenever warranted and thus keep employees stay up to date. In addition, the Bank is proactive to uncover employee needs and suggestions through its internal publication "TOUCH News" and by way of non-routine employee surveys.

Any newly introduced or corrective measures that bear on labor-management relations shall be preceded by full communication and consensus building between the two sides. Employees can also present their personal opinions through internal channels or directly to supervisors, thereby attaining effective communication and promoting labor-management relations.

- D. Measures for Preserving Employee Rights and Interests: In addition to enacting well-rounded internal regulations and operating procedures, the Bank makes it a point to uphold employee rights and interests and make sure that employees perform their duties in accordance with applicable laws or regulations and internal control regulations. The said regulations and procedures contain clearly defined provisions with regard to working hours, requesting and taking leave, salaries and bonuses, rewards and penalties, retirement, and occupational safety and health. To spare employees from sexual harassment and uphold gender equality at the workplace, the Bank has also implemented preventive measures and adopted regulations for filing complaints and imposing penalties. A sexual harassment complaint handling committee is now in place to receive allegations, conduct investigations, and take whatever action is warranted accordingly.

(2) Losses sustained as a result of labor disputes (including violations of the Labor Standards Act detected in labor inspections):

The Bank has not sustained any losses arising from labor disputes or violations of the Labor Standards Act detected in labor inspections during the most recent year and the current year up to the date of publication of this annual report. Separately, a retired employee's suit to claim an alleged pension shortfall of NT\$508,000 was dismissed in a first ruling by the court. The final verdict was handed down on August 10, 2020.

7. Material Contracts:

Type of Contract	Contracting Parties	Commencement and Expiration Dates	Major Content	Restrictive Clauses
Contract on authorization and maintenance of the Bank's new core system	The Bank and International Integrated Systems, Inc.	2015.11.9-2030.11.8	Installation of a new core system after the Bank's transformation to a commercial bank	As provided by the contract
Contract on authorization for system use and provision of special project service	The Bank and Salesforce.com Singapore Pte. Ltd.	2019.2.15-2022.2.14	Authorization for system use and provision of special project service after the Bank's transformation to a commercial bank	As provided by the contract
Contract on maintenance of the Bank's hardware and storage equipment	The Bank and IBM Taiwan	2019.6.1-2022.8.31	Maintenance of the Bank's primary systems and storage equipment	As provided by the contract
Contract on outsourced production and delivery of bank/debit cards	The Bank and Thales DIS Taiwan Co., Ltd.	2020.10.6-2022.10.5	Outsourced production and delivery of bank/debit cards	As provided by the contract
Contract on outsourced production and delivery of bank/debit cards	The Bank and Taiwan Name Plate Co., Ltd.	2020.6.5-2020.6.4	Outsourced production and delivery of bank/debit cards	As provided by the contract
Contract on cash transport for the Bank	The Bank and Taiwan Security Co., Ltd.	2019.1.1-2022.12.31	Cash transport	As provided by the contract
Contract on cash transport for the Bank	The Bank and Lee Bao Security Co., Ltd.	2019.1.1-2022.12.31	Cash transport	As provided by the contract

8. Securitization:

The O-Bank Number One Real Estate Investment Trust (REITs) Fund, for which the Bank acts as lead arranger and trustee, was listed on the Taiwan Stock Exchange on June 21, 2018. The ninth REITs fund to go public in Taiwan, it marks the first instance of the local financial services industry launching into real estate securitization in nearly 11 years. The underlying assets of this NT\$3 billion fund include two types: office building and commercial complex, for which the professional organization Sinyi Global is engaged to help enhance management efficiency.

VI. Financial Information

1. Five-Year Financial Summary-Condensed Balance Sheet and Comprehensive Income Statement

(1) Condensed Consolidated Balance Sheets

Unit: NT\$ thousands

Item	Year	The Last Five Years				
		2020	2019	2018	2017	2016
CASH AND CASH EQUIVALENTS, DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS		27,746,758	25,881,765	31,834,070	18,132,429	23,106,957
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		162,494,696	172,913,193	151,512,614	154,136,983	147,722,285
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME		172,509,235	142,112,770	149,952,752	-	-
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTISED COST		-	-	499,939	-	-
AVAILABLE-FOR-SALE FINANCIAL ASSETS		-	-	-	149,145,722	126,981,565
SECURITIES PURCHASED UNDER RESELL AGREEMENTS		4,732,882	100,013	991,363	5,682,864	200,092
RECEIVABLES, NET		14,952,859	16,483,174	20,829,951	21,202,093	19,046,408
CURRENT TAX ASSETS		362,328	422,886	381,082	301,362	200,582
DISCOUNTS AND LOANS, NET		183,710,973	194,246,229	197,338,050	180,086,186	162,544,641
HELD-TO-MATURITY FINANCIAL ASSETS		-	-	-	499,821	5,544,703
INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD		789,863	-	-	-	107,981
RESTRICTED ASSETS		-	-	-	-	148,214
OTHER FINANCIAL ASSETS		858,462	1,229,503	1,329,918	1,283,434	1,520,931
PROPERTY AND EQUIPMENT, NET		2,672,567	2,854,194	2,951,660	3,084,952	3,771,171
RIGHT-OF-USE ASSETS, NET		429,678	485,426	-	-	-
INTANGIBLE ASSETS, NET		2,207,244	2,319,547	2,457,300	2,403,367	1,499,011
DEFERRED TAX ASSETS, NET		895,887	734,542	672,656	582,334	565,263
OTHER ASSETS		1,050,198	916,774	1,090,219	4,030,474	3,924,946
TOTAL ASSETS		575,413,630	560,700,016	561,841,574	540,572,021	496,884,750
DEPOSITS FROM THE CENTRAL BANK AND BANKS		28,479,755	43,439,398	55,529,376	53,032,639	56,697,931
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		790,298	533,582	793,272	791,018	2,377,872
SECURITIES SOLD UNDER AGREEMENT TO REPURCHASE		181,165,826	159,553,385	151,446,900	189,821,968	163,304,781
ACCOUNTS PAYABLES		2,740,642	3,687,621	5,636,437	5,022,681	3,753,143
CURRENT TAX LIABILITIES		172,428	46,361	17,857	136,269	75,726
DEPOSITS AND REMITTANCES		267,719,672	265,731,824	261,803,321	198,286,700	184,587,611
BANK DEBENTURES		16,400,000	18,700,000	17,850,000	20,400,000	17,450,000
OTHER FINANCIAL LIABILITIES		18,102,763	12,909,259	15,034,414	22,337,877	18,831,642
PROVISIONS		2,102,012	1,915,054	1,869,428	1,874,368	1,801,044
LEASE LIABILITIES		444,659	498,832	-	-	-
DEFERRED TAX LIABILITIES		793,255	451,572	341,015	216,007	248,870
OTHER LIABILITIES		2,249,555	2,416,851	2,400,842	2,477,851	1,885,021
TOTAL	BEFORE DISTRIBUTION	521,160,865	509,883,739	512,722,862	494,397,378	451,013,641
LIABILITIES	AFTER DISTRIBUTION	Note 2	510,976,442	512,734,389	495,121,280	452,099,494
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANKS		35,555,895	33,259,203	31,989,128	29,282,593	29,388,658
CAPITAL STOCK	BEFORE DISTRIBUTION	30,330,063	27,130,063	27,130,063	24,130,063	23,905,063
	AFTER DISTRIBUTION	Note 2	27,130,063	27,130,063	24,130,063	23,905,063
CAPITAL SURPLUS		5,966	9,750	8,503	7,730	3,193
RETAINED EARNINGS	BEFORE DISTRIBUTION	5,200,426	6,186,867	5,010,543	5,124,400	5,195,687
	AFTER DISTRIBUTION	Note 2	5,094,164	4,999,016	4,400,498	4,109,834
OTHER EQUITY		57,744	(67,477)	(159,981)	20,400	284,715
TREASURY STOCK		(38,304)	-	-	-	-
NON-CONTROLLING INTERESTS		18,696,870	17,557,074	17,129,584	16,892,050	16,482,451
TOTAL EQUITY	BEFORE DISTRIBUTION	54,252,765	50,816,277	49,118,712	46,174,643	45,871,109
	AFTER DISTRIBUTION	Note 2	49,723,574	49,107,185	45,450,741	44,785,256

Note 1: The fiscal years for which reports were CPA audited.

Note 2: The appropriation of earnings for 2020 has yet to be approved by 2021 general shareholders' meeting.

(2) Condensed Consolidated Statement of Comprehensive Income

Unit: NT\$ thousands; EPS in dollars

Item \ Year	The Last Five Years				
	2020	2019	2018	2017	2016
Interest revenue	7,733,670	9,559,209	9,183,853	7,614,208	6,874,444
Less: Interest expenses	3,709,021	5,674,337	4,959,744	3,584,088	2,723,007
Net interest	4,024,649	3,884,872	4,224,109	4,030,120	4,151,437
Net revenue other than interest	4,031,842	4,427,079	3,597,804	3,883,934	3,570,534
Total net revenue	8,056,491	8,311,951	7,821,913	7,914,054	7,721,971
Provisions	(599,286)	(1,002,491)	(547,214)	(894,250)	(609,637)
Total operating expenses	(4,357,908)	(4,597,225)	(4,604,221)	(4,175,614)	(3,536,549)
Profit from continuing operations before income tax	3,099,297	2,712,235	2,670,478	2,844,190	3,575,785
Income tax expenses	(785,791)	(681,601)	(730,948)	(732,303)	(833,742)
Profit from continuing operations	2,313,506	2,030,634	1,939,530	2,111,887	2,742,043
Net profit (loss) from discontinued operations	(12,577)	(4,033)	2,823	(52,986)	92,956
Net profit for the year	2,300,929	2,026,601	1,942,353	2,058,901	2,834,999
Other comprehensive income, net of income tax	915,112	438,919	(381,787)	(41,924)	(1,099,318)
Total comprehensive income	3,216,041	2,465,520	1,560,566	2,016,977	1,735,681
Net profit attributable to: Owners of the Bank	1,147,403	1,100,433	954,659	1,072,080	1,643,898
Net profit attributable to: Non-controlling interests	1,153,526	926,168	987,694	986,821	1,191,101
Total comprehensive income attributable to: Owners of the bank	1,384,692	1,280,355	730,675	799,316	892,217
Total comprehensive income attributable to: Non-controlling interests	1,831,349	1,185,165	829,891	1,217,661	843,464
Earnings per share	0.41	0.45	0.40	0.45	0.69

Note: The fiscal years for which reports were CPA audited.

(3) Condensed Individual Balance Sheets

Unit: NT\$ thousands

Item	Year	The Last Five Years				
		2020	2019	2018	2017	2016
CASH AND CASH EQUIVALENTS, DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS		20,693,345	21,821,456	25,354,849	13,015,386	17,865,166
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		56,042,294	80,623,826	53,820,259	44,703,932	39,538,632
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME		65,178,855	35,244,741	48,889,287	-	-
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTISED COST		-	-	499,940	-	-
AVAILABLE-FOR-SALE FINANCIAL ASSETS		-	-	-	48,598,498	32,628,260
RECEIVABLES, NET		1,413,105	3,233,348	6,842,372	5,891,803	4,690,507
CURRENT TAX ASSETS		74,418	89,717	82,212	54,922	55,293
DISCOUNTS AND LOANS, NET		163,916,864	173,981,178	179,388,428	162,757,142	143,940,139
HELD-TO-MATURITY FINANCIAL ASSETS		-	-	-	499,821	5,544,703
INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD		16,542,108	14,920,171	14,120,402	14,219,590	14,242,663
OTHER FINANCIAL ASSETS, NET		219,108	517,198	614,919	777,105	1,039,445
PROPERTY AND EQUIPMENT, NET		2,489,958	2,661,050	2,757,103	2,864,155	3,524,300
RIGHT-OF-USE ASSETS, NET		246,147	309,517	-	-	-
INTANGIBLE ASSETS, NET		1,084,891	1,163,114	1,274,262	1,248,176	248,507
DEFERRED TAX ASSETS, NET		367,617	288,087	164,392	138,133	79,550
OTHER ASSETS		584,938	399,430	531,695	251,373	1,757,667
TOTAL ASSETS		328,853,648	335,252,833	334,340,120	295,020,036	265,154,832
DEPOSITS FROM THE CENTRAL BANK AND BANKS		22,339,755	28,938,529	28,984,872	34,894,919	41,875,141
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		637,659	519,880	780,811	700,106	2,349,989
SECURITIES SOLD UNDER AGREEMENT TO REPURCHASE		1,439,016	2,863,548	4,400,442	15,845,930	2,091,749
ACCOUNTS PAYABLES		1,925,339	2,681,645	4,834,006	4,100,342	2,705,487
CURRENT TAX LIABILITIES		23,946	46,360	-	91,977	-
DEPOSITS AND REMITTANCES		246,420,823	243,645,080	240,461,299	183,021,391	164,056,836
BANK DEBENTURES		16,400,000	18,700,000	17,850,000	20,400,000	17,450,000
OTHER FINANCIAL LIABILITIES		2,848,008	3,468,649	4,321,291	5,997,782	4,648,821

Item \ Year		The Last Five Years				
		2020	2019	2018	2017	2016
PROVISIONS		512,847	370,856	328,048	241,454	176,479
LEASE LIABILITIES		253,261	313,446	-	-	-
DEFERRED TAX LIABILITIES		435,263	400,449	333,990	215,911	239,307
OTHER LIABILITIES		61,836	45,188	56,233	227,631	172,365
TOTAL LIABILITIES	BEFORE DISTRIBUTION	293,297,753	301,993,630	302,350,992	265,737,443	235,766,174
	AFTER DISTRIBUTION	Note 2	303,086,333	302,362,519	266,461,345	236,852,028
CAPITAL STOCK	BEFORE DISTRIBUTION	30,330,063	27,130,063	27,130,063	24,130,063	23,905,063
	AFTER DISTRIBUTION	Note 2	27,130,063	27,130,063	24,130,063	23,905,063
CAPITAL SURPLUS		5,966	9,750	8,503	7,730	3,193
RETAINED EARNINGS	BEFORE DISTRIBUTION	5,200,426	6,186,867	5,010,543	5,124,400	5,195,687
	AFTER DISTRIBUTION	Note 2	5,094,164	4,999,016	4,400,498	4,109,833
OTHER EQUITY		57,744	(67,477)	(159,981)	20,400	284,715
TREASURY STOCK		(38,304)	-	-	-	(18,693)
TOTAL EQUITY	BEFORE DISTRIBUTION	35,555,895	33,259,203	31,989,128	29,282,593	29,388,658
	AFTER DISTRIBUTION	Note 2	32,166,500	31,977,601	28,558,691	28,302,804

Note 1: The fiscal years for which reports were CPA audited.

Note 2: The appropriation of earnings for 2020 has yet to be approved by 2021 general shareholders' meeting.

(4) Condensed Individual Income Statement

Unit: NT\$ thousands; EPS in dollars

Account \ Year	The Last Five Years				
	2020	2019	2018	2017	2016
Interest revenue	4,359,827	5,763,585	5,505,554	4,138,029	3,629,099
Less: Interest expenses	2,445,244	3,806,134	3,324,033	2,161,812	1,545,201
Net interest	1,914,583	1,957,451	2,181,521	1,976,217	2,083,898
Net revenue other than interest	2,736,893	3,347,764	2,548,362	2,529,923	2,234,832
Total net revenue	4,651,476	5,305,215	4,729,883	4,506,140	4,318,730
Provisions	(429,960)	(921,016)	(453,038)	(534,168)	(409,498)
Total operating expenses	(2,985,225)	(3,174,107)	(3,150,159)	(2,746,189)	(2,052,648)
Profit from continuing operations before income tax	1,236,291	1,210,092	1,126,686	1,225,783	1,856,584
Income tax expenses	(88,888)	(109,659)	(172,027)	(153,703)	(212,686)
Profit from continuing operations	1,147,403	1,100,433	954,659	1,072,080	1,643,898
Net profit for the year	1,147,403	1,100,433	954,659	1,072,080	1,643,898
Other comprehensive income, net of income tax	237,289	179,922	(223,984)	(272,764)	(751,681)
Total comprehensive income	1,384,692	1,280,355	730,675	799,316	892,217
Net profit attributable to: Owners of the Bank	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Net profit attributable to: Non-controlling interests	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Total comprehensive income attributable to: Owners of the bank	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Total comprehensive income attributable to: Non-controlling interests	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Earnings per share	0.41	0.45	0.40	0.45	0.69

Note: The fiscal years for which reports were CPA audited.

(5) Auditors' Opinions from 2016 to 2020:

Year	Accounting Firm	CPA	Audit Opinion
2020	Deloitte & Touche	Chen, Yin-Chou 、 Lin, Wang-Sheng	Unmodified Opinion
2019	Deloitte & Touche	Chen, Yin-Chou 、 Lin, Wang-Sheng	Unmodified Opinion
2018	Deloitte & Touche	Yang, Cheng-Hsiu 、 Chen, Li-Chi	Unmodified Opinion
2017	Deloitte & Touche	Yang, Cheng-Hsiu 、 Chen, Li-Chi	Unmodified Opinion
2016	Deloitte & Touche	Yang, Cheng-Hsiu 、 Chen, Li-Chi	Unmodified Opinion

2. Five-Year Financial Analysis

(1) Consolidated Financial Analysis

Unit: NT\$ thousands

Analysis Item		Year	The Last Five Years				
			2020	2019	2018	2017	2016
Operating Capacity	Loan to deposit Ratio (%)		69.55	74.14	76.50	92.18	89.39
	NPL Ratio (%)		0.42	0.75	0.02	0.25	0.02
	Ratio of interest payments against annual average deposit balance (%)		0.80	1.24	1.08	0.78	0.61
	Ratio of interest revenues against annual average loan balance (%)		2.50	2.99	2.96	2.54	2.60
	Total assets turnover rate (times)		0.01	0.01	0.01	0.02	0.02
	Average revenue per employee (in NTD thousand)		5,472	5,571	5,365	5,406	5,841
	Average earnings per employee (in NTD thousand)		1,563	1,358	1,332	1,406	2,144
Profitability	Return on Tier 1 capital (%)		8.47	6.00	6.35	7.00	12.05
	Return on assets (%)		0.41	0.36	0.35	0.40	0.58
	Return on equity (%)		4.38	4.06	4.08	4.47	6.15
	Net income ratio (%)		28.56	24.38	24.83	26.02	36.71
	Earnings per share (in NT\$ dollars)		0.41	0.45	0.40	0.45	0.69
Financial structure	Total liabilities to total assets ratio (%)		90.27	90.66	90.99	91.17	90.46
	Total property and equipment to equities ratio (%)		4.93	5.62	6.01	6.68	8.22
Growth rate	Growth rate of assets (%)		2.62	(0.20)	3.93	8.79	2.24
	Growth rate of profitability (%)		13.98	1.30	(4.39)	(24.30)	2.24
Cash Flow	Cash flow ratio (%)		Note 8	Note 8	6.69	4.12	2.05
	Cash flow adequacy ratio (%)		203.93	55.65	202.32	42.78	22.21
	Cash flow satisfied ratio (%)		Note 8	Note 8	Note 8	56.89	103.15
Liquidity reserves ratio (Individual) (%)			46.39	45.89	45.61	37.37	42.84
Total secured loans to related parties (Individual)			769,742	836,242	1,012,134	1,180,079	1,094,210
Ratio of total secured loans to related parties against total loans (Individual) (%)			0.38	0.42	0.50	0.66	0.71
Scale of Operations (Individual)	Market share of assets (%)		0.57	0.64	0.66	0.60	0.56
	Market share of worth (%)		0.84	0.81	0.83	0.81	0.84
	Market share of deposits (%)		0.58	0.64	0.66	0.52	0.48
	Market share of loans (%)		0.54	0.61	0.66	0.63	0.58

Please explain the reasons for any changes in financial ratios in the past two years. (Analysis is not required if the changes were smaller than 20%)

1. Non-performing loan ratio is lower than that of the previous year mainly thanks to a decrease in the amount of overdue loans.
2. Ratio of interest payments against annual average deposit balance is lower than that of the previous year mainly due to a decrease in the amount of time deposit and a decrease in interest expense caused by the decline in interest rate.
3. Return on Tier 1 capital is higher than that of the previous year mainly due to a decrease in Tier 1 capital.
4. The asset growth rate is higher than that of the previous year mainly due to a decrease in total assets caused by a decrease in loan extension.
5. The profit growth rate is higher than that of the previous year mainly thanks to a marginal increase in consolidated before-tax earnings.
6. Cash flow adequacy ratio is higher than that of the previous year mainly thanks to an increase in cash flow from operating activities from the recent 5 years (2016-2020), comparing to that of the previous period (2015-2019).

Note 1: The fiscal years for which reports were CPA audited.

Note 2: The following calculation formulas shall be listed at the end of this Table in the annual report:

1. Operating ability
 - (1) Ratio of loans to deposits = total loans / total deposits
 - (2) Non-performing loan ratio = (loans overdue + other overdue) / total loans
 - (3) Ratio of interest cost to annual average deposits = interest cost / annual average deposits
 - (4) Ratio of interest income to annual average loans outstanding = interest income / annual average loans outstanding
 - (5) Total assets turnover = net operating revenue / average of total assets
 - (6) Average operating revenue per employee (Note 6) = net operating revenue / number of employees
 - (7) Average profit per employee = after-tax income / total number of employees
2. Profitability
 - (1) Return on tier 1 capital = before-tax earnings or losses / Net Average Tier I Capital
 - (2) Return on assets = net income / average of total assets
 - (3) Return on equity = net income / average of total equity
 - (4) Ratio of net income = net income / total revenue
 - (5) Earnings per share = (net income – preferred stock dividend)/average weighted outstanding stock (Note 4)
3. Financial structure
 - (1) Ratio of liabilities to assets = liabilities / total assets
 - (2) Ratio of real estate & equipment to equity = real estate and equipment assets / equity
4. Growth rate
 - (1) Asset growth rate = (total assets of the year – total assets of previous year) / total assets of previous year
 - (2) Profit growth rate = (before-tax earnings or losses of the year – before-tax earnings or losses of previous year) / before-tax earnings or losses of previous year
5. Cash flow (Note 7)
 - (1) Ratio of cash flow = net cash flow from business activities / (call loans and overdrafts from banks + commercial paper payable + financial liabilities measured at fair value through profit or loss (fvtpl) + bonds and bills sold under repurchase agreements + current portion of payables)
 - (2) Ratio of cash flow to dividends and expenditures = net cash flow from business activities for the past five years / (capital expenditures + cash dividends) for the past five years
 - (3) Ratio of cash flow for operating to cash flow from investing = net cash flow from business activities / net cash flow from investing activities
6. Liquidity reserves ratio = liquid assets stipulated by CBC / reserves appropriated for various types of deposits
7. Operating scale
 - (1) Market share of asset = total assets / total assets of the major financial institutions (Note 5)
 - (2) Market share of net worth = net worth / total net worth of the major financial institutions
 - (3) Market share of deposit = total deposits / total deposits of the major financial institutions
 - (4) Market share of loan = total loans / total loans of the major financial institutions

Note 3: Total liabilities are deducted from guarantee liability preparation and accidental loss provisions

Note 4: The calculation formula for the earnings per share of the preceding paragraph should pay particular attention to the following matters when measuring:

- (1) Measurement should be based on the weighted average number of common shares, not the number of issued shares at year end.
- (2) In any case where there is a cash capital increase or treasury stock transaction, the period of time in circulation shall be considered in calculating the weighted average number of shares.
- (3) In the case of capital increase out of earnings or capital surplus, the calculation of earnings per share for the past fiscal year and the fiscal half-year shall be retrospectively adjusted based on the capital increase ratio, without the need to consider the issuance period for the capital increase.
- (4) If the preferred shares are non-convertible cumulative preferred shares, the dividend of the current year (whether issued or not) shall be subtracted from the net profit after tax, or added to the net loss after tax.
- (5) In the case of non-cumulative preferred shares, if there is net profit after tax, dividend on preferred shares shall be subtracted from the net profit after tax; if there is loss, then no adjustment need be made.

Note 5: Financial institutions capable of operating deposits and loans, including the local banks, branches of China's banks in Taiwan, branches of foreign banks in Taiwan, credit cooperatives, credit departments of agriculture and fishery associations.

Note 6: Revenue refers to the total of interest income and non-interest income.

Note 7: Give special attention to the following matters when carrying out cash flow analysis:

- (1) Net cash flow from operating activities means net cash in-flow amounts from operating activities listed in the statement of cash flows.
- (2) Capital expenditures means the amounts of cash out-flows for annual capital investment.
- (3) Cash dividend includes cash dividends from both common shares and preferred shares.

Note 8: If the net cash flow from operating activities is negative, it will not be calculated. Moreover, if the cash flow satisfied ratio's net cash flow from operating activities is negative or the net cash flow of investment activities is positive, it shall not be calculated.

Consolidated Capital Adequacy

Unit: NT\$ thousands

Analysis Item			Year	The Last Five Years				
			2020 (Note 4)	2019	2018	2017	2016	
Eligible Capital	Common Shares Equity Tier 1		26,668,441	43,690,516	42,039,566	39,951,052	39,970,360	
	Other Tier 1 Capital		300,001	2,223,697	2,248,225	-	-	
	Tier 2 Capital		2,843,868	7,492,885	7,639,991	8,193,754	7,958,989	
	Eligible Capital		29,812,310	53,407,098	51,927,782	48,144,806	47,929,349	
Amount of risk-weighted assets	Credit risk	Standard	204,697,317	305,810,019	308,063,174	281,472,735	269,123,088	
		Internal ratings-based approach	-	-	-	-	-	
		Asset securitization	-	-	-	-	-	
	Operational risk	Basic indicator approach	9,020,363	9,966,550	9,260,225	8,580,350	8,216,913	
		Standard/ alternative standardized approach	-	-	-	-	-	
		Advanced measurement approach	-	-	-	-	-	
	Market risk	Standard	21,536,500	86,130,688	76,233,338	69,522,775	59,733,113	
		Internal models approach	-	-	-	-	-	
	Total risk-weighted assets		235,254,180	401,907,257	393,556,737	359,575,860	337,073,114	
	Capital adequacy ratio			12.67%	13.29%	13.19%	13.39%	14.22%
Ratio of common equity to risk-weighted assets			11.46%	11.42%	11.25%	11.11%	11.86%	
Ratio of Tier 1 capital to risk-weighted assets			11.34%	10.87%	10.68%	11.11%	11.86%	
Leverage ratio			7.49%	7.07%	6.86%	6.70%	7.18%	

Note 1: The fiscal years for which reports were CPA audited.

Note 2: The table shall disclose the calculation formula as follows:

(1) Eligible Capital = Common Shares Equity Tier 1 + other tier 1 capital + tier 2 capital

(2) Risk weighted assets = credit risk weighted assets + (capital requirement for operational risk + capital requirement for market risk) × 12.5

(3) Capital adequacy ratio = Eligible Capital / amount of risk-weighted assets

(4) Common stock based capital ratio = (Common Shares Equity Tier 1 + Other Tier 1 Capital) / amount of risk-weighted assets

(5) Common Shares Equity Tier 1 risk based capital ratio = Common Shares Equity Tier 1 / amount of risk-weighted assets

(6) Leverage ratio = Common Shares Equity Tier 1 + Other Tier 1 Capital / total risk exposure

Note 3: Leverage ratio was disclosed since 2015.

Note 4: In accordance with Article 3 of Regulations Governing the Capital Adequacy and Capital Category of Banks, the items originally required for the calculation of the consolidated capital adequacy ratio are then changed to be deducted from the eligible capital from 2020.

(2) Individual Financial Analysis

Unit: NT\$ thousands

Analysis item		Year	The Last Five Years				
			2020	2019	2018	2017	2016
Operating Capacity	Loan to deposit Ratio (%)		67.42	72.42	75.71	90.25	89.06
	NPL Ratio (%)		0.42	0.75	0.02	0.25	0.02
	Ratio of interest payments against annual average deposit balance (%)		0.79	1.21	1.04	0.79	0.59
	Ratio of interest revenues against annual average loan balance (%)		2.15	2.61	2.55	2.23	2.18
	Total assets turnover rate (times)		0.01	0.02	0.02	0.02	0.02
	Average revenue per employee (in NTD thousand)		4,917	5,486	5,152	4,930	5,623
	Average earnings per employee (in NTD thousand)		1,213	1,138	1,040	1,173	2,140
Profitability	Return on Tier 1 capital (%)		4.70	4.81	4.97	5.89	9.15
	Return on assets (%)		0.35	0.33	0.30	0.38	0.64
	Return on equity (%)		3.33	3.37	3.12	3.65	5.57
	Net income ratio (%)		24.67	20.74	20.18	23.79	38.06
	Earnings per share (in NTD)		0.41	0.45	0.40	0.45	0.69
Financial structure	Total liabilities to total assets ratio (%)		89.08	90.02	90.38	90.03	88.89
	Total property and equipment to equities ratio (%)		7.00	8.00	8.62	9.78	11.99
Growth rate	Growth rate of assets (%)		(1.91)	0.27	13.33	11.26	5.65
	Growth rate of profitability (%)		2.17	7.40	(8.08)	(33.98)	(7.40)
Cash Flow	Cash flow ratio (%)		Note 3	Note 3	33.81	Note 3	Note 3
	Cash flow adequacy ratio (%)		90.14	101.07	176.97	114.74	110.13
	Cash flow satisfied ratio (%)		Note 3	Note 3	3,043.40	Note 3	Note 3
Liquid reserves ratio (%)			46.39	45.89	45.61	37.37	42.84
Total secured loans to related parties (in NTD thousand)			769,742	836,242	1,012,134	1,180,079	1,094,210
Ratio of total secured loans to related parties against total loans (%)			0.38	0.42	0.50	0.66	0.71
Scale of Operations	Market share of assets (%)		0.57	0.64	0.66	0.60	0.56
	Market share of worth (%)		0.84	0.81	0.83	0.81	0.84
	Market share of deposits (%)		0.58	0.64	0.66	0.52	0.48
	Market share of loans (%)		0.54	0.61	0.66	0.63	0.58

Please explain the reasons for any changes in financial ratios in the past two years. (Analysis is not required if the changes were smaller than 20%)

1. Non-performing loan ratio is lower than that of the previous year mainly thanks to a decrease in the amount of overdue loans.
2. Ratio of interest payments against annual average deposit balance is lower than that of the previous year mainly due to a decrease in the amount of time deposit and a decrease in interest expense caused by the decline in interest rate.
3. The asset growth rate is lower than that of the previous year mainly due to a decrease in total assets caused by a decrease in loan extension.
4. Cash flow adequacy ratio is lower than that of the previous year mainly due to a decrease in cash flow from operating activities.

Note 1: The fiscal years for which reports were CPA audited.

Note 2: Please refer to consolidated financial analysis for the calculation formulas for each item in the above Table.

Note 3: If the net cash flow from operating activities is negative, it will not be calculated. Moreover, if the cash flow satisfied ratio's net cash flow from operating activities is negative or the net cash flow of investment activities is positive, it shall not be calculated.

Individual Capital Adequacy

Unit: NT\$ thousands

Analysis Item			Year	The Last Five Years				
			2020	2019	2018	2017	2016	
Eligible Capital	Common Equity		26,668,441	25,023,843	23,857,101	20,691,448	20,914,400	
	Other Tier 1 Capital		300,001	639,356	750,999	-	-	
	Tier 2 Capital		2,843,868	4,212,975	4,518,127	5,160,148	4,691,143	
	Eligible Capital		29,812,310	29,876,174	29,126,227	25,851,596	25,605,543	
Amount of risk-weighted assets	Credit risk	Standard	204,697,317	188,883,844	196,614,687	177,038,851	162,090,192	
		Internal ratings-based approach	-	-	-	-	-	
		Asset securitization	-	-	-	-	-	
	Operati-onal risk	Basic indicator approach	9,020,363	8,785,450	8,071,238	7,422,913	6,946,513	
		Standard/ alternative standardized approach	-	-	-	-	-	
		Advanced measurement approach	-	-	-	-	-	
	Market risk	Standard	21,536,500	15,774,738	8,099,200	4,165,338	4,003,900	
		Internal models approach	-	-	-	-	-	
	Total risk-weighted assets		235,254,180	213,444,032	212,785,125	188,627,102	173,040,605	
	Capital adequacy ratio			12.67%	14.00%	13.69%	13.71%	14.80%
Ratio of common equity to risk-weighted assets			11.46%	12.02%	11.56%	10.97%	12.09%	
Ratio of Tier 1 capital to risk-weighted assets			11.34%	11.72%	11.21%	10.97%	12.09%	
Leverage ratio			7.49%	7.31%	7.16%	7.24%	7.81%	

Note 1: The fiscal years for which reports were CPA audited.

Note 2: Please refer to consolidated capital adequacy for the calculation formulas for each item in the above Table.

Note 3: Leverage ratio was disclosed since 2015.

3. Review Report of 2020 Financial Statements by the Audit Committee

O-Bank Co., Ltd.

Audit Committee Report

The Board of Directors has compiled and submitted the Bank's consolidated and parent balance sheets, income statements, statements of changes in shareholders' equity, and cash flow statements for 2020 audited by certified public accountants Yin-Chou Chen and Wang-Shen Lin of Deloitte & Touche, business report, and statement of distribution of earnings to the Audit Committee. After reviewing the abovementioned statements and reports and discussing with the CPAs, the Audit Committee has found them to meet the requirements of applicable laws and regulations. This report is hereby prepared and submitted in accordance with Articles 14-4 and 14-5 of the Securities and Exchange Act.

Hank Lin

Convener of the Audit Committee

O-Bank Co., Ltd.

Date: March 22, 2021

4. Consolidated Financial Statements for the Years Ended December 31, 2020 and 2019, and Independent Auditors' Report: Please refer to Appendix 1.

5. Financial Statements for the Years Ended December 31, 2020 and 2019, and Independent Auditors' Report: Please refer to Appendix 2.

6. Any Financial Distress Experienced by the Company or Its Affiliated Enterprises and Impact on the Company's Financial Status, in the Latest Year Up till the Publication Date of This Annual Report: None.

VII. Review of Financial Conditions, Operation Results, and Risk Management

1. Analysis of Financial Status

Unit: NT\$ thousands

Item	Year	2020	2019	Difference	
				Amount	%
CASH AND CASH EQUIVALENTS		\$ 3,566,116	\$ 3,714,122	(\$ 148,006)	(4)
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS		17,127,229	18,107,334	(980,105)	(5)
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		56,042,294	80,623,826	(24,581,532)	(30)
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME		65,178,855	35,244,741	29,934,114	85
RECEIVABLES, NET		1,413,105	3,233,348	(1,820,243)	(56)
CURRENT TAX ASSETS		74,418	89,717	(15,299)	(17)
DISCOUNTS AND LOANS, NET		163,916,864	173,981,178	(10,064,314)	(6)
INVESTMENTS MEASURED BY EQUITY METHOD		16,542,108	14,920,171	1,621,937	11
OTHER FINANCIAL ASSETS, NET		219,108	517,198	(298,090)	(58)
PROPERTY AND EQUIPMENT, NET		2,489,958	2,661,050	(171,092)	(6)
RIGHT-OF-USE ASSETS, NET		246,147	309,517	(63,370)	(20)
INTANGIBLE ASSETS, NET		1,084,891	1,163,114	(78,223)	(7)
DEFERRED TAX ASSETS, NET		367,617	288,087	79,530	28
OTHER ASSETS, NET		584,938	399,430	185,508	46
TOTAL ASSETS		328,853,648	335,252,833	(6,399,185)	(2)
DEPOSITS FROM THE CENTRAL BANK AND BANKS		22,339,755	28,938,529	(6,598,774)	(23)
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		637,659	519,880	117,779	23
NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENT		1,439,016	2,863,548	(1,424,532)	(50)
ACCOUNTS PAYABLE		1,925,339	2,681,645	(756,306)	(28)
CURRENT TAX LIABILITIES		23,946	46,360	(22,414)	(48)
DEPOSITS AND REMITTANCES		246,420,823	243,645,080	2,775,743	1
BANK NOTES PAYABLE		16,400,000	18,700,000	(2,300,000)	(12)
OTHER FINANCIAL LIABILITIES		2,848,008	3,468,649	(620,641)	(18)
PROVISIONS		512,847	370,856	141,991	38
LEASE LIABILITIES		253,261	313,446	(60,185)	(19)
DEFERRED TAX LIABILITIES		435,263	400,449	34,814	9
OTHER LIABILITIES		61,836	45,188	16,648	37
TOTAL LIABILITIES		293,297,753	301,993,630	(8,695,877)	(3)
CAPITAL STOCK		30,330,063	27,130,063	3,200,000	12
CAPITAL SURPLUS		5,966	9,750	(3,784)	(39)
RETAINED EARNINGS		5,200,426	6,186,867	(986,441)	(16)
OTHER EQUITY		57,744	(67,477)	125,221	-
TREASURY STOCK		(38,304)	-	(38,304)	-
TOTAL EQUITY		35,555,895	33,259,203	2,296,692	7

Analysis of the changes:

1. Financial assets at fair value through profit or loss are lower than those of the previous year mainly due to a decrease in investment in negotiable certificates of deposits.
 2. Financial assets at fair value through other comprehensive income are higher than those of the previous year mainly due to an increase in investment in negotiable certificates of deposits.
 3. Receivables: The net is lower than that of the previous year mainly due to a decrease in accounts receivable factoring.
 4. Other financial assets: The net is lower than that of the previous year mainly due to a decrease in call loans to securities firms.
 5. Right-of-use assets: The net is lower than that of the previous year mainly due to depreciation and amortization.
 6. Deferred tax assets are higher than those of the previous year mainly due to a decrease in income taxes payable in future periods deriving from a book-tax difference.
 7. Other assets: The net is higher than that of the previous year mainly due to an increase in refundable deposits paid out as security.
 8. Deposits from the Central Bank and banks are lower than those of the previous year mainly due to a decrease in call loans to other banks.
 9. Financial liabilities at fair value through profit or loss are higher than those of the previous year mainly due to an increase in derivatives transactions.
 10. The decline in notes and bonds issued under repurchase agreement mainly reflects a decrease in the transactions of government bonds issued under repurchase agreement.
 11. Accounts payable are lower than those of the previous year mainly due to a decrease in accounts payable factoring, in acceptance and in interest receivables.
 12. Current tax liabilities are lower than those of the previous year mainly due to a decrease in income tax payable.
 13. Provisions are higher than those of the previous year mainly due to an increase in reserve for losses on guarantee contracts.
 14. Other liabilities are higher than those of the previous year mainly due to an increase in advanced revenue.
 15. The decline in capital surplus mainly reflects that the capital surplus-employee stock is transferred to capital deriving from cash capital increase through issuance of common share.
 16. The rise in other equity mainly reflects an increase in unrealized gains from financial assets.
 17. The rise in treasury stock mainly reflects an increase in the Bank's share repurchase in 2020.
-

2. Analysis of Financial Performance

Unit: NT\$ thousands

Item	Year	2020		2019		Change Amount	Change Ratio (%)
		Subtotal	Total	Subtotal	Total		
Interest revenue			\$ 4,359,827		\$ 5,763,585	(\$1,403,758)	(24)
Less: Interest expenses			2,445,244		3,806,134	(1,360,890)	(36)
Net interest revenue			1,914,583		1,957,451	(42,868)	(2)
Non-interest revenue							
Net service fee revenue		\$ 583,947		\$ 808,793			
Gain (loss) on financial assets or liabilities measured at fair value through profit or loss		(840,982)		908,385			
Realized gains on financial assets at fair value through other comprehensive income		257,439		133,451			
Foreign exchange gain (loss), net		1,642,073		293,516			
Share of profit of associates and joint ventures accounted for using equity method		990,158		1,098,480			
Other net revenue other than interest income		104,258		105,139			
Net Non-interest revenue			2,736,893		3,347,764	(610,871)	(18)
Net income			4,651,476		5,305,215	(653,739)	(12)
Bad debt expenses and guarantee liability provisions (miscellaneous provision)			429,960		921,016	(491,056)	(53)
Operating expenses							
Employee welfare costs		1,611,723		1,701,727			
Depreciation and Amortization expenses		526,662		512,931			
Other general and administrative expenses		846,840		959,449			
Total operating expenses			2,985,225		3,174,107	(188,882)	(6)
Profit from continuing operations before income tax			1,236,291		1,210,092	26,199	2
Tax expense			88,888		109,659	(20,771)	(19)
Profit			\$ 1,147,403		\$ 1,100,433	\$ 46,970	4

Analysis of the changes:

1. Interest revenue is lower than that of the previous year mainly due to a decrease in loans extended.
2. Interest expenses are lower than those of the previous year mainly due to a decrease in time deposit and in interest rate.
3. Bad debt expenses and guarantee liability provisions are higher than those of the previous year mainly due to an increase in NPL provisions deemed necessary for keeping up asset quality and commensurate with the loans extended.

3. Analysis of Cash Flow

(1) Analysis of Changes of Cash Flow in the Most Recent Year:

- A. Operating Activities: There was a NT\$4,062,348 thousand decrease in the net cash outflow from operating activities from the previous year mainly due to a decrease in loans and in financial assets at fair value through profit or loss.
- B. Investing Activities: There was a NT\$1,557,907 thousand increase in the net cash outflow from investing activities from the previous year mainly due to an increase in investments accounted for using the equity method and in refundable deposits paid out as security.
- C. Financing Activities: There was a NT\$1,970,941 thousand increase in the net cash outflow from financing activities from the previous year mainly due to the lack of the issuance of financial debentures, a decrease in financial debentures becoming mature, an increase in dividend payouts, and the this-year cash capital increase.

(2) Improvement Plan of Insufficient Liquidity: Not Applicable.

(3) Analysis of Cash Flow for the Coming Year:

Unit: NT\$ thousands

Amounts of cash and cash equivalents-beginning of period	Estimated annual net cash flows from (used in) operating activities	Projected net cash flow from investment and financing activities	Estimated fiscal deficit(surplus) of cash and cash equivalents	Remedy if cash and cash equivalents in deficit	
				Investment plan	Financing plan
9,852,231	2,118,128	(1,666,958)	10,303,401	-	-

4. Major Capital Expenditure Items and Effect on The Company's Future Business: Not Applicable.

5. Investment Policy, Main Causes of Profits or Losses, and Improvement and Investment Plans for the Coming Year

In keeping with the trends and changes across domestic and regional financial environments, the Bank adopts an investment strategy that centers on increasing earnings diversity and stability and striking a balance between risks and rewards for its investment portfolio. In line with the mainstream thinking of the financial services industry with regard to risk management, the Bank seeks to diversify its investments in domestic and foreign financial businesses to reduce the volatility of its investment portfolio. After its transformation into a commercial bank, the Bank conducts investment affairs in accordance with Article 74 of the Banking Act. To ensure compliance with the restrictions therein, the Bank has readjusted its investment positions over the past couple of years. In addition to disposing of its direct investment holdings, the Bank has done the same with such venture capital subsidiaries as Boston Life Science Venture Corp., IBT II Venture Capital Co., Ltd., and IBT VII Venture Capital Co., Ltd. After the liquidation and dissolution of its subsidiary Chun Teng New Century Co., Ltd. (formerly IBT Securities Co., Ltd.), the Bank's investment positions are now fully in compliance with applicable laws and regulations.

For 2020, the Bank booked, under the equity method, from the businesses in which it holds stakes a combined profit of NT\$0.99 billion, which represents a 9.9% decrease from a year earlier. Of the Bank's invested companies, China Bills Finance Corp. saw its net profit jump 27% to NT\$1.578 billion in 2020 thanks to brisk bills trading and

underwriting services fueled by lower interest rates. Given a double blow from the Fed rate cut and the pandemic, U.S.-based EverTrust Bank sustained a decline in net profit to NT\$280 million. On the other hand, the Bank's leasing investees kept up reasonably well and generated net profit of NT\$328 million in 2020. Separately, O-Bank teamed up with China Everbright Bank and China CYTS Tours Holding Co., Ltd. to form Beijing Sunshine Consumer Finance Co., Ltd., which became operational in August 2020. The prospective joint venture is set to satisfy consumers in the Greater China market with a brand-new digital banking service. As of the end of 2020, it had accumulated an outstanding balance of loans in excess of RMB\$1.7 billion. In the days ahead, it promises to become another key earnings driver for the Bank.

As the year 2021 unfolds, the Bank will retain a prudent approach toward investing against the far from certain prospects for economic recovery. In addition to bolstering asset quality and management efficiency, the Bank will proactively search for expansion opportunities and attain reasonable growth targets while staying on top of the ongoing pandemic as well as the latest changes in the economy and financial markets.

6. Risk Management

(1) Qualitative and Quantitative Information of Various Risks

A. Credit risk management system and required capital

2020 Credit Risk Management System

Item	Content
1. Credit risk strategy, goals, policy, and procedures	<ul style="list-style-type: none"> ■ Credit risk strategy <ol style="list-style-type: none"> 1. Create an independent credit risk management organization. 2. Adopt a clearly defined credit risk management policy and regulations. 3. Establish credit risk assessment, identification, and management systems. 4. Fully report and disclose the results of credit risk monitoring. 5. Adopt computerized SOPs for control of credit-checking and lending as well as assigning of rating scores. ■ Credit risk goals <ol style="list-style-type: none"> 1. Minimize potential financial losses and attain an optimal ratio of risk to reward by drawing on an appropriate risk management strategy and policy as well as fitting procedures, comply with the principle of risk diversification to implement rigorous credit risk management. 2. Ensure compliance with applicable laws and regulations and group-wide risk management, in turn upholding credit standards and asset quality, by enforcing sound risk management mechanisms and control procedures, strengthening information integration and analysis, bolstering the effectiveness of early warnings, and carrying out lending management and monitoring without fail. ■ Credit risk management policy <ol style="list-style-type: none"> 1. In order to establish an effective risk management system, ensure the Bank's sound operation and development, and provide a basis for business risk management and implementation, the Bank has drafted a risk management policy in tandem with the Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries promulgated by the Financial Supervisory Commission. The Bank has also drafted a set of credit risk management guidelines to govern the management of credit risk and establish credit risk management mechanisms to ensure that credit risk is controlled within an acceptable range. With capital adequacy rigorously upheld, the Bank will continue to control the bank's credit risk and achieve operational and management goals. 2. The Bank has also drafted the Lending Policy to serve both as guidelines for credit checking and lending work and as implementation indicators. The content of this policy includes lending principles and credit asset portfolio management. At the same time, the Bank has also compiled credit extension handbooks that specify credit checking and lending procedures and related operating details, ensure that policies will be continuously and effectively implemented, maintain strict loan approval standards, and facilitate the control of credit risk, assessment of possible business opportunities, and identification and management of NPLs. ■ Credit risk management procedures <ol style="list-style-type: none"> 1. Risk identification <p>Credit risk management starts with the identification of existing and potential risk, including all bankbook, blotter, and on- and off-balance sheet transactions. With the arrival of financial innovation and emergence of increasingly complex loan services, the Bank's responsible units must gain a full understanding of the credit risk of sophisticated services before engaging in any existing or new types of business. The Bank must also determine the probability that any breach of contract may occur when entering into a loan arrangement or transaction.</p>

Item	Content
	<p>2. Risk assessment</p> <p>(1) Establish a credit risk rating mechanism as a key tool for management of the Bank's asset portfolio.</p> <p>(2) Portfolio management is intended to achieve the following three goals:</p> <ol style="list-style-type: none"> Establish and monitor the Bank's loan asset portfolio to ensure that risk is kept within an acceptable range. Impose concentration limits to prevent risk concentration, in turn attaining the goal of risk diversification. Achieve the objective of optimal earnings. <p>3. Risk communication</p> <p>(1) Internal reporting: The risk management unit shall establish an appropriate credit risk reporting mechanism based on which to regularly provide upper management with correct, consistent, and real-time credit risk information, thereby ensuring that any instances in which limits are exceeded or exceptions occur are promptly reported and serving as reference for subsequent decision-making. Such reports may cover such items as asset quality, asset portfolio status, rating status, and all types of exceptions.</p> <p>(2) External disclosure: In accordance with capital adequacy requirements and the principle of market discipline, units responsible for credit risk shall provide self-assessment of the Bank's performance against quantitative and qualitative credit risk indicators as well as information regarding the Bank's credit risk management system and status in terms of required capital. They shall do so using the format and covering the items stipulated by the competent authority in the way and frequency it requires.</p> <p>4. Risk monitoring</p> <p>(1) The Bank shall establish a monitoring system to assess changes in credit risk of borrowers or transaction counterparties, which will facilitate the prompt discovery of problematic assets or transactions, while enabling the Bank to take action quickly, and respond to any possible breach of contract.</p> <p>(2) Apart from monitoring individual credit risks, the Bank shall also perform monitoring and management of its loan portfolio.</p> <p>(3) The Bank shall establish rigorous credit checking processes and lending regulations based on which to take into account lending factors worthy of consideration, perform post-lending management of new, renewed, and existing loans, and preserve credit checking and lending records. At the same time, the Bank monitors closely the proportions of various types of loans in its loan portfolio.</p> <p>(4) The Bank shall establish a limit management system to prevent excessive concentrations of credit risk, including country risk, industry risk, same-group risk, and same concerned party risk.</p> <p>(5) The Bank shall establish a security management system to ensure that security is managed effectively.</p>
2. Credit risk management organization and structure	<p>■ Board of Directors: The Board of Directors is the Bank's highest supervisory body that is responsible for establishing an effective risk management mechanism, approving and reviewing the Bank's credit risk strategy and major credit risk policies, and setting down a bank-wide credit risk management organizational framework and major credit risk management regulations. The Bank's credit risk strategy should correspond to the degree of risk that the Bank can withstand and the profitability standards that the Bank expects to reach against all types of credit risk.</p> <p>■ Audit Committee:</p> <ol style="list-style-type: none"> Members: The committee is composed of all of the Bank's independent directors, who shall total not fewer than three. One of them shall serve as convener, and at least one of them shall possess accounting or financial expertise. Chief duties: The committee is responsible for reviewing the Bank's adopted or revised internal control system; evaluating the effectiveness of the internal control system; determining or revising procedures for the handling of major financial business actions involving the acquisition or disposal of assets and the trading of derivatives; reviewing matters that involve directors as stakeholders; reviewing major asset and derivative transactions, major lending cases, endorsements, and provision of guarantees; reviewing issuance or private offerings of equity-type securities; reviewing CPA appointment/discharge or remuneration; reviewing the appointment and discharge of financial and accounting or internal audit managers; reviewing annual and semi-annual financial statements; and reviewing other major matters stipulated by the Bank or the competent authority. <p>■ Risk Management Committee:</p> <ol style="list-style-type: none"> Members: The Chairman shall serve as convener and the committee members shall include at least two directors appointed by the Board of Directors. Also, the President, Chief Operating Officer, Chief Strategy Officer, Chief Risk Officer, Chief Corporate Banking Officer, Chief Retail Banking Officer, Chief Financial Markets Officer, and Head of Corporate Governance shall serve as the committee members. Chief duties: The committee is responsible for reviewing the Bank's risk management policies and regulations, annual risk appetite, quota, and risk management proposals and mechanisms that call for board approval, as well as overseeing and reviewing risk management measures concerning credit, market, and operational risk, liquidity, information security, AML, personal information, and emergencies, thereby bolstering the Bank's risk management regime and ensuring the effectiveness of its risk management procedures. <p>■ Loan Evaluation Subcommittee:</p> <ol style="list-style-type: none"> Members: The President shall serve as convener, and the managers of the lending and risk management departments shall serve as subcommittee members. The subcommittee shall meet once each week as a rule, and may hold an interim meeting when necessary. Chief duties: The committee is responsible for reviewing loan applications forwarded by the Corporate Credit Management Department and Retail Credit Management Department. After giving its approval, the committee shall still present such applications to the relevant supervisory body for deliberation. <p>■ Loan Assets Quality Assessment Meeting:</p> <ol style="list-style-type: none"> Members: The Chief Risk Officer shall serve as convener and chairman of the conference. Personnel from various relevant units shall attend meetings, and the President may attend when the situation warrants. Chief duties: The conference is responsible for assessing the current state of credit asset quality; determining and reviewing strategies and action plans; assessing losses that loan assets are likely to suffer; and reviewing the adequacy of NPL and guarantee liability provisions. If the conference decides to propose an increase in NPL and guarantee liability provisions, it shall first submit the proposal to the President for approval.

Item	Content
	<p>■ Risk Management Units: The Bank's risk management units include the Risk Management Department, Corporate Credit Management Department, and Retail Credit Management Department.</p> <p>1. Risk Management Department: Charged with managing the Bank's credit, market, operating, and liquidity risk, the Risk Management Department is also responsible for supervising and keeping track of countermeasures taken by relevant units with regard to risk management decisions and assignments. Upon detection of any risk exposure that threatens to undermine the Bank's finances or business operations, it shall immediately take proper action and present a report in a timely manner.</p> <p>2. Corporate Credit Management Department: The Corporate Credit Management Department is responsible for identifying, assessing, monitoring, and managing corporate banking risk; drafting loan review standards; drafting and revising contracts and forms; and controlling and releasing loan contracts and collateral.</p> <p>3. Retail Credit Management Department: The Retail Credit Management Department is charged with the identification, evaluation, monitoring, and management of retail banking risk, appropriation of provisions, loss assessment, and post-lending management.</p>
3. Scope and characteristics of credit risk reporting and assessment system	<p>With regard to the credit risk inherent in all products and business activities and before introducing new products and launching into any new line of business, the Bank has in place appropriate risk measures and controls, which have secured approval of the Board of Directors or relevant committees.</p> <p>Credit risk assessment and control procedures include credit checking, rating assignment, credit line control, post-lending management, and debt collection.</p> <p>Apart from implementing the foregoing operating procedures, risk management units also regularly present various types of credit risk and asset quality analysis reports as management indicators. In addition, the Bank actively controls risk from country, group, industry, same concerned party, and same affiliated enterprise, and regularly submits monitoring results to the Board of Directors so that it can keep track of the Bank's exposure to various types of risk.</p> <p>In order to understand the Bank's risk-bearing capacity and the impact on its capital adequacy in the event of changes in economic conditions and the financial environment, the Bank performs credit risk stress testing in accordance with the Financial Supervisory Commission's Plan for Domestic Banks' Conducting Stress Testing and Operating Guidelines for Banks' Credit Risk Stress Testing. The results not only serve as an important basis for credit risk management but also are used for reference in continuously adjusting the Bank's business development, lending policy, and credit assessment procedures.</p>
4. Credit risk hedging or risk mitigation policy, and strategies and procedures for continuous validity of risk supervision, avoidance and mitigation tools	<p>The Bank mainly uses the following risk mitigation tools to reduce exposure to credit risk: (1) provision of security by transaction counterparties or third parties; (2) on-balance sheet netting, such as using the deposits of a transaction counterparty at its financing bank for the purpose; and (3) third-party guarantees.</p> <p>Although credit risk mitigation tools can reduce or transfer credit risk, the simultaneous use of such tools may increase other residual risks, including legal risk, operational risk, liquidity risk, and market risk. The Bank has adopted rigorous procedures to control these types of risk, including formulation of policies, drafting of operating procedures, implementation of credit review and appraisal, establishment of control systems, contract management, etc.</p> <p>The Bank has established security management policies and operating procedures, verified bank-wide security data, and built a security management system.</p> <p>In order to apply a comprehensive approach to risk mitigation, the Bank has completed collection and analysis of data needed for security offsetting, linked the credit checking and lending system with its security management system, and established a capital requirement calculation platform.</p>
5. Method for meeting statutory capital requirement	Standardized approach

Risk exposure and required capital after risk mitigation employing the standardized approach for credit risk

Base Date: March 31, 2021

Unit: NT\$ thousands

Type of risk exposure	Risk exposure after risk mitigation	Required capital
Sovereigns	42,828,497	0
Non-central government public sector entities	0	0
Banks (including multilateral development banks and Qualifying Central Counterparty)	29,371,778	765,952
Corporates (including securities firms and insurance companies)	149,884,452	11,487,249
Retail portfolios	10,681,374	720,133
Exposure in real estate	40,707,135	3,050,305
Equity securities investment	4,617,818	369,425
Equity securities investment in funds and venture capital business	0	0
Other assets	4,750,669	307,549
Total	282,841,723	16,700,613

B. Securitization risk management system, risk exposure, and required capital

2020 securitization risk management system

Item	Content
1. Securitization management strategy and procedures	The Bank's asset securitization management strategy focuses on increasing the efficiency of funds use and asset liquidity, and relies on adjustment of the asset/liability structure and shifting of asset risk. As a consequence, apart from carefully assessing its loan assets and analyzing risk exposure, the Bank also makes active use of asset securitization as a channel and tool to ensure that it does not assume excessive risk in the course of pursuing profitability. Each securitization case must be approved by management and submitted to the Board of Directors for consent, and must also be approved by the competent authority before implementation.
2. Securitization management organization and structure	In securitization cases for which the Bank serves as the originating entity, all loan assets in the asset pool must be reviewed and approved in advance by the Bank's operating and review units, and the credit status of target assets in the asset pool must be assessed and analyzed. The risk management unit bears responsibility for controlling and assessing relevant market risk.
3. Scope and characteristics of securitization risk reporting and assessment system	Before issuance of securitized products, the Bank's relevant units will handle target assets in the asset pool in accordance with the Bank's general credit checking and lending procedures, screen asset quality, assess risk, and gradually establish a securitization system. After issuance, depending on the status of target assets in the asset pool, the Bank will regularly perform re-assessment and reveal asset quality in a timely fashion. With regard to holdings taken on in response to credit rating upgrade or subscriptions to newly issued securitized products, the Bank will continue to perform follow-up risk management, model assessment, asset portfolio limit monitoring, asset quality control, bookkeeping, and compilation of information. These steps are intended to prevent deterioration of asset quality and facilitate response measures, when needed, to safeguard the Bank's rights as creditor.
4. Securitization hedging or risk mitigation policy, and strategies and procedures for continuous validity of risk supervision, avoidance and mitigation tools	Currently the Bank trades securitized products only of the conventional type, and all hedging is geared toward shifting the primary credit risk of the asset pool to third parties and creating insulation on the legal front. With regard to required capital after issuance, the Bank makes it a point to attain a level not higher than that when no risk mitigation instruments are employed, thereby reducing risk and maintaining profitability. When it comes to monitoring the continued effectiveness of subsequent hedging and risk mitigation tools, the Bank considers it a fundamental requirement that relevant documents must possess binding power over all related parties as well as legal force. At the same time, the Bank will perform necessary review to ensure the continued existence of mandatory force in law. The Bank shall perform the foregoing procedures, including drafting of strategies and operating procedures, implementation of credit review and assessment, establishment of control systems, and contract termination risk management, in accordance with its internal rules, regulations, and business handbook requirements.
5. Method for meeting statutory capital requirement	Standardized approach

Status of the Asset Securitization:

The O-Bank Number One Real Estate Investment Trust (REITs) Fund, for which the Bank acts as lead arranger and trustee, was listed on the Taiwan Stock Exchange on June 21, 2018. The ninth REIT fund to go public in Taiwan, it marks the first instance of the local financial services industry launching into real estate securitization in nearly 11 years. The underlying assets of this NT\$3 billion fund include two types: office building and commercial complex, for which Sinyi Global is engaged to help enhance management efficiency. In the days ahead, emphasis will be placed on acquisitions on the back of financing in order to further grow the Bank's asset pool, thereby expanding REITs funds and rental income.

Securitization risk exposure and required capital (by transaction type): None.

Information concerning securitized products

(A) Summarized information on investing in securitized products: None.

(B) a. Information to be disclosed on investment in securitized products at an initial cost of NT\$300 million or more (not including holdings taken on by the Bank as originator for the purpose of credit enhancement): None.

b. Information to be disclosed on holdings taken on by the Bank as originator for the purpose of credit enhancement: None.

c. Information to be disclosed on the Bank acting as a purchasing organization or a settlement purchasing organization for credit-impaired assets: None.

(C) Information to be disclosed on the Bank acting as a guarantee institution or providing liquidity financing credit lines: None.

C. Operational risk management system and required capital

2020 Operational Risk Management System

Item	Content
1. Operational risk management strategy and procedures	<ul style="list-style-type: none"> ■ Operational risk management strategy 1. The Bank has established a comprehensive risk management environment and has instilled operational risk management consciousness throughout personnel at all levels, including the Board of Directors, thereby enabling internalization of the Bank's risk management culture. 2. The Bank has established a risk management organization with clearly defined duties and powers in order to promote the implementation of bank-wide operational risk management. 3. In order to enhance the effectiveness of operational risk management, the Bank has drafted a clear operational risk management framework, implementation regulations, and guidelines complying with the competent authority's requirements. 4. The Bank implements independent and professional internal audits in order to check the effectiveness of operational risk management mechanisms. ■ Operational risk management procedures The Bank's operational risk management procedures include process cataloging, risk analysis, risk identification, risk assessment, risk monitoring, and risk reporting. Meanwhile, the Bank employs such management tools as risk control self-assessment (RCSA), loss data collection (LDC), key risk indicators (KRIs), and Clean Desk (CD).
2. Operational risk management organization and structure	<p>The Bank's operational risk management organization comprises the Board of Directors, Risk Management Committee, Risk Management Department, Auditing Department, and other units. Roles of the operational risk management and responsibilities of personnel at various levels are as follows:</p> <ol style="list-style-type: none"> 1. Board of Directors: <ol style="list-style-type: none"> (1) Serving as the Bank's highest level of operational risk management decision-maker. (2) Ensuring the establishment of an appropriate risk management system and culture. (3) Approval of a bank-wide operational risk management framework and strategy, including operational risk policy, organization, and duties, and regular review of the aforesaid items. (4) Supervision of the functioning of operational risk management mechanisms to ensure their effectiveness. (5) Provision of clearly defined guidelines over the identification, assessment, communication, and supervision of operational risk. (6) Review of operational risk management reports and other risk-related information in order to gain an understanding of risk assumed by the Bank and ensure that internal resources are properly utilized and allocated. (7) Ensuring that the Bank's operational risk management framework has been subject to internal audits by independent, properly trained employees with the necessary skills. 2. Risk Management Committee: <ol style="list-style-type: none"> (1) Review of the Bank's operational risk management policies and regulations, annual operational risk appetite, and proposals for operational risk management that call for Board approval. (2) Review of operational risk management mechanisms for applying for or launching new lines of business (self-started or out of strategic alliances). (3) Supervision of operational risk management. (4) Supervision of operational risk early warning, exception management, and countermeasures warranted. (5) Supervision of operational risk management at the Bank's leasing subsidiaries and U.S. operations. (6) Supervision of the setup of risk management mechanism of all departments and its implementation. (7) Review of the implementation of operational risk management. (8) Planning and drafting of operational risk management mechanisms in response to environmental, regulatory, or market changes.

Item	Content
	<p>3. Risk Management Department: This department is the Bank's second line of defense for controlling operational risk, and the Chief Risk Officer charged with supervising the Risk Management Department acts as the Bank's top manager responsible for supervision, management, and control of operational risk:</p> <ul style="list-style-type: none"> (1) Drafting of bank-wide operational risk management and control strategy, policy, and procedures. (2) Drafting of consistent operational risk identification, assessment, monitoring, and mitigation standards applicable throughout the Bank. (3) Implementation of the independent operational risk management framework and decisions approved by the Board of Directors, and establishment of a bank-wide operational risk management system. (4) Formulation of the powers and responsibilities of the Risk Management Department and of management at various levels, as well as their relationships in the Bank's chain of command. (5) Coordination and communication with various units about operational risk management matters, and continued supervision of their implementation performance. (6) Compilation of bank-wide operational risk information and, depending on the nature of such information, reporting it to the Board of Directors, the president, or the vice president charged with supervising the department. (7) Implementation of operational risk training. <p>4. Other units:</p> <ul style="list-style-type: none"> (1) Act as the Bank's first line of defense for operational risk management, these relevant units are responsible for determining and managing regulations and handbooks concerning the operational risk of the business and matters under their management. Each unit must designate one person to serve as its operational risk manager, who is to collaborate with the Risk Management Department in performing first-line defense tasks in the control of operational risk associated with the business and matters under the unit's management. (2) Comply with and implement the Bank's operational risk management regulations, actively monitor and control operational risk associated with their respective duties and operations, and report to the appropriate superior or unit in accordance with regulations. (3) Identify operational risk within each unit, including its sources and contributing factors. (4) Assess the frequency and severity of risk generated by each unit's operational processes on a regular basis; supervise and track efforts to address the inadequacy in terms of risk control. (5) File regular reports on operational risk issues, including major operational risk exposure and losses as well as measures taken to improve risk control or operational processes. <p>5. Auditing Department:</p> <p>In accordance with the Bank's Principles for Three Lines of Defense for Internal Control, act as the third line of defense and assess and verify the effectiveness of the Bank's risk management and internal control mechanisms.</p>
3. Scope and characteristics of operational risk reporting and assessment system	<p>The Bank employs risk control self-assessment (RCSA), loss data collection (LDC), key risk indicators (KRIs), and Clean Desk (CD) as operational risk assessment and monitoring tools. The results thus obtained are compiled as qualitative or quantitative risk information of the relevant organization and operations. In turn, the Risk Management Department presents independent analytical reports to the Board of Directors and upper management, while implementation results are relayed to relevant departments and senior managers for their reference in drafting policies and allocating resources, thereby ensuring that the Bank puts its capital to optimal use.</p>
4. Operational risk hedging or risk mitigation policy, and strategies and procedures for continuous validity of risk supervision, avoidance, and mitigation tools	<p>The Bank makes use of appropriate outsourcing and control of tasks as an operational risk mitigation policy. One of the outsourced tasks is cash transport.</p> <p>The Bank relies on appropriate insurance as a hedging strategy for addressing certain types of operational risk. For both outsourcing and insurance, the Bank always sets down clearly defined cooperative relationships and legal agreements, thereby ensuring the quality of such cooperation, service reliability, and effectiveness of risk shifting.</p>
5. Method for meeting statutory capital requirement	<p>Basic indicator method (BIA)</p> <p>The Bank adopts the basic indicator method, spelled out in the An Explanation on Banks' Calculating Equity Capital and Risk-Weighted Assets—Calculating Operational Risk promulgated by the Financial Supervisory Commission, to calculate its operational risk charge. That is, the Bank shall hold capital for operational risk equal to the average over the previous three years of 15% of positive annual gross profit.</p>

Required capital for operational risk

Base Date: Dec. 31, 2020
Unit: NT\$ thousands

Year	Gross Profit	Required Capital
2018	4,696,229	
2019	5,204,111	
2020	4,532,243	
Total	14,432,583	721,629

D. Market risk management system and required capital

2020 market risk management system

Item	Content
1. Market risk management strategy and procedures	<ul style="list-style-type: none"> ■ market risk management strategy <ol style="list-style-type: none"> 1. The Bank takes a proactive stance toward rigorously managing market risk. 2. Transactions are one of the Bank's major earnings sources: money is made on accurately capturing swings in market risk factors (stock prices, exchange rates, and interest rates). The paramount principle is to earn reasonable rewards while keeping risk exposure under effective control. The Bank takes account of its own macroeconomic and industry analyses as well as those undertaken by peer institutions. Targets are determined after in-depth discussions among the President, trading departments, and the department charged with market risk management. Such targets approved by the Assets and Liabilities Committee and Risk Management Committee, are submitted to the Board of Directors for approval. 3. In light of the risk attributes of various transactions, the Bank has in place clearly defined management regulations and risk management indicators that govern risk exposure limits, reporting of such limits being exceeded, and managerial personnel authorized for decision-making and countermeasures warranted under such circumstances. Priority is given to rigorous implementation in order to ensure that traders always adhere to trading discipline and that the Bank's market risk exposure is kept within a reasonable range. ■ Market risk management procedures <ol style="list-style-type: none"> 1. The planning of market risk transaction amounts for any given year is performed in conjunction with the compilation of business and financial budget targets. At the end of each year, trading departments submit their respective amount applications to the Risk Management Department's Market Risk Management Section. When reviewing such applications, the section also takes into account the Bank's overall budget targets and estimate of capital consumption under capital adequacy before moving on to propose bank-wide transaction quotas and an overall stop-loss threshold. These proposals are then submitted to the Assets and Liabilities Committee and Risk Management Committee for review and the Board of Directors for approval. 2. Based on the aforesaid overall stop-loss threshold approved by the Board of Directors, the Risk Management Department's Market Risk Management Section goes on to draft monthly stop-loss limits for each product line, VaR limits, and MAT (management action trigger) limits. These, upon approval by the President, will serve as the basis for the Bank's market risk management.
2. Market risk management organization and structure	<ul style="list-style-type: none"> ■ The Board of Directors is the Bank's highest supervisory body for market risk management: <ol style="list-style-type: none"> 1. When it comes to managing market risk inherent in various transactions, the bank-wide transaction quotas and overall stop-loss threshold approved by the Board of Directors at the end of each year serve as the ultimate guidelines for market risk management. Based on the aforesaid overall stop-loss threshold for the coming year, the board authorizes the President to determine individual thresholds for various transactions by product. Currently, such stop-loss thresholds are imposed on three transaction categories: equities, interest rates, and exchange rates. 2. The board also performs annual assessment to determine whether the Bank's performance in various transactions is consistent with preset business strategies and whether the assumed risk is within the Bank's tolerable range. In the event of a major abnormality in transactions or an instance of management by exception, review or retroactive approval of the board is warranted. ■ The Risk Management Committee is a supervisory body responsible for setting market risk management guidelines and overseeing implementation of market risk management. <ol style="list-style-type: none"> 1. The Chairman shall chair the Risk Management Committee, whose member shall include at least two directors equipped with professions in risk management or finance, and appointed by the Board of Directors. The members shall also include the President, Chief Operating Officer, Chief Strategy Officer, Chief Risk Officer, Chief Corporate Banking Officer, Chief Retail Banking Officer, Chief Financial Markets Officer, and Head of Corporate Governance. 2. The committee shall gather relevant departments for risk management meetings to discuss and report issues with regard to risk management. In addition, the committee shall each year review market risk management guidelines and product quotas for transactions as well as the overall stop-loss threshold for the coming year that are to be proposed to the Board of Directors. ■ The Risk Management Department is the operating department responsible for implementing market risk management. In accordance with the Bank's organizational rules, the Market Risk Management Section of the Risk Management Department bears responsibility for performing market risk management tasks with regard to planning, statistics, reporting, and monitoring.

Item	Content
3. Scope and characteristics of market risk reporting and assessment system	<p>An explanation is hereby given on the following three fronts—internal management regulations, framework of trading limits, and reporting procedures:</p> <ul style="list-style-type: none"> ■ Internal management regulations Based on the respective risk attributes of equities, interest rates, and exchange rates, the Bank has in place management regulations that spell out risk management indicators and risk exposure limits, as well as the reporting, decision-making, and responding mechanisms in the event of over-limit events. ■ Framework of trading limits by product <ul style="list-style-type: none"> 1. To bolster the framework for managing market risk, the Risk Management Department takes into account the specific risk attributes of various products and sets VaR limits, MAT limits, 20-day average liquidity limits, and FS sensitivity limits that complement trading limits and stop-loss thresholds separately imposed on individual products. Upon approval of the President, the aforesaid complementary limits will serve as the basis for market risk management. 2. After the quotas of product holdings for trading departments become effective upon approval of the Board of Directors, the President shall also break down the aforesaid overall stop-loss threshold for distribution among trading departments, thereby authorizing the latter to set down their respective monthly stop-loss thresholds. In turn, heads of trading departments shall conduct allocations among traders and report these to the Risk Management Department in writing as the basis for risk control. ■ Reporting procedures Against previously authorized trading limits, the Risk Management Department shall compile statistics on the risk exposure of trading departments and individual traders. In accordance with internal management regulations, it shall also submit risk reports, monitor over-limit events, and implement follow-up measures.
4. Market risk hedging or risk mitigation policy; strategies and procedures for continuous validity of risk supervision, avoidance, and mitigation tools	<ul style="list-style-type: none"> ■ All of the Bank's trading departments put in place their respective limits on trading positions and stop-loss thresholds as well as other control mechanisms. The Market Risk Management Division of Risk Management Department is responsible for managing such risk by monitoring and assessing risk exposure on a daily basis. ■ In terms of hedging transactions conducted for financial derivatives, the risk exposure and sensitivity of the said derivatives are taken into account in assessing the effectiveness of hedging. ■ The Bank regularly undergoes market risk sensitivity assessment and stress tests, the results of which are presented to the Assets and Liabilities Committee and Board of Directors.
5. Method for meeting statutory capital requirement	Standardized approach

Market risk required capital

Base Date: March 31, 2021

Unit: NT\$ thousands

Risk Type	Required Capital
Interest rate risk	790,224
Equity securities risk	142,260
Foreign Exchange rate risk	237,090
Product risk	0
Options (simplified approach)	22,479
Total	1,192,053

E. Evaluation of liquidity risk includes a maturity analysis of assets and liabilities and an explanation of the methods adopted to manage asset liquidity and funds gap liquidity:

In terms of asset liquidity and funds gap liquidity management, the Bank has in place the Regulations on Managing Liquidity Risk and Interest Rate Risk, based on which various units are responsible for conducting cash flow control and compiling liquidity risk reports for submission to upper management on a regular basis. The Bank has also prepared a liquidity emergency plan to fill in any liquidity gap, reduce liquidity risk, and ensure smooth operations across the Bank.

Term Structure Analysis of New Taiwan Dollar-denominated Assets & Liabilities

Base Date: March 31, 2021

Unit: NT\$ thousands

	Total	Amounts remaining during the period prior to the due date					
		0-10 days	11-30 days	31-90 days	91-180 days	181 days-1 year	More than 1 year
Major matured capital inflows	253,340,457	54,528,627	19,771,941	32,765,260	30,143,142	23,517,024	92,614,463
Major matured capital outflows	289,355,973	13,751,399	16,782,106	62,971,441	48,039,688	68,760,159	79,051,180
Capital gap	(36,015,516)	40,777,228	2,989,835	(30,206,181)	(17,896,546)	(45,243,135)	13,563,283

Note: This table contains only Taiwan dollar (excluding foreign currency) amounts at the Bank's headquarters and domestic branches.

Term Structure Analysis of U.S. Dollar-denominated Assets & Liabilities

Base Date: March 31, 2021

Unit: US\$ thousands

	Total	Amounts remaining during the period prior to the due date				
		0-30 days	31-90 days	91-180 days	181 days-1 year	More than 1 year
Major matured capital inflows	3,618,964	1,386,966	741,870	329,068	332,256	828,804
Major matured capital outflows	3,688,655	1,384,773	958,106	563,868	312,308	469,600
Capital gap	(69,691)	2,193	(216,236)	(234,800)	19,948	359,204

Note: 1. The table contains U.S. dollar amounts at the Bank as a whole.

There is no need for reporting off-book amounts (e.g. planned issuance of NCDs, bonds, or equities).

Note: 2. Where offshore assets account for 10% or more of the bank's total assets, disclosure of supplementary information is warranted. (Branch assets accounted for 13.93% of the Bank's total assets as of March 2021.)

【Disclosure of supplementary Information】

Term Structure Analysis of U.S. Dollar-denominated Assets & Liabilities

Hong Kong Branch

Base Date: March 31, 2021

Unit: US\$ thousands

	Total	Amounts remaining during the period prior to the due date				
		0-30 days	31-90 days	91-180 days	181 days-1 year	Longer than 1 year
Major matured capital inflows	1,397,310	849,471	186,918	49,194	41,145	270,582
Major matured capital outflows	1,362,266	483,563	344,070	176,486	147,796	210,351
Capital gap	35,044	365,908	(157,152)	(127,292)	(106,651)	60,231

(2) Impact of major domestic and foreign policies and legal changes on the Bank's finances and operations as well as countermeasures

- March 23, 2020 and October 30, 2020: The newly revised "Regulations Governing the Preparation of Financial Reports by Public Banks" was promulgated (Financial Supervisory Commission Order Jin-Guan-Yin-Fa-Zi No. 10902706971 and Jin-Guan-Yin-Fa-Zi No. 10902734581).

1. The revision was forwarded to relevant units at the Bank, and they were instructed to act accordingly. In addition to reviewing other related internal regulations, the Bank also incorporated it into legal compliance procedures for immediate implementation.
2. It has yet to have any material impact on the Bank's finances or operations.

- March 24, 2020: The newly revised "Regulations Governing Information to be Published in Annual Reports of Banks" was promulgated (Financial Supervisory Commission Order Jin-Guan-Yin-Fa-Zi No. 10902707461).

1. The revision was forwarded to relevant units at the Bank, and they were instructed to act accordingly. In addition to reviewing other related internal regulations, the Bank also incorporated it into legal compliance procedures for immediate implementation.

2. It has yet to have any material impact on the Bank's finances or operations.
- March 24, 2020: The newly revised "Regulations Governing Information to be Published in Financial Institution Prospectuses for Offering and Issuance of Securities" was promulgated (Financial Supervisory Commission Order Jin-Guan-Yin-Fa-Zi No. 10902707461).
1. The revision was forwarded to relevant units at the Bank, and they were instructed to act accordingly. In addition to reviewing other related internal regulations, the Bank also incorporated it into legal compliance procedures for immediate implementation.
2. It has yet to have any material impact on the Bank's finances or operations.
- April 28, 2020: The newly revised "Regulations Governing the Implementation of the Common Standard on Reporting and Due Diligence for Financial Institutions" was promulgated (Ministry of Finance Order Tai-Cai-Ji-Zi No. 10924507130).
1. The revision was forwarded to relevant units at the Bank, and they were instructed to act accordingly. In addition to reviewing other related internal regulations, the Bank also incorporated it into legal compliance procedures for immediate implementation.
2. It has yet to have any material impact on the Bank's finances or operations.
- May 21, 2020: The newly revised "Securities and Exchange Act" was promulgated (Presidential Order Hua-Zong-Yi-Jing-Zi No. 10900053581).
1. The revision was forwarded to relevant units at the Bank, and they were instructed to act accordingly. In addition to reviewing other related internal regulations, the Bank also incorporated it into legal compliance procedures for immediate implementation.
2. It has yet to have any material impact on the Bank's finances or operations.
- May 26, 2020: Notice by the China Banking and Insurance Regulatory Commission of Issuing the Interim Measures for the Supervision and Administration of Financial Leasing Companies (Yin-Bao-Jian-Fa (2020) No. 22)
1. The document was forwarded to relevant units at the Bank for their reference in business planning.
2. It has yet to have any material impact on the Bank's finances or operations.
- August 7, 2020: The "Regulations Governing Banks Conducting Financial Products and Services for High-Asset Customers" was promulgated (Financial Supervisory Commission Order Jin-Guan-Yin-Wai-Zi No. 10902724861).
1. The document was forwarded to relevant units at the Bank, and they were instructed to act accordingly. In addition to reviewing other related internal regulations, the Bank also incorporated it into legal compliance procedures for immediate implementation.
2. It has yet to have any material impact on the Bank's finances or operations.
- October 26, 2020: The newly revised "Regulations Governing Qualification Requirements and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of Banks" was promulgated (Financial Supervisory Commission Order Jin-Guan-Yin-Guo-Zi No. 10902733171).
1. The revision was forwarded to relevant units at the Bank, and they were instructed to act accordingly. In addition to reviewing other related internal regulations, the Bank also incorporated it into legal compliance procedures for immediate implementation.
2. It has yet to have any material impact on the Bank's finances or operations.
- October 26, 2020: The newly revised "Regulations Governing Required Qualifications for Responsible Persons and Required Trust Expertise or Experience for Operations and Managerial Personnel of Trust Enterprises" was promulgated (Financial Supervisory Commission Order Jin-Guan-Yin-Guo-Zi No. 10902733171).

1. The revision was forwarded to relevant units at the Bank, and they were instructed to act accordingly. In addition to reviewing other related internal regulations, the Bank also incorporated it into legal compliance procedures for immediate implementation.
2. It has yet to have any material impact on the Bank's finances or operations.
 - October 26, 2020: The "Regulations Governing Account Opening in OBU by Domestic Juridical Persons" was promulgated (Financial Supervisory Commission Order Jin-Guan-Yin-Kong-Zi No. 10902733851).
1. The document was forwarded to relevant units at the Bank, and they were instructed to act accordingly. In addition to reviewing other related internal regulations, the Bank also incorporated it into legal compliance procedures for immediate implementation.
2. It has yet to have any material impact on the Bank's finances or operations.
 - December 7, 2020 and March 18, 2021: The newly revised "Regulations Governing Mortgage Loans Extended by Financial Institutions" was promulgated (Central Bank of R.O.C. Order Tai-Yang-Ye-Zi No. 1090046435 and Tai-Yang-Ye-Zi No. 1100011921).
1. The revision was forwarded to relevant units at the Bank, and they were instructed to act accordingly. In addition to reviewing other related internal regulations, the Bank also incorporated it into legal compliance procedures for immediate implementation.
2. It has yet to have any material impact on the Bank's finances or operations.
 - January 28, 2021: The newly revised "Regulations Governing Foreign Exchange Business of Banking Enterprises" was promulgated (Central Bank of R.O.C. Order Tai-Yang-Wai-Qi-Zi No. 1100005479).
1. The revision was forwarded to relevant units at the Bank, and they were instructed to act accordingly. In addition to reviewing other related internal regulations, the Bank also incorporated it into legal compliance procedures for immediate implementation.
2. It has yet to have any material impact on the Bank's finances or operations.

(3) Impact of technological and industrial changes on the Bank's finances and operations as well as countermeasures

Technological development is stimulating rapid changes in the financial industry, and is accelerating the financial industry's transformation. The industry's future developmental focal point will be financial service innovation, and cooperation between the financial industry and partners in other industries will be a source of future business opportunities. The Bank has always striven to provide customers with the most superior service. When changing to a commercial bank to cross over into personal financial services, which has been a leading trend in the financial industry, the Bank has embraced new thinking about digital finance, adopted advanced technologies, and developed Taiwan's first digital bank with a primarily "virtual channel" to take advantage of opportunities in online banking. The Bank has introduced services including the online opening of domestic and foreign currency deposit accounts, online application for credit loans, robot wealth management, and 24-hour video customer service. The Bank has also cooperated with strategic partners, and relied on services involving the Bank and partners in other industries to jointly create a digital brand ecosystem, which has enabled the Bank to gradually achieve a highly competitive status in the industry. Looking ahead to the future, the Bank will continue to monitor emerging financial technologies, and provide customers safe, simple, convenient, fun, and innovative financial services.

In addition, in order to monitor technological changes and reduce risk factors associated with abrupt changes in industry, the Bank conducts annual surveys and analysis of industry's economic conditions and development trends, and, in order to control industries credit limit, has adopted a policy of dispersing risks connected with

credit, deposits, and investment, etc. Furthermore, in conjunction with employee education and training, the Bank has striven to increase the depth and breadth of employees' knowledge concerning economic conditions and industry. At the same time, we are relying on regular double-checking, strengthened post-loan management, strict control of asset quality, and maintenance of risk control discipline to minimize the Bank's risk.

(4) Impact of changes in the Bank's public image on its crisis management as well as countermeasures

The Bank has long maintained the business principles of professionalism, integrity, and stability. Apart from attentiveness to our core financial services and strengthening of risk control mechanisms, we also emphasize the maintenance of our corporate image, and consequently established a "Corporate Culture Promotion Committee" and "Corporate Social Responsibility Committee" in 2014 and 2015. The spirit of our corporate culture embodies the values of "Sincerity and Support" and we participate vigorously in arts & culture, education, and social welfare public-interest activities. We are contributing to society in many ways, and using our corporate capabilities to exert a positive influence on society. We are fulfilling our corporate social responsibilities, actively seeking to enhance our corporate image, and striving to be a trustworthy partner for our customers. Years of endeavors toward fulfilling corporate social responsibility have not only won the Bank certification as a B Corporation but also a number of accolades, such as inclusion on CommonWealth Magazine's "Excellence in Corporate Social Responsibility" list and awards from the Taiwan Institute for Sustainable Energy (TAISE). Further attesting to its CSR commitment in 2020, the Bank took additional action in the form of a number of charity affinity cards, green consumption projects, and the industry's first Impact Loan project, all intended specifically to help promote the public interest. As a business model that incorporates CSR action, the Impact Loan project draws on an exclusively designated pool of deposits to provide the economically disadvantaged with zero-fee, low-interest loans.

After its change to a commercial bank, apart from continuing to maintain its aforementioned corporate business philosophy, the Bank has also striven to boost its image as a new digital banking brand. In this age of social media, in order to enhance the prestige and image of the Bank's brand, the Bank has created comprehensive, rigorous internal control mechanisms, and has established a spokesperson, deputy spokesperson, corporate communications department, and customer service center to handle the questions and recommendations of shareholders, the media, and the general public. If erroneous information is contrary to the facts or may harm the Bank's image, when necessary, in accordance with regulations, we may issue a major explanatory message via the Market Observation Post System.

(5) Expected benefits and potential risks of M&As as well as countermeasures

"Mergers and acquisitions" represent a pathway for corporate growth. Mergers and acquisitions can expand the magnitude and scope of corporate business, disperse operating risk, disperse markets, enlarge financial product lines, boost operating efficiency, and enhance overall competitiveness. As a consequence, the Bank cannot rule out possible M&A plans when opportunities present themselves, and may employ mergers and acquisitions to quickly boost its market status and competitiveness.

The Bank will consider the rights and interests of all stakeholders when implementing any possible future M&A plans, and will strive to cautiously assess possible cooperating partners that will benefit the Company's long-term development under the premise that no harm is done to employees, customers, and shareholder's equity. As of the date of printing of this annual report, the Bank had no concrete M&A plans.

(6) Expected benefits and potential risks of expansion of business outlets as well as countermeasures

After the Bank changed to a commercial bank, it has emphasized that development of its digital banking services, and its service development efforts have focused on virtual channels such as online and mobile banking. In turn, physical outlets are charged with the task of promoting the Bank's brand image and acting as a venue for excellent financial services. In January 2020, the Bank relocated its Taipei Vie Show Branch to Taoyuan and changed name to Taoyuan Branch, building a service network that integrates the virtual and the physical to satisfy the various needs of the corporate customers and individuals in metropolitan Taoyuan for financial services. Expanding our business locations can increase our service coverage, expand our channels and customer base, and achieve the benefits of dispersing risk and training more professional manpower. Because the Bank currently has relatively few business locations, and because we must perform prudent analysis before establishing any new locations, which is necessary to ensure that all locations provide the greatest possible benefit, we are exposed to limited risk from the expansion of business locations.

Possible risk	Explanation	Countermeasures
Personnel or asset losses	Impairment of material assets due to natural disasters or other incidents	Premises security maintenance, safeguarding, emergency response drills, property insurance
Business disruptions and system crashes	Losses caused by business disruptions and system crashes	Offsite system backup plan and simulation as well as business continuity plan and simulation

Responding to the gradual relaxation of controls on cross-Straits finance, the Financial Supervisory Commission has issued regulations governing prior review, risk control, subsequent management and restrictions on total investment for domestic financial organizations establishing representative offices, branches, subsidiary banks, and equity participation in mainland China or the Hong Kong/Macau areas. The Bank will continue to take appropriate response and risk management measures in accordance with laws and regulations. The Bank established its first overseas branch in Hong Kong during April 2009, and subsequently established Tianjin representative office in April 2012. Looking ahead to the future, we will prudently assess the possibility of establishing further branches in order to expand our Chinese market.

In addition, we also plan to rely on the establishment of overseas locations by our subsidiaries to extend the Group's financial service scope. In 2011, the Bank's subsidiary IBT International Leasing Corp. invested in the establishment of leasing companies in China. After several years of development, these companies' sales are growing steadily, they have service locations in Suzhou, Nanjing, Dongguan, Zhongshan, and they are currently providing comprehensive financial services to SMEs and micro-enterprises in Yangtze River Delta and Pearl River Delta areas. We will continue to carefully select and establish business locations in the future. We also expect to draw on our leasing business platform to take advantage of business opportunities on both sides of the Taiwan Strait and complement our banking business. To capitalize on mainland China's growing consumer banking market, the Bank teamed up with China Everbright Bank and China CYTS Tours Holding Co., Ltd. in 2019 to start preparations for a joint venture and officially became operational in August 2020. The prospective joint venture is set to satisfy consumers in the Greater China market with a brand-new digital banking service. And in order to meet our corporate customers' global needs, our US subsidiary bank—the EverTrust Bank—has 8 business locations in the Greater Los Angeles and San Francisco area to meet local financial service needs.

(7) Risks incurred by business concentration and countermeasures

Our change to a commercial bank in 2017 has allowed us to expand our customer base from corporations to individuals. On top of corporate banking, retail banking, financial products, and securities trading, the Bank has made inroads into the bills finance sector and invested in leasing operations on both sides of the Taiwan Strait,

a commercial bank in the U.S., and a consumer banking venture in mainland China. With a diverse business reach extending beyond Taiwan to Hong Kong, mainland China, and the U.S., the Bank has effectively brought down the risk of business concentration as all these businesses are on track to healthy growth.

(8) Effect upon and risk to the Bank associated with any change in managerial control, as well as countermeasures: None.

(9) Effect upon or risk to the Bank if a large quantity of shares held by a director, supervisor, or major shareholder with not less than a 1% stake are to be transferred or otherwise change hands, as well as countermeasures: There was no transfer of a large quantity of shares or other form of changing hands thereof by any of the Bank's directors and major shareholders. Changes in shareholdings on the part of some shareholders holding more than 1% stake had no impact on the Bank's operations.

(10) Litigious and non-litigious matters:

Yi Jing Yang Enterprise Co., Ltd. was suspected of causing damage to the Bank by using falsified transactions to secure factoring financing. The Bank's subsequent filing of criminal lawsuits against Yi Jing Yang and related individuals led to prosecution by the Taiwan Taipei District Prosecutors Office in January 2020. The criminal division of the Taiwan Taipei District Court already made its ruling in December 2020. While the Bank also filed a civil compensation claim with the Taiwan Taipei District Court in January 2020, its civil division is now deliberating on the case.

(11) Other major risks and countermeasures:

■ Information security risks

The Bank performs the following two assessment tasks with regard to information security risks:

1. Information asset risk assessment

We perform information asset risk assessment tasks every half-year. These assessments consider such factors as the value of information assets, weaknesses, threats, internal issues, external issues (including laws and regulations, major information security incidents, technological changes, and industry changes, etc.), and take the requirements of stakeholder groups into consideration, and seek to understand the risk entailed by such information assets, and facilitate the adoption of appropriate security control measures able to reduce information security risks.

In 2020 the assessment found no high risk or major operating risk matters.

2. Computer system information security assessment

In accordance with the "Regulations for the Information Security Assessment of Computer Systems by Financial Institutions", annual information security assessments are conducted by external information security institution. These assessments inspect and confirm various information security threats and weaknesses, and implement control measures addressing technological and management aspects in order to strengthen network and information system security ability. Assessment tasks include the following:

(1) Inspection of information architecture: We inspect network architecture configuration, the adequacy of information equipment security management rules, the greatest impact and risk acceptance ability in the case of single-point malfunctions, and the ability to maintain operations, etc.

- (2) Inspection of network activity: We inspect network equipment and server access records and user rights, information security equipment monitoring records, and malicious Internet usage or abnormal DNS server queries, etc.
- (3) Testing of network equipment, servers, terminal equipment, and Internet of Things devices: We perform equipment vulnerability scans and patches, testing of whether malicious programs exist, and testing of the complexity of account numbers and passwords.
- (4) Testing of network equipment, servers, and Internet of Things devices, and connection with the Internet: We perform penetration testing, website vulnerability scans, and inspection of server directory and website access rights, and database security settings, etc.
- (5) Customer-end applications programs: We perform testing of applications programs given to customers.
- (6) Inspection of security settings: We inspect server password setting principles and account number determination principles, the adequacy of firewall settings, operating system and antivirus software updating settings and updating status, and key storage protection mechanisms and access, etc.
- (7) Compliance inspection: We inspect computer systems to determine whether they meet the competent authority's standards.
- (8) Social engineering drills: We implement annual e-mail social engineering drills involving all employees, and conduct social engineering attack awareness and training.

In 2020, the implementation results found no high risk or major operating risk matters.

7. Crisis management and response mechanisms

In order to strengthen the Bank's ability to respond to major crises and disasters, the Bank has drafted the "Major Accident Emergency Response and Recovery Plan Implementation Guidelines". These guidelines contain emergency response measures and notification and handling principles for natural disasters, major epidemics, information system crashes, personal data accidents, and liquidity crises. We have also strengthened our disaster prevention simulations, drills, and testing. In the event of an accident or disaster, we hope to eliminate or reduce damage to the bank as quickly as possible, and maintain the normal functioning of our banking services. Furthermore, in 2018, we established an emergency response committee platform and drafted "Emergency Response Committee Organizational Guidelines". The general manager serves as the chairperson of the Emergency Response Committee, which is tasked with ensuring that the Bank can notify relevant personnel in real-time in the event of a major accident, and integrate interdepartmental crisis handling and response measures.

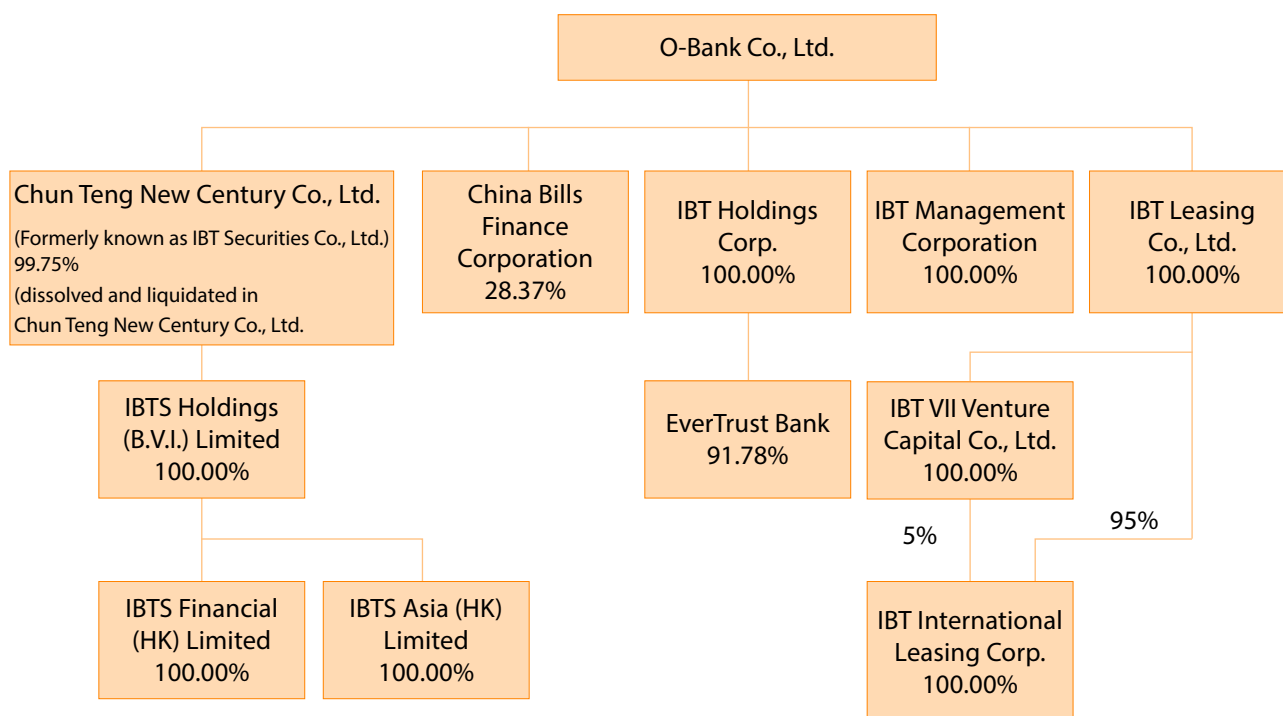
8. Other major items: None.

VIII. Special Disclosure

1. Summary of Affiliated Companies

(1) Organizational Chart

As of December 31, 2020



(2) Backgrounds of Affiliated Companies

As of December 31, 2020

Unit : NT\$thousands /US\$ thousands /HKD\$ thousands /RMB\$ thousands

Name of Company	Established Date	Address	Paid in Capital	Main Business
Chun Teng New Century Co., Ltd. (note2)	1961.12.9	6F, No.99, Sec.2, Tiding Blvd., Neihsu Dist., Taipei City 114, Taiwan, R.O.C.	382,906	1. Investment Business 2. Investment Consulting 3. Management Consulting 4. Other businesses not prohibited or restricted by law
IBTS Holdings (B.V.I.) Limited	2003.3.14	Portcullis TrustNet Chambers, P.O. Box 3444, Road Town, Tortola, British Virgin Islands	USD 3,831	Holding Company
IBTS Financial (HK) Limited	2003.5.26	Suite 1310, Tower One, Lippo Centre, 89 Queensway, Hong Kong	USD 1,986	Financing Consulting
IBTS Asia (HK) Limited	2004.4.30	Suite 1310, Tower One, Lippo Centre, 89 Queensway, Hong Kong	HKD 70,000	1. Securities Trading (Type1) 2. Provision of Consulting on Securities Trading (Type4)
IBT Management Corporation	2000.7.31	8F, No.99, Sec.2, Tiding Blvd., Neihsu Dist., Taipei City 114, Taiwan, R.O.C.	134,000	1. Investment Advisory Business 2. Business Management Advisory Business 3. Venture Capital Investment and Management Consulting Business
IBT VII Venture Capital Co., Ltd.	2014.8.12	6F, No.99, Sec.2, Tiding Blvd., Neihsu Dist., Taipei City 114, Taiwan, R.O.C.	650,000	Venture Capital Business
China Bills Finance Corporation	1978.10.19	4F, No.99, Sec.2, Tiding Blvd., Neihsu Dist., Taipei City 114, Taiwan, R.O.C.	13,429,600	1. H102011 Bills Finance 2. H301011 Securities Brokerage
IBT Holdings Corp.	2006.5.30	2 N. Lake Avenue, Suite 1030, Pasadena CA 91101 U.S.A.	USD 110,209	Financial Holding Company

Name of Company	Established Date	Address	Paid in Capital	Main Business
EverTrust Bank	83.9.19	2 N. Lake Avenue, Suite 1030, Pasadena CA 91101 U.S.A.	USD 118,402	Commercial Banking
IBT Leasing Co., Ltd.	2011.4.7	6F, No.99, Sec.2, Tiding Blvd., Neihsu Dist., Taipei City 114, Taiwan, R.O.C.	2,643,000	Financing Leasing
IBT International Leasing Corp.	2011.3.15	Room 805, 8F, No.188 Wangdun Rd., Suzhou Industrial Park, Suzhou 215123, Jiangsu, P.R. China	RMB 410,061	Financing Leasing

Note: 1. Exchanging rate on reporting date as of Dec. 31, 2020: USD 28.50831、HKD3.67738、RMB4.36651.

2. Chun Teng New Century Co., Ltd. (Formerly known as IBT Securities Co., Ltd.) was dissolved and liquidated in November 2016.

(3) Common Shareholders among Controlling and Controlled Entities: Not applicable.

(4) Backgrounds of directors, supervisors and presidents of affiliated companies

As of December 31, 2020

Unit : Shares/%

Name of Company	Title/Represented Institution	Name or Representative	Share Holding	
			No. of Shares	Ratio%
Chun Teng New Century Co., Ltd. (note1)	Supervisor : Yeh, Roy J.Y.			
IBTS Holdings (B.V.I.) Limited	Directors : Chun Teng New Century Co., Ltd.	Lin, Gordon W.C.	3,831,428	100.00
	Chun Teng New Century Co., Ltd.	Chao, Kai-Yun	3,831,428	100.00
IBTS Financial (HK) Limited	Directors : IBTS Holdings (B.V.I.) Limited	Chao, Kai-Yun	14,849,382	100.00
	IBTS Holdings (B.V.I.) Limited	Chan, Hsiu-Hua	14,849,382	100.00
	IBTS Holdings (B.V.I.) Limited	Yang, Han-Wei	14,849,382	100.00
IBTS Asia (HK) Limited	Directors : IBTS Holdings (B.V.I.) Limited	Chao, Kai-Yun	70,000,000	100.00
	IBTS Holdings (B.V.I.) Limited	Hung, Hui-Hsiu	70,000,000	100.00
	IBTS Holdings (B.V.I.) Limited	Yang, Han-Wei	70,000,000	100.00
	President : Hung, Hui-Hsiu		0	0.00
IBT Management Corporation	Jurisdic-person director : O-Bank Co., Ltd.	Yeh, Roy J.Y.	13,400,000	100.00
	O-Bank Co., Ltd.	Siew, Joy C.Y.	13,400,000	100.00
	O-Bank Co., Ltd.	Yang, Becky Y.W.	13,400,000	100.00
	O-Bank Co., Ltd.	Tang, Grace W.S.	13,400,000	100.00
	Supervisor : O-Bank Co., Ltd.	Liu, Nancy S.F.	13,400,000	100.00
	President : Tang, Grace W.S.		0	0.00

Name of Company	Title/Represented Institution	Name or Representative	Share Holding	
			No.of Shares	Ratio%
IBT VII Venture Capital Co., Ltd.	Jurisdic-person director :			
	IBT Leasing Co., Ltd.	Yeh, Roy J.Y.	65,000,000	100.00
	IBT Leasing Co., Ltd.	Yang, Becky Y.W.	65,000,000	100.00
	IBT Leasing Co., Ltd.	Siew, Joy C.Y.	65,000,000	100.00
	IBT Leasing Co., Ltd.	Tang, Grace W.S.	65,000,000	100.00
	IBT Leasing Co., Ltd.	Chao, Kai-Yun	65,000,000	100.00
	Supervisor :			
	IBT Leasing Co., Ltd.	Liu, Nancy S.F.	65,000,000	100.00
China Bills Finance Corporation	Jurisdic-person director :			
	O-Bank Co., Ltd.	Wu, Cheng-Ching	380,981,600	28.37
	O-Bank Co., Ltd.	Wei, Jonathan C.H.	380,981,600	28.37
	O-Bank Co., Ltd.	Chang, David C.C.	380,981,600	28.37
	O-Bank Co., Ltd.	Huang, Indra Y.C.	380,981,600	28.37
	O-Bank Co., Ltd.	Chang, Niel W.F.	380,981,600	28.37
	Ming Shan Investment Co., Ltd.	Lo, Mona I-Ru	1,509,600	0.11
	Hezhu Investment Co., Ltd.	Cheng, Si-Tsung	77,084,000	5.74
	Hezhu Investment Co., Ltd.	Cheng, Min-Sheng	77,084,000	5.74
	Independent Directors :			
	Wu, Wayne Wen-Ya		0	0.00
	Chen, Chung-Ho		0	0.00
	Su, An-Wei		0	0.00
	President :			
	Wei, Jonathan C.H.		0	0.00
IBT Holdings Corp. (note 2)	Directors :			
	Lo, Tina Y.		0	0.00
	Peng, Henry W.		0	0.00
	Kung, Jesse C.K.		0	0.00
	President :			
	Kung, Jesse C.K.		0	0.00

Name of Company	Title/Represented Institution	Name or Representative	Share Holding	
			No.of Shares	Ratio%
EverTrust Bank (note 3)	Directors :			
	Peng, Henry W.		0	0.00
	Lo, Tina Y.		0	0.00
	Kung, Jesse C.K.		0	0.00
	Bloom, Steven N.		0	0.00
	Ho, Joanna		0	0.00
	Lee, Elton F.Y.		0	0.00
	Lin, Roger Y.F.		0	0.00
	Wang & Wang, LLC	Daine Wang Hsu	960,095	8.22
	President :			
	Kung, Jesse C.K.		0	0.00
IBT Leasing Co., Ltd.	Jurisdic-person director :			
	O-Bank Co., Ltd.	Lin, Gordan W.C.	264,300,000	100.00
	O-Bank Co., Ltd.	Yeh, Roy J.Y.	264,300,000	100.00
	O-Bank Co., Ltd.	Wang, Steven H.P.	264,300,000	100.00
	O-Bank Co., Ltd.	Chien, Chih-Ming	264,300,000	100.00
	O-Bank Co., Ltd.	Huang, Angelia S.P.	264,300,000	100.00
	O-Bank Co., Ltd.	Wang, Graham	264,300,000	100.00
	Supervisor :			
	O-Bank Co., Ltd.	Chang, David C.C.	264,300,000	100.00
	President :			
	Wang, Steven H.P.		0	0.00
IBT International Leasing Corp. (note 4)	Jurisdic-person director :			
	IBT Leasing Co., Ltd.	Lin, Gordan W.C.	-	-
	IBT Leasing Co., Ltd.	Chien, Chih-Ming.	-	-
	IBT Leasing Co., Ltd.	Yeh, Roy J.Y	-	-
	IBT Leasing Co., Ltd.	Chuang, Charles M.C.	-	-
	IBT Leasing Co., Ltd.	Shao, Wen W.C.	-	-
	IBT Leasing Co., Ltd.	Wang, Graham	-	-
	IBT Leasing Co., Ltd.	Huang, Angelia S.P.	-	-
	Supervisor :			
	IBT Leasing Co., Ltd.	Chang, David C.C.	-	-
	President :			
	Chuang, Charles M.C.		-	-

Note: 1. Chun Teng New Century Co., Ltd. (Formerly known as IBT Securities Co., Ltd.) was dissolved and liquidated in November 2016.

2. Shareholding of O-Bank Co., Ltd. to IBT Holdings Corp. : 10,869,286 shares : at a holding ratio of 100% °

3. Shareholding of IBT Holdings Corp. to EverTrust Bank : 10,713,699 shares : at a holding ratio of 91.78%.

4. IBT International Leasing Corp. is a limited company, not a company limited by shares.

(5) Performance of Affiliated Companies

As of December 31, 2020

Unit : NT\$ thousands /US\$ thousands /HKD\$ thousands /RMB\$ thousands

Name	Capital Stock	Total Assets	Total Liabilities	Net Worth	Operation Revenue	Profit from Operations	Net Income (after tax)	Earnings Per Share (in dollar) (after tax)
O-Bank Co., Ltd.	30,330,063	328,853,648	293,297,753	35,555,895	4,651,476	1,236,291	1,147,403	0.41
Chun Teng New Century Co., Ltd. (note2)	382,906	314,873	50	314,823	0	(3,005)	(12,041)	(0.31)
IBTS Holdings (B.V.I.) Limited	USD 3,831	USD 8,829	USD 0	USD 8,829	USD 0	USD (3)	USD (310)	USD (0.81)
IBTS Financial (HK) Limited	USD 1,986	USD 3,307	USD 0	USD 3,307	USD 92	USD 87	USD 107	USD 0.54
IBTS Asia (HK) Limited	HKD 70,000	HKD 34,685	HKD 22,645	HKD 12,041	HKD 17	HKD (3,407)	HKD (3,349)	HKD (0.48)
IBT Management Corporation	134,000	272,563	40,669	231,894	20,970	6,442	6,442	0.48
IBT VII Venture Capital Co., Ltd.	650,000	715,279	183,296	531,983	65,058	78,002	78,002	1.20
China Bills Finance Corporation	13,429,600	218,284,001	192,834,559	25,449,442	2,507,171	1,991,703	1,578,242	1.18
IBT Holdings Corp.	USD 110,209	USD 184,593	USD 0	USD 184,593	USD 0	USD 13,438	USD 8,721	USD 0.80
EverTrust Bank	USD 118,402	USD 1,000,417	USD 800,361	USD 200,057	USD 32,471	USD 13,450	USD 9,513	USD 0.81
IBT Leasing Co., Ltd.	2,643,000	6,749,712	3,965,528	2,784,184	215,202	41,597	389,218	1.47
IBT International Leasing Corp. (Note3)	RMB 410,061	RMB 2,480,418	RMB 1,861,655	RMB 618,763	RMB 226,136	RMB 100,181	RMB 80,189	Not Applicable

Note:1. Exchanging rate on reporting date as of Dec. 31, 2020: USD28.50831、HKD3.67738、RMB4.36651.

2. Chun Teng New Century Co., Ltd. (Formerly known as IBT Securities Co., Ltd.) was dissolved and liquidated in November 2016.

3. IBT International Leasing Corp. is a limited company, not a company limited by shares.

(6) Consolidated Financial Statements of Affiliated Companies: Please refer to Consolidated Financial Statements of Financial Status in Appendix 1.**(7) Reports of Affiliated Companies: Not applicable.**

2. Private Placement Securities and Financial Bonds: None.

3. The Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years: Not applicable.

4. Other Important Supplementary Information: None.

5. Events Occurred in the Previous Year and Up to the Publication of this Annual Report, Which Significantly Affect Shareholders' Equity or Price of Shares Pursuant to Item 2, Paragraph 3 of Article 36 of the Securities and Exchange Act: None.

O-Bank and Subsidiaries

**Consolidated Financial Statements for the
Years Ended December 31, 2020 and 2019 and
Independent Auditors' Report**

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The Bank and its subsidiaries required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” as of and for the year ended December 31, 2020 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as those included in International Financial Reporting Standard 10, “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

Company name: O-BANK
Chairman: Tina Y. C. Lo
Date: March 22, 2021

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
O-Bank

Opinion

We have audited the accompanying consolidated financial statements of O-Bank (the “Bank”) and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Publicly Held Bills Finance Companies and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The descriptions of the key audit matters of the consolidated financial statements for the year ended December 31, 2020 are as follows:

Allowance for Credit Losses of Loans

The Bank is engaged principally in providing loans to customers. The Bank's management performed loans impairment assessment in accordance with the requirements of International Financial Reporting Standard 9 "Financial Instruments". In addition, the allowance for credit losses of loans was calculated and classified in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" (referred to as "Banking Institutions Regulations Governing the Procedures for Bad Debt").

For details about the accounting policy on the allowance for credit losses, refer to Note 4 to the accompanying consolidated financial statements; for details about the critical accounting judgments, estimates and appropriateness of assumptions of loan impairment, refer to Note 5 to the accompanying consolidated financial statements; and for details about the allowance for credit losses, refer to Note 13 to the accompanying consolidated financial statements.

The Bank shall assesses the classification of credit-granting assets and recognize allowance for credit losses of loans in accordance with "Banking Institutions Regulations Governing the Procedures for Bad Debt". As the assessment and recognition involve subjective judgments and significant estimation assumptions of the management, we have included the assessment of allowance for credit losses of loans as a key audit matter.

The main audit procedures we performed in response to certain aspects of the key audit matters described above are as follows:

- We obtained an understanding of and performed testing on the internal controls in respect of the Bank's loan impairment assessment.
- We examined that the classifications of loans were in accordance with the "Banking Institutions Regulations Governing the Procedures for Bad Debt". We also recalculated the amount of the allowance for credit losses on loans and checked whether the Bank meets the requirement of regulation or not.

Assessment of Reserve for Losses on Guarantee Contracts

The reserves set aside for the guarantee liabilities of China Bills Finance Corporation are in accordance with both the International Financial Reporting Standard 9 "Financial Instruments", whereby the expected losses of guarantee obligations generated by financial guarantee contracts are evaluated, and the "Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-performing Credit, Non-accrual Loans, and Bad Debt" (referred to as the "Bills Finance Companies Regulations for Evaluating Bad Debt"), whereby the reserves for guarantee liabilities are classified and made.

China Bills Finance Corporation concern the accounting policy on the reserve for guarantee liabilities, refer to Note 4 to the accompanying consolidated financial statements; for the significant accounting judgments, estimations and uncertainty of assumptions of the reserve for guarantee liabilities, refer to Note 5 to the accompanying consolidated financial statements; and the reserve for guarantee liabilities is detailed in Note 13 to the accompanying consolidated financial statements.

The assessment of reserve for guarantee contracts involves subjective judgments and significant estimation assumptions of the management. The classification of credit-granting assets and recognition of the reserve for guarantee contracts in accordance with the influence the amounts of the reserve for guarantee contracts. Thus, we consider the assessment of reserve losses on guarantee contracts as a key audit matter.

The main audit procedures we performed in response to certain aspects of the key audit matter described above are as follows:

- We understood the internal controls about the estimated impairment of reserve for losses on guarantee contracts and we tested the effectiveness of the operation of the controls.
- We reviewed the assessment schedule of reserve for losses on credit-granting assets, which the management used to assess the reserve. We checked the completeness of amount of credit-granting assets in the schedule and rationality of classifications. We recalculated the amounts of reserve for losses on guarantee contracts in the schedule and checked whether the reserve meets the requirements of “Bills Finance Companies Regulations for Evaluating Bad Debt” or not.

Other Matter

We have also audited the parent company only financial statements of the Bank as of and for the years ended December 31, 2020 and 2019 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Publicly Held Bills Finance Companies and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the 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, including the audit committee, are responsible for overseeing the Group’s financial reporting process.

Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the 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 the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the 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 auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the 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 and appropriate audit evidence regarding the financial information of the entities or business activities with the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Yin-Chou Chen and Wang-Sheng Lin.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 22, 2021

Notice to Readers

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

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

O-BANK AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

ASSETS	2020		2019	
	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Note 6)	\$ 9,621,739	2	\$ 6,570,002	1
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS (Note 7)	18,125,019	3	19,311,763	4
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 8 and 42)	162,494,696	28	172,913,193	31
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 9, 42 and 46)	172,509,235	30	142,112,770	25
BILLS AND BONDS PURCHASED UNDER RESELL AGREEMENTS (Note 10)	4,732,882	1	100,013	-
RECEIVABLES, NET (Notes 11 and 13)	14,952,859	3	16,483,174	3
CURRENT TAX ASSETS	362,328	-	422,886	-
DISCOUNTS AND LOANS, NET (Notes 12, 13, 41 and 42)	183,710,973	32	194,246,229	35
INVESTMENT ACCOUNTED FOR USING EQUITY METHOD, NET (Note 16)	789,863	-	-	-
OTHER FINANCIAL ASSETS (Notes 17 and 42)	858,462	-	1,229,503	-
PROPERTY AND EQUIPMENT, NET (Notes 18 and 43)	2,672,567	1	2,854,194	1
RIGHT-OF-USE ASSETS, NET (Note 19)	429,678	-	485,426	-
INTANGIBLE ASSETS, NET (Note 20)	2,207,244	-	2,319,547	-
DEFERRED TAX ASSETS (Note 39)	895,887	-	734,542	-
OTHER ASSETS (Notes 19 and 21)	<u>1,050,198</u>	-	<u>916,774</u>	-
TOTAL	<u>\$ 575,413,630</u>	<u>100</u>	<u>\$ 560,700,016</u>	<u>100</u>
LIABILITIES AND EQUITY				
LIABILITIES				
Deposits From the Central Bank and other banks (Note 22)	\$ 28,479,755	5	\$ 43,439,398	8
Financial liabilities at fair value through profit or loss (Note 8)	790,298	-	533,582	-
Bills and bonds sold under repurchase agreement (Note 23)	181,165,826	32	159,553,385	29
Payables (Note 24)	2,740,642	1	3,687,621	1
Current tax liabilities	172,428	-	46,361	-
Deposits and remittances (Notes 25 and 41)	267,719,672	47	265,731,824	47
Bank debentures payable (Note 26)	16,400,000	3	18,700,000	3
Other financial liabilities (Note 27)	18,102,763	3	12,909,259	2
Provisions (Notes 13, 28 and 29)	2,102,012	-	1,915,054	-
Lease liabilities (Note 19)	444,659	-	498,832	-
Deferred tax liabilities (Note 39)	793,255	-	451,572	-
Other liabilities (Note 30)	<u>2,249,555</u>	-	<u>2,416,851</u>	1
Total liabilities	<u>521,160,865</u>	<u>91</u>	<u>509,883,739</u>	<u>91</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK				
Capital				
Common stock	27,330,063	5	24,130,063	4
Preferred stock	<u>3,000,000</u>	-	<u>3,000,000</u>	1
Total capital	<u>30,330,063</u>	<u>5</u>	<u>27,130,063</u>	<u>5</u>
Capital surplus	<u>5,966</u>	-	<u>9,750</u>	-
Retained earnings				
Legal reserve	3,697,811	1	3,367,681	1
Special reserve	1,396,353	-	1,631,335	-
Unappropriated earnings	<u>106,262</u>	-	<u>1,187,851</u>	-
Total retained earnings	<u>5,200,426</u>	<u>1</u>	<u>6,186,867</u>	<u>1</u>
Other equity	<u>57,744</u>	-	<u>(67,477)</u>	-
Treasury stock	<u>(38,304)</u>	-	<u>-</u>	-
Total equity attributable to owners of the Bank	<u>35,555,895</u>	<u>6</u>	<u>33,259,203</u>	<u>6</u>
NON-CONTROLLING INTERESTS	<u>18,696,870</u>	<u>3</u>	<u>17,557,074</u>	<u>3</u>
Total equity (Note 31)	<u>54,252,765</u>	<u>9</u>	<u>50,816,277</u>	<u>9</u>
TOTAL	<u>\$ 575,413,630</u>	<u>100</u>	<u>\$ 560,700,016</u>	<u>100</u>

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

O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
INTEREST REVENUE (Notes 32 and 41)	\$ 7,733,670	96	\$ 9,559,209	115	(19)
INTEREST EXPENSE (Notes 32 and 41)	<u>(3,709,021)</u>	<u>(46)</u>	<u>(5,674,337)</u>	<u>(68)</u>	(35)
NET INTEREST	<u>4,024,649</u>	<u>50</u>	<u>3,884,872</u>	<u>47</u>	4
TOTAL NET REVENUE OTHER THAN INTEREST REVENUE					
Service fee income, net (Notes 33 and 41)	2,037,365	25	2,061,879	25	(1)
(Losses) gains on financial assets or liabilities measured at fair value through profit or loss (Note 34)	(199,950)	(3)	1,717,904	20	(112)
Realized gains on financial assets at fair value through other comprehensive income (Note 35)	418,865	5	262,716	3	59
Foreign exchange gain, net	1,734,406	22	256,353	3	577
Impairment loss on assets	(5,203)	-	(10,824)	-	(52)
Share of loss of associates accounted for using equity method (Note 16)	(82,766)	(1)	-	-	-
Other net revenue other than interest (Note 41)	<u>129,125</u>	<u>2</u>	<u>139,051</u>	<u>2</u>	(7)
Total net revenue other than interest revenue	<u>4,031,842</u>	<u>50</u>	<u>4,427,079</u>	<u>53</u>	(9)
NET REVENUE	<u>8,056,491</u>	<u>100</u>	<u>8,311,951</u>	<u>100</u>	(3)
BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION (Notes 4 and 13)	<u>(599,286)</u>	<u>(7)</u>	<u>(1,002,491)</u>	<u>(12)</u>	(40)

(Continued)

O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
OPERATING EXPENSES					
Employee benefits expenses (Notes 36 and 41)	\$ 2,609,229	32	\$ 2,726,153	33	(4)
Depreciation and amortization expenses (Note 37)	628,777	8	617,433	7	2
Other general and administrative expenses (Notes 38 and 41)	<u>1,119,902</u>	<u>14</u>	<u>1,253,639</u>	<u>15</u>	(11)
Total operating expenses	<u>4,357,908</u>	<u>54</u>	<u>4,597,225</u>	<u>55</u>	(5)
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX	3,099,297	39	2,712,235	33	14
INCOME TAX EXPENSE (Note 39)	<u>785,791</u>	<u>10</u>	<u>681,601</u>	<u>8</u>	15
INCOME FROM CONTINUING OPERATIONS	2,313,506	29	2,030,634	25	14
LOSS FROM DISCONTINUED OPERATIONS (Note 14)	<u>(12,577)</u>	<u>-</u>	<u>(4,033)</u>	<u>-</u>	212
NET PROFIT FOR THE YEAR	<u>2,300,929</u>	<u>29</u>	<u>2,026,601</u>	<u>25</u>	14
OTHER COMPREHENSIVE INCOME (LOSS)					
Components of other comprehensive income (loss) that will not be reclassified to profit or loss:					
(Losses) gains on remeasurements of defined benefit plans (Note 29)	(1,642)	-	58	-	(2,931)
Revaluation gains on investments in equity instruments measured at fair value through other comprehensive income	428,610	5	301,995	3	42
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 39)	<u>387</u>	<u>-</u>	<u>(94)</u>	<u>-</u>	512
Components of other comprehensive income that will not be reclassified to profit or loss, net of tax	<u>427,355</u>	<u>5</u>	<u>301,959</u>	<u>3</u>	42

(Continued)

O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
Components of other comprehensive income (loss) that will be reclassified to profit or loss:					
Exchange differences on translation of financial statements of foreign operations	\$ (466,094)	(6)	\$ (264,150)	(3)	76
Gains from investments in debt instruments measured at fair value through other comprehensive income	1,031,070	13	448,667	5	130
Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Note 39)	<u>(77,219)</u>	<u>(1)</u>	<u>(47,557)</u>	<u>-</u>	62
Components of other comprehensive income that will be reclassified to profit or loss, net of tax	<u>487,757</u>	<u>6</u>	<u>136,960</u>	<u>2</u>	256
Other comprehensive income for the year, net of income tax	<u>915,112</u>	<u>11</u>	<u>438,919</u>	<u>5</u>	108
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 3,216,041</u>	<u>40</u>	<u>\$ 2,465,520</u>	<u>30</u>	30
NET PROFIT ATTRIBUTABLE TO:					
Owners of the Bank	\$ 1,147,403	14	\$ 1,100,433	14	4
Non-controlling interests	<u>1,153,526</u>	<u>15</u>	<u>926,168</u>	<u>11</u>	25
	<u>\$ 2,300,929</u>	<u>29</u>	<u>\$ 2,026,601</u>	<u>25</u>	14
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owners of the Bank	\$ 1,384,692	17	\$ 1,280,355	16	8
Non-controlling interests	<u>1,831,349</u>	<u>23</u>	<u>1,185,165</u>	<u>14</u>	55
	<u>\$ 3,216,041</u>	<u>40</u>	<u>\$ 2,465,520</u>	<u>30</u>	30

(Continued)

O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
EARNINGS PER SHARE (Note 40)					
From continuing and discontinued operations					
Basic	<u>\$0.41</u>		<u>\$0.45</u>		
Diluted	<u>\$0.37</u>		<u>\$0.45</u>		
From continuing operations					
Basic	<u>\$0.42</u>		<u>\$0.45</u>		
Diluted	<u>\$0.37</u>		<u>\$0.45</u>		

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

(Concluded)

O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

Equity Attributable Owners of the Bank (Notes 9 and 31)											
	Other Equity										
	Capital Stock			Capital Surplus	Retained Earnings			Unappropriated Earnings	Total	Exchange Differences on the Translation of Foreign Financial Statements of Foreign Operation	Unrealized Gains (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income
	Common Stock	Preferred Stocks	Total		Legal Reserve	Special Reserve					
BALANCE AT JANUARY 1, 2019	\$ 24,130,063	\$ 3,000,000	\$ 27,130,063	\$ 8,503	\$ 3,184,667	\$ 1,215,831	\$ 610,045	\$ 5,010,543	\$ (92,806)	\$ (67,175)	\$ 49,118,712
Appropriation and distribution of 2018 earnings	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	183,014	-	(183,014)	-	-	-	-
Special reserve	-	-	-	-	-	415,504	(415,504)	-	-	-	-
Cash dividends of preferred stock distributed by the Bank	-	-	-	-	-	-	(11,527)	(11,527)	-	(11,527)	(11,527)
Unclaimed dividends	-	-	-	341	-	-	-	-	-	341	2,629
Changes in capital surplus from investments in subsidiaries accounted for using the equity method	-	-	-	906	-	-	-	-	-	906	906
Cash dividends distributed by subsidiary	-	-	-	-	-	-	-	-	-	-	(759,963)
Net profit for the year ended December 31, 2019	-	-	-	-	-	-	1,100,433	1,100,433	-	1,100,433	926,168
Other comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	-	(305)	(305)	(214,667)	394,894	258,997
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	-	(305)	(305)	(214,667)	394,894	438,919
Disposals of investment in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	1,100,128	1,100,128	(214,667)	394,894	1,185,165
BALANCE AT DECEMBER 31, 2019	24,130,063	3,000,000	27,130,063	9,750	3,367,681	1,631,335	1,187,851	6,186,867	(307,473)	239,996	50,816,277
Reversal of special reserve	-	-	-	-	-	(234,982)	234,982	-	-	-	-
Appropriation and distribution of 2019 earnings	-	-	-	-	330,130	-	(330,130)	-	-	-	-
Legal reserve appropriated	-	-	-	-	-	-	(965,203)	(965,203)	-	(965,203)	(965,203)
Cash dividends of common stock distributed by the Bank	-	-	-	-	-	-	(965,203)	(965,203)	-	(965,203)	(965,203)
Cash dividends of preferred stock distributed by the Bank	-	-	-	-	-	-	(127,500)	(127,500)	-	(127,500)	(127,500)
Unclaimed dividends	-	-	-	329	-	-	-	-	-	329	1,400
Changes in capital surplus from investments in subsidiaries accounted for using the equity method	-	-	-	424	-	-	-	-	-	424	424
Cash dividends of preferred stock distributed by subsidiary	-	-	-	-	-	-	-	-	-	-	(692,624)
Net profit for the year ended December 31, 2020	-	-	-	-	-	-	1,147,403	1,147,403	-	1,147,403	1,153,526
Other comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	-	(147)	(147)	(390,081)	627,517	677,823
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	-	(147)	(147)	(390,081)	627,517	915,112
Capital increase	3,200,000	-	3,200,000	(4,537)	-	-	1,147,256	1,147,256	(390,081)	1,384,692	3,216,041
Purchase of treasury stock	-	-	-	-	-	-	(1,153,209)	(1,153,209)	-	2,042,254	2,042,254
Disposals of investment in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	-	-	(38,304)	(38,304)	(38,304)
BALANCE AT DECEMBER 31, 2020	\$ 27,330,063	\$ 3,000,000	\$ 30,330,063	\$ 5,966	\$ 3,697,811	\$ 1,396,333	\$ 112,215	\$ 5,200,426	\$ (697,554)	\$ 755,298	\$ 54,252,765

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

O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit from continuing operations before tax	\$ 3,099,297	\$ 2,712,235
Loss from discontinued operations before tax	(12,577)	(4,033)
Adjustments to reconcile profit (loss):		
Depreciation expense	355,499	364,173
Amortization expense	273,972	254,094
Expect credit losses recognition of provisions	604,489	1,013,315
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	197,210	(1,725,560)
Interest expense	3,709,021	5,674,337
Interest income	(7,734,166)	(9,560,801)
Dividends income	(185,587)	(72,939)
Share of loss of associates and joint ventures accounted for using equity method	82,766	-
Loss on disposal of property and equipment	678	(426)
Gain on disposal of investments	(233,278)	(192,957)
Gain on lease modification	-	(22)
Changes in operating assets and liabilities:		
Due from the Central Bank and call loans to banks	(2,208,714)	(759,752)
Financial assets at fair value through profit or loss	9,879,510	(19,903,479)
Financial assets at fair value through other comprehensive income	(28,308,801)	8,860,725
Investments in debt instruments measured at amortized cost	-	500,000
Bills and bonds purchased under resell agreements	(4,632,869)	891,350
Receivables	708,504	4,040,545
Discounts and loans	10,148,245	2,168,123
Deposits From the Central Bank and other banks	(14,959,643)	(12,089,978)
Financial liabilities at fair value through profit or loss	256,716	(259,690)
Bills and bonds sold under repurchase agreements	21,612,441	8,106,485
Payable	(590,067)	(1,908,755)
Deposits and remittances	1,987,848	3,928,503
Net change in provisions	(24,656)	20,702
Net cash flows used in operations	(5,974,162)	(7,943,805)
Interest received	8,355,148	9,775,689
Interest paid	(4,043,442)	(5,664,500)
Dividends received	199,115	78,058
Income taxes paid	(418,828)	(646,230)
Net cash flows used in operating activities	(1,882,169)	(4,400,788)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments accounted for using equity method	(863,564)	-
Acquisition of property and equipment	(92,019)	(125,395)
Proceeds from disposal of property and equipment	1,472	7,796
Increase in refundable deposits	(191,817)	-

(Continued)

O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
Decrease in refundable deposits	\$ -	\$ 162,683
Acquisition of intangible assets	(156,053)	(122,345)
Decrease in other financial assets	69,934	401,522
Decrease in other assets	<u>58,393</u>	<u>10,762</u>
Net cash flows (used in) generated from investing activities	<u>(1,173,654)</u>	<u>335,023</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	458,029	-
Decrease in short-term borrowings	-	(555,379)
Increase in commercial papers	4,762,000	-
Decrease in commercial papers	-	(500,000)
Proceeds from issue bank debentures	-	2,500,000
Repayments of bank debentures	(2,300,000)	(1,650,000)
Increase in long-term borrowings	4,811,895	3,458,343
Repayments of long-term borrowings	(4,258,439)	(3,675,596)
Payments of lease liabilities	(175,620)	(172,883)
Decrease in other financial liabilities	(620,641)	(852,642)
Decrease in other liabilities	(168,551)	(17,822)
Dividends paid to ownership of the Bank	(1,092,703)	(11,527)
Capital increase	2,032,000	-
Payments to acquire treasury shares	(38,304)	-
Dividends paid to non-controlling interest	<u>(692,624)</u>	<u>(759,963)</u>
Net cash flows generated from (used in) financing activities	<u>2,717,042</u>	<u>(2,237,469)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	<u>(306,047)</u>	<u>(107,716)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(644,828)</u>	<u>(6,410,950)</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>17,550,472</u>	<u>23,961,422</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 16,905,644</u>	<u>\$ 17,550,472</u>

(Continued)

O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets at December 31, 2020 and 2019:

	December 31	
	2020	2019
Cash and cash equivalents reported in the consolidated balance sheets	\$ 9,621,739	\$ 6,570,002
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	7,283,905	10,679,363
Other items qualifying for cash and cash equivalents under the definition of IAS 7	-	301,107
Cash and cash equivalents at end of the year	<u>\$ 16,905,644</u>	<u>\$ 17,550,472</u>

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

(Concluded)

O-BANK AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Industrial Bank of Taiwan started its preparation for incorporation on March 2, 1998, was authorized for incorporation by the Ministry of Finance on July 27, 1999, and began its business operations on September 2, 1999.

To be in coordination with the government's financial liberation policy and to increase the operating efficiency, on August 14, 2015, the Industrial Bank of Taiwan's board of directors approved of the application for a change of registration to a commercial bank and for a change of name to "O-Bank Co., Ltd." ("O-Bank" or the "Bank"). The Financial Supervisory Commission (the "FSC") accepted the application on December 15, 2016 and required the Bank to submit its proposed adjustment plan to comply with the Banking Act of the Republic of China. On January 1, 2017, the Banking Bureau approved and issued the operating license for the Bank to operate a commercial banking business. The Bank's name was changed from "Industrial Bank of Taiwan" to "O-Bank Co., Ltd." on January 1, 2017.

The Bank's operations include the following: (a) accepting various deposits; (b) issuing bank debentures; (c) providing loans, discounts, and acceptance business; (d) providing domestic and foreign exchange and guarantee business; (e) issuing letters of credit at home and abroad; (f) making receipts and payments by agents; (g) investing in and underwriting offering of securities; (h) dealing in government bonds; (i) factoring; (j) providing financial advisory services to financing and non-financing business; (k) wealth management business; (l) providing personal insurance and property insurance agent business; (m) dealing with debit card business; (n) providing foreign exchange services for client's imports or exports, overseas remittances, foreign currency deposits, and foreign currency loans and guarantees; (o) overseeing trust business under the Trust Business Law and regulations; and (p) dealing in derivative financial instruments and participating in other operations authorized by the central authorities.

As of December 31, 2020, the Bank has eight main departments - Business Department, Principal Investment Department, Treasury Department, Securities Trading Department, Corporate and Institutional Banking Department, Corporate Finance Department, Consumer Lending Department and Wealth Management Department. It also has five domestic branches - Zhongxiao Dunhua branch, Taoyuan branch, Hsinchu branch, Taichung branch and Kaohsiung branch. In addition, it has an Offshore Banking Unit, Hong Kong branch, and Tianjin representative office.

The Bank's stocks were listed on the Emerging Stock Market of the Taipei Exchange ("TPEX") starting in August 2004. The TWSE approved the Bank's application for listing on November 28, 2016 and transferred the listing from the TPEX to the TWSE on May 5, 2017.

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

As of December 31, 2020 and 2019, the Bank and its subsidiaries (the "Group") had 1,453 and 1,527 employees, respectively.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on March 22, 2021.

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

- a. Initial application of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively the “IFRSs”) endorsed and issued into effect by the FSC.

The application of the IFRSs recognized and issued by the FSC has no significant impact on the Group.

- b. The IFRSs endorsed by the FSC for application starting from 2021

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021
Amendment to IFRS 16 “Covid-19 - Related Rent Concessions”	June 1, 2020

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”

“Interest Rate Benchmark Reform - Phase 2” primarily amends IFRS 9, IFRS 7 and IFRS 16 to provide practical relief from the impact of the interest rate benchmark reform.

Changes in the basis for determining contractual cash flows as a result of interest rate benchmark reform

The changes in the basis for determining contractual cash flows of financial assets, financial liabilities or lease liabilities are accounted for by updating the effective interest rate at the time the basis is changed, provided the changes are necessary as a direct consequence of the reform and the new basis is economically equivalent to the previous basis.

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

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

New IFRSs	Effective Date Announced by IASB (Note)
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 6)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

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

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

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

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

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

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, the Regulations Governing the Preparation of Financial Reports by Publicly Held Bills Finance Companies, and IFRSs endorsed and issued into effect by the FSC.

Basis of Preparation

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

Since the operating cycle in the banking industry could not be clearly identified, accounts included in the consolidated financial statements of the Bank were not classified as current or noncurrent. Nevertheless, accounts were properly categorized according to the nature of each account and sequenced by their liquidity. Refer to Note 46 for the maturity analysis of liabilities.

Basis of Consolidation

Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Bank and the entities controlled by the Bank. Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Bank. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. The total comprehensive income of subsidiaries shall be attributed to the owners of the Bank and to the non-controlling interests, even if the balance becomes negative or loss is incurred.

Refer to Note 15, Table 7 and Table 8 for the list of main business activities and ownership percentages of subsidiaries.

Foreign Currencies

In preparing the Group's consolidated financial statements, transactions in currencies other than the Group's functional currency (i.e. foreign currencies) are recognized at the amount in original currency.

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

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

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

For the purpose of presenting consolidated financial statements, the functional currencies of the Bank (including subsidiaries, associates, joint ventures and branches in other countries that use currencies which are different from the currency of the Bank) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

Investments in Associates

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor an interest in a joint venture. Significant influence refers to the power to participate in the financial and operating policy decisions of the investee but does not control or joint control such policies.

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

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Group subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates accounted for using the equity method. If the Group's ownership interest is reduced due to its additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further loss, if any. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required had that associate directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Bank continues to apply the equity method and does not remeasure the retained interest.

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

Financial Instruments

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

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

Financial assets

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

a. Measurement categories

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

1) Financial assets at FVTPL

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

Financial assets are designated as FVTPL in the original recognition. If it can eliminate or significantly reduce the measurement or recognition inconsistency.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 45.

2) Financial assets at amortized cost

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

- a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

- a) Purchased or originated credit impaired financial asset, for which interest revenue is calculated by applying the credit adjusted effective interest rate to the amortized cost of such financial assets; and
- b) Financial assets that are not initially credit impaired or not credit impaired when purchased but subsequently become credit impaired, for which the interest revenue is calculated by applying the effective interest rate to the amortized cost of such financial assets.

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

- a) Significant financial difficulty of the issuer or the borrower;
- b) Breach of contract, such as a default;
- c) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- d) The disappearance of an active market for that financial asset because of financial difficulties.

3) Investments in debt instruments at FVTOCI

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

- a) The debt instrument is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of such financial assets; and
- b) The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

4) Investments in equity instruments at FVTOCI

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

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

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

b. Impairment of financial assets

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

The Group's policy is to always recognize lifetime expected credit losses (i.e. ECLs) on trade receivables and lease receivables. For all other financial instruments, the Group will recognize lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group will measure the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

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

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

- 1) Internal or external information show that the debtor is unlikely to pay its creditors.
- 2) When a financial asset is more than 90 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

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

Under the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" issued by the FSC, the Bank should classify credit assets as sound credit assets or unsound credit assets, with the unsound assets further categorized as noteworthy, substandard, having highly doubtful collectability and uncollectable, on the basis of the customers' financial position, a valuation of the respective collateral and the length of time in which the principal repayments or interest payments have become overdue.

The Bank made minimum provisions of 1%, 2%, 10%, 50% and 100% for credit assets deemed to be uncollectable, to have highly doubtful collectability, to be substandard, to be noteworthy and to have sound credit (excluding assets that represent claims against an ROC government agency), respectively.

Furthermore, the Bank should make at least 1.5% provisions each for sound credit assets in Mainland China (pertaining to short-term advance for trade finance) and loans for house purchases, renovations and constructions, respectively.

In addition to valuating impairment loss of receivables and recognizing allowance or bad debts under IFRS 9, China Bills Finance Corporation (CBF) will evaluate impairment loss, under the “Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-Performing Credit, Non-Accrual Loans, and Bad Debt” issued by the authorities and the CBF’s provision procedures, and recognize the higher of allowance of and debts between the above regulations expect.

The Group shall determine the unrecoverable claims and write them off after reporting them to the Board for approval.

c. Derecognition of financial assets

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

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

Equity instruments

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

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group are recognized at the proceeds received, net of direct issue costs.

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

Financial liabilities

a. Subsequent measurement

Except for the following situation, all financial liabilities are measured at amortized cost using the effective interest method less any impairment:

1) Financial liabilities at FVTPL

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

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

- a) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- b) The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and has performance evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- c) The contract contains one or more embedded derivatives so that the entire combined contract (asset or liability) can be designated as at FVTPL.

Financial liabilities at FVTPL, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the other gains and losses line item. For a financial liability designated as at FVTPL, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income and will not be subsequently reclassified to profit or loss. The gain or loss accumulated in other comprehensive income will be transferred to retained earnings when the financial liability is derecognized. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in the fair value of the liability are presented in profit or loss. The fair value is determined in the manner described in Note 45.

2) Financial guarantee contracts

Financial guarantee contracts issued by the Group are subsequently measured at the higher of:

- a) The amount of the loss allowance determined in accordance with IFRS 9; and
- b) The amount initially recognized less, where appropriate, cumulative amount of income recognized in accordance with IFRS 15.

Besides subsequently measuring financial guarantee contracts at the higher of the abovementioned amounts as IFRS assessment result, assessment is also performed under the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" and "Regulation Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-performing Credit, Non-accrual Loans, and Bad Debt" as regulatory assessment result. The higher adequacy provision between above IFRS and regulatory assessment results is recognized.

Financial guarantee contracts issued by the Group, if not designated as at FVTPL, are subsequently measured at the higher of the amount of the loss allowance reflecting expected credit losses; and the amount initially recognized less the cumulative amortization.

b. Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, are cancelled or expire. The difference between the carrying amount of a financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Derivative financial instruments

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

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

Non-performing Loans

Under the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans issued by the FSC, loans and other credits (including accrued interests) that remain unpaid as they fall due are transferred to non-performing loans, if the transfer is approved by the Board.

Under the "Regulation Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-performing Credit, Non-accrual Loans, and Bad Debt" issued by the FSC, receivables and the balances of guaranteed and endorsed credits that are unpaid within six months after maturity are transferred to non-accrual loans.

Non-performing loans transferred from loans are recognized as discounts and loans, and those transferred from other credits are recognized as other financial assets.

Repurchase and Resale Transactions

Bills and bonds purchased under agreements to resell and bills and bonds sold under repurchase agreements are generally treated as collateralized financing transactions. Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements are recognized as interest revenue or interest expenses over the term of each agreement.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment loss when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Except of freehold land without depreciated, depreciation is recognized so as to write off the cost of assets less their residual values over their estimated useful lives using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

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

Intangible Assets

a. Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis over the assets' estimated useful lives. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless the Group expects to dispose of the intangible asset before the end of its economic life.

b. Derecognition of intangible assets

An intangible asset is derecognized on disposal or when no future economic benefits are expected to arise from its use or disposal. Gains or losses arising from derecognition of an intangible asset, which is measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Goodwill

Goodwill arising from the acquisition of a business is measured at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that are expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the Group disposes of an operation within that unit, the goodwill associated with the operation which is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of Property and Equipment, Right-of-use Assets and Intangible Assets Other than Goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property and equipment, right-of-use assets and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

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

Provisions

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

Onerous contracts

Onerous contracts are those in which the Group's unavoidable costs of meeting the contractual obligations exceed the economic benefits expected to be received from the contract. The present obligations arising under onerous contracts are recognized and measured as provision.

Leases

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

The Group as lessee

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

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

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

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

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

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

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

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group's defined benefit plans. The net defined benefit assets shall not exceed the present value with the refund withdrawal from the plan or the reduction of future withdrawals.

c. Staff preferential deposit

The Bank provides preferential deposit account for employees, which are used to pay fixed preferential deposits for current employees. The effect of the difference between the interest rate of these preferential deposits and the market interest rate is treated as employee benefits.

Share-based Payment Arrangements

The fair value at the grant date of the share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus. The payment is recognized as an expense in full at the grant date if vested immediately.

Taxation

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

a. Current tax

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

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

b. Deferred tax

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 unused loss carryforwards to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

c. Current and deferred tax for the period

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Revenue Recognition

Interest revenue on loans is recorded by the accrual method. No interest revenue is recognized in the accompanying financial statements on loans and other credits extended by the Group that are classified as non-performing loans. The interest revenue on those loans and credits is recognized upon collection.

Revenue from brokering is recognized when the earnings process has been completed.

Dividend income from investments is recognized on the shareholders' right to receive payment. The premise is that the economic benefits related to the transaction. They are likely to flow into the Group and the amount of income can be reliably measured it.

Cash and Cash Equivalents

The cash and cash equivalent items in the balance sheet include cash on hand, demand deposits, and short-term and highly liquid investments that can be converted into fixed amount of cash at any time. They have little risk of change in value. For the consolidated statements of cash flows, the cash and cash equivalents account refers to the accounts in the consolidated balance sheets titled cash and cash equivalents, due from the Central Bank and call loans to banks, and call loans to securities firms that meet the definition of cash and cash equivalents in IAS 7 "Statement of Cash Flows" endorsed and issued into effect by the FSC.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The Group considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Estimated Impairment of Loans and Financial Guarantee Contract

The impairment of loans and financial guarantee contracts is based on assumptions about the risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs of the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2020	2019
Cash on hand and petty cash	\$ 70,930	\$ 89,949
Checking for clearing	451,158	535,095
Due from banks	<u>9,099,651</u>	<u>5,944,958</u>
	<u>\$ 9,621,739</u>	<u>\$ 6,570,002</u>

The cash and cash equivalents of the consolidated cash flows and the related adjustments of the consolidated balance sheets as of December 31, 2020 and 2019, refer to the consolidated statements of cash flows.

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

	December 31	
	2020	2019
Reserves for deposits - Type A	\$ 4,091,431	\$ 2,573,579
Reserves for deposits - Type B	5,521,144	5,124,527
Due from Central Bank - Financial	1,200,031	900,268
Call loans to banks	7,283,905	10,679,363
Others	28,508	34,026
	<u>\$ 18,125,019</u>	<u>\$ 19,311,763</u>

Under a directive issued by the Central Bank, deposit reserves are determined monthly at prescribed rates on average balances of customers' deposits. Type B deposit reserves are subject to withdrawal restrictions.

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2020	2019
<u>Financial assets mandatorily classified as at FVTPL</u>		
Hybrid financial assets		
Convertible bonds - domestic (include assets swap contracts)	\$ 9,793,156	\$ 9,470,333
Structured debt	577,236	608,116
	<u>10,370,392</u>	<u>10,078,449</u>
Derivative financial assets		
Currency swap contracts	269,278	171,375
Forward contracts	30,816	7,189
Interest rate swap contracts	8,324	7,610
Currency option contracts - call	8,028	2,882
Promised purchase contracts	-	164
	<u>316,446</u>	<u>189,220</u>
Non-derivative financial assets		
Bills	106,494,789	91,656,052
Negotiable certificates of deposit	44,080,443	69,631,538
Stocks and beneficiary certificates	1,232,626	1,257,942
Government bonds	-	99,992
	<u>151,807,858</u>	<u>162,645,524</u>
	<u>\$ 162,494,696</u>	<u>\$ 172,913,193</u>

(Continued)

	December 31	
	2020	2019
<u>Held-for-trading financial liabilities</u>		
Derivative financial instruments		
Currency swap contracts	\$ 682,233	\$ 437,940
Forward contracts	42,719	15,830
Interest rate swap contracts	18,334	72,003
Currency option contracts - put	8,030	2,687
Others	<u>37,022</u>	<u>660</u>
	<u>788,338</u>	<u>529,120</u>
Non-derivative financial liabilities		
Commercial paper contracts	<u>1,960</u>	<u>4,462</u>
	<u>\$ 790,298</u>	<u>\$ 533,582</u>
		(Concluded)

The Group engages in derivative transactions, including forward contracts, currency swap contracts and currency option contracts, mainly for accommodating customers' needs and managing the exposure positions. As for the engagement in interest rate swap contracts and cross-currency swap contracts, its purpose is to hedge risk of cash flow and risk of market value caused by the change of interest rates or exchange rates. The Group strategy is to hedge most of the market risk exposures using hedging instruments with market value changes that have a high negative correlation with the changes in the market of the exposures being hedged.

The contract amounts (or notional amounts) of outstanding derivative transactions as of December 31, 2020 and 2019 were as follows:

	December 31	
	2020	2019
Interest rate swap contracts	\$ 13,219,615	\$ 19,594,243
Currency swap contracts	58,701,818	54,299,506
Forward contracts	5,899,199	3,796,613
Currency option contracts		
Buy	368,196	851,940
Sell	368,196	586,190
Promised purchase contracts	12,800,000	750,000

As of December 31, 2020 and 2019, financial assets at fair value through profit and loss under agreement to repurchase were in the face amount of \$73,379,700 thousand and \$62,715,800 thousand, respectively.

Refer to Note 42 for information relating to financial assets at fair value through profit or loss pledged as security.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2020	2019
Investments in equity instruments at FVTOCI	\$ 6,118,890	\$ 3,003,645
Investments in debt instruments at FVTOCI		
Government bonds	20,713,254	33,722,794
Bank debentures	38,028,140	34,814,733
Corporate bonds	74,779,579	64,389,574
Overseas government bonds	2,199,467	3,297,940
Mortgage backed securities	885,917	2,884,084
Negotiable certificates of deposit	<u>29,783,988</u>	<u>-</u>
	<u>\$ 172,509,235</u>	<u>\$ 142,112,770</u>

a. Investments in equity instruments at FVTOCI

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

The Group disposed stock classified as at FVTOCI for invested management purpose for the years ended December 31, 2020 and 2019. The fair value of stocks classified as at FVTOCI which had to be disposed of were \$2,948,771 thousand and \$2,240,868 thousand and the accumulated gain related to the sold assets of \$112,215 thousand and \$87,723 thousand, respectively, were transferred from other equity-unrealized valuation gain or loss on financial assets at FVTOCI to retained earnings.

Dividends income from FVTOCI of \$185,587 thousand and \$72,939 thousand were recognized in profit or loss for the years ended December 31, 2020 and 2019. The dividends related to investments held at the end of the reporting period were \$180,810 thousand and \$54,740 thousand, respectively.

b. Investments in debt instruments at FVTOCI

- 1) Refer to Note 42 for information relating to investments in debt instruments at FVTOCI pledged as security.
- 2) Refer to Note 46 for information relating to the credit risk management and impairment assessment of investments in debt instruments at FVTOCI.
- 3) Investments in debt instruments at FVTOCI under agreement to repurchase were in the face amount of \$98,234,855 thousand and \$92,927,159 thousand as of on December 31, 2020 and 2019, respectively.

10. BILLS AND BONDS PURCHASED UNDER RESELL AGREEMENTS

The Group's bills and bonds purchased under resale agreements are all government bonds. As of December 31, 2020 and 2019, the bonds purchased under agreements to resell were in the amount of \$4,734,256 thousand and \$100,030 thousand, respectively. As of December 31, 2020 and 2019, bonds purchased under agreements to resell were sold under agreements to repurchase in the face amount of \$4,726,100 thousand and \$100,000 thousand, respectively.

11. RECEIVABLES, NET

	December 31	
	2020	2019
Lease payment receivable	\$ 12,727,198	\$ 12,236,876
Factored receivable	869,297	1,585,725
Interest receivable	1,098,072	1,719,054
Accounts receivable	1,077,159	1,064,051
Investment settlements receivable	92,502	29,993
Acceptances receivable	43,447	220,594
Settlement accounts receivable - trusteeship	82,227	118,092
Others	<u>101,479</u>	<u>677,925</u>
	16,091,381	17,652,310
Less: Unrealized interest revenue	707,317	688,852
Allowance for credit losses	<u>431,205</u>	<u>480,284</u>
Receivables, net	<u>\$ 14,952,859</u>	<u>\$ 16,483,174</u>

The changes in gross carrying amount on receivables (less unrealized interest revenue) for the years ended December 31, 2020 and 2019 were as follows:

	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Total
Balance at January 1, 2020	\$ 16,348,342	\$ 190,010	\$ 425,106	\$ 16,963,458
Transfers				
To 12-month ECLs	8,417	(8,403)	(14)	-
To lifetime ECLs	(164,596)	164,596	-	-
To credit-impaired financial assets	(44,590)	(79,400)	123,990	-
New financial assets purchased or originated	14,544,657	18,043	11	14,562,711
Derecognition of financial assets	(15,665,790)	(199,108)	(228,769)	(16,093,667)
Write-offs	-	-	(93,384)	(93,384)
Exchange rate or other changes	<u>44,406</u>	<u>1,200</u>	<u>(660)</u>	<u>44,946</u>
Balance at December 31, 2020	<u>\$ 15,070,846</u>	<u>\$ 86,938</u>	<u>\$ 226,280</u>	<u>\$ 15,384,064</u>
Balance at January 1, 2019	\$ 20,765,683	\$ 304,253	\$ 371,269	\$ 21,441,205
Transfers				
To 12-month ECLs	2,578	(2,578)	-	-
To lifetime ECLs	(207,035)	207,035	-	-
To credit-impaired financial assets	(151,202)	(283,138)	434,340	-
New financial assets purchased or originated	15,516,047	98,251	1,739	15,616,037
Derecognition of financial assets	(19,222,046)	(128,383)	(196,719)	(19,547,148)
Write-offs	-	-	(191,134)	(191,134)
Exchange rate or other changes	<u>(355,683)</u>	<u>(5,430)</u>	<u>5,611</u>	<u>(355,502)</u>
Balance at December 31, 2019	<u>\$ 16,348,342</u>	<u>\$ 190,010</u>	<u>\$ 425,106</u>	<u>\$ 16,963,458</u>

Rental equipment is held as collateral for the lease payment receivable. The Group is not allowed to sell or re-pledge the collateral if the lessee has no arrears.

The Group provides an appropriate allowance for doubtful debts for the assessment of receivables. Refer to Note 13 for the details and changes in the allowance for doubtful debts of receivables.

Refer to Note 46 for the impairment loss analysis of receivables.

12. DISCOUNTS AND LOANS, NET

	December 31	
	2020	2019
Short-term	\$ 55,209,054	\$ 52,637,640
Medium-term	102,429,234	117,968,744
Long-term	27,583,799	25,364,024
Accounts receivables financing	102,706	284,150
Export bill negotiated	1,222	-
Guaranteed overdraft	142,971	69
Overdue loans	704,710	703,831
	186,173,696	196,958,458
Less: Allowance for credit losses	<u>2,462,723</u>	<u>2,712,229</u>
	<u>\$ 183,710,973</u>	<u>\$ 194,246,229</u>

The changes in gross carrying amount on discounts and loans for the years ended December 31, 2020 and 2019 were as follows:

	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Total
Balance at January 1, 2020	\$ 177,477,719	\$ 16,398,011	\$ 3,082,728	\$ 196,958,458
Transfers				
To 12-month ECLs	229,306	(214,268)	(15,038)	-
To lifetime ECLs	(1,810,042)	1,810,042	-	-
To credit-impaired financial assets	(60,114)	(213,239)	273,353	-
New financial assets purchased or originated	87,813,038	10,943,398	389,554	99,145,990
Derecognition of financial assets	(94,749,782)	(10,895,101)	(1,508,333)	(107,153,216)
Write-offs	-	-	(617,019)	(617,019)
Exchange rate or other changes	<u>(1,866,100)</u>	<u>(386,154)</u>	<u>91,737</u>	<u>(2,160,517)</u>
Balance at December 31, 2020	<u>\$ 167,034,025</u>	<u>\$ 17,442,689</u>	<u>\$ 1,696,982</u>	<u>\$ 186,173,696</u>
Balance at January 1, 2019	\$ 183,751,973	\$ 15,147,609	\$ 1,390,597	\$ 200,290,179
Transfers				
To 12-month ECLs	1,979,229	(1,979,229)	-	-
To lifetime ECLs	(4,022,646)	4,022,646	-	-
To credit-impaired financial assets	(1,217,443)	(116,053)	1,333,496	-
New financial assets purchased	99,104,764	10,804,177	2,184,060	112,093,001
Derecognition of financial assets	(100,934,024)	(10,966,554)	(337,636)	(112,238,214)
Write-offs	-	-	(1,145,679)	(1,145,679)
Exchange rate or other changes	<u>(1,184,134)</u>	<u>(514,585)</u>	<u>(342,110)</u>	<u>(2,040,829)</u>
Balance at December 31, 2019	<u>\$ 177,477,719</u>	<u>\$ 16,398,011</u>	<u>\$ 3,082,728</u>	<u>\$ 196,958,458</u>

The balance of the overdue loans of the Group as of December 31, 2020 and 2019 no longer include the calculation of interest. The unrecognized interest revenue on the above loans amounted to \$23,762 thousand and \$11,150 thousand for the years ended December 31, 2020 and 2019, respectively. For the years ended December 31, 2020 and 2019, the Group wrote off credits only upon completing the required legal procedures.

Refer to Note 42 for information relating to discounts and loan assets pledged as security.

The Group provides an appropriate allowance for doubtful debts based on the assessment of discounts and loans. Refer to Note 13 for the details and changes in the allowance for doubtful debts of discounts and loans.

Refer to Note 46 for the impairment loss analysis of discounts and loans.

13. ALLOWANCE FOR CREDIT LOSSES AND PROVISIONS

The change in allowance for credit loss and provisions for the years ended December 31, 2020 and 2019 were as follows:

Allowance for Receivables	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and Local Requirements	Total
Balance at January 1, 2020	\$ 196,173	\$ 35,928	\$ 226,869	\$ 458,970	\$ 21,314	\$ 480,284
Transfers						
To 12-month ECLs	2,714	(2,078)	(6)	-	-	-
To lifetime ECLs	(11,480)	11,480	-	-	-	-
To credit-impaired financial assets	(1)	(42,872)	42,873	-	-	-
New financial assets purchased or originated	33,282	23,932	400	57,614	-	57,614
Derecognition of financial assets	(1,749)	(116)	(43,121)	(44,986)	-	(44,986)
Change in model or risk parameters	(12)	4	84	76	-	76
Difference between IFRS 9 and local requirements	-	-	-	-	(12,043)	(12,043)
Write-offs	-	-	(93,384)	(93,384)	-	(93,384)
Withdrawal after write-offs	-	-	42,139	42,139	-	42,139
Exchange rate or other changes	1,807	137	(163)	1,781	(276)	1,505
Balance at December 31, 2020	<u>\$ 220,734</u>	<u>\$ 25,785</u>	<u>\$ 175,691</u>	<u>\$ 422,210</u>	<u>\$ 8,995</u>	<u>\$ 431,205</u>

Allowance for Discounts and Loans	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and Local Requirements	Total
Balance at January 1, 2020	\$ 265,977	\$ 77,304	\$ 403,522	\$ 746,803	\$ 1,965,426	\$ 2,712,229
Transfers						
To 12-month ECLs	7,704	(1,278)	(6,426)	-	-	-
To lifetime ECLs	(2,449)	2,449	-	-	-	-
To credit-impaired financial assets	(170)	(1,901)	2,071	-	-	-
New financial assets purchased or originated	279,649	83,320	348,907	711,876	-	711,876
Derecognition of financial assets	(113,769)	(16,615)	(184,184)	(314,568)	-	(314,568)
Change in model or risk parameters	100,097	53,160	375,301	528,558	-	528,558
Difference between IFRS 9 and local requirements	-	-	-	-	(538,855)	(538,855)
Write-offs	-	-	(617,019)	(617,019)	-	(617,019)
Withdrawal after write-offs	-	-	31,597	31,597	-	31,597
Exchange rate or other changes	(6,064)	(1,472)	(882)	(8,418)	(42,677)	(51,095)
Balance at December 31, 2020	<u>\$ 530,975</u>	<u>\$ 194,967</u>	<u>\$ 352,887</u>	<u>\$ 1,078,829</u>	<u>\$ 1,383,894</u>	<u>\$ 2,462,723</u>

Reserve for Losses on Guarantees and Financing Commitment	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and Local Requirements	Total
Balance at January 1, 2020	\$ 75,284	\$ 4,380	\$ -	\$ 79,664	\$ 1,531,119	\$ 1,610,783
Transfers						
To 12-month ECLs	111	(111)	-	-	-	-
To lifetime ECLs	(413)	413	-	-	-	-
New financial assets purchased or originated	96,312	16,697	-	113,009	-	113,009
Derecognition of financial assets	(44,223)	(2,573)	-	(46,796)	-	(46,796)
Change in model or risk parameters	5,650	2,242	-	7,892	-	7,892
Difference between IFRS 9 and local requirements	-	-	-	-	137,509	137,509
Withdrawal after write-offs	-	-	-	-	18,125	18,125
Exchange rate or other changes	(773)	(22)	-	(795)	(450)	(1,245)
Balance at December 31, 2020	<u>\$ 131,948</u>	<u>\$ 21,026</u>	<u>\$ -</u>	<u>\$ 152,974</u>	<u>\$ 1,686,303</u>	<u>\$ 1,839,277</u>

Allowance for Receivables	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and Local Requirements	Total
Balance at January 1, 2019	\$ 218,853	\$ 111,931	\$ 227,909	\$ 558,693	\$ 52,561	\$ 611,254
Transfers						
To 12-month ECLs	6,229	(6,229)	-	-	-	-
To lifetime ECLs	(11,214)	11,214	-	-	-	-
To credit-impaired financial assets	(53)	(125,175)	125,228	-	-	-
New financial assets purchased	2,028	38,717	52,364	93,109	-	93,109
Derecognition of financial assets	(15,250)	(73)	(99)	(15,422)	-	(15,422)
Change in model or risk parameters	(23)	(3)	286	260	-	260
Difference between IFRS 9 and local requirements	682	5,495	859	7,036	(31,113)	(24,077)
Write-offs	-	-	(191,134)	(191,134)	-	(191,134)
Withdrawal after write-offs	-	-	19,103	19,103	-	19,103
Exchange rate or other changes	(5,079)	51	(7,647)	(12,675)	(134)	(12,809)
Balance at December 31, 2019	<u>\$ 196,173</u>	<u>\$ 35,928</u>	<u>\$ 226,869</u>	<u>\$ 458,970</u>	<u>\$ 21,314</u>	<u>\$ 480,284</u>

Allowance for Discounts and Loans	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and Local Requirements	Total
Balance at January 1, 2019	\$ 203,195	\$ 49,620	\$ 334,761	\$ 587,576	\$ 2,364,553	\$ 2,952,129
Transfers						
To 12-month ECLs	14,408	(14,408)	-	-	-	-
To lifetime ECLs	(7,376)	7,376	-	-	-	-
To credit-impaired financial assets	(1,562)	(276)	1,838	-	-	-
New financial assets purchased	140,676	36,736	1,289,746	1,467,158	-	1,467,158
Derecognition of financial assets	(117,080)	(15,423)	(93,436)	(225,939)	-	(225,939)
Change in model or risk parameters	35,149	14,051	17,011	66,211	-	66,211
Difference between IFRS 9 and local requirements	-	-	-	-	(383,732)	(383,732)
Write-offs	-	-	(1,145,679)	(1,145,679)	-	(1,145,679)
Withdrawal after write-offs	-	-	3,741	3,741	-	3,741
Exchange rate or other changes	(1,433)	(372)	(4,460)	(6,265)	(15,395)	(21,660)
Balance at December 31, 2019	<u>\$ 265,977</u>	<u>\$ 77,304</u>	<u>\$ 403,522</u>	<u>\$ 746,803</u>	<u>\$ 1,965,426</u>	<u>\$ 2,712,229</u>

Reserve for Losses on Guarantees and Financing Commitment	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and Local Requirements	Total
Balance at January 1, 2019	\$ 98,213	\$ 11,098	\$ -	\$ 109,311	\$ 1,466,472	\$ 1,575,783
Transfers						
To 12-month ECLs	5,965	(5,965)	-	-	-	-
To lifetime ECLs	(693)	693	-	-	-	-
New financial assets purchased	42,721	1,997	-	44,718	-	44,718
Derecognition of financial assets	(35,181)	(4,154)	-	(39,335)	-	(39,335)
Change in model or risk parameters	(35,470)	716	-	(34,754)	-	(34,754)
Difference between IFRS 9 and local requirements	-	-	-	-	54,294	54,294
Withdrawal after write-offs	-	-	-	-	10,524	10,524
Exchange rate or other changes	(271)	(5)	-	(276)	(171)	(447)
Balance at December 31, 2019	<u>\$ 75,284</u>	<u>\$ 4,380</u>	<u>\$ -</u>	<u>\$ 79,664</u>	<u>\$ 1,531,119</u>	<u>\$ 1,610,783</u>

14. DISCONTINUED OPERATIONS

Chun Teng New Century Co., Ltd. (the former IBTS) decided to transfer operating rights and property of brokerage of securities to SinoPac Securities Corp. Ltd. approved by the temporary stockholders' meeting on May 25, 2016. Total price of transfer was \$390,000 thousand, and set the business transfer date was set on September 26, 2016.

The subsidiary ended the securities business on September 23, 2016, and was dissolved and liquidated on November 11, 2016 which had been approved by the board of directors' in their meeting on October 17, 2016.

From September 30, 2016, the self-operating and new financial assets business of the operating department of the subsidiary has ended and conformed to the discontinued operations definition of IFRS 5. Hence, the consolidated financial report regarded the operating department above as discontinued operations.

The details and cash flows information of discontinued operations are exhibited below:

	For the Year Ended December 31	
	2020	2019
Interest revenue	\$ 1,717	\$ 4,507
Interest expenses	<u>-</u>	<u>-</u>
Net interest	<u>1,717</u>	<u>4,507</u>
Net revenue other than interest		
Service fee income, net	-	45
Gain on financial assets and liabilities measured at fair value through profit or loss	-	3,180
Gain on financial assets and liabilities at fair value through other comprehensive income	2,740	7,655
Foreign exchange gain (loss), net	11	(23)
Other net revenue other than interest	<u>(203)</u>	<u>2,713</u>
Total net revenue other than interest	<u>2,548</u>	<u>13,570</u>
Net revenue	<u>4,265</u>	<u>18,077</u>
Operating expenses		
Employee benefits expenses	7,063	8,027
Depreciation and amortization expense	694	834
Others general and administrative expenses	<u>8,549</u>	<u>11,043</u>
Total operating expenses	<u>16,306</u>	<u>19,904</u>
Income tax expense	<u>-</u>	<u>-</u>
Loss from discontinued operations before elimination	(12,041)	(1,827)
Elimination of transactions with related parties	<u>(536)</u>	<u>(2,206)</u>
Loss from discontinued operations	<u>\$ (12,577)</u>	<u>\$ (4,033)</u>
Loss from discontinued operations attributable to:		
Owners of the Bank	\$ (12,545)	\$ (4,023)
Non-controlling interests	<u>(32)</u>	<u>(10)</u>
	<u>\$ (12,577)</u>	<u>\$ (4,033)</u>
Net cash flows (used in) generated from operating activities	\$ (24,295)	\$ 13,177
Net cash flows generated from investing activities	208	55
Net cash flows generated from (used in) financing activities	-	-
Effects of exchange rate changes on cash and cash equivalents	<u>9,588</u>	<u>1,962</u>
Net cash (outflow) inflow	<u>\$ (14,499)</u>	<u>\$ 15,194</u>

15. SUBSIDIARIES

a. Subsidiary included in consolidated financial statements:

Investor	Investee	Main Business	% of Ownership December 31		Remark	Audit Review by CPA
			2020	2019		
The Bank	China Bills Finance Co. (CBF)	Bonds underwriting, dealing and brokerage of securities	28.37	28.37	Founded in 1978	Yes
	IBT Holding Corp. (IBTH)	Holding company	100.00	100.00	Founded in 2006 in California	Yes
	IBT Leasing	Leasing	100.00	100.00	Founded in 2011	Yes
	IBTM	Investment consulting	100.00	100.00	Founded in 2000	Yes
	Chun Teng New Century Co., Ltd. (former IBTS)	Investment (former Security Firm)	99.75	99.75	Founded in 1961 (dissolved on November 11, 2016 and still recognized using the equity method)	Yes
IBT Leasing	IBT International Leasing Corp.	Leasing	100.00	100.00	Founded in 2011 in mainland China (commonly held with IBT VII)	Yes
	IBT VII Venture Capital Co., Ltd.	Venture capital	100.00	100.00	Founded in 2014	Yes
Chun Teng New Century Co., Ltd. (formerly IBTS)	IBTS Holding B.V.I. Limited (IBTSH)	Holding company	100.00	100.00	Founded in 2003 in the British Virgin Islands	Yes
IBTSH	IBTS Financial (HK) Limited	Investment	100.00	100.00	Founded in 2003 in Hong Kong	Yes
IBTH	IBTS Asia (HK) Limited	Securities and investment	100.00	100.00	Founded in 2004 in Hong Kong	Yes
	EverTrust Bank	Banking	91.78	91.78	Founded in 1994 in California	Yes

b. Details of subsidiaries that have material non-controlling interests

Name of Subsidiary	Principal Place of Business	Proportion of Ownership and Voting Rights Held by Non-controlling Interests December 31	
		2020	2019
CBF	Taipei	71.63%	71.63%

The summarized financial information below represents amounts before intragroup eliminations:

	December 31	
	2020	2019
<u>CBF</u>		
Equity attributable to:		
Owners of CBF	\$ 7,219,701	\$ 6,767,508
Non-controlling interests of CBF	<u>18,229,741</u>	<u>17,087,954</u>
	<u>\$ 25,449,442</u>	<u>\$ 23,855,462</u>

	For the Year Ended December 31	
	2020	2019
Net revenue	\$ 2,507,171	\$ 2,014,768
Net profit from continuing operations	\$ 1,578,242	\$ 1,244,653
Other comprehensive income for the year	<u>981,173</u>	<u>370,059</u>
Total comprehensive income for the year	\$ 2,559,415	\$ 1,614,712
Profit attributable to:		
Owners of CBF	\$ 447,728	\$ 353,093
Non-controlling interests of CBF	<u>1,130,514</u>	<u>891,560</u>
	\$ 1,578,242	\$ 1,244,653
Total comprehensive income attributable to:		
Owners of CBF	\$ 726,075	\$ 458,074
Non-controlling interests of CBF	<u>1,833,340</u>	<u>1,156,638</u>
	\$ 2,559,415	\$ 1,614,712
Net cash inflow (outflow) from:		
Operating activities	\$ 4,856,260	\$ 13,618,146
Investing activities	(5,100)	(14,369)
Financing activities	<u>(4,831,171)</u>	<u>(13,620,878)</u>
Net cash inflow (outflow)	\$ 19,989	\$ (17,101)
Dividends paid to non-controlling interests of CBF	\$ 692,624	\$ 759,963

16. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET

Investments in Associates

	December 31, 2020
Associates - Beijing Sunshine Consumer Finance Co., Ltd.	\$ 789,863

The investment in Beijing Sunshine Consumer Finance Co., Ltd., was jointly invested by the Bank, China Everbright Bank and China CYTS Tours Holding. The Bank's investment amounted to RMB200,000 thousand with the shareholding ratio of 20%, and Beijing Sunshine Consumer Finance Co., Ltd. has begun operation since August 17, 2020.

Refer to Table 7 "Name, locations and other information of investees on which the Group exercises significant influence" and Table 8 "Information on Investments in Mainland China" for the nature of activities, principal place of business and country of incorporation of the associate.

The financial information of the bank's affiliates is as follows:

	December 31, 2020
Total assets	\$ 13,752,736
Total liabilities	\$ 9,803,422
	For the Year Ended December 31, 2020
Net loss for the year	\$ 413,832
Total other comprehensive loss for the year	\$ 413,832

17. OTHER FINANCIAL ASSETS

	December 31	
	2020	2019
Time deposits with original maturities more than 3 months	\$ 57,843	\$ 46,371
Pledged time deposits	744,108	741,091
Compensation account for payment	15,500	116,258
Call loans to securities firms	-	301,107
Others	41,011	24,676
	<u>\$ 858,462</u>	<u>\$ 1,229,503</u>

18. PROPERTY AND EQUIPMENT

	December 31	
	2020	2019
<u>Carrying amounts of each class of</u>		
Land	\$ 781,970	\$ 781,970
Buildings	1,284,858	1,324,482
Machinery and computer equipment	326,010	349,605
Transportation equipment	31,574	35,942
Office and other equipment	65,234	83,386
Lease improvement	161,712	187,479
Construction in progress and prepayments for equipment	21,209	91,330
	<u>\$ 2,672,567</u>	<u>\$ 2,854,194</u>

The movements of property and equipment for the years ended December 31, 2020 and 2019 are summarized as follows:

	Land	Buildings	Machinery and Computer Equipment	Transportation Equipment	Office and Other Equipment	Lease Improvement	Construction in Progress and Prepayments for Equipment	Total
<u>Cost</u>								
Balance at January 1, 2020	\$ 781,970	\$ 1,898,849	\$ 809,120	\$ 78,739	\$ 280,283	\$ 373,783	\$ 91,330	\$ 4,314,074
Additions	-	6,580	37,986	7,041	5,654	5,796	28,962	92,019
Disposals and scrapped	-	-	(14,306)	(5,561)	(875)	-	-	(20,742)
Reclassification	-	-	9,851	800	(244)	22,162	(98,819)	(66,250)
Effect of foreign currency exchange differences	-	-	(648)	(336)	(2,788)	(7,919)	(264)	(11,955)
Balance at December 31, 2020	<u>\$ 781,970</u>	<u>\$ 1,905,429</u>	<u>\$ 842,003</u>	<u>\$ 80,683</u>	<u>\$ 282,030</u>	<u>\$ 393,822</u>	<u>\$ 21,209</u>	<u>\$ 4,307,146</u>
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2020	\$ -	\$ 574,367	\$ 459,515	\$ 42,797	\$ 196,897	\$ 186,304	\$ -	\$ 1,459,880
Disposals and scrapped	-	-	(13,112)	(4,616)	(864)	-	-	(18,592)
Depreciation expense	-	46,204	69,727	11,054	23,495	51,547	-	202,027
Reclassification	-	-	550	-	(748)	(1,403)	-	(1,601)
Effect of foreign currency exchange differences	-	-	(687)	(126)	(1,984)	(4,338)	-	(7,135)
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 620,571</u>	<u>\$ 515,993</u>	<u>\$ 49,109</u>	<u>\$ 216,796</u>	<u>\$ 232,110</u>	<u>\$ -</u>	<u>\$ 1,634,579</u>
<u>Carrying amounts</u>								
Balance at December 31, 2020	<u>\$ 781,970</u>	<u>\$ 1,284,858</u>	<u>\$ 326,010</u>	<u>\$ 31,574</u>	<u>\$ 65,234</u>	<u>\$ 161,712</u>	<u>\$ 21,209</u>	<u>\$ 2,672,567</u>
<u>Cost</u>								
Balance at January 1, 2019	\$ 781,970	\$ 1,898,675	\$ 747,969	\$ 77,088	\$ 282,253	\$ 385,137	\$ 87,501	\$ 4,260,593
Additions	-	1,025	37,682	12,628	2,557	4,391	67,112	125,395
Disposals and scrapped	-	(2,429)	(14,800)	(10,556)	(6,020)	(17,249)	-	(51,054)
Reclassification	-	1,578	39,998	-	2,637	4,828	(63,291)	(14,250)
Net exchange differences	-	-	(1,729)	(421)	(1,144)	(3,324)	8	(6,610)
Balance at December 31, 2019	<u>\$ 781,970</u>	<u>\$ 1,898,849</u>	<u>\$ 809,120</u>	<u>\$ 78,739</u>	<u>\$ 280,283</u>	<u>\$ 373,783</u>	<u>\$ 91,330</u>	<u>\$ 4,314,074</u>
<u>Accumulated depreciation</u>								
Balance at January 1, 2019	\$ -	\$ 529,300	\$ 409,143	\$ 40,373	\$ 178,807	\$ 151,310	\$ -	\$ 1,308,933
Disposals and scrapped	-	(960)	(14,555)	(9,381)	(5,956)	(12,832)	-	(43,684)
Depreciation expense	-	46,027	66,224	12,011	24,810	48,953	-	198,025
Reclassification	-	-	-	-	-	427	-	427
Net exchange differences	-	-	(1,297)	(206)	(764)	(1,554)	-	(3,821)
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 574,367</u>	<u>\$ 459,515</u>	<u>\$ 42,797</u>	<u>\$ 196,897</u>	<u>\$ 186,304</u>	<u>\$ -</u>	<u>\$ 1,459,880</u>
<u>Carrying amounts</u>								
Balance at December 31, 2019	<u>\$ 781,970</u>	<u>\$ 1,324,482</u>	<u>\$ 349,605</u>	<u>\$ 35,942</u>	<u>\$ 83,386</u>	<u>\$ 187,479</u>	<u>\$ 91,330</u>	<u>\$ 2,854,194</u>

The above items of property and equipment are depreciated on a straight-line basis at the following rates per annum:

Buildings	5-55 years
Machinery and computer equipment	3-25 years
Transportation equipment	3-5 years
Office and other equipment	3-15 years
Lease improvement	5-8 years

19. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2020	2019
<u>Carrying amounts</u>		
Buildings	\$ 418,692	\$ 477,885
Transportation equipment	8,369	7,541
Office equipment	<u>2,617</u>	<u>-</u>
	<u>\$ 429,678</u>	<u>\$ 485,426</u>
	For the Year Ended December 31	
	2020	2019
Additions to right-of-use assets	<u>\$ 52,701</u>	<u>\$ 166,337</u>
Depreciation charge for right-of-use assets		
Buildings	\$ 144,500	\$ 159,530
Transportation equipment	7,806	6,618
Office equipment	<u>1,166</u>	<u>-</u>
	<u>\$ 153,472</u>	<u>\$ 166,148</u>

Except for the aforementioned addition and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets during the years ended December 31, 2020 and 2019.

b. Lease liabilities

	December 31	
	2020	2019
Carrying amounts	<u>\$ 444,659</u>	<u>\$ 498,832</u>

Range of discount rate for lease liabilities was as follows:

	December 31	
	2020	2019
Buildings	0.44%-5.70%	1.62%-5.70%
Transportation equipment	2.28%-6.00%	1.98%-6.00%
Office equipment	1.71%-2.76%	-

c. Material lease-in activities

Due to the rental of buildings, the Group had entered into various leasehold contracts with others, respectively. These contracts are gradually expiring before the end of October 2028. As of December 31, 2020 and 2019, refundable deposits paid under operating lease amounted to \$37,809 thousand and \$31,523 thousand, respectively.

d. Other lease information

	For the Year Ended December 31	
	2020	2019
Expenses relating to short-term leases	\$ 20,194	\$ 24,165
Expenses relating to low-value asset leases	\$ 3,399	\$ 3,256
Total cash outflow for leases	\$ (199,213)	\$ (200,304)

20. INTANGIBLE ASSETS

	December 31	
	2020	2019
<u>Carrying amounts of each class of</u>		
Computer software	\$ 1,124,681	\$ 1,176,120
Goodwill	1,082,563	1,142,865
Others	-	562
	<u>\$ 2,207,244</u>	<u>\$ 2,319,547</u>

The changes in of intangible assets for the years ended December 31, 2020 and 2019 are summarized as follows:

	Computer Software	Goodwill	Others	Total
<u>Cost</u>				
Balance at January 1, 2020	\$ 2,157,522	\$ 1,142,865	\$ 7,351	\$ 3,307,738
Additions	156,053	-	-	156,053
Disposals	(273)	-	-	(273)
Reclassification	65,702	-	-	65,702
Effect of foreign currency exchange differences	(2,183)	(60,302)	(391)	(62,876)
Balance at December 31, 2020	<u>\$ 2,376,821</u>	<u>\$ 1,082,563</u>	<u>\$ 6,960</u>	<u>\$ 3,466,344</u>
<u>Accumulated amortization and impairment</u>				
Balance at January 1, 2020	\$ 981,402	\$ -	\$ 6,789	\$ 988,191
Amortization	273,420	-	552	273,972
Disposals	(273)	-	-	(273)
Effect of foreign currency exchange differences	(2,409)	-	(381)	(2,790)
Balance at December 31, 2020	<u>\$ 1,252,140</u>	<u>\$ -</u>	<u>\$ 6,960</u>	<u>\$ 1,259,100</u>
<u>Carrying amounts</u>				
Balance at December 31, 2020	<u>\$ 1,124,681</u>	<u>\$ 1,082,563</u>	<u>\$ -</u>	<u>\$ 2,207,244</u>

(Continued)

	Computer Software	Goodwill	Others	Total
<u>Cost</u>				
Balance at January 1, 2019	\$ 2,120,054	\$ 1,166,769	\$ 7,506	\$ 3,294,329
Additions	122,345	-	-	122,345
Disposals	(408)	-	-	(408)
Reclassification	(83,111)	-	-	(83,111)
Effect of foreign currency exchange differences	<u>(1,358)</u>	<u>(23,904)</u>	<u>(155)</u>	<u>(25,417)</u>
Balance at December 31, 2019	<u>\$ 2,157,522</u>	<u>\$ 1,142,865</u>	<u>\$ 7,351</u>	<u>\$ 3,307,738</u>
<u>Accumulated amortization and impairment loss</u>				
Balance at January 1, 2019	\$ 832,353	\$ -	\$ 4,676	\$ 837,029
Amortization	251,824	-	2,270	254,094
Disposals	(408)	-	-	(408)
Reclassification	(101,317)	-	-	(101,317)
Effect of foreign currency exchange differences	<u>(1,050)</u>	<u>-</u>	<u>(157)</u>	<u>(1,207)</u>
Balance at December 31, 2019	<u>\$ 981,402</u>	<u>\$ -</u>	<u>\$ 6,789</u>	<u>\$ 988,191</u>
<u>Carrying amounts</u>				
Balance at December 31, 2019	<u>\$ 1,176,120</u>	<u>\$ 1,142,865</u>	<u>\$ 562</u>	<u>\$ 2,319,547</u> (Concluded)

The goodwill was recognized from IBT Holding Corp.'s purchase of 100% of the stocks of Ever Trust Bank on March 30, 2007. The investment cost exceeded the fair value of net identifiable assets.

When the Group executes the goodwill impairment test, Ever Trust Bank was used as a cash-generating unit, and the recoverable amount is assessed by the value in use of the cash-generating unit. The key assumptions base the expected future cash flows on the actual profit conditions of the cash-generating units. On the assumption of sustainable operations, the Group discounts the net cash flows from those of the operations of the cash-generating units in the next five years in order to calculate the value in use. Under the estimation of the Group, there is no occurrence of impairment.

The computer software and other intangible assets are amortized on a straight-line basis of 3 and 15 years, respectively.

21. OTHER ASSETS

	December 31	
	2020	2019
Refundable deposits	\$ 462,289	\$ 270,472
Life insurance cash surrender value	327,517	340,513
Prepayments	84,754	106,004
Others	<u>175,638</u>	<u>199,785</u>
	<u>\$ 1,050,198</u>	<u>\$ 916,774</u>

22. DEPOSITS FROM THE CENTRAL BANK AND OTHER BANKS

	December 31	
	2020	2019
Call loans from banks	\$ 18,628,924	\$ 34,030,540
Deposits from Chunghwa Post Co., Ltd.	7,000,000	7,000,000
Call loans from the Central Bank	<u>2,850,831</u>	<u>2,408,858</u>
	<u>\$ 28,479,755</u>	<u>\$ 43,439,398</u>

23. BILLS AND BONDS SOLD UNDER REPURCHASE AGREEMENTS

	December 31	
	2020	2019
Bills	\$ 73,092,529	\$ 61,873,869
Government bonds	24,707,835	27,297,780
Corporate bonds	62,377,074	51,926,418
Bank debentures	<u>20,988,388</u>	<u>18,455,318</u>
	<u>\$ 181,165,826</u>	<u>\$ 159,553,385</u>
Date of agreements to repurchase	Before December 2021	Before December 2020
Amount of agreements to repurchase	\$ 181,233,857	\$ 159,673,835

24. PAYABLES

	December 31	
	2020	2019
Investment settlements payable	\$ 202,014	\$ 418,947
Settlement accounts payable - trusteeship	82,226	129,703
Acceptances	43,447	220,594
Accrued interest	545,613	891,220
Accrued expenses	1,020,850	979,218
Collections payable	95,555	117,230
Factored payables	79,059	252,912
Checks for clearing	451,158	535,095
Others	<u>220,720</u>	<u>142,702</u>
	<u>\$ 2,740,642</u>	<u>\$ 3,687,621</u>

25. DEPOSITS AND REMITTANCES

	December 31	
	2020	2019
Deposits		
Checking	\$ 6,534,134	\$ 4,553,278
Demand	51,119,498	41,890,065
Time	193,289,924	202,575,243
Savings deposits	16,729,084	16,649,521
Export remittances	<u>47,032</u>	<u>63,717</u>
	<u>\$ 267,719,672</u>	<u>\$ 265,731,824</u>

26. BANK DEBENTURES PAYABLE

	December 31	
	2020	2019
Subordinate bonds first issued in 2013; fixed 1.95% interest rate; maturity: May 30, 2020; interest paid annually and repay the principal at maturity	\$ -	\$ 2,300,000
Subordinate bonds first issued in 2014; fixed 1.95% interest rate; maturity: March 27, 2021; interest paid annually and repay the principal at maturity	1,300,000	1,300,000
Subordinate bonds second issued in 2014; fixed 1.85% interest rate; maturity: June 26, 2021; interest paid annually and repay the principal at maturity	1,000,000	1,000,000
Subordinate bonds third issued in 2014; fixed 1.95% interest rate; maturity: September 26, 2021; interest paid annually and repay the principal at maturity	600,000	600,000
Subordinate bonds fourth issued in 2014; fixed 2.2% interest rate; maturity: May 5, 2022; interest paid annually and repay the principal at maturity	1,500,000	1,500,000
Subordinate bonds first issued in 2015; fixed 1.85% interest rate; maturity: December 29, 2022; interest paid annually and repay the principal at maturity	1,000,000	1,000,000
Subordinate bonds A first issued in 2016; fixed 1.70% interest rate; maturity: June 29, 2023; interest paid annually and repay the principal at maturity	1,500,000	1,500,000
Subordinate bonds B first issued in 2016; fixed 1.80% interest rate; maturity: June 29, 2024; interest paid annually and repay the principal at maturity	1,500,000	1,500,000
Subordinate bonds first issued in 2017; fixed 1.97% interest rate; maturity: September 5, 2027; interest paid annually and repay the principal at maturity	2,000,000	2,000,000
Subordinate bonds A second issued in 2017; fixed 4% interest rate; no maturity, interest paid annually	750,000	750,000
Subordinate bonds B second issued in 2017; fixed 1.82% interest rate; maturity: December 27, 2027; interest paid annually and repay the principal at maturity	1,000,000	1,000,000
Subordinate bonds A first issued in 2018; fixed 4% interest rate; no maturity, interest paid annually	700,000	700,000

(Continued)

	December 31	
	2020	2019
Subordinate bonds B first issued in 2018; fixed 1.75% interest rate; maturity: June 29, 2028; interest paid annually and repay the principal at maturity	\$ 1,050,000	\$ 1,050,000
Subordinate bonds first issued in 2019; fixed 1.5% interest rate; maturity: June 6, 2026; interest paid annually and repay the principal at maturity	<u>2,500,000</u>	<u>2,500,000</u>
	<u>\$ 16,400,000</u>	<u>\$ 18,700,000</u> (Concluded)

27. OTHER FINANCIAL LIABILITIES

	December 31	
	2020	2019
Bank borrowings	\$ 9,993,528	\$ 8,940,610
Commercial papers payable	5,261,227	500,000
Principal of structured products	25,939	517,749
Funds obtained from the government - intended for specific types of loans	<u>2,822,069</u>	<u>2,950,900</u>
	<u>\$ 18,102,763</u>	<u>\$ 12,909,259</u>

a. Bank borrowings

	December 31	
	2020	2019
Short-term borrowings	\$ 4,971,524	\$ 4,513,495
Long-term borrowings	<u>5,022,004</u>	<u>4,427,115</u>
	<u>\$ 9,993,528</u>	<u>\$ 8,940,610</u>
Interest rate interval		
New Taiwan dollars	1.00%-1.60%	1.00%-1.55%
U.S. dollars	0.95%-1.93%	3.14%-3.40%
Renminbi	4.69%-5.50%	4.69%-5.94%

b. Commercial papers payable

	December 31	
	2020	2019
Commercial papers payable	\$ 5,262,000	\$ 500,000
Less: Unamortized discount	<u>(773)</u>	<u>-</u>
	<u>\$ 5,261,227</u>	<u>\$ 500,000</u>
Interest rate interval	0.27%-1.14%	1.19%-1.3%

c. Funds obtained from the government - intended for specific types of loans

	December 31	
	2020	2019
Funds obtained from the government - intended for specific types of loans	<u>\$ 2,822,069</u>	<u>\$ 2,950,900</u>

The Lending Fund is a development fund established by the Executive Yuan to promote the development of the financial market economy. The Bank applied for the quota and appointed Mega Bank, Export-Import Bank of the Republic of China, China Trust Commercial Bank, and Taiwan Enterprise Bank to act as the managing bank wherein the loan quota is available for use.

28. PROVISIONS

	December 31	
	2020	2019
Provisions for employee benefits	\$ 262,735	\$ 304,271
Provisions for losses on guarantees contracts	1,747,556	1,543,817
Provisions for losses on financing commitment	<u>91,721</u>	<u>66,966</u>
	<u>\$ 2,102,012</u>	<u>\$ 1,915,054</u>

Refer to Note 13 for the details and changes in the provision for losses on guarantees and financing quota preparation.

29. RETIREMENT BENEFIT PLANS

Defined Contribution Plan

The pension system under the “Labor Pensions Ordinance” applicable to the Bank and its subsidiaries is the required retirement plan stipulated by the government, except that of Ever Trust Bank which is not more than 10% of the annual salary of the respective employees. A pension of 6% of an employee’s monthly salary is paid to the Labor Insurance Bureau under each individual’s account.

The amount to be paid in accordance with the percentage specified in the proposed plan for the years ended December 31, 2020 and 2019 was recognized in the consolidated statements of comprehensive income in the total amounts of \$72,427 thousand and \$69,962 thousand, respectively.

Defined Benefit Plan

The defined benefit plans adopted by the Group in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Bank contribution amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee’s name. Before the end of each year, the Bank assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Bank is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor; the Bank has no right to influence the investment policy and strategy.

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

	December 31	
	2020	2019
Present value of defined benefit obligation	\$ 566,114	\$ 601,193
Fair value of plan assets	<u>(303,379)</u>	<u>(296,922)</u>
Net defined benefit liabilities	<u>\$ 262,735</u>	<u>\$ 304,271</u>

Movement in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2019	<u>\$ 565,026</u>	<u>\$ (271,381)</u>	<u>\$ 293,645</u>
Service cost			
Current service cost	11,961	-	11,961
Net interest expense (income)	<u>4,452</u>	<u>(2,779)</u>	<u>1,673</u>
Recognized in profit or loss	<u>16,413</u>	<u>(2,779)</u>	<u>13,634</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(9,385)	(9,385)
Changes in demographic assumptions	6,057	-	6,057
Changes in financial assumptions	4,614	-	4,614
Experience adjustments	<u>(1,344)</u>	<u>-</u>	<u>(1,344)</u>
Recognized in other comprehensive income	<u>9,327</u>	<u>(9,385)</u>	<u>(58)</u>
Employer contributions	-	(15,690)	(15,690)
Benefits paid	(5,243)	5,243	-
Other	<u>15,670</u>	<u>(2,930)</u>	<u>12,740</u>
Balance at December 31, 2019	<u>\$ 601,193</u>	<u>\$ (296,922)</u>	<u>\$ 304,271</u>
Balance at January 1, 2020	<u>\$ 601,193</u>	<u>\$ (296,922)</u>	<u>\$ 304,271</u>
Service cost			
Current service cost	9,797	-	9,797
Past service cost and liquidity loss	611	-	611
Net interest expense (income)	<u>3,359</u>	<u>(2,174)</u>	<u>1,185</u>
Recognized in profit or loss	<u>13,767</u>	<u>(2,174)</u>	<u>11,593</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(9,392)	(9,392)
Changes in demographic assumptions	230	-	230
Changes in financial assumptions	9,454	-	9,454
Experience adjustments	1,461	-	1,461
Other	<u>-</u>	<u>(111)</u>	<u>(111)</u>
Recognized in other comprehensive income	<u>11,145</u>	<u>(9,503)</u>	<u>1,642</u>
Employer contributions	-	(15,382)	(15,382)
Benefits paid	(20,602)	20,602	-
Business paid	(32,133)	-	(32,133)
Other	<u>(7,256)</u>	<u>-</u>	<u>(7,256)</u>
Balance at December 31, 2020	<u>\$ 566,114</u>	<u>\$ (303,379)</u>	<u>\$ 262,735</u>

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

- a. Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- b. Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.
- c. Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	
	2020	2019
Discount rate(s)	0.50%	0.75%
Expected rate(s) of salary increase	2.50%	2.50%

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

	December 31	
	2020	2019
Discount rate(s)		
0.25% increase	<u>\$ (9,454)</u>	<u>\$ (10,271)</u>
0.25% decrease	<u>\$ 9,775</u>	<u>\$ 10,632</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 9,415</u>	<u>\$ 10,272</u>
0.25% decrease	<u>\$ (9,156)</u>	<u>\$ (9,978)</u>

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

	December 31	
	2020	2019
Expected contributions to the plans for the next year	<u>\$ 15,667</u>	<u>\$ 7,243</u>
Average duration of the defined benefit obligation	8.7-9.6 years	9-9.4 years

30. OTHER LIABILITIES

	December 31	
	2020	2019
Guarantee deposits received	\$ 1,929,469	\$ 1,838,707
Advance revenue	47,999	28,691
Payable for custody	39,403	56,585
Others	<u>232,684</u>	<u>492,868</u>
	<u>\$ 2,249,555</u>	<u>\$ 2,416,851</u>

31. EQUITY

a. Capital stock

	December 31	
	2020	2019
Number of stock authorized (in thousands)	<u>3,500,000</u>	<u>3,500,000</u>
Amount of capital stock authorized	<u>\$ 35,000,000</u>	<u>\$ 35,000,000</u>
Number of stocks issued and fully paid (in thousands)		
Common stock	<u>2,733,006</u>	<u>2,413,006</u>
Preferred stock	<u>300,000</u>	<u>300,000</u>
Amount of stocks issued	<u>\$ 30,330,063</u>	<u>\$ 27,130,063</u>

Fully paid common stock, which have a par value of \$10, carry one vote per share and carry a right to dividends.

On June 27, 2018, the Bank's board of directors resolved to issue 300,000 thousand Series A preferred stock, with a par value of \$10. The subscription date was November 29, 2018, and finished the registration on December 21, 2018. The rights and obligations of Series A preferred stockholders are as follows:

- 1) The interest rate of Series A preferred stock shall be based on the 5-year Interest Rate Swap (IRS) rate on the pricing date and the interest shall be calculated on the issue price per share; the interest rate is initially set at 0.94375% plus 3.30625% (total 4.25%) per annum. The interest Rate Swap issued price per share. Interest rate per annum will be reset on the day after the 5.5-year anniversary of the issue date and the day after each subsequent period of 5.5 years thereafter. Dividends for the Series A preferred stock shall be declared once every year in cash. After the stockholders' approval of the Bank's financial statements at its annual stockholders' meeting, the board of directors may set a record date for the distribution of dividends declared from the previous year. Dividend distribution for the years of issuance and redemption shall be calculated pursuant to actual issued days of the given year.
- 2) The Bank has sole discretion on dividend issuance of Series A preferred stock including, but not limited to, its discretion to not declare dividends when no profit is recorded, or insufficient profit is recorded for preferred stock dividends, or preferred stock dividend declaration would render the Bank of International Settlement (BIS) ratio below the level required by the law or relevant authorities, or due other necessary consideration. The Series A preferred stockholders shall not have any objection towards the Bank's cancellation of preferred stock dividend declaration. Undeclared or under declared dividends are not cumulative and are not paid in subsequent years with profit.

- 3) Unless the authorities take over the Bank, order the Bank to suspend, terminate or liquidate its business in accordance with the “Regulations Governing the Capital Adequacy and Capital Category of Banks”, Series A preferred stockholders shall have the same priority as the common stockholders in the event of liquidation, both second to tier 2 capital instrument holder, depositor, and common creditor, but will be capped at the value of issuance.
- 4) Series A preferred stockholders have no voting rights at the annual stockholders’ meeting and cannot elect directors. However, the preferred stockholders should have voting rights at the preferred stockholders’ meeting and also at the stockholders’ meeting when it involves the rights and obligations of the preferred stockholders, and the aforesaid stockholders are eligible for director candidacy. Series A preferred stockholders have voting rights at Series A stockholders’ meeting.
- 5) The preferred stock issued by the Bank shall not be converted within one year from the date of issuance. Starting from the day after the expiration of one year, stockholders of convertible preferred stock may apply for the conversion of part or all of the preferred stock held, from preferred stock to common stock during the conversion period (conversion ratio 1:1). After the convertible preferred stock are converted into common stock, their rights and obligations are the same as the common stock. The issuance of annual dividends for the convertible preferred stock is based on the ratio of the actual number of issued days in the current year to the number of days within the whole year. However, stockholders who converted their preferred stock into common stock before the date of distribution of dividends (interests) in each year shall not participate in the distribution in that year but may participate in the distribution of common stock surplus and additional paid in capital.
- 6) When the Bank issues new shares for cash, Series A preferred stockholders have the same subscription rights as the common stockholders.

On July 7, 2020, the Bank’s board of directors resolved to issue 320,000 thousand common shares with a par value of \$10 and plans to issued at \$6.35 per share, which increased the share capital issued and fully paid to 30,330,063 thousand. The above transaction was approved by the FSC.

b. Capital surplus

	December 31	
	2020	2019
May be used to offset a deficit, distributed as dividends, or transferred to capital stock (Note)		
Treasury share transactions	\$ 3,193	\$ 3,193
Share-based payments	-	4,537
Must be used to offset a deficit		
Unclaimed dividends	978	649
May not be used for any purpose		
Share of changes in capital surplus of subsidiaries, associates or joint ventures	<u>1,795</u>	<u>1,371</u>
	<u>\$ 5,966</u>	<u>\$ 9,750</u>

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

c. Special reserves

	December 31	
	2020	2019
Trading loss and default loss reserve	\$ 133,955	\$ 133,955
Employee transfer or placement expenditure related to financial technology development	17,181	18,353
Other equity deductions special reserves	67,477	159,981
According to the Bank's policy	<u>1,177,740</u>	<u>1,319,046</u>
	<u>\$ 1,396,353</u>	<u>\$ 1,631,335</u>

The Bank reclassified reserve for trading loss and default losses as of December 31, 2010 to a special reserve account, which is part of equity, in accordance with Order No. 10010000440 issued by the FSC.

In addition, according to Rule No. 10510001510 issued by the FSC on May 25, 2016, a public bank shall appropriate to special reserve an amount in the range of 0.5% to 1% of net profit after tax from 2016 to 2018; from 2017, the same amount of employee transfer or placement expenditure arising from financial technology development shall be reversed from the balance of the special reserve. The above order was repealed by the FSC Rule No. 10802714560 on May 15, 2019, which stipulates that in 2019, a public bank shall no longer continue to provide a special reserve for the purpose of protecting the interests of domestic bank practitioners in the development of financial technology. The Bank is allowed to reverse the special reserve appropriated in 2016 to 2018 at the amounts of the following expenses.

- 1) Expenses for staff transfer or placement, including the related expenses for assisting employees to transfer between departments or groups, and the payment of retirement and severance benefits to employees that are superior to labor-related laws and regulations.
- 2) Expenses for financial technology or banking business development, i.e., expenditure for education and training to enhance or develop employee functions.

The Bank shall make or reverse appropriations for the items referred to under Rule No. 1010012865, Rule No. 1010047490, and Rule No. 1030006415 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs".

d. Retained earnings and dividend policy

- 1) The Bank's dividend policy approved by the stockholders' meeting of the Bank on June 19, 2020 is as follows:

Under the dividends policy as set forth in the amended Articles, where the Bank made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 30% of the remaining profit until the accumulated legal reserve equals the Bank's paid-in capital, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the board of directors as the basis for proposing a distribution plan, which should be resolved in the stockholders' meeting for distribution of dividends and bonus to stockholders.

In principle, common stock dividends shall not be less than 20% of the available for distribution retained earnings minus the amount for preferred stock dividends. Cash dividend shall not be less than 20% of the total dividend for the current year. When the amount of legal reserve has not reached the Bank's total capital, the amount of cash dividends cannot exceed 15% of the Bank's paid-in capital.

The Bank shall consider its future capital budget plan, financial needs for various businesses, and financial structure in the adoption of a stable and balanced dividend policy. The board of directors may, according to the actual needs, propose adjustments to the dividend distribution, and submit the proposal for approval in the stockholders' meeting.

2) The dividend policy before June 19, 2020 is as follows:

Under the dividends policy as set forth in the amended Articles, where the Bank made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 30% of the remaining profit until the accumulated legal reserve equals the Bank's paid-in capital, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the board of directors as the basis for proposing a distribution plan, which should be resolved in the stockholders' meeting for distribution of dividends and bonus to stockholders. When the amount of legal reserve has not reached the Bank's total capital, the amount of cash dividends cannot exceed 15% of the Bank's paid-in capital.

In addition, according to the provisions of the Bank's articles of incorporation, the Bank shall consider its future capital budget plan, financial needs for various businesses, and financial structure in the adoption of a stable and balanced dividend policy. In principle, cash dividend shall not be less than 20% of the total dividend for the current year. The board of directors may, according to the actual needs, propose adjustments to the dividend distribution, and submit the proposal for approval in the shareholders' meeting.

For the policies on distribution of employees' compensation and remuneration of directors, please refer to Note 36.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Bank's paid-in capital. Legal reserve may be used to offset deficit. If the Bank has no deficit and the legal reserve has exceeded 25% of the Bank's paid-in capital, the excess may be transferred to capital or distributed in cash. In addition, the Banking Law limits the appropriation of cash dividends to 15% of the Bank's paid-in capital.

The appropriations of earnings for 2019 and 2018 have been proposed by the Bank's board of directors and approved in the stockholders' meetings on June 19, 2020 and June 14, 2019, respectively. The appropriations and dividends per share were as follows:

	2019	2018
	Appropriation of Earnings	Appropriation of Earnings
Legal reserve	\$ 330,130	\$ 183,014
Special reserve appropriated (reversed)	(234,982)	415,504
Cash dividends - common stock	965,203	-
Cash dividends - preferred stock	127,500	11,527

The appropriation of earnings for 2020 had been proposed by the Board on March 22, 2021. The appropriation were as follows:

	Appropriation of Earnings
Legal reserve	\$ 31,879
Special reserve reversed	(598,570)
Cash dividends - common stock	545,454
Cash dividends - preferred stock	127,500

The appropriation of earnings for 2020 are subject to the resolution of the shareholders' meeting to be held on June 25, 2021.

e. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ (307,473)	\$ (92,806)
Exchange differences arising on translating the financial statements of foreign operations	(446,246)	(237,382)
Income tax related to gains arising on translating the financial statements of foreign operations	<u>56,165</u>	<u>22,715</u>
Balance at December 31	<u>\$ (697,554)</u>	<u>\$ (307,473)</u>

2) Unrealized gains (losses) on financial assets at FVOCI

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ 239,996	\$ (67,175)
Recognized during the year		
Unrealized gain - debt instruments	284,191	223,138
Unrealized gain - equity instruments	339,439	169,681
Loss allowance of debt instruments	<u>3,887</u>	<u>2,075</u>
Other comprehensive income recognized in the period	<u>627,517</u>	<u>394,894</u>
Cumulative unrealized loss of equity instruments transferred to retained earnings due to disposal	<u>(112,215)</u>	<u>(87,723)</u>
Balance at December 31	<u>\$ 755,298</u>	<u>\$ 239,996</u>

f. Non-controlling interests

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ 17,557,074	\$ 17,129,584
Attribute to non-controlling interests		
Shares of profit for the year	1,153,526	926,168
Capital surplus	1,071	2,288
Exchange differences arising on translation of foreign entities	(25,777)	(10,018)
Unrealized gains and losses on FVTOCI	704,708	268,746
Actuarial profit and loss of defined benefit plans	(1,108)	269
Cash dividends distributed by subsidiary	<u>(692,624)</u>	<u>(759,963)</u>
Balance at December 31	<u>\$ 18,696,870</u>	<u>\$ 17,557,074</u>

g. Treasury stock

Unit: In Thousands of Shares

**For the Year
Ended
December 31,
2020**

Number of shares at January 1, 2020	-
Increase during the year	<u>5,737</u>
Number of shares at December 31, 2020	<u><u>5,737</u></u>

On March 19, 2020, the Bank's board of directors proposed to acquire treasury stocks transfer to employees. The acquiring period is from March 20, 2020 to May 19, 2020. As of May 19, 2020, the Bank had acquired 5,737 thousand shares of treasury stocks for \$38,304 thousand.

Under the Securities and Exchange Act, the Bank shall neither pledge treasury shares nor exercise stockholders' rights on these shares, such as the rights to receive dividends or to vote.

32. NET INTEREST

For the Year Ended December 31

	2020	2019
--	-------------	-------------

Interest revenue

Discounts and loans	\$ 4,800,133	\$ 5,993,123
Investments in securities	1,822,032	2,099,291
Installment sales and leases	910,524	1,018,484
Due from the Central Bank and call loans to banks	105,792	335,540
Others	<u>95,189</u>	<u>112,771</u>
	<u>7,733,670</u>	<u>9,559,209</u>

Interest expense

Deposits	2,134,139	3,278,193
Deposits from the Central Bank and other banks	218,024	588,082
Bank debentures	349,741	378,508
Bills and bonds sold under repurchase agreements	724,181	1,042,612
Others	<u>282,936</u>	<u>386,942</u>
	<u>3,709,021</u>	<u>5,674,337</u>
	<u>\$ 4,024,649</u>	<u>\$ 3,884,872</u>

33. SERVICE FEE INCOME, NET

	For the Year Ended December 31	
	2020	2019
Service fee income		
Guarantee business	\$ 1,006,850	\$ 872,632
Loan business	126,503	257,632
Underwrite business	435,730	287,245
Trust business	32,751	20,188
Lease business	241,158	253,271
Credit examine business	149,797	275,176
Import and export business	11,705	23,219
Factoring business	16,066	41,598
Insurance agent business	70,527	119,129
Others	<u>58,130</u>	<u>54,499</u>
	2,149,217	2,204,589
Service charge		
Others	<u>111,852</u>	<u>142,710</u>
	<u>\$ 2,037,365</u>	<u>\$ 2,061,879</u>

34. GAINS (LOSSES) ON FINANCIAL ASSETS OR LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	For the Year Ended December 31	
	2020	2019
Realized gains or losses		
Bills	\$ 125,873	\$ 43,460
Stocks and beneficiary certificates	105,616	104,661
Bonds	12,147	30,523
Derivatives	<u>(1,374,722)</u>	<u>777,391</u>
	<u>(1,131,086)</u>	<u>956,035</u>
Gains (losses) on valuation		
Bills	20,864	7,071
Stocks and beneficiary certificates	103,592	24,481
Bonds	15,236	7,512
Derivatives	<u>(120,875)</u>	<u>(373,181)</u>
	<u>18,817</u>	<u>(334,117)</u>
Interest revenue	<u>912,319</u>	<u>1,095,986</u>
	<u>\$ (199,950)</u>	<u>\$ 1,717,904</u>

35. REALIZED GAINS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	For the Year Ended December 31	
	2020	2019
Realized income - debt instruments	\$ 233,278	\$ 192,957
Dividend revenue	<u>185,587</u>	<u>69,759</u>
	<u>\$ 418,865</u>	<u>\$ 262,716</u>

36. EMPLOYEE BENEFITS EXPENSES

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits		
Salaries and wages	\$ 2,193,281	\$ 2,251,173
Labor insurance and national health insurance	135,325	154,133
Others	195,712	237,939
Post-employment benefits		
Pension expenses	83,496	82,903
Pension benefits	<u>1,415</u>	<u>5</u>
	<u>\$ 2,609,229</u>	<u>\$ 2,726,153</u>

The Bank accrued employees' compensation and remuneration of directors at the rates of 1%-2.5% and no higher than 2.5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors.

The amounts and accrual rates of employees' compensation and remuneration of directors for the years ended December 31, 2020 and 2019 were as follows:

Accrual rate

	For the Year Ended December 31	
	2020	2019
Employees' compensation	1.25%	1.25%
Remuneration of directors	2.50%	2.50%

Amount

	For the Year Ended December 31	
	2020	2019
Employees' compensation	<u>\$ 16,056</u>	<u>\$ 15,715</u>
Remuneration of directors	<u>\$ 32,111</u>	<u>\$ 31,430</u>

If there is a change in the amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate by next year.

The employees' compensation and remuneration of directors for 2019 and 2018, which were approved by the Bank's board of director on March 25, 2020 and February 27, 2019, respectively, were as follows:

	For the Year Ended December 31			
	2019		2018	
	Cash	Stock	Cash	Stock
Employees' compensation	\$ 15,715	\$ -	\$ 14,632	\$ -
Remuneration of directors	31,430	-	29,265	-

There are no differences between the 2019 and 2018 actual amounts of employees' compensation and remuneration of directors paid and the 2019 and 2018 amount recognized in the annual financial statements.

The Board approved employees' compensation and remuneration of directors for the years ended December 31, 2020 on March 22, 2021, were as follows:

	For the Year Ended December 31, 2020
Employees' compensation - cash	<u>\$ 16,056</u>
Remuneration of directors	<u>\$ 32,111</u>

Information on the bonuses for employees, directors and supervisors proposed by the Board is available at the Market Observation Post System website of the Taiwan Stock Exchange.

37. DEPRECIATION AND AMORTIZATION EXPENSES

	For the Year Ended December 31	
	2020	2019
Property and equipment	\$ 201,333	\$ 197,191
Right-of-use assets	153,472	166,148
Intangible assets	<u>273,972</u>	<u>254,094</u>
	<u>\$ 628,777</u>	<u>\$ 617,433</u>

38. OTHER GENERAL AND ADMINISTRATIVE EXPENSE

	For the Year Ended December 31	
	2020	2019
Taxation	\$ 227,391	\$ 253,958
Rental fees	19,876	23,561
Management fees	42,043	41,266
Computer operating and consulting fees	297,724	283,840
Entertainment fees	44,711	56,368
Professional services fees	94,998	88,506
Advertisement fees	47,562	133,173
Others fees	<u>345,597</u>	<u>372,967</u>
	<u>\$ 1,119,902</u>	<u>\$ 1,253,639</u>

39. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Year Ended December 31	
	2020	2019
Current tax		
In respect of the current year	\$ 694,146	\$ 668,068
Income tax on unappropriated earnings	-	12,537
Adjustment of prior years	<u>(1,054)</u>	<u>10,561</u>
	<u>693,092</u>	<u>691,166</u>
Deferred tax		
In respect of the current year	<u>92,699</u>	<u>(9,565)</u>
Income tax expense recognized in profit or loss	<u>\$ 785,791</u>	<u>\$ 681,601</u>

A reconciliation of accounting profit and income tax expense for the years ended December 31, 2020 and 2019 were as follows:

	For the Year Ended December 31	
	2020	2019
Profit before tax from continuing operations	<u>\$ 3,099,297</u>	<u>\$ 2,712,235</u>
Income tax expense calculated at the statutory rate	\$ 981,354	\$ 916,043
Realized gain on investment in equity instruments measured at fair value through other comprehensive income	36,348	17,545
Endorsee/Guarantee calculated interest income	1,323	-
Nondeductible expenses and tax-exempt income in determining taxable income	(293,951)	(297,481)
Unrecognized unused loss carryforwards	(13,178)	3,739
Unrecognized deductible temporary differences	(21,316)	(35,830)
Current loss deduction	-	(7,594)
Deductible tax amount of overseas income tax	-	(77,388)
Additional income tax under the Alternative Minimum Tax Act	24,824	6,289
Income tax on unappropriated earnings	-	12,537
Unrecognized deductible temporary differences	71,441	133,180
Adjustments for prior years' tax	<u>(1,054)</u>	<u>10,561</u>
Income tax expense recognized in profit or loss	<u>\$ 785,791</u>	<u>\$ 681,601</u>

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2020	2019
<u>Deferred tax</u>		
Translation of foreign operations	\$ 50,238	\$ 39,466
Actual gains (loss) on defined benefit plans	387	(94)
Unrealized gains on financial assets at FVTOCI	<u>(127,457)</u>	<u>(87,023)</u>
Income tax expense recognized in other comprehensive income	<u>\$ (76,832)</u>	<u>\$ (47,651)</u>

c. Deferred tax assets and liabilities

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Other	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
FVTPL financial instruments	\$ 52,952	\$ 25,940	\$ -	\$ 491	\$ 79,383
Property and equipment	9,492	2,618	-	(566)	11,544
Exchange differences on translating the financial statements of foreign operations	57,159	-	50,237	-	107,396
Defined benefit retirement benefit plans	51,372	(1,806)	387	(1,962)	47,991
Allowance for bad debts	470,696	(20,351)	-	(3,998)	446,347
Provisions	50,215	8,253	-	-	58,468
Impairment of assets	5,729	(383)	-	(60)	5,286
Other	36,927	(8,509)	(5,663)	(4,712)	18,043
Unused loss carryforwards	-	88,573	-	-	88,573
Allowance for bad debts	-	32,856	-	-	32,856
	<u>\$ 734,542</u>	<u>\$ 127,191</u>	<u>\$ 44,961</u>	<u>\$ (10,807)</u>	<u>\$ 895,887</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
FVTPL financial instruments	\$ 10,335	\$ 2,368	\$ -	\$ -	\$ 12,703
FVTOCI financial instruments	40,692	-	121,793	-	162,485
Share of profit of associates and joint ventures accounted for using equity method	400,545	217,522	-	-	618,067
	<u>\$ 451,572</u>	<u>\$ 219,890</u>	<u>\$ 121,793</u>	<u>\$ -</u>	<u>\$ 793,255</u>

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Other	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
FVTPL financial instruments	\$ 42,091	\$ 10,930	\$ -	\$ (69)	\$ 52,952
Property and equipment	7,365	2,328	-	(201)	9,492
Exchange differences on translating the financial statements of foreign operations	28,433	-	28,726	-	57,159
FVTOCI financial instruments	38,346	-	(48,468)	2,106	(8,016)
Defined benefit retirement benefit plans	49,249	3,026	(94)	(809)	51,372
Allowance for bad debts	403,218	75,036	-	(7,558)	470,696
Provisions	54,929	(4,714)	-	-	50,215
Impairment of assets	6,046	(290)	-	(27)	5,729
Other	<u>42,979</u>	<u>5,978</u>	<u>-</u>	<u>(4,014)</u>	<u>44,943</u>
	<u>\$ 672,656</u>	<u>\$ 92,294</u>	<u>\$ (19,836)</u>	<u>\$ (10,572)</u>	<u>\$ 734,542</u>

Deferred tax liabilities

Temporary differences					
FVTPL financial instruments	\$ 4,805	\$ 5,530	\$ -	\$ -	\$ 10,335
FVTOCI financial instruments	2,124	-	38,555	13	40,692
Share of profit of associates and joint ventures accounted for using equity method	323,346	77,199	-	-	400,545
Exchange differences on translating the financial statements of foreign operations	<u>10,740</u>	<u>-</u>	<u>(10,740)</u>	<u>-</u>	<u>-</u>
	<u>\$ 341,015</u>	<u>\$ 82,729</u>	<u>\$ 27,815</u>	<u>\$ 13</u>	<u>\$ 451,572</u>

d. Assessment of the income tax returns

The income tax returns of the Bank through 2018 have been assessed by the tax authorities (except 2017). The income tax returns of the Bank's subsidiary IBT Leasing, IBTM and IBT VII Venture Capital Co., Ltd. through 2018 have been assessed, The income tax returns of other subsidiaries through 2017 have been assessed by the tax authorities, except the Bank's subsidiary CBF for 2016. The Bank disagreed with the tax authorities' assessment of its 2016 tax return and applied for re-examination. The result of the re-examination was consistent with the Bank.

40. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Year Ended December 31	
	2020	2019
Basic earnings per share		
From continuing operations	\$ 0.42	\$ 0.45
From discontinued operations	<u>(0.01)</u>	<u>-</u>
Total basic earnings per share	<u>\$ 0.41</u>	<u>\$ 0.45</u>
Diluted earnings per share		
From continuing operations	\$ 0.37	\$ 0.45
From discontinued operations	<u>-</u>	<u>-</u>
Total diluted earnings per share	<u>\$ 0.37</u>	<u>\$ 0.45</u>

Earnings used in calculating earnings per share and weighted average number of common stocks are as above are as follows:

Net Profit for the Year

	For the Year Ended December 31	
	2020	2019
Profit for the period attributable to owners of the Bank	\$ 1,147,403	\$ 1,100,433
Less: Declared preferred stock dividend	<u>127,500</u>	<u>11,527</u>
Earnings used in the computation of basic earnings per share	1,019,903	1,088,906
Less: Loss for the period from discontinued operations used in the computation of basic earnings per share from discontinued operations	<u>(12,545)</u>	<u>(4,023)</u>
Earnings used in the computation of basic and diluted earnings per share from continuing operations	<u>\$ 1,032,448</u>	<u>\$ 1,092,929</u>

Stock (In Thousand Shares)

	For the Year Ended December 31	
	2020	2019
Weighted average number of common stocks in computation of basic earnings per share	<u>2,471,797</u>	<u>2,413,006</u>
Effect of potentially dilutive common stocks:		
Employees' compensation issued to employees	2,886	2,302
Convertible preferred stock	<u>300,000</u>	<u>27,123</u>
	<u>302,886</u>	<u>29,425</u>
Weighted average number of common stocks in the computation of diluted earnings per share	<u>2,774,683</u>	<u>2,442,431</u>

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

41. RELATED PARTY TRANSACTIONS

The transactions, account balances, income and loss of the Bank and its subsidiaries (which are the related parties of the Bank) are all eliminated upon consolidation, so they are not disclosed in this note. Except for other transactions disclosed in other notes, the transactions between the Group and other related parties are as follows:

- a. The related parties and their relationships with the Group are summarized as follows :

<u>Related Party</u>	<u>Relationship with the Bank</u>
IBT II Venture Capital Co., Ltd. (IBT II Venture) (dissolved March 31, 2017) (Company in liquidation)	Associates
Beijing Sunshine Consumer Finance Co., Ltd.	Associates
IBT Education Foundation (IBTEF)	The Group is the major donor of the foundation
Taiwan Cement Corporation	The Bank's legal director
Yi Chang Investment Co., Ltd.	The Bank's legal director
Ming Shan Investment Co., Ltd.	The Group's legal director
TCC Chemical Corporation (TCC)	Other relatives
Others	The Group's management and their other related party

- b. The significant transactions and balances with the related parties are summarized as follows:

- 1) Deposits (part of deposits and remittances)

	Ending Balance	Interest Expense	Rate (%)
<u>For the year ended December 31, 2020</u>			
Associates	\$ 1,977	\$ 1	0.03
Others	<u>4,809,246</u>	<u>48,140</u>	0.00-6.315
	<u>\$ 4,811,223</u>	<u>\$ 48,141</u>	
<u>For the year ended December 31, 2019</u>			
Associates	\$ 2,298	\$ 33	0.00-0.33
Others	<u>3,670,509</u>	<u>63,622</u>	0.00-6.56
	<u>\$ 3,672,807</u>	<u>\$ 63,655</u>	

2) Loan

		Maximum Balance	Ending Balance	Interest Income	Rate (%)		
For the year ended <u>December 31, 2020</u>							
Others		<u>\$ 430,000</u>	<u>\$ 430,000</u>	<u>\$ 5,317</u>		1.179	
For the year ended <u>December 31, 2019</u>							
Others		<u>\$ 430,000</u>	<u>\$ 430,000</u>	<u>\$ 6,204</u>		1.443	
December 31, 2020							
Category	Name	Maximum Balance (Note)	Ending Balance	Normal Loans	Non- performing Loans	Collateral	Difference of Terms of the Trans- actions with Unrelated Parties
Other loans	TCC	<u>\$ 430,000</u>	<u>\$ 430,000</u>	<u>\$ 430,000</u>	<u>\$ -</u>	Real estate	None
December 31, 2019							
Category	Name	Maximum Balance (Note)	Ending Balance	Normal Loans	Non- performing Loans	Collateral	Difference of Terms of the Trans- actions with Unrelated Parties
Other loans	TCC	<u>\$ 430,000</u>	<u>\$ 430,000</u>	<u>\$ 430,000</u>	<u>\$ -</u>	Real estate	None

Note: The maximum balance of daily totals for each category of loan.

3) Service fee income (part of service fee income, net)

	For the Year Ended December 31	
	2020	2019
Others	<u>\$ 33</u>	<u>\$ 21</u>

Service fee income is earned by providing authentication, custody and fund purchase services.

4) Other expenses (part of other general and administrative expense)

	For the Year Ended December 31	
	2020	2019
Others	<u>\$ 5,720</u>	<u>\$ 4,800</u>

Other expenses are donations.

5) Rental income and others (part of other net revenue other than interest)

	For the Year Ended December 31	
	2020	2019
Others	\$ <u>552</u>	\$ <u>552</u>

Rental income received by the department is revenue from leasing contract of providing part of the office and equipment and management service contract.

c. Compensation of key management personnel

The remuneration of directors and other members of key management personnel for the years ended December 31, 2020 and 2019 were as follows:

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits	\$ 317,456	\$ 408,070
Post-employment benefits	9,459	9,919
Stock-based payments	<u>761</u>	<u>335</u>
	<u>\$ 327,676</u>	<u>\$ 418,324</u>

The remuneration of directors and other key management personnel is determined by the remuneration committee.

The terms of the transactions with related parties are similar to those for third parties, except for the preferential interest rates given to employees for savings and loans. These rates should be within certain limits.

Under the Banking Law Article 32 and 33, except for consumer loans and government loans, credits extended by the Bank to any related party should be 100% secured, and the terms of credits extended to related parties should be similar to those for third parties.

42. PLEDGED ASSETS

	December 31	
	2020	2019
Financial assets at FVTPL	\$ 9,100,504	\$ 19,061,425
Financial assets at FVTOCI	8,470,589	2,394,458
Discounts and loans	6,065,517	5,760,047
Pledged time deposits	744,108	741,091
Compensation account for payment	<u>15,500</u>	<u>116,258</u>
	<u>\$ 24,396,218</u>	<u>\$ 28,073,279</u>

Under the requirement for joining the Central Bank's Real-time Gross Settlement (RTGS) clearing system, the Bank provided time deposits (parts of other financial assets) and negotiable certificates of deposits (part of financial assets at FVTPL and financial assets at FVTOCI) as collateral for day-term overdrafts. The pledged amount is adjustable based on the respective overdraft amount, and at the end of the day, the unused part can be used for liquidity reserve. The above financial assets were debt and equity investments and were mainly provided as collateral for exchange clearing, interest rate swap contracts, trust compensation, and for EverTrust Bank to issue certificates of deposit in the United States. Besides, the above loans were provided as collateral for EverTrust Bank to apply for credit limits with Federal Home Loan Bank of San Francisco. Pledged time deposits and compensation account for payment (both were parts of other financial assets) have been provided as collaterals or short-term loans.

43. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

- a. In addition to those mentioned in other notes, as of December 31, 2020 and 2019, the Group had commitments as follows:

	December 31	
	2020	2019
Office decorating and contracts of computer software		
Amount of contracts	\$ 31,836	\$ 126,642
Payments for construction in progress and prepayments for equipment	21,209	91,330

- b. HIGHLITE INDUSTRIES, INC. allegedly applied to the Bank for loan receivables factoring through false transactions, causing damage to the Bank. The Bank filed a criminal complaint against HIGHLITE INDUSTRIES, INC. and the relevant persons. The prosecutor prosecuted in January 2020, and the case pronounced sentence in the criminal court of Taiwan Taipei District Court in December 2020. The Bank also filed a lawsuit in the civil court of the Taiwan Taipei District Court in January 2020 in accordance with the law, and the case is under trial in the civil court.

44. TRUST BUSINESS UNDER THE TRUST LAW

Balance Sheet of Trust Accounts

	December 31	
	2020	2019
Trust assets		
Petty cash	\$ 100	\$ 100
Bank deposits	2,404,446	1,665,135
Financial assets	3,285,615	2,875,818
Receivables	18	35
Prepayments	1,374	1,578
Real estate	8,544,916	8,238,959
Other assets	<u>21,329</u>	<u>26,705</u>
Total trust assets	<u>\$ 14,257,798</u>	<u>\$ 12,808,330</u>

(Continued)

	December 31	
	2020	2019
Trust liabilities and capital		
Payables	\$ 1,188	\$ 2,204
Unearned receipts	1,201	1,266
Taxes payable	4,256	4,297
Guarantee deposits received	51,530	64,658
Other liabilities	955	1,024
Trust capital	14,022,448	12,572,930
Provisions and accumulated profit and loss	<u>176,220</u>	<u>161,951</u>
Total trust liabilities and capital	<u>\$ 14,257,798</u>	<u>\$ 12,808,330</u> (Concluded)

Income Statements of Trust Accounts

	For the Year Ended December 31	
	2020	2019
Trust revenue		
Interest revenue	\$ 3,182	\$ 15,513
Rent revenue	113,034	115,855
Other revenue	<u>1,427</u>	<u>1,798</u>
	<u>117,643</u>	<u>133,166</u>
Trust expenses		
Management fees	(3,340)	(1,164)
Service charge	(5,169)	(106)
Tax	(14,347)	(14,433)
Other expenses	(13,263)	(13,015)
Income tax expense	<u>(210)</u>	<u>(1,456)</u>
	<u>(36,329)</u>	<u>(30,174)</u>
	<u>\$ 81,314</u>	<u>\$ 102,992</u>

Note: The above income accounts of the trust business were not included in the Group's income statement.

Trust Property List

	December 31	
	2020	2019
Petty cash	\$ 100	\$ 100
Bank deposits	2,404,446	1,665,135
Stocks	228,378	228,378
Funds	2,839,148	2,647,440
Bonds	218,089	-
Land	7,704,221	7,398,368
Buildings	840,695	840,591
Receivables	18	35
Prepayments	1,374	1,578
Other	<u>21,329</u>	<u>26,705</u>
	<u>\$ 14,257,798</u>	<u>\$ 12,808,330</u>

45. FINANCIAL INSTRUMENTS

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

1) Financial instruments significant difference between carrying amount and fair value

Except as detailed in the following table, the management considers that the carrying amounts of financial assets and financial liabilities recognized in the condensed consolidated financial statements approximate their fair values cannot be reliably measured.

	December 31			
	2020		2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial liabilities</u>				
Bank debentures payable	\$ 16,400,000	\$ 16,574,644	\$ 18,700,000	\$ 18,808,992

2) The fair value hierarchy

Financial Instrument Items at Fair Value	December 31, 2020			
	Total	Level 1	Level 2	Level 3
<u>Financial liabilities</u>				
Bank debentures payable	\$ 16,574,644	\$ -	\$ 16,574,644	\$ -

Financial Instrument Items at Fair Value	December 31, 2019			
	Total	Level 1	Level 2	Level 3
<u>Financial liabilities</u>				
Bank debentures payable	\$ 18,808,992	\$ -	\$ 18,808,992	\$ -

Refer to quoted market prices for fair value if there are public quotation on bank debentures payable with active market. If quoted market prices are not available, the fair value is determined by using a valuation technique or counterparty quotation.

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

- 1) The fair value hierarchy of the financial instruments as of December 31, 2020 and 2019 were as follows:

Item	December 31, 2020			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at FVTPL				
Stocks and beneficial certificates	\$ 1,232,626	\$ 596,870	\$ 503,298	\$ 132,458
Bills	106,494,789	-	106,494,789	-
Hybrid financial assets	10,370,392	176,050	1,097,692	9,096,650
Negotiable certificates of deposit	44,080,443	-	44,080,443	-
Financial assets at FVTOCI				
Equity instruments	6,118,890	5,175,647	118,719	824,524
Debt instruments	136,606,357	-	136,606,357	-
Negotiable certificates of deposit	29,783,988	-	29,783,988	-
Liabilities				
Financial liabilities at FVTPL	1,960	-	1,960	-
<u>Derivative financial instruments</u>				
Assets				
Financial assets at FVTPL	316,446	-	316,446	-
Liabilities				
Financial liabilities at FVTPL	788,338	-	788,338	-

Item	December 31, 2019			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at FVTPL				
Stocks and beneficial certificates	\$ 1,257,942	\$ 554,399	\$ 500,000	\$ 203,543
Bills	91,656,052	-	91,656,052	-
Hybrid financial assets	10,078,449	120,203	1,334,797	8,623,449
Negotiable certificates of deposit	69,631,538	-	69,631,538	-
Bonds	99,992	-	99,992	-
Financial assets at FVTOCI				
Equity instruments	3,003,645	2,018,913	130,028	854,704
Debt instruments	139,109,125	-	139,109,125	-
Liabilities				
Financial liabilities at FVTPL	4,462	-	4,462	-
<u>Derivative financial instruments</u>				
Assets				
Financial assets at FVTPL	189,220	-	189,220	-
Liabilities				
Financial liabilities at FVTPL	529,120	-	529,120	-

2) Valuation techniques and assumptions applied for the purpose of measuring the fair values

In a fair deal, the transaction is fully understood and there is willingness to achieve by the two sides in exchange of assets or settle of liabilities, fair value is the amount settled. Financial instruments at fair value through profit or loss and available-for-sale financial assets refer to quoted market prices for fair value. If quoted market prices are not available, then fair value is determined by using a valuation technique.

a) Marking-to-market

This measurement should be used first. Following are the factors that should be considered when using marking-to-market:

- i. Ensure the consistency and completeness of market data.
- ii. The source of market data should be transparent, easy to access, and should come from independent resources.
- iii. Listed securities with high liquidity and representative closing prices should be valued at closing prices.
- iv. Unlisted securities which lack tradable closing prices should use quoted middle prices from independent brokers and follow the guidelines required by regulatory authorities.

b) Marking-to-model

The marking-to-model is used if marking-to-market is infeasible. This valuation methodology is based upon the market parameters to derive the value of the positions and incorporate estimates, as well as assumptions consistent with acquirable information generally used by other market participants to price financial instruments.

Fair values of forward contracts used by the Group are estimated based on the forward rates provided by Reuters. Fair values of interest rate swap and cross-currency swap contracts are based on counterparties' quotation, using the Murex⁺ information system to capture market data from Reuters for calculating the fair value assessment of individual contracts. Option trading instruments use option pricing model commonly used in the market (ex: Black-Scholes model) to calculate the fair value.

- i. Level 1 - quoted prices in active markets for identical assets or liabilities. Active markets are markets with all of the following conditions: (i) the products traded in the market are homogeneous, (ii) willing parties are available anytime in the market, and (iii) price information is available to the public.
- ii. Level 2 - inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e., prices) or indirectly (i.e., derived from prices).
- iii. Level 3 - inputs not based on observable market data (unobservable inputs. i.e., option pricing model of historical volatility, due to historical volatility could not represent the overall market participants' volatility expectations of the future).

3) Reconciliation of the financial instruments classified in Level 3

For the year ended December 31, 2020

Financial Assets	Financial Assets at Fair Value Through Profit or Loss		Financial Assets at Fair Value Through Other Comprehensive Income Equity Instruments	Total
	Hybrid Financial Assets	Equity Instruments		
Beginning balance	\$ 8,623,449	\$ 203,543	\$ 854,704	\$ 9,681,696
Recognition in profit or loss - gains (losses) on financial assets or liabilities measured at fair value through profit or loss	12,301	(31,305)	-	(19,004)
Recognition in other comprehensive income - unrealized gains (losses) on financial assets at fair value through other comprehensive income	-	-	54,804	54,804
Purchases	10,349,800	89,352	147,544	10,586,696
Disposals	(9,888,900)	(3,032)	(232,528)	(10,124,460)
Other	-	(126,100)	-	(126,100)
Ending balance	<u>\$ 9,096,650</u>	<u>\$ 132,458</u>	<u>\$ 824,524</u>	<u>\$ 10,053,632</u>

For the year ended December 31, 2019

Financial Assets	Financial Assets at Fair Value Through Profit or Loss		Financial Assets at Fair Value Through Other Comprehensive Income Equity Instruments	Total
	Convertible Bonds	Equity Instruments		
Beginning balance	\$ 6,498,395	\$ 71,499	\$ 856,518	\$ 7,426,412
Recognition in profit or loss - gains (losses) on financial assets or liabilities measured at fair value through profit or loss	11,954	11,549	-	23,503
Recognition in other comprehensive income - unrealized gains (losses) on financial assets at fair value through other comprehensive income	-	-	193,597	193,597
Purchases	10,184,500	193,797	1,068	10,379,365
Disposal	(8,071,400)	(73,302)	(282,760)	(8,427,462)
Transfer into Level 3	-	-	86,281	86,281
Ending balance	\$ 8,623,449	\$ 203,543	\$ 854,704	\$ 9,681,696

The assets held at the balance sheet date, which were included in the profit and loss and the unrealized gains and losses for the years ended December 31, 2020 and 2019, were consisted of \$36,186 thousand and \$24,586 thousand in profit, respectively.

Some of the Group's investment targets were withdrawn for the year ended December 31, 2019. After evaluation, there is no fair market price for reference, so they have been transferred from Level 1 to Level 3. The Group had no significant transfers for December 31 2020.

4) Transfers between Level 1 and Level 2

The Group had no significant transfers between Level 1 and Level 2 for the years ended December 31, 2020 and 2019.

5) Sensitivity to using reasonable alternative in assumption against Level 3 fair value

The fair value measurement of financial instruments is reasonable, although the use of different valuation models or parameters may lead to different evaluation results. For the fair value measurements of structured bonds which fall under Level 3 of the fair value hierarchy, they are evaluated according to counterparty quotes; for bonds and convertible bonds for asset swaps which have no quoted market prices, they are evaluated using the future cash flows discounted model. Were there to be a 10% or 1 basis point change in either direction of the quotes from respective counterparties or in discount rates and all other conditions remained the same, the effects on the income and other comprehensive income for the years ended December 31, 2020 and 2019 periods would be as follows:

For the year ended December 31, 2020

Item	Movement: Upward/ Downward	Effect on Profit and Loss		Effect on Other Comprehensive Income	
		Favorable	Unfavorable	Favorable	Unfavorable
Convertible bond	1BP	\$ 1,379	\$ (1,379)	\$ -	\$ -
Equity instruments	10%	13,246	(13,246)	91,274	(91,274)

For the year ended December 31, 2019

Item	Movement: Upward/ Downward	Effect on Profit and Loss		Effect on Other Comprehensive Income	
		Favorable	Unfavorable	Favorable	Unfavorable
Convertible bond	1BP	\$ 1,244	\$ (1,244)	\$ -	\$ -
Equity instruments	10%	20,354	(20,354)	93,844	(93,844)

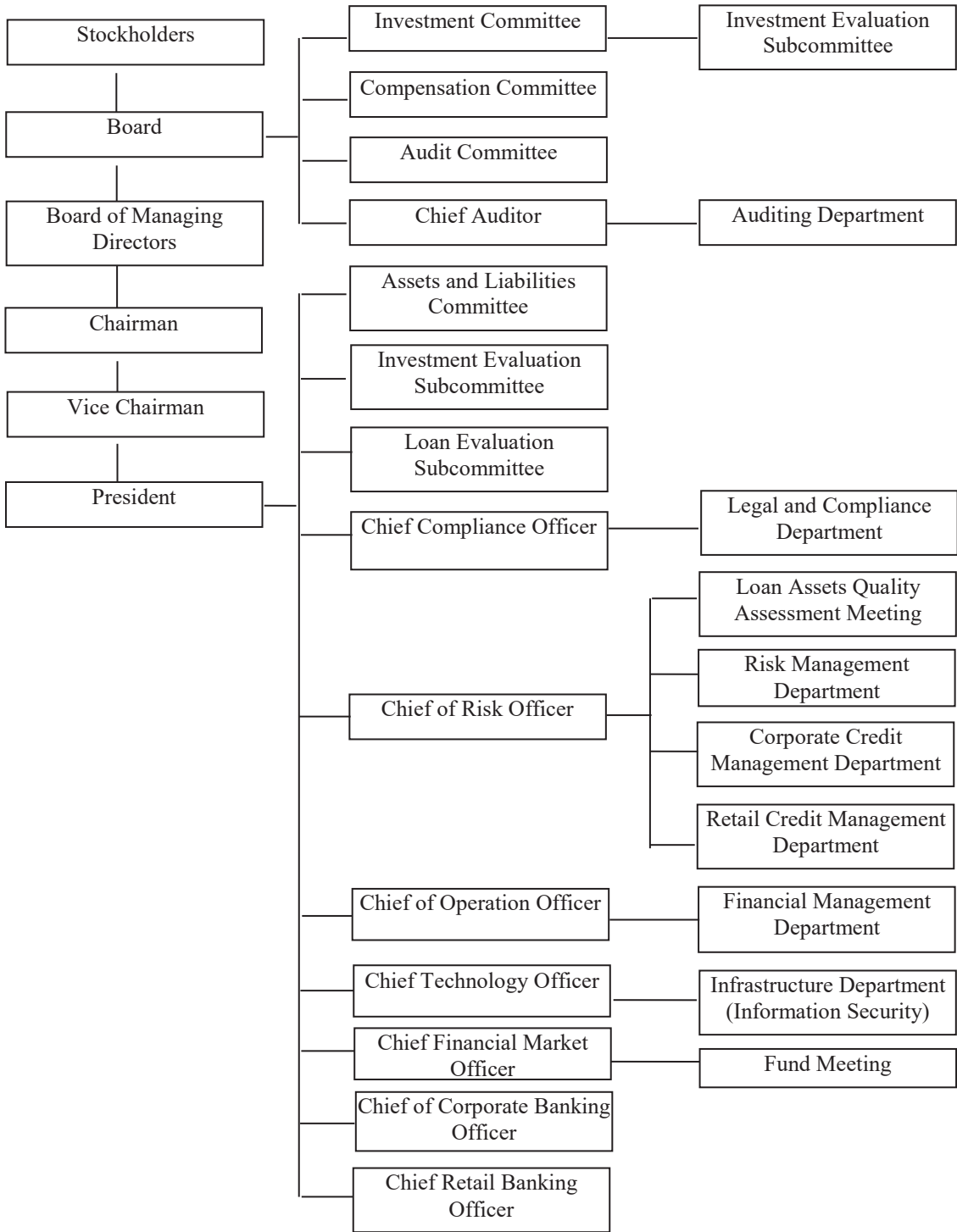
46. FINANCIAL RISK MANAGEMENT

a. Overview

For the potential expected and unexpected risk, the Group establishes a comprehensive risk management system to distribute resource effectively and enhance competitiveness by ensuring that all operating risks are controlled to an acceptable extent. The Group continues to engage actively in the capital adequacy ratio with in the accordance to the regulator's requirements and monitors to meet the international requirement of the Basel Commission.

b. Risk management framework

Ultimate responsibility for setting the Bank's risk appetite rests with the board of director. The Auditing Department, Audit Committee, Investment Committee and Compensation Committee report to the board of director. Assets and Liabilities Committee, Investment Evaluation Subcommittee, and Loan Evaluation Subcommittee, which are under the President, hold Capital Meetings and Quality Evaluation of Assets Meetings for discussing and considering risk management proposals regularly. The Risk Management Department is responsible for establishing a total scheme of risk management and monitoring the execution of such management.



- 1) Assets and Liabilities Committee: Responsible for overseeing and reviewing of significant issues and policies relating to management of assets and liabilities, liquidity risk, interest rate sensitivity, market risk, as well as review the allocation of asset and liability and capital adequacy. It holds assets and liabilities management meeting once a month.
- 2) Loan Evaluation Subcommittee: The subcommittee reviews the loan cases rendered by the Corporate Credit Management Department and Retail Credit Management Department. After passing, the provisions should still be submitted to the level of competence review.
- 3) Investment Evaluation Subcommittee: Assessing and reviewing the investment cases transferred by the ministry of investment, they shall still be submitted to the “Investment Review Committee” as required and submitted to the standing committee for consideration and approval.
- 4) Loan and investment assets held for various businesses:
 - a) Loan assets quality assessment meeting
 - i. Assess the status of credit asset quality and decide/review the strategy and course of action to be taken.
 - ii. Assess the probable loss of loan assets and discuss the adequacy of allowance for credit losses, assurance of responsibility to prepare and its recognition.
 - iii. Pass cases of credit assets which should be recognize loss, and mark the proposal to the board.
 - b) Investment assets quality assessment meeting
 - i. Access the status of investment asset quality from Rank 5 to 8, and choose the action to be taken.
 - ii. Authorized the investment assess result provide by evaluation staff. The composition of evaluation result is consisted with period, industries, economic recycle and evaluation method suggested by accounting principal.
 - iii. Access the probable loss of investment assets, pass cases of investment loss recognition, and make the proposal to the board of director.
 - iv. Track the status of customers still in operating which were full recognized as loss.

China Bills Finance Corporation’s (CBF) board of directors has the ultimate responsibility for risk framework decision making and oversees the implementation of risk management. Business risk management which is headed by the President is comprised of Financial Assets and Liabilities Management Committee, Business Committee and the Investment Commission for the joint implementation of market risk, credit risk, operational risk control, and other set of business and oversight of the audit office, and the business risk control management unit case. To effectively manage the overall risk and risks associated with integration of information, CBF has defined risk assessment methods and has summarized risk positions for the risk management group responsible for implementing the risk management operations.

c. Credit risk

1) Sources and definition of credit risk

Credit risk is the potential loss due to the failure of counterparty to meet its obligations to pay the Group in accordance with agreed terms. The source of credit risks includes the subjects in the balance sheet and off-balance sheet items.

2) Strategy/objectives/policies and procedures

- a) Credit risk management strategy: The Bank implements the relevant provisions of the principles of credit risk management requirement and establish the Bank's credit risk management mechanism to ensure that credit risk control is within effective but affordable range, and maintain adequate capital, and execute sound management of the Bank credit risk, and achieve operational and management objectives.
- b) Credit risk management objectives: Through appropriate risk management strategies, policies and procedures, application of the principle of risk diversification, implementation of the Bank's credit risk management, to minimize potential financial losses and pursue optimal rewards.

Sound risk management systems and control processes, strengthened information integration, analysis and early warning validation, make credit management and monitoring to ensure compliance with laws and regulations, the Bank's standards, as serve to maintaining high credit standards and asset quality.

- c) Credit risk management policy: To establish risk management system and to ensure the integrity of business risk management and compliance, the Bank stipulated its "Risk Management Policy" which is in accordance with the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" issued by the FSC. The Bank keeps its capital adequately, achieves the goal of credit risk strategy and creates risk adjusted return maximization plan under the Bank's acceptable range of credit risk.

d) Credit risk management process:

i. Risk identification

Credit risk management process begins with the identification of existing and potential risks, including all the transactions in banking book and trading book, balance sheet and off-balance sheet transactions. With financial innovation, as new credit businesses become increasingly complex; business executives in order do existing and new credit businesses, should be fully aware of the complexity involved in the business of re-order business and other cases or transactions to be able to identify any possibility of having an event of default.

ii. Risk measurement

- i) The Bank manages asset portfolios by the risk rating scale.

The risk rating scale qualifies the default possibilities of debtors and operation difficulty possibilities of investees in the next year. Risk ratings must actually be scaled when the individual credit and investment accounts are approved. The continual change of the market gives rise to the change in credit or investment household. Therefore, risk ratings must be reevaluated and updated often to adjust the risk rating scale when it is verified.

ii) Portfolio management:

- It is used to ensure the risk of loan is within the tolerable scope.
- “Concentrative risks” are concentration-limited, avoiding the risks to be overly centralized to sufficiently diversify the risk.
- It achieves the optimal profits.

iii. Risk communication

- i) Internal reporting: Risk management position shall establish appropriate credit risk reporting mechanism for regular statistical reporting and the preparation of a variety of business risk management reports which contain correct, consistent, and real-time credit risk reporting information to ensure any exceptions can be acted on immediately, and as a reference for decision-making. The above communication may include asset quality, portfolio rating classification status, and all kinds of exception reports.
- ii) External disclosure: To comply with the requirements for capital adequacy supervisory review and market discipline principles, the business director of credit risk level should prepare reports in the format specified by the competent authority showing contents, methods and frequency to provide information on the credit risk of the Bank’s quantitative, qualitative indicators to illustrate the self-assessment and credit risk management system and disclose information about capital and other capital adequacy matters.

iv. Risk monitoring

- i) The Bank shall establish monitoring system to assess the changes in credit risk of borrower or counterparty or issuer (e.g., bonds issuer and guarantor of issuers of equity related products, derivatives counterparties’ credit rating information and credit information), to serve timely detection of problems on assets or transactions, and take immediate action to cope with the possible breach.
- ii) Besides monitoring the individual credit risk, the Bank also deal with credit portfolio monitoring and management.
- iii) Establish stringent credit processes, credit standards and loan management; the project includes the credit factors that should be considered for new credit and credit transfer period, commitment to the periodic review of credit, maintenance of credit records and the proportion of various types of loans in the credit portfolio.
- iv) Establish quota management system to avoid excessive concentration of credit risk to nationality, industry types, same group, same relations, etc.
- v) Establish collateral management system to ensure that collaterals can be effectively managed.

3) Credit risk management and framework

- a) Board of Directors: Responsible for authorizing and reviewing the credit risk management strategies and approving the credit risk management framework. The strategy reflects the level of risk that the Bank can tolerate and the level of profitability that the Bank expects to achieve under various credit risks.

- b) Audit Committee: Responsible for the stipulation and amendment on issues relating to internal control framework, effectiveness of internal control framework, acquisition or disposal of assets or derivatives, monitoring of directors' self-interest issues, appointment or dismissal of the CPA and internal auditors, and other important issues ruled by the FSC.
 - c) Risk Management Committee: Responsible for the risk management policies, various risk management regulations, annual risk appetites, limits, risk management proposals for the board of directors' approval levels and various risk management mechanisms, supervise and review credit, market, operations, liquidity, information security, AML, personal data protection, emergencies and other risk management, improve the Bank's risk management mechanism to ensure the effective implementation of the Bank's risk management procedures.
 - d) Assets and Liabilities Committee: Holds asset/liability management meeting to inspect asset/liability management, liquidity risk, interest rate sensitivity risk management, market risk, BIS management and in charge of making decisions on policies.
 - e) Loan Evaluation Subcommittee: Reviews the loan cases rendered by the corporate credit management department and retail credit management department. After passing the provisions, they are still need to be submitted to the competent level for review.
 - f) Loan Assets Quality Evaluation Meeting: In charge of making policies and strategies for identifying the possibilities of loss on credit assets. The Bank evaluates the adequacy of the allowance for credit assets.
 - g) The Risk Management Department: Independent risk management unit which is in charge of risk management and responsible for the related operations of credit risks. It also makes sure the Bank follows the BASEL regulations. It is also responsible for the preparation of risk management reports presented to appropriate management, and plans to establish monitoring tools for credit risk measurement.
 - h) Corporate Credit Management Department: Supervises the establishment of corporate finance risk identification, measurement, monitoring and management, preparation of regulatory review of credit grading, devising and enhancement of deed lists, deed for credit and guarantee amount control, proper release and other release matters.
 - i) Retail Credit Management Department: Manages personal financial risk, identifies, measures, monitors the allowance for bad debts, and prepares for bad debts presentation, loss assessment and post-loan management.
- 4) The scope and characteristics of credit risk reports and measurement system

For the credit risks implicated in all products and business activities, new products and business, the Bank regularly monitors the credit risk management and is authorized by the board of directors or appropriate committee.

Credit risk measurement and control procedures include credit review, rating scoring, credit control, post-loan management and collection operations. The risk management units regularly provide analysis reports of various types of credit risk and asset quality in addition to the above operational procedures for management indicators. In addition, the Bank also actively controls and periodically reports the monitoring results to the board of directors to grasp the risk situations faced by the state, the group, the industry, the same related parties and the related enterprise risks.

In order to understand the risk appetite and its changes in the financial environment and the impact on capital adequacy, the Bank handles its credit according to the “Regulation on Stress Test Operation for Banks” and “Bank Credit Risk Stress Test Guidelines” issued by the FSC, as an important basis for credit risk management, and continues to adjust the direction of business development, credit policy and credit evaluation procedures.

5) Mitigation of risks or hedging of credit risk and monitoring the risk avoidance

The Bank primarily applies the following risk mitigation tools to reduce extent of credit risk exposures: (1) by requiring the counterparty or third parties to provide collateral, (2) the balance sheet netting: Credit is backed by the counterparty’s bank deposits (on-balance sheet netting), (3) third party guarantees.

Credit risk mitigation tools can reduce or transfer credit risk, but may give rise to other residual risks, including: Legal risk, operational risk, liquidity risk and market risk. The Bank adopted stringent procedures necessary to control these risks, such as policy formulation, development of operating procedures to conduct credit checks and evaluation, system implementation, contract control and so on.

The Bank has developed collateral management policies and operating procedures, including recognition of collateral data, and building of collateral management system. The Bank uses a computing platform for mitigation of complex risk and completes the required collateral to offset data field collection and analysis, and links credit systems and collateral management system information to build up capital provision.

6) Maximum exposure to credit risk

The maximum credit risk exposure amount of financial assets is the book value of the specific asset on the balance sheet date. The analysis of the maximum credit exposure amount (excluding the fair value of collateral) of each off-balance sheet financial instrument held by the Bank and its subsidiaries is as follows:

Off-balance Sheet Item	Maximum Exposure Amount	
	December 31, 2020	December 31, 2019
Financial guarantees and irrevocable documentary letter of credit		
Contract amounts	\$ 145,888,269	\$ 129,913,751
Maximum exposure amounts	145,888,269	129,913,751
Loan commitments	42,770,934	52,430,535

7) Concentrations of credit risk exposure

Concentration of credit risk exist when the counterparty includes only one specific person or include many people who engage in similar business which are similar in economic characteristics. The emergence of concentrations of credit risk includes the operating activities property of the debtor. The Group does not concentrate on single customer or counterparty in trading but have similar counterparty, industry and geographic region on the loan business (including loan commitments and guarantees and commercial bond issuing commitments).

On December 31, 2020 and 2019, the Group's significant concentration of credit risk were summarized as follows (only the top three are shown below):

a) By industry

Credit Risk Profile by Industry Sector	December 31, 2020		December 31, 2019	
	Amount	%	Amount	%
Financial intermediary	\$ 78,116,172	26	\$ 80,703,164	26
Real estate	56,497,428	19	59,667,556	20
Manufacturing	63,281,714	21	66,421,881	22

b) By counterparty

Credit Risk Profile by Industry Sector	December 31, 2020		December 31, 2019	
	Amount	%	Amount	%
Private sector	\$ 150,712,058	81	\$ 168,455,809	86
Natural person	35,461,639	19	28,502,648	14

c) By geographical area

Credit Risk Profile by Industry Sector	December 31, 2020		December 31, 2019	
	Amount	%	Amount	%
Domestic	\$ 122,417,279	66	\$ 123,721,500	63
America	31,854,819	17	37,043,347	19
Other Asia area	25,203,739	14	27,253,098	14

8) Credit quality and impairment assessment of financial assets

Some financial assets such as cash and cash equivalents, due from Central Bank and call loan to other banks, financial asset at fair value through profit or loss, bills and bonds purchased under resell agreements, refundable deposits, operating deposits and settlement fund are regarded as very low credit risk owing to the good credit rating of counterparties.

The related financial asset impairment valuation is as follows:

a) Credit business (including loan commitments and guarantees)

On each reporting date, the Group assesses the change in the default risk of financial assets and considers reasonable and corroborative information that shows the credit risk has increased significantly since initial recognition, including the overdue status of credit assets from clients, actual repayment situations, credit investigation results, announcements of dishonored checks and negotiations of the debts from other financial institutions, or information that the debtor has reorganized or is likely to reorganize, to determine whether the credit risk has increased significantly.

The Group adopts the 12-month ECLs for the evaluation of the loss allowance of financial instruments whose credit risk has not increased significantly since initial recognition and adopts the lifetime ECLs for the evaluation of the loss allowance of financial instruments whose credit risk has increased significantly since initial recognition or which are credit-impaired.

The Group considers both the 12-month and lifetime probability of default ("PD") of the borrower together with the loss given default ("LGD"), multiplied by the exposure at default ("EAD"), and considers the impact of the time value of money in order to calculate the 12-month ECLs and lifetime ECLs, respectively.

The PD refers to the borrower's probability to default, and the LGD refers to losses caused by such default. The Group applies the PD and LGD for the impairment assessment of the credit business according to each group entity's historical information (such as credit loss experience) from internal statistical data and adjusts such historical data based on the current observable and forward-looking macroeconomic information. It then calculates the respective impairment by applying the progressive one factor model.

Considering the impact of COVID-19 to the overall economy, the Bank has adjusted the weights of the assessment factors to reflect the estimated influence of the economic indicator changes on the default rate.

The Group estimates the balance of each account based on the method of amortization and considers the possible survival rate in order to calculate the EAD. In addition, the Group estimates the 12-month ECLs and lifetime ECLs of loan commitments based on the guidelines issued by the Bank's Association and Basel Accords. The Group calculates the EAD of expected credit losses by considering the portion of the loan commitments expected to be used within 12 months after the reporting date as compared with the expected lifetime of the loan commitments.

The Group uses the same definitions for default and credit impairment of financial assets. If one or more of the conditions are met, for instance, the financial assets are overdue for more than 90 days or the credit investigation appears to be abnormal, then the Group determines that the financial assets have defaulted and are credit-impaired.

Credit assets are classified into five categories. In addition to the first category of credit assets, which are normal credit assets classified as sound assets, the remaining credit assets are classified as unsound assets and assessed according to the respective collateral and the length of time in which the respective payments become overdue. Such unsound credit assets are then categorized within the second category if they should only be noted; within the third category if they have substandard expected recovery; within the fourth category if their collectability is highly doubtful; and within the fifth category if they are considered uncollectable. The Group also sets up policies for the management of provisions for doubtful credit assets and the collection and settlement of overdue debts in order to deal with collection problems.

b) Credit risk management for investments in debt instruments

The Group only invests in debt instruments that are rated the equivalent of investment grade or higher and have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies. The Bank and its subsidiaries' exposure and the external credit ratings are continuously monitored. The Bank and its subsidiaries review changes in bond yields and other public information and make an assessment as to whether there has been a significant increase in credit risk since the last period to the current reporting date.

In order to minimize credit risk, the Group has tasked its credit management committee with developing and maintaining a credit risk grading framework for categorizing exposures according to the degree of risk of default. The credit rating information may be obtained from independent rating agencies where available, and if not available, the credit management committee uses other publicly available financial information to rate the debtors.

The Group considers the historical default rates of each credit rating supplied by external rating agencies, the current financial condition of debtors, and industry forecasts to estimate 12-month or lifetime expected credit losses.

The Group's current credit risk grading mechanism is as follows:

Category	Description	Basis for Recognizing Expected Credit Losses (ECLs)
Performing	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12m ECLs
Doubtful	There has been a significant increase in credit risk since initial recognition	Lifetime ECLs - not credit-impaired
In default	There is evidence indicating the asset is credit-impaired	Lifetime ECLs - credit-impaired

The Group's gross carrying amounts of investments in debt instruments by credit category was as follows:

Category	December 31	
	2020	2019
Performing	\$ 163,611,133	\$ 136,955,987
Doubtful	1,000,025	1,400,040
In default	-	-

The allowance for impairment loss of investments in debt instruments at FVTOCI and at amortized cost for the years ended December 31, 2020 and 2019, grouped by credit rating, is reconciled are summarized as follows:

	Credit Rating		
	Performing (12-month ECLs)	Doubtful (Lifetime ECLs - Not Credit- impaired)	Total
Balance at January 1, 2020	\$ 38,272	\$ 8,136	\$ 46,408
New financial assets purchased or originated	8,544	685	9,229
Derecognition of financial assets	(3,772)	-	(3,772)
Change in model or risk parameters	(254)	-	(254)
Exchange rates or others	<u>(242)</u>	<u>-</u>	<u>(242)</u>
Balance at December 31, 2020	<u>\$ 42,548</u>	<u>\$ 8,821</u>	<u>\$ 51,369</u>

	Credit Rating		
	Performing (12-month ECLs)	Doubtful (Lifetime ECLs - Not Credit- impaired)	Total
Balance at January 1, 2019	\$ 35,671	\$ -	\$ 35,671
Transfers			
Performing to doubtful	(923)	923	-
New financial assets purchased or originated	7,651	7,213	14,864
Derecognition of financial assets	(3,167)	-	(3,167)
Change in model or risk parameters	(873)	-	(873)
Exchange rates or others	<u>(87)</u>	<u>-</u>	<u>(87)</u>
Balance at December 31, 2019	<u>\$ 38,272</u>	<u>\$ 8,136</u>	<u>\$ 46,408</u>

In addition to the above, the credit quality analysis of the remaining financial assets of the Bank and its subsidiaries is as follows:

a) Credit analysis for receivables and discounts and loans

December 31, 2020

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Difference of Impairment Loss Under Regulations	Total
Receivables	\$ 15,070,846	\$ 86,938	\$ 226,280	\$ -	\$ 15,384,064
Allowance for credit losses	(220,734)	(25,785)	(175,691)	-	(422,210)
Difference of impairment loss under regulations	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,995)</u>	<u>(8,995)</u>
Net total	<u>\$ 14,850,112</u>	<u>\$ 61,153</u>	<u>\$ 50,589</u>	<u>\$ (8,995)</u>	<u>\$ 14,952,859</u>

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Difference of Impairment Loss Under Regulations	Total
Discounts and loans	\$ 167,034,025	\$ 17,442,689	\$ 1,696,982	\$ -	\$ 186,173,696
Allowance for credit losses	(530,975)	(194,967)	(352,887)	-	(1,078,829)
Difference of impairment loss under regulations	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,383,894)</u>	<u>(1,383,894)</u>
Net total	<u>\$ 166,503,050</u>	<u>\$ 17,247,722</u>	<u>\$ 1,344,095</u>	<u>\$ (1,383,894)</u>	<u>\$ 183,710,973</u>

December 31, 2019

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Difference of Impairment Loss Under Regulations	Total
Receivables	\$ 16,348,342	\$ 190,010	\$ 425,106	\$ -	\$ 16,963,458
Allowance for credit losses	(196,173)	(35,928)	(226,869)	-	(458,970)
Difference of impairment loss under regulations	<u>-</u>	<u>-</u>	<u>-</u>	<u>(21,314)</u>	<u>(21,314)</u>
Net total	<u>\$ 16,152,169</u>	<u>\$ 154,082</u>	<u>\$ 198,237</u>	<u>\$ (21,314)</u>	<u>\$ 16,483,174</u>

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Difference of Impairment Loss Under Regulations	Total
Discounts and loans	\$ 177,477,719	\$ 16,398,011	\$ 3,082,728	\$ -	\$ 196,958,458
Allowance for credit losses	(265,977)	(77,304)	(403,522)	-	(746,803)
Difference of impairments loss under regulations	-	-	-	(1,965,426)	(1,965,426)
Net total	<u>\$ 177,211,742</u>	<u>\$ 16,320,707</u>	<u>\$ 2,679,206</u>	<u>\$ (1,965,426)</u>	<u>\$ 194,246,229</u>

b) Credit analysis for marketable securities

December 31, 2020

	At FVTOCI - Debt Instruments
Gross carrying amount	\$ 164,611,158
Allowance for impairment loss	<u>(51,369)</u>
Amortized cost	164,559,789
Fair value adjustment	<u>1,830,557</u>
	<u>\$ 166,390,346</u>

December 31, 2019

	At FVTOCI - Debt Instruments
Gross carrying amount	\$ 138,356,027
Allowance for impairment loss	<u>(46,408)</u>
Amortized cost	138,309,619
Fair value adjustment	<u>799,506</u>
	<u>\$ 139,109,125</u>

9) Aging analysis for overdue but not yet impaired financial assets

Delays in processing payments by borrowers and other administrative reasons could result in financial assets which are overdue but not yet impaired.

As of December 31, 2020 and 2019, the Group had no financial assets which were overdue but not impaired.

d. Liquidity risk

1) Source and definition of liquidity risk

Liquidity is the Group's capacity to realize assets, obtain financing or funds to meet obligations at maturity, including deposits and off-balance sheet guarantees.

Liquidity risk is the risk that the Group is unable to meet its payment obligation and to operate normally.

2) Management strategy and principles of liquidity risk

- a) Liquidity risk management process should be able to adequately identify, measure effectively, monitor continuously, and properly control of the Group's liquidity risk, to ensure that banks both in normal operating environments or under pressure, have sufficient funds to cope assets or settle liabilities when due.
- b) Manage current assets to ensure that the Group have enough instantly-realized assets to deal with currency risks.
- c) Capital management should include regular review of the asset and liability structure, and proper configuration of assets and liabilities, and should take into account the realization of assets and the stability of financing sources to plan combinations of funding sources to ensure that the Group's liquidity.
- d) To establish an appropriate information system to measure, monitor and report liquidity risk.
- e) The setting of the measurement systems or models should include important factors which affect the currency risks of the Bank fund (including the introduction of new products or services) for managing current risks to help the Bank to evaluate and monitor the fund currency risks in the regular condition and under pressure.
- f) To use early warning tools and continuously monitor and report liquidity risk profile, and set liquidity risk limits, with due consideration of business strategy, operational characteristics and risk preference factors.
- g) In addition to the monitoring of the capital requirements, under normal business conditions, the Group should regularly conduct stress tests to evaluate the assumptions in the liquidity position and ensure that banks have sufficient liquidity to withstand stress scenarios; assessment should be made to view liquidity risk management indicators and reasonableness of limits.
- h) Develop appropriate action plans to respond to possible occurrence of liquidity crisis, and regularly review such plans to ensure that the action plans are in line with the Bank's operating environment and conditions, and can continue to play its role effectively.

As of December 31, 2020 and 2019, the liquidity reserve ratio was 46.39% and 45.89%, respectively.

- 3) The analysis of cash inflow and outflow of non-derivative financial liabilities held was prepared according to the remaining periods from reporting date to contractual maturity date. The maturity analysis of non-derivative financial liabilities was as follows:

December 31, 2020	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Deposits from the Central Bank and other banks	\$ 21,479,755	\$ -	\$ -	\$ -	\$ 7,000,000	\$ 28,479,755
Financial liabilities at fair value through profit or loss	-	-	-	-	1,960	1,960
Bills and bonds sold under repurchase agreements	139,138,761	39,633,058	2,450,172	11,866	-	181,233,857
Payables	1,350,419	296,256	224,223	680,370	151,903	2,703,171
Deposits and remittances	51,209,846	84,746,765	37,206,852	50,379,624	44,176,585	267,719,672
Bank debentures payable	-	1,300,000	1,000,000	600,000	13,500,000	16,400,000
Other financial liabilities	5,591,440	2,023,964	1,371,701	1,868,192	7,247,466	18,102,763
Lease liabilities	12,336	29,097	39,871	75,686	315,950	472,940
	<u>\$ 218,782,557</u>	<u>\$ 128,029,140</u>	<u>\$ 42,292,819</u>	<u>\$ 53,615,738</u>	<u>\$ 72,393,864</u>	<u>\$ 515,114,118</u>

December 31, 2019	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Deposits from the Central Bank and other banks	\$ 33,236,111	\$ 3,203,287	\$ -	\$ -	\$ 7,000,000	\$ 43,439,398
Financial liabilities at fair value through profit or loss	4,462	-	-	-	-	4,462
Bills and bonds sold under repurchase agreements	120,253,258	38,101,977	1,019,705	298,895	-	159,673,835
Payables	1,917,900	223,488	655,705	801,963	82,460	3,681,516
Deposits and remittances	59,938,891	87,304,453	35,541,433	51,156,436	31,790,611	265,731,824
Bank debentures payable	-	-	2,300,000	-	16,400,000	18,700,000
Other financial liabilities	2,254,831	2,475,778	824,186	2,906,201	4,448,263	12,909,259
Lease liabilities	13,625	26,616	38,988	75,071	398,865	553,165
	<u>\$ 217,619,078</u>	<u>\$ 131,335,599</u>	<u>\$ 40,380,017</u>	<u>\$ 55,238,566</u>	<u>\$ 60,120,199</u>	<u>\$ 504,693,459</u>

- 4) The Group assessed based contractual maturities at the balance sheet to understand all the basic elements of derivative financial instruments. The maturity analysis of derivative financial liabilities was as follows:

December 31, 2020	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Deliverable						
Forward contracts	\$ 12,252	\$ 21,126	\$ 5,384	\$ 3,957	\$ -	\$ 42,719
Currency swap contracts	211,140	268,534	114,314	88,245	-	682,233
Others	3,658	2,511	342	2,031	36,510	45,052
	<u>227,050</u>	<u>292,171</u>	<u>120,040</u>	<u>94,233</u>	<u>36,510</u>	<u>770,004</u>
Non-deliverable						
Interest rate swap contracts	-	-	2,992	1,158	14,184	18,334
	<u>\$ 227,050</u>	<u>\$ 292,171</u>	<u>\$ 123,032</u>	<u>\$ 95,391</u>	<u>\$ 50,694</u>	<u>\$ 788,338</u>
Deliverable						
Forward contracts	\$ 6,694	\$ 5,392	\$ 2,743	\$ 1,001	\$ -	\$ 15,830
Currency swap contracts	134,012	220,821	59,724	23,383	-	437,940
Others	2,191	78	972	106	-	3,347
	<u>142,897</u>	<u>226,291</u>	<u>63,439</u>	<u>24,490</u>	<u>-</u>	<u>457,117</u>
Non-deliverable						
Interest rate swap contracts	-	-	-	16,182	55,821	72,003
	<u>\$ 142,897</u>	<u>\$ 226,291</u>	<u>\$ 63,439</u>	<u>\$ 40,672</u>	<u>\$ 55,821</u>	<u>\$ 529,120</u>

- 5) The maturity analysis of off-balance sheet items shows the remaining balance from the balance sheet date to the maturity date. For the sent financial guarantee contracts, the maximum amounts are possibly asked for settlement in the earliest period. The amounts in the table below were on cash flow basis; therefore, some disclosed amounts will not match with the consolidated balance sheet.

December 31, 2020	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Unused letters of credit	\$ 500,885	\$ 309,705	\$ 99,347	\$ -	\$ -	\$ 909,937
Other guarantees	50,971,514	78,156,967	11,193,704	4,626,849	29,298	144,978,332
Loan commitments	3,614,999	7,229,999	10,844,998	21,080,938	-	42,770,934
	<u>\$ 55,087,398</u>	<u>\$ 85,696,671</u>	<u>\$ 22,138,049</u>	<u>\$ 25,707,787</u>	<u>\$ 29,298</u>	<u>\$ 188,659,203</u>
December 31, 2019	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Unused letters of credit	\$ 403,001	\$ 826,879	\$ 132,285	\$ -	\$ -	\$ 1,362,165
Other guarantees	43,119,200	72,169,983	8,528,891	4,684,122	49,390	128,551,586
Loan commitments	1,379,509	2,759,017	4,138,525	8,277,050	35,876,434	52,430,535
	<u>\$ 44,901,710</u>	<u>\$ 75,755,879</u>	<u>\$ 12,799,701</u>	<u>\$ 12,961,172</u>	<u>\$ 35,925,824</u>	<u>\$ 182,344,286</u>

e. Market risk

1) Source and definition of market risk

Market risk is defined as an unfavorable change in market prices (such as interest rates, exchange rates, stock prices and commodity prices) which may cause financial instruments classified in trading book a potential loss on or off the balance sheet.

2) Market risk management strategy and process

The Bank manage the market risk with active, careful attitude.

The Bank makes the profit majorly by doing trading business through knowing well correctly how market risk of factors fluctuate. (e.g., market price, exchange rate, interest rate). More violent the market risk factors fluctuate, the bigger the opportunity of the implicit profit is. When preparing the Annual Trading Budget Report of the trading business, the Bank will refer to the overall economic and industrial analysis of the Bank itself and also the other similar business. After discussed to the full and stipulated by the president, the trading department and the market risk management department, it is submitted to the Assets and Liabilities Committee and the board of directors with the plan of stop-loss quotas and product parts quotas to avoid setting up the goal in an impracticable way that leads the dealer to take more risk on operating.

The Bank sets up definite management rules and risk management indicators for different trading business and its risk attribute, and stipulates exposure amount, submission of expiration, authorizing management and ways of disposure. Implement certainly and ensure the trading department to abide by the discipline to control the market risk exposure extent in a safe range.

3) Market risk management organization and framework

- a) The Board of Directors: It is the top market risk supervising organization. The product part quotas and total annual stop-loss quotas of the trading business market risk monitored and managed by the Bank, approved by the board of directors, are the top stipulation in market risk management.
- b) Assets and Liabilities Committee: In charge of stipulating market risk management policy and monitoring the operating of market risk management. The Bank assembles related departments to hold an assets-and-liabilities assessment meeting to review the market risk management policy and the next year proposal of product parts quotas and annual stop-loss of the trading business expected to be submitted to Board.
- c) Risk Management Department: In charge of market risk management. According to the Bank's regulation, the department is in charge of every operation related to market risk management, including planning of market risk limit, statistics, reporting and monitoring.

4) Market risk report and evaluation system

The Bank setup the risk index, exposure amount and authority levels by products' type (e.g. equity, interest rate, currency exchange rate).

The Bank setup the limit amount of trading and loss, and other index including VaR, MAT limit, 20-Day average liquidity and FS sensitivity limit to enhance the risk control system.

The Bank calculates the risk exposure amount of the trade department and traders based on authorized amount, and submits risk report, monitors the limits and executes the following measures.

The Bank sets up the index of stop loss to control the risk of transaction including bonds, Forex, securities and derivative by building the risk evaluation module, and monitor the loss caused by the fluctuation of stock market, exchange rate and interest rates.

5) Value at Risk

The Bank adopts Value at Risk to evaluate trading book products such as rate financial instruments, TWD interest products and market risks of trading assets IPO stocks. When market factors happen negative changes, Value at Risk reveals the potential losses of holding financial instruments during a certain period and in a confidence interval. The bank adopts Monte Carlo method to estimate Value at Risk, the confidence interval is 99%, the sample interval of rate and stock products is the past year, the sample interval of interest products is the past three years, simulation times is 5,000 times, simulation path is GBM.

The following table illustrates the Value at Risk of the Bank, this risk value is based on confidence interval, estimated in one day potential losses and assumed unfavorable interest and rate changes can cover all possible fluctuation in one day. Based on this assumption, the Value at Risk of financial assets and liabilities in the table have one in hundred days possibility more than the amount in the table due to the fluctuation of interest, rate and stock prices. Annual average value, maximum value and minimum value are calculated based on daily Value at Risk. The total market risk value of the bank is less than the sum of the fair value risk value, rate risk value and price risk value of interest changes.

O-Bank

	December 31					
	Average	2020 High	Low	Average	2019 High	Low
Currency exchange rate risk	\$ 2,701	\$ 5,282	\$ 352	\$ 1,507	\$ 4,271	\$ 20
Fair value risk resulting from interest rate	4,043	6,925	1,243	1,421	5,410	121
Fair value resulting from stock price	9,019	16,652	1,526	5,999	14,831	812

6) Foreign currency rate risk information

The information of significant foreign financial assets and liabilities is as follows:

Unit: Foreign Currencies (Thousands)/NT\$(Thousands)

	December 31, 2020		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary item			
USD	\$ 2,488,873	28.5083	\$ 70,953,550
JPY	1,535,130	0.2763	424,210
HKD	6,380,651	3.6774	23,464,080
EUR	20,543	35.0416	719,868
AUD	204,922	21.9686	4,501,838
RMB	2,755,208	4.3665/4.3822	12,036,006
Investments accounted for using the equity method			
RMB	180,891	4.3665	789,863

(Continued)

December 31, 2020			
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial liabilities</u>			
Monetary item			
USD	\$ 2,994,593	28.5083	\$ 85,370,790
JPY	2,569,136	0.2763	709,943
HKD	4,719,183	3.6774	17,354,229
EUR	9,831	35.0416	344,494
AUD	8,597	21.9686	188,874
RMB	1,954,158	4.3822	8,563,414
			(Concluded)

December 31, 2019			
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary item			
USD	\$ 2,739,381	30.1107	\$ 82,484,755
JPY	2,524,040	0.2770	699,261
HKD	7,807,860	3.8680	30,200,802
EUR	25,308	33.7536	854,220
AUD	1,652	21.0967	34,842
RMB	2,516,282	4.3218/4.3231	10,874,917

Financial liabilities

Monetary item			
USD	3,567,802	30.1107	107,429,113
JPY	1,483,011	0.2770	410,853
HKD	4,926,752	3.8680	19,056,676
EUR	14,796	33.7536	499,413
AUD	7,009	21.0967	147,871
RMB	1,811,762	4.3218	7,830,108

f. Banking book interest rate risk

1) Source and definition of interest rate risk of banking book

Banking book's interest rate risk means the probably loss of non-trading book's position within balance sheet and off-balance sheet arise from interest change.

2) Management strategy and process of interest rate risk of banking book

The Bank controls this interest rate risk with a positive and strict attitude. The Bank hopes to pursue the stability and growth of surplus without liquidity flaws.

The Bank set the clear management methods and risk management indicators with different trading, investment and risk, and set the report of risk amount and over limit, approved level and reaction plan. The Bank executes the procedures clearly, establishes a trading discipline that upholds the discipline of investment, and controls the interest rate risk of banking book within the limit.

3) Management organization and framework of interest rate risk of banking book

- a) The Board of Directors: It is the top organization to supervise interest rate risk of banking book. The product part quotas and total annual stop-loss quotas of the trading business market risk monitored and managed by the Bank and approved by the board of director are the top stipulation in bank book interest risk.
- b) Assets and Liabilities Committee: In charge of stipulating risk management policy of interest rate risk of banking book and monitoring the risk management operating of interest rate risk of banking book. The Bank assembles related departments to hold an assets-and-liabilities assessment meeting to review the risk management conditions of interest rate risk of banking book and the result of interest rate pressure test once a month.
- c) Risk Management Department: In charge of risk management of interest rate risk of banking book. According to the Bank's regulation, the department is in charge of every operation related to management of interest rate risk of banking book, including planning limits, statistics, reporting and monitoring.

4) The extent and characteristics of interest rate risk report and evaluation system of banking book

The Risk Management Department set the regulation with interest rate risk of banking book as follow, limit of position, annual stop buying maximum loss limit, FS sensitivity limit, duration limit, Individual Investment Target Warning Limits, Individual Investment Target stop buying limit, Tier I Capital Interest Rate Sensitivity Warning Limit-Rising/falling interest rates by 1bp, net income interest rate sensitivity warning limit: Interest rate rise/fall 25bps, 50bps, 75bps, 100bps.

In summary, it is intended to enhance the risk control framework of interest rate risk of banking book.

Besides, the Risk Management Department executes the following tests to assess the impact to the Bank's net income in each quarter, including the interest rate pressure test and special situation pressure test, and reports the result to the Assets and Liabilities Committee.

The Risk Management Department calculates the exposure amount of each trading departments and traders, and it also reports the risk reports, monitors over-limits, and performs follow-up actions under the regulations.

g. Average amount and average interest rate of interest-earning assets and interest-bearing liabilities

Interest rate fluctuations affect the earning assets and interest-bearing liabilities, and current average interest rates are as follows:

O-Bank

	For the Year Ended December 31			
	2020		2019	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>				
Due from banks (part of cash and cash equivalents and other financial assets)	\$ 963,688	1.19	\$ 1,083,859	2.69
Call loans to other banks	9,081,872	0.76	14,720,683	1.56
Due from the Central Bank	5,315,272	0.46	5,087,055	0.63
Financial assets at FVTPL	66,571,088	0.52	66,204,070	0.64
Bills and bonds purchased under resell agreements	13,156	0.13	34,904	0.16
Discounts and loans	172,849,123	2.17	178,218,274	2.65
Financial assets at FVTOCI	51,321,095	0.93	37,853,046	1.89
Investments in debt instruments at amortized costs	-	-	271,215	1.15
Receivables	1,218,615	1.61	1,232,168	2.45
<u>Interest-bearing liabilities</u>				
Deposits from the Central Bank and other banks	32,330,827	0.68	25,504,367	1.94
Demand deposits	50,459,872	0.33	46,431,809	0.48
Time deposits	192,091,535	0.88	193,697,613	1.37
Bills and bonds sold under repurchase agreements	2,256,438	0.32	4,082,774	0.50
Bank debentures payable	17,355,191	2.02	18,671,233	2.03

China Bills Finance Corporation (CBF)

	For the Year Ended December 31			
	2020		2019	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>				
Cash and cash equivalents (including certificate of deposits)	\$ 765,369	0.06	\$ 818,427	0.12
Call loans to banks	67,757	0.20	35,342	0.20
Financial assets at fair value through profit or loss - bonds and bills	88,593,970	0.49	92,696,926	0.61
FTVOCI - debt instruments	99,597,371	1.31	97,982,784	1.35
Financial instruments at fair value through profit or loss - hybrid financial assets	9,704,665	1.47	7,691,212	1.55
Securities purchased under resell agreements	4,300,649	0.22	1,197,135	0.34
<u>Interest-bearing liabilities</u>				
Deposits from other banks	13,971,217	0.41	16,404,175	0.77
Bank overdraft	1,308	1.59	2,046	1.78
Securities sold under repurchase agreements	163,287,187	0.44	159,903,209	0.64
Commercial paper payable	1,885,246	0.43	865,753	0.62

47. CAPITAL MANAGEMENT

a. Strategies to maintain capital adequacy

The Groups' common equity ratio of Tier I capital ratio and capital adequacy ratio required by the competent authority shall comply with the minimum capital ratio for each year; leverage ratio measurement basis is subject to the competent authorities. The calculation of the ratio mentioned above by competent authority regulations.

b. Capital assessment program

Measures are taken when capital ratio and leverage ratio deteriorates such as regular calculation, analysis, monitoring and reporting, the annual allocation of each business's capital adequacy ratio targets and regularly tracking the target achievement rate in the capital.

c. Capital adequacy ratio

O-Bank

Items \ Year			December 31, 2020	
			Standalone Capital Adequacy Ratio	Consolidated Capital Adequacy Ratio
Eligible capital	Common equity		\$ 26,668,441	\$ 26,668,441
	Other Tier 1 capital		300,001	300,001
	Tier 2 capital		2,843,868	2,843,868
	Eligible capital		29,812,310	29,812,310
Risk-weighted assets	Credit risk	Standardized approach	204,697,317	204,697,317
		Internal rating based approach	-	-
		Securitization	-	-
	Operational risk	Basic indicator approach	9,020,363	9,020,363
		Standardized/alternative standardized approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standardized approach	21,536,500	21,536,500
		Internal model approach	-	-
	Total risk-weighted assets		235,254,180	235,254,180
Capital adequacy ratio			12.67%	12.67%
Ratio of common equity to risk-weighted assets			11.34%	11.34%
Ratio of Tier 1 capital to risk-weighted assets			11.46%	11.46%
Leverage ratio			7.49%	7.49%

Items \ Year			December 31, 2019	
			Standalone Capital Adequacy Ratio	Consolidated Capital Adequacy Ratio
Eligible capital	Common equity		\$ 25,023,843	\$ 43,690,516
	Other Tier 1 capital		639,356	2,223,697
	Tier 2 capital		4,212,975	7,492,885
	Eligible capital		29,876,174	53,407,098
Risk-weighted assets	Credit risk	Standardized approach	188,883,844	305,810,019
		Internal rating based approach	-	-
		Securitization	-	-
	Operational risk	Basic indicator approach	8,785,450	9,966,550
		Standardized/alternative standardized approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standardized approach	15,774,738	86,130,688
		Internal model approach	-	-
	Total risk-weighted assets		213,444,032	401,907,257
Capital adequacy ratio			14.00%	13.29%
Ratio of common equity to risk-weighted assets			11.72%	10.87%
Ratio of Tier 1 capital to risk-weighted assets			12.02%	11.42%
Leverage ratio			7.31%	7.07%

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

Note 2: Formulas used were as follows:

- 1) Eligible capital = Common equity + Other Tier 1 capital + Tier 2 capital.
- 2) Risk-weighted assets = Risk-weighted asset for credit risk + Capital requirements for operational risk and market risk x 12.5.
- 3) Capital adequacy ratio = Eligible capital ÷ Risk-weighted assets.
- 4) Ratio of common equity to risk-weighted assets = Common equity ÷ Risk-weighted assets.
- 5) Ratio of Tier 1 capital to risk-weighted assets = (Common equity + Other Tier 1 capital) ÷ Risk-weighted assets.
- 6) Leverage ratio = Tier 1 capital ÷ Exposure measurement.

According to the Banking Law and other related regulations, in order to improve the financial foundation of banks, the Bank's standalone and consolidated capital adequacy ratio shall not be lower than 10.5%. The ratio of Tier 1 capital shall not be lower than 8.5%. The ratio of common equity shall not be lower than 7.0%. Should any actual ratios be lower than the requirements, the central competent authority has the right to constrain the earnings distribution.

China Bills Finance Corporation

		Year	December 31, 2020	December 31, 2019
Items				
Eligible capital	Tier 1 capital		\$ 23,899,222	\$ 23,198,939
	Tier 2 capital		172,840	108,144
	Tier 3 capital		753,504	295,820
	Eligible capital		24,825,566	23,602,903
Risk-weighted assets	Credit risk		125,949,038	120,219,765
	Operational risk		3,807,116	3,993,818
	Market risk		64,163,236	61,676,900
	Total risk-weighted assets		193,919,390	185,890,483
Capital adequacy ratio (Note)			12.80%	12.70%
Ratio of Tier 1 capital to risk-weighted assets (Note)			12.32%	12.48%
Ratio of Tier 2 capital to risk-weighted assets (Note)			0.09%	0.06%
Ratio of Tier 3 capital to risk-weighted assets (Note)			0.39%	0.16%
Ratio of common shareholders' equity to total assets (Note)			6.15%	6.80%

Note: Formulas used were as follows:

- 1) Capital adequacy ratio = Eligible capital ÷ Risk-weighted assets.
- 2) The amount of total assets used in the calculation refers to all assets in the balance sheets.
- 3) The capital adequacy ratios (CARs) should be computed at the end of June and December. In the reports of the first-quarter and the third-quarter the CARs disclosed are based on the data of the last preceding period, i.e., the end of December and the end of June, respectively.
- 4) Eligible capital and risk-weighted assets are calculated under the "Regulations Governing the Capital Adequacy Ratio of Bills Finance Companies" and "Explanation of Methods for Calculating the Eligible Capital and Risk-weighted Assets of Bills Finance Companies."

48. ASSET QUALITY, CONCENTRATION OF CREDIT EXTENSIONS, INTEREST RATE SENSITIVITY, PROFITABILITY AND DISCLOSURE OF RELATED INFORMATION OF INDUSTRY REGULATIONS OF MATURITY ANALYSIS OF ASSETS AND LIABILITIES

O-Bank

a. Credit risk

- 1) Asset quality of loans: See Table 6.
- 2) Concentration of credit extensions

December 31, 2020

Rank	Industry of Group Enterprise	Credit Extensions Balance	% of Net Asset Value
1	A Group (real estate development)	\$ 6,070,402	17.07
2	B Group (unclassified other financial service)	5,000,000	14.06
3	C Group (real estate development)	3,948,600	11.11
4	D Group (real estate development)	3,463,866	9.74
5	E Group (glass and glass made products manufacturing)	2,867,564	8.06
6	F Group (retail sale of other food, beverages and tobacco in specialized stores)	2,694,711	7.58
7	G Group (non-hazardous waste treatment industry)	2,565,020	7.21
8	H Group (short-term accommodation activities)	2,506,680	7.05
9	I Group (mixed concrete development)	2,378,896	6.69
10	J Group (ocean transportation)	2,288,233	6.44

December 31, 2019

Rank	Industry of Group Enterprise	Credit Extensions Balance	% of Net Asset Value
1	A Group (real estate development)	\$ 5,753,105	17.30
2	B Group (unclassified other financial service)	5,000,000	15.03
3	H Group (short-term accommodation activities)	3,216,788	9.67
4	E Group (glass and glass made products manufacturing)	3,184,329	9.57
5	D Group (real estate development)	2,855,678	8.59
6	J Group (ocean transportation)	2,817,127	8.47
7	G Group (non-hazardous waste treatment industry)	2,740,563	8.24
8	F Group (retail sale of other food, beverages and tobacco in specialized stores)	2,361,262	7.10
9	K Group (real estate development)	2,275,244	6.84
10	L Group (unclassified other financial service)	2,200,000	6.61

- Note 1: The list shows top 10 rankings by total amount of credit, endorsement or other transactions but excludes government-owned or state-run enterprises. If the borrower is a member of a group enterprise, the total amount of credit, endorsement or other transactions of the entire group enterprise must be listed and disclosed by code and line of industry. The industry of the group enterprise should be presented as the industry of the member firm with the highest risk exposure. The lines of industry should be described in accordance with the Standard Industrial Classification System of the Republic of China published by the Directorate - General of Budget, Accounting and Statistics under the Executive Yuan.
- Note 2: Group enterprise refers to a group of corporate entities as defined by Article 6 of “Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings”
- Note 3: 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, accounts receivable factored without recourse, acceptances and guarantees.

b. Market risk

Interest Rate Sensitivity Balance Sheet (New Taiwan Dollars)
December 31, 2020

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	\$ 166,617,648	\$ 27,109,896	\$ 19,442,085	\$ 13,240,863	\$ 226,410,492
Interest rate-sensitive liabilities	86,971,113	53,710,041	46,607,835	31,028,330	218,317,319
Interest rate-sensitive gap	79,646,535	(26,600,145)	(27,165,750)	(17,787,467)	8,093,173
Net worth					31,587,200
Ratio of interest rate-sensitive assets to liabilities					103.71%
Ratio of interest rate sensitivity gap to net worth					25.62%

December 31, 2019

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	\$ 176,652,492	\$ 16,509,588	\$ 22,630,970	\$ 17,618,963	\$ 233,412,013
Interest rate-sensitive liabilities	84,975,570	55,369,472	45,670,081	38,253,295	224,268,418
Interest rate-sensitive gap	91,676,922	(38,859,884)	(23,039,111)	(20,634,332)	9,143,595
Net worth					29,743,152
Ratio of interest rate-sensitive assets to liabilities					104.08%
Ratio of interest rate sensitivity gap to net worth					30.74%

- Note 1: The above amounts included only New Taiwan dollar amounts held by the Bank and excluded contingent assets and contingent liabilities items.
- Note 2: Interest rate-sensitive assets and liabilities mean the revenues or costs of interest-earning assets and interest-bearing liabilities affected by interest rate changes.
- Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.
- Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities (in New Taiwan dollars).

Interest Rate Sensitivity Balance Sheet (U.S. Dollars)
December 31, 2020

(In Thousands of U.S. Dollars)

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	\$ 1,386,743	\$ 45,633	\$ 14,858	\$ 838,439	\$ 2,285,673
Interest rate-sensitive liabilities	1,142,565	874,559	148,455	40	2,165,619
Interest rate-sensitive gap	244,178	(828,926)	(133,597)	838,399	120,054
Net worth					120,088
Ratio of interest rate-sensitive assets to liabilities					105.54%
Ratio of interest rate sensitivity gap to net worth					99.97%

December 31, 2019

(In Thousands of U.S. Dollars)

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	\$ 1,395,585	\$ 3,927	\$ 28,169	\$ 926,845	\$ 2,354,526
Interest rate-sensitive liabilities	1,587,278	566,081	116,022	-	2,269,381
Interest rate-sensitive gap	(191,693)	(562,154)	(87,853)	926,845	85,145
Net worth					90,510
Ratio of interest rate-sensitive assets to liabilities					103.75%
Ratio of interest rate sensitivity gap to net worth					94.07%

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

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

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

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

c. Liquidity risk

1) Profitability

(In %)

Items		For the Year Ended December 31, 2020	For the Year Ended December 31, 2019
Return on total assets	Before income tax	0.37	0.36
	After income tax	0.35	0.33
Return on equity	Before income tax	3.59	3.71
	After income tax	3.33	3.37
Net income ratio		24.67	20.74

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 revenue.

Note 4: Income before (after) income tax represents income for the years ended December 31, 2020 and 2019.

2) Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities (New Taiwan Dollars)
December 31, 2020

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 262,332,096	\$ 64,095,871	\$ 20,700,615	\$ 22,974,910	\$ 23,836,815	\$ 30,968,773	\$ 99,755,112
Main capital outflow on maturity	295,589,959	18,721,529	26,002,566	72,207,928	33,181,228	67,024,836	78,451,872
Gap	(33,257,863)	45,374,342	(5,301,951)	(49,233,018)	(9,344,413)	(36,056,063)	21,303,240

December 31, 2019

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 263,936,011	\$ 86,414,796	\$ 17,965,942	\$ 19,571,792	\$ 14,933,468	\$ 20,455,947	\$ 104,594,066
Main capital outflow on maturity	300,088,366	26,069,687	23,807,444	63,323,723	28,391,885	55,193,251	103,302,376
Gap	(36,152,355)	60,345,109	(5,841,502)	(43,751,931)	(13,458,417)	(34,737,304)	1,291,690

Note: The above amounts included only New Taiwan dollar amounts held by the Bank.

Maturity Analysis of Assets and Liabilities (U.S. Dollars)
December 31, 2020

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 3,300,572	\$ 989,563	\$ 742,797	\$ 349,232	\$ 248,629	\$ 970,351
Main capital outflow on maturity	3,381,571	1,122,743	933,356	429,820	268,086	627,566
Gap	(80,999)	(133,180)	(190,559)	(80,588)	(19,457)	342,785

December 31, 2019

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 3,260,012	\$ 866,871	\$ 911,524	\$ 325,670	\$ 161,334	\$ 994,613
Main capital outflow on maturity	3,480,736	1,236,624	1,128,140	349,850	214,910	551,212
Gap	(220,724)	(369,753)	(216,616)	(24,180)	(53,576)	443,401

Note 1: The above amounts included only U.S. dollar amounts held by the Bank.

Note 2: If the overseas assets are at least 10% of the total assets, there should be additional disclosures.

Maturity Analysis of Overseas Branch's Assets and Liabilities (U.S. Dollars)
December 31, 2020

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 1,189,456	\$ 646,460	\$ 127,635	\$ 52,502	\$ 45,992	\$ 316,867
Main capital outflow on maturity	1,169,148	328,887	276,564	143,306	114,680	305,711
Gap	20,308	317,573	(148,929)	(90,804)	(68,688)	11,156

December 31, 2019

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 1,103,727	\$ 384,098	\$ 305,702	\$ 28,774	\$ 25,942	\$ 359,211
Main capital outflow on maturity	1,092,355	305,634	412,616	151,193	46,871	176,041
Gap	11,372	78,464	(106,914)	(122,419)	(20,929)	183,170

China Bills Finance Corporation

a. Asset quality

Item	Period	December 31, 2020	December 31, 2019
Balance of guarantees and endorsement credits overdue within 3 months		\$ -	\$ -
Nonperforming debts (include overdue receivables)		-	-
Credits under observation		-	-
Overdue receivables		-	-
Ratio of non-performing debts		0.00%	0.00%
Ratio of non-performing debts and credits under observation		0.00%	0.00%
Required provision for credit losses and reserve for losses on guarantees		1,196,691	1,207,848
Actual provision for credit losses and reserve for losses on guarantees		1,375,077	1,325,077

b. The principal operation

Item	Period	December 31, 2020	December 31, 2019
Balance of guarantees and endorsement securities		\$ 109,165,300	\$ 108,292,200
Multiple of guarantees and endorsement securities to net worth		4.84	4.94
Short-term bills and bonds sold under repurchase agreement		\$ 179,794,171	\$ 156,809,643
Multiple of short-term bills and bonds sold under repurchase agreement to net worth		7.98	7.15

c. The provision policy and allowance for doubtful accounts, refer to Note 13.

d. Concentrations of credit extensions

(In %)

Item \ Period	December 31, 2020		December 31, 2019	
Credit of the common interested party	\$ -		\$ -	
Ratio of credit extensions to common interest parties	-		-	
Ratio of credit extensions secured by pledged share	22.68		23.02	
Loan concentration by industry (ratio of top three industries to which credit line issued to credit extension balance)	Type of Industry	%	Type of Industry	%
	Finance and insurance industry	32.73	Finance and insurance industry	33.51
	Manufacturing industry	21.57	Manufacturing industry	22.00
	Real estate industry	26.38	Real estate industry	24.02

Note 1: Ratio of credit extensions to common interest related parties: Credit to common interest related party ÷ Total credit.

Note 2: Ratio of credit extensions secured by pledged stocks: Credit with stocks pledged ÷ Total credit.

Note 3: Total credit included guarantees, endorsement notes and overdue credit (including overdue receivables, accounts receivable, and notes receivable).

e. Interest rate sensitivity information of the balance sheet

December 31, 2020

(In Millions of New Taiwan Dollars)

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	\$ 101,567	\$ 8,343	\$ 7,059	\$ 97,571	\$ 214,540
Interest rate-sensitive liabilities	187,907	2,447	12	-	190,366
Interest rate-sensitive gap	(86,340)	5,896	7,047	97,571	24,174
Net worth					25,449
Ratio of interest rate-sensitive assets to liabilities (%)					112.70
Ratio of interest rate sensitivity gap to net worth (%)					94.99

December 31, 2019

(In Millions of New Taiwan Dollars)

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	\$ 82,919	\$ 8,734	\$ 7,245	\$ 94,970	\$ 193,868
Interest rate-sensitive liabilities	169,877	1,017	297	-	171,191
Interest rate-sensitive gap	(86,958)	7,717	6,948	94,970	22,677
Net worth					23,855
Ratio of interest rate-sensitive assets to liabilities (%)					113.25
Ratio of interest rate sensitivity gap to net worth (%)					95.06

Note 1: Interest rate-sensitive assets and liabilities mean the revenues or costs of interest-earning assets and interest-bearing liabilities affected by interest rate changes.

Note 2: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities (in New Taiwan dollars).

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

f. The use of funding sources table

December 31, 2020

(In Millions of New Taiwan Dollars)

Period		1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Items						
Cash used in	Bills	\$ 55,095	\$ 37,074	\$ 3,944	\$ 101	\$ -
	Bonds	1,599	2,801	4,399	6,958	97,571
	Due from banks	265	-	-	-	-
	Call loans	-	-	-	-	-
	Securities purchased under resell agreements	4,162	571	-	-	-
	Total	61,121	40,446	8,343	7,059	97,571
Cash provided by	Borrowing	10,639	-	-	-	-
	Securities sold under repurchase agreements	138,066	39,202	2,447	12	-
	Eligible capital	-	-	-	-	25,449
	Total	148,705	39,202	2,447	12	25,449
Net cash flows		(87,584)	1,244	5,896	7,047	72,122
Accumulated cash flows		(87,584)	(86,340)	(80,444)	(73,397)	(1,275)

December 31, 2019

(In Millions of New Taiwan Dollars)

Period		1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Items						
Cash used in	Bills	\$ 33,932	\$ 44,304	\$ 3,974	\$ 253	\$ -
	Bonds	2,203	2,135	4,760	6,992	94,970
	Due from banks	245	-	-	-	-
	Call loans	-	-	-	-	-
	Securities purchased under resell agreements	100	-	-	-	-
	Total	36,480	46,439	8,734	7,245	94,970
Cash provided by	Borrowing	14,501	-	-	-	-
	Securities sold under repurchase agreements	117,328	38,048	1,017	297	-
	Eligible capital	-	-	-	-	23,855
	Total	131,829	38,048	1,017	297	23,855
Net cash flows		(95,349)	8,391	7,717	6,948	71,115
Accumulated cash flows		(95,349)	(86,958)	(79,241)	(72,293)	(1,178)

g. Matters requiring special notation

Causes	December 31, 2020	December 31, 2019
Within the past year, a responsible person or professional employee violated the law in the course of business, resulting in an indictment by a prosecutor	None	None
Within the past year, a fine was levied on for violations of the Act Governing Bills Finance Business and the other laws	None	None
Within the past year, misconduct occurred, resulting in the Ministry of Finance's imposing strict corrective measures	None	None
Within the past year, the individual loss or total loss from employee fraud, accidental and material events, or failure to abide by the "Guidelines for Maintenance of Soundness of Financial Institutions" which exceeded NT\$50 million dollars	None	None
Other	None	None

Note: The term "within the past year" means one year before the balance sheet date.

49. CASH FLOWS INFORMATION

Changes in Liabilities from Financing Activities

For the year ended December 31, 2020

	January 1, 2020	Cash Inflow (Outflow)	None-cash Change		December 31, 2020
			Add Leasing	Other	
Bank debentures payable	\$ 18,700,000	\$ (2,300,000)	\$ -	\$ -	\$ 16,400,000
Lease liabilities	498,832	(175,620)	52,701	68,746	444,659
Other financial liabilities	12,909,259	5,152,844	-	40,660	18,102,763
Other liabilities	<u>2,416,851</u>	<u>(168,551)</u>	<u>-</u>	<u>1,255</u>	<u>2,249,555</u>
	<u>\$ 34,524,942</u>	<u>\$ 2,508,673</u>	<u>\$ 52,701</u>	<u>\$ 110,661</u>	<u>\$ 37,196,977</u>

For the year ended December 31, 2019

	January 1, 2019	Cash Inflow (Outflow)	None-cash Change		December 31, 2019
			Add Leasing	Other	
Bank debentures payable	\$ 17,850,000	\$ 850,000	\$ -	\$ -	\$ 18,700,000
Lease liabilities	542,298	(172,883)	166,337	(36,920)	498,832
Other financial liabilities	15,034,414	(2,125,274)	-	119	12,909,259
Other liabilities	<u>2,434,637</u>	<u>(17,822)</u>	<u>-</u>	<u>36</u>	<u>2,416,851</u>
	<u>\$ 35,861,349</u>	<u>\$ (1,465,979)</u>	<u>\$ 166,337</u>	<u>\$ (36,765)</u>	<u>\$ 34,524,942</u>

50. OTHERS

The Bank has evaluated the economic impact of the COVID-19. Until the issue date of the consolidated financial statements, the Bank found no significant impact on its financial condition and operations through its relevant risk management and control procedures.

51. ADDITIONAL DISCLOSURES

- a. Related information of significant transactions and investees and
- b. Names, locations, and other information of investees over which the Bank exercises significant influence
 - 1) Financing provided: The Group - not applicable; investees - Table 1 (attached)
 - 2) Endorsement/guarantee provided: The Group - not applicable; investees - Table 2 (attached)
 - 3) Marketable securities held: The Group - not applicable; investees - Table 3 (attached)
 - 4) Marketable securities acquired and disposed of at costs or prices of at least NT \$300 million or 10% of the paid-in capital - Table 4 (attached)
 - 5) Acquisition of individual real estate at costs of at least NT \$300 million or 10% of the paid-in capital: None
 - 6) Disposal of individual real estate at costs of at least NT \$300 million or 10% of the paid-in capital: None
 - 7) Allowance of service fees to related parties amounting to at least NT \$5 million: None
 - 8) Receivables from related parties amounting to at least NT \$300 million or 10% of the paid-in capital: None
 - 9) Sale of non-performing loans - Table 5 (attached)
 - 10) Information of applying for authorization of securitized product type according to the “Regulations of Financial Assets Securitization or Regulations of Real Estate Securitization”: None
 - 11) Other significant transactions which may affect the decisions of users of individual financial reports: None
 - 12) Related information and total stockholding circumstances of “Name, locations and other information of investees on which the Group exercises significant influence.” Exempt from disclosure. - Table 7 (attached)
 - 13) Derivative instrument transactions: Note 8
- c. Investment in mainland China: Table 8 (attached)
- d. Business relationships and significant transactions among the Group: Table 9 (attached)
- e. Information of major shareholders : List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: Table 10 (attached)

52. OPERATING SEGMENT FINANCIAL INFORMATION

The Group provides CODM to assess segment performance, focusing on the nature of business operations, assets and profit and loss. The accounting policies of each operating segment are described in Note 4. the same significant accounting policies. The Group shall be reported to the operating divisions are as follows:

- a. Bank: Business ruled by Banking Law Article 71.
- b. Overseas: Overseas banking business.
- c. Leasing: Leasing business.
- d. Bills: Bills-related business approved by the competent authority.
- e. Others: Other non-core businesses.

The following was an analysis of the Group's revenue and results by reportable segment.

	Bank	Overseas	Leasing	Bills	Others	Eliminations	Consolidated
For the year ended December 31, 2020							
Net interest							
From unaffiliated segment	\$ 1,915,840	\$ 872,908	\$ 692,110	\$ 543,548	\$ (149)	\$ 417	\$ 4,024,674
From other segment	(1,257)	-	4	-	6	1,222	(25)
	<u>\$ 1,914,583</u>	<u>\$ 872,908</u>	<u>\$ 692,114</u>	<u>\$ 543,548</u>	<u>\$ (143)</u>	<u>\$ 1,639</u>	<u>\$ 4,024,649</u>
Net revenue other than interest							
From unaffiliated segment	\$ 2,710,187	\$ 82,805	\$ 362,766	\$ 1,990,326	\$ 15,321	\$ -	\$ 5,161,405
From other segment	26,705	-	(5,370)	(26,703)	6,065	(1,130,260)	(1,129,563)
	<u>\$ 2,736,892</u>	<u>\$ 82,805</u>	<u>\$ 357,396</u>	<u>\$ 1,963,623</u>	<u>\$ 21,386</u>	<u>\$ (1,130,260)</u>	<u>\$ 4,031,842</u>
Income from continuing operation	<u>\$ 1,147,403</u>	<u>\$ 279,881</u>	<u>\$ 389,218</u>	<u>\$ 1,578,242</u>	<u>\$ 6,442</u>	<u>\$ (1,087,680)</u>	<u>\$ 2,313,506</u>
Identifiable assets	<u>\$ 313,101,403</u>	<u>\$ 28,660,049</u>	<u>\$ 15,061,923</u>	<u>\$ 218,284,001</u>	<u>\$ 272,563</u>	<u>\$ 33,691</u>	<u>\$ 575,413,630</u>
Depreciation and amortization	<u>\$ 526,662</u>	<u>\$ 52,230</u>	<u>\$ 43,757</u>	<u>\$ 13,370</u>	<u>\$ 922</u>	<u>\$ (8,164)</u>	<u>\$ 628,777</u>
Capital expenditures	<u>\$ 63,432</u>	<u>\$ 288</u>	<u>\$ 20,478</u>	<u>\$ 7,618</u>	<u>\$ 4</u>	<u>\$ 199</u>	<u>\$ 92,019</u>
For the year ended December 31, 2019							
Net interest							
From unaffiliated segment	\$ 1,960,682	\$ 1,043,047	\$ 704,638	\$ 176,315	\$ (33)	\$ 333	\$ 3,884,982
From other segment	(3,232)	-	4	-	203	2,915	(110)
	<u>\$ 1,957,450</u>	<u>\$ 1,043,047</u>	<u>\$ 704,642</u>	<u>\$ 176,315</u>	<u>\$ 170</u>	<u>\$ 3,248</u>	<u>\$ 3,884,872</u>
Net revenue other than interest							
From unaffiliated segment	\$ 3,311,854	\$ 47,300	\$ 329,474	\$ 1,873,418	\$ 11,210	\$ -	\$ 5,573,256
From other segment	35,911	-	(5,347)	(34,965)	5,220	(1,146,996)	(1,146,177)
	<u>\$ 3,347,765</u>	<u>\$ 47,300</u>	<u>\$ 324,127</u>	<u>\$ 1,838,453</u>	<u>\$ 16,430</u>	<u>\$ (1,146,996)</u>	<u>\$ 4,427,079</u>
Income from continuing operation	<u>\$ 1,100,433</u>	<u>\$ 420,604</u>	<u>\$ 369,377</u>	<u>\$ 1,244,653</u>	<u>\$ 1,014</u>	<u>\$ (1,105,447)</u>	<u>\$ 2,030,634</u>
Identifiable assets	<u>\$ 320,332,662</u>	<u>\$ 28,636,176</u>	<u>\$ 13,854,997</u>	<u>\$ 197,539,559</u>	<u>\$ 232,563</u>	<u>\$ 104,059</u>	<u>\$ 560,700,016</u>
Depreciation and amortization	<u>\$ 512,931</u>	<u>\$ 56,471</u>	<u>\$ 39,459</u>	<u>\$ 24,484</u>	<u>\$ 1,075</u>	<u>\$ (16,987)</u>	<u>\$ 617,433</u>
Capital expenditures	<u>\$ 97,152</u>	<u>\$ 1,655</u>	<u>\$ 16,472</u>	<u>\$ 10,116</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 125,395</u>

O-BANK AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing (Note 2)	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Notes 3 and 5)	Aggregate Financing Limits (Notes 4 and 5)	Note
													Item	Value			
1	IBT Leasing	Lei Xin Construction	Account receivable - short-term accommodations	No	\$ 54,380	\$ -	\$ -	2-8	2	\$ -	Working capital turnover	\$ -	Real estate	\$ -	278,418	\$ 1,113,674	
		Kuang Ming shipping Corp.	Account receivable - short-term accommodations	No	120,000	-	-	2-8	2	-	Working capital turnover	-	-	-	278,418	1,113,674	
		Inhon Communication Co., Ltd.	Account receivable - short-term accommodations	No	64,912	29,904	29,904	2-8	2	-	Working capital turnover	358	Margin	12,982	278,418	1,113,674	
		Huimin Environmental Tech. Corp.	Account receivable - short-term accommodations	No	2,882	-	-	2-8	2	-	Working capital turnover	-	-	-	278,418	1,113,674	
		Power Home Construction	Account receivable - short-term accommodations	No	58,644	-	-	2-8	2	-	Working capital turnover	-	-	-	278,418	1,113,674	
		United Renewable Energy Co.	Account receivable - short-term accommodations	No	15,089	-	-	2-8	1	77,159	-	-	-	-	278,418	2,784,184	
		An Chieh Bao Corp.	Account receivable - short-term accommodations	No	53,745	29,679	29,679	2-8	2	-	Working capital turnover	308	Margin	6,000	278,418	1,113,674	
		Advanced Wireless and Antenna Inc.	Account receivable - short-term accommodations	No	7,403	-	-	2-8	2	-	Working capital turnover	-	-	-	278,418	1,113,674	
		Yuan Mao Construction Co., Ltd.	Account receivable - short-term accommodations	No	130,000	106,600	106,600	2-8	2	-	Working capital turnover	1,386	Stock	61,600	278,418	1,113,674	
		Taroko Entertainment Co., Ltd.	Account receivable - short-term accommodations	No	64,205	38,907	38,907	2-8	2	-	Working capital turnover	700	Stock	-	278,418	1,113,674	
		Dingyang Industrial Co., Ltd.	Account receivable - short-term accommodations	No	30,000	-	-	2-8	2	-	Working capital turnover	-	-	-	278,418	1,113,674	
		Priority International Finance	Account receivable - short-term accommodations	No	24,000	24,000	24,999	2-8	2	-	Working capital turnover	45	Certificate of deposit	2,400	278,418	1,113,674	
		TRK Corporation	Account receivable - short-term accommodations	No	70,000	-	-	2-8	2	-	Working capital turnover	-	-	-	278,418	1,113,674	
		Qiouding Investment Co., Ltd.	Account receivable - short-term accommodations	No	100,000	96,000	96,000	2-8	2	-	Working capital turnover	1,728	Stock/real estate	51,830	278,418	1,113,674	
2	IBT International Leasing Corp.	Taiwan Star Telecom Corporation Limited	Account receivable - short-term accommodations	No	150,000	150,000	150,000	2-8	1	150,000	-	750	Equipment	33,152	278,418	2,784,184	
		Zhangjiajie Zhongjun Real Estate Co., Ltd.	Entrusted loans	No	33,622	-	-	6-16	2	-	Working capital turnover	-	Real estate	39,243	270,183	1,080,733	
		Suzhou Dong Sheng Machine Co., Ltd.	Entrusted loans	No	19,468	-	-	6-16	2	-	Working capital turnover	-	Real estate	34,522	270,183	1,080,733	
		Suzhou Leading Car Service Co., Ltd.	Entrusted loans	No	40,132	15,128	15,128	6-16	2	-	Working capital turnover	34	Margin	6,550	270,183	1,080,733	
		Nanjing Forland automobile leasing Co., Ltd.	Entrusted loans	No	40,132	15,128	15,128	6-16	2	-	Working capital turnover	34	Margin	6,550	270,183	1,080,733	

Note 1: Explanation:

- a. Issuing entity: 0.
b. Invested companies were sequentially numbered from No. 1.

Note 2: Loan type: Business "1"; short-term financial intermediation "2".

Note 3: IBT Leasing and IBT International Leasing Corp. loaned to individual company were limited by 10% net assets.

Note 4: Each issuing entity's total amount of loans was limited to 40% of IBT Leasing Corp.'s and IBT International Leasing Corp.'s net assets. The loan mentioned formerly which belongs to business transactions is limited to 100% of the Corporation net assets.

O-BANK AND SUBSIDIARIES

**ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2020**
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Endorser/ Guarantor	Endorsee/Guaranteee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 3)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries (Note 4)	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship (Note 2)										
1	IBT Leasing	IBT International Leasing Corp. IBT VII Venture Capital Co., Ltd.	b b	\$ 22,273,474 22,273,474	\$ 12,084,350 80,000	\$ 6,393,987 80,000	\$ 4,307,577 80,000	\$ - -	229.65 2.87	\$ 33,410,211 33,410,211	No No	No No	Yes No

Note 1: Explanation:

- a. Issuing entity: 0.
- b. Invested companies were sequentially numbered from 1.

Note 2: Relationships between the endorsement/guarantee provider and the guaranteed party:

- a. Trading partner.
- b. Directly and indirectly owns over 50% of the common stocks of the subsidiary.
- c. Companies that directly and indirectly hold more than 50% of the voting rights of the company.
- d. The company directly or indirectly holds more than 90% of the voting shares.
- e. Guaranteed by the Bank according to the construction contract.
- f. An investee company, for which the guarantees were provided based on the Bank's proportionate share in the investee company.
- g. The inter-industry is engaged in joint and several guarantees for the performance of the pre-sale house sales contract in accordance with the Consumer Protection Law.

Note 3: Based on the IBT International Leasing Corp's guidelines, the maximum amount of guarantee to its subsidiary, is up to eight times of the IBT International Leasing Corp's net value under direct and indirect holding voting right of stockholders; the maximum amount of guarantee to the IBT International Leasing Corp is up to twelve times of the Bank's net value.

Note 4: The endorsement belongs to the grandson company from IBT International Leasing Corp.

O-BANK AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars and U.S. dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2020			Note
				Stocks/Units (Thousands)	Carrying Amount	Percentage of Ownership (%)	
IBT Holdings	Stocks EverTrust Bank	Subsidiaries	Investments accounted for using the equity method	10,714	US\$ 183,689	91.78	US\$ 183,689
	Closed type beneficiary certificate O-Bank Real Estate Investment Trust “Successful One”	-	Financial asset at FVTOCI	3,059	29,672	1.02	29,672
IBT Management Corp.	Stocks Thunder Tiger Biotechnology Co., Ltd	-	Financial asset at FVTPL	1,773	38,567	7.38	38,567 Note 2
	TaiRx Co., Ltd	-	Financial asset at FVTPL	511	14,794	0.57	14,794 Note 2
	Beauty Essentials International Ltd. (Samoa)	-	Financial asset at FVTPL	25,974	13,303	2.41	13,303 Note 2
	Houdou Pinshan (Cayman) Co., Ltd.	-	Financial asset at FVTPL	500	13,446	2.17	13,446 Note 2
	Shihlien China Holding Corp.	-	Financial asset at FVTPL	19,682	100,055	0.46	100,055 Notes 1, 2
	Ta Chen Stainless Pipe Co. Ltd.	-	Financial asset at FVTPL	1,150	35,995	0.07	35,995
	Shin Kong Financial Holding Co., Ltd. preferred shares B	-	Financial asset at FVTOCI	400	16,940	0.18	16,940
IBT Leasing Co., Ltd.	Closed type beneficiary certificate O-Bank Real Estate Investment Trust “Successful One”	-	Financial asset at FVTOCI	12,260	118,922	4.09	118,922
	Stocks IBT International Leasing Corp. IBT VII Venture Capital Co., Ltd. Shihlien China Holding Corp. Shin Kong Financial Holding Co., Ltd. preferred shares B	Subsidiaries Subsidiaries - -	Investments accounted for using the equity method Investments accounted for using the equity method Financial asset at FVTOCI Financial asset at FVTOCI	- 65,000 32,500 1,700	2,566,740 531,982 165,216 71,995	95.00 100.00 0.75 0.77	2,566,740 531,982 165,216 71,995 Note 1
IBT VII Venture Capital Co., Ltd.	Closed type beneficiary certificate O-Bank Real Estate Investment Trust “Successful One”	-	Financial asset at FVTOCI	14,000	135,800	4.67	135,800

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2020			Note
				Stocks/Units (Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value
Stocks IBT International Leasing Corp. TAIRX Corp. Meridigen Corp. Femcosteel Tech Co., Ltd. Shihlian China Holdings Corp. New Applied Materials Co., Ltd. Polaris Co., Ltd. BioResource International, Inc. Chipwell tech corporation Biocontrol Gene Vaccine Co., Ltd. Reber Genetics Co., Ltd. Kaohsiung Rapid Transit Corporation All Rights Reserved. Shihlien China Holding Corp. Shin Kong Financial Holding Co., Ltd. preferred shares B	Subsidiaries - - - - - - - - - - - - -	Investments accounted for using the equity method Financial asset at FVTPL Financial asset at FVTPL Financial asset at FVTPL Financial asset at FVTPL Financial asset at FVTPL Financial asset at FVTPL Financial asset at FVTPL Financial asset at FVTPL Financial asset at FVTPL Financial asset at FVTPL Financial asset at FVTPL Financial asset at FVTPL Financial asset at FVTPL Financial asset at FVTPL Financial asset at FVTPL	- 3,800 500 1,298 9,135 610 140 1,105 391 1,008 461 3,845 1,350 125	\$ 135,092 110,054 11,334 38,330 46,441 15,775 2,304 82,530 2,994 1,019 6,179 42,806 42,255 5,294	5.00 6.22 0.55 3.10 0.21 0.83 0.02 5.91 2.61 0.98 2.20 1.38 0.08 0.06	\$ 135,092 110,054 11,334 38,330 46,441 15,775 2,304 82,530 2,994 1,019 6,179 42,806 42,255 5,294	Note 2 Notes 1, 2 Note 2 Note 2 Note 2 Note 2 Note 2 Note 2 Note 2 Note 2 Note 2 Note 2 Note 2 Note 2 Note 2

Note 1: The holding company is registered in Hong Kong. The registered capital stock and number of stocks are in Hong Kong dollars and Hong Kong stocks.

Note 2: The securities are transferred within the group and are listed in the financial asset at FVTOCI when they are combined.

(Concluded)

O-BANK AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NTS300 MILLION OR 10% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal		Ending Balance	
					Shares/Units (In Thousands)	Amount	Shares/Units (In Thousands)	Amount	Shares/Units (In Thousands)	Amount	Shares/Units (In Thousands)	Amount
The Bank	Stock Beijing Sunshine Consumer Finance Co., Ltd.	Investments accounted for using the equity method	Beijing Sunshine Consumer Finance Co., Ltd.	-	-	\$ -	200,000	\$ 863,564 (Note 1)	-	\$ -	200,000	\$ 789,863 (Note 2)
								\$ 91,831 (Note 2)				

Note 1: It is the original investment cost.

Note 2: Exchange differences on translating the financial statements of foreign operations were \$9,065 thousand and investment loss were \$82,766 thousand.

O-BANK AND SUBSIDIARIES

SALES OF NONPERFORMING LOANS FOR THE YEAR ENDED DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. Sales of nonperforming loans

Trade Date	Trade Name	Creditor Composition Content	Book Value	Price	Dispose of Profit and Loss	With Agreed Conditions	The Relationship Between the Transaction Object and The Bank
December 14, 2020	Bridging Wealth Capital Management Limited	Six industrial plants and one parking space mortgage debt	\$ 52,780 (Note)	\$ 75,898	\$ 23,118	None	None

Note: Book value equals the amount of the original loan minus the allowance for bad debts.

2. The sale of a batch of nonperforming loans totaling over NT\$1 billion (excluding those sold to related parties): None.

O-BANK AND SUBSIDIARIES

NONPERFORMING LOANS AND ACCOUNTS RECEIVABLE
DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars or in %)

Period	Items	December 31, 2020					December 31, 2019				
		Nonperforming Loans (Note 1)	Outstanding Loan Balance	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)	Nonperforming Loans (Note 2)	Outstanding Loan Balance	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Corporate banking	Secured	\$ 418,641	\$ 74,359,778	0.56%	\$ 910,746	217.55%	\$ 934,247	\$ 82,539,697	1.13%	\$ 1,035,910	110.88%
	Unsecured	288,279	64,041,050	0.42%	860,294	320.67%	379,818	71,471,813	0.53%	1,078,036	283.83%
	Housing mortgage (Note 4)	7,544	15,334,873	0.05%	230,205	3,051.50%	-	13,266,726	-	199,076	-
Consumer banking	Cash card	-	-	-	-	-	-	-	-	-	-
	Small-scale credit loans (Note 5)	310	1,537,037	0.02%	19,537	6,302.26%	2,221	1,072,040	0.21%	11,016	495.99%
	Other (Note 6)	999	5,941,536	0.02%	59,492	5,955.16%	-	4,199,768	-	41,998	-
Total lending business	Secured	9,246	4,886,019	0.19%	103,155	1,115.67%	9,113	3,856,708	0.24%	59,538	653.33%
	Unsecured	705,019	166,100,293	0.42%	2,183,429	309.70%	1,325,399	176,406,752	0.75%	2,425,574	183.01%
		Nonperforming Receivables	Outstanding Receivable Balance	Ratio of Nonperforming Receivables	Allowance for Possible Losses	Coverage Ratio	Nonperforming Receivables	Outstanding Receivable Balance	Ratio of Nonperforming Receivables	Allowance for Possible Losses	Coverage Ratio
Credit cards		-	-	-	-	-	-	-	-	-	-
Factored accounts receivable without recourse (Note 7)		-	869,297	-	9,380	-	-	1,585,725	-	17,004	-
Exempt amount - due to debt negotiation and performance (Note 8)		\$ -	-	Exempt from Reporting the Total Balance of Overdue Loans	Exempt from Reporting the Total Balance of Overdue Loans	Exempt from Reporting the Total Balance of Overdue Loans	Exempt from Reporting the Total Balance of Overdue Loans	Exempt from Reporting the Total Balance of Overdue Loans	Exempt from Reporting the Total Balance of Overdue Loans	Exempt from Reporting the Total Balance of Overdue Loans	Exempt from Reporting the Total Balance of Overdue Loans
Debt settlement plan and rehabilitative program (Note 9)		\$ -	79,994	-	-	-	-	-	-	-	-
Total		-	79,994	-	-	-	-	734	-	-	-
		-	79,994	-	-	-	-	734	-	-	-

Note 1: Nonperforming 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."
Nonperforming 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 Nonperforming loans: Nonperforming loans ÷ Outstanding loan balance.
Ratio of Nonperforming credit card receivables: Nonperforming 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 ÷ Nonperforming 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, the spouse or the minor children of the borrowers.

Note 5: Small-amount pure credit loans that must be governed by the Bank of China Ref. No. 09440010950 dated December 19, 2005 and are not credit cards or cash cards.

Note 6: "Others" in consumer finance refers to other secured or unsecured consumer loans that are not "residential property mortgage", "cash cards", "small amount pure credit loans", excluding credit cards.

Note 7: As required by the Banking Bureau in its letter dated July 19, 2005 (Ref. No. 0945000494), factored accounts receivable without recourse are reported as Nonperforming receivables within three months after the factoring or insurance companies refuse to indemnify banks for any liabilities on these accounts.

Note 8: According to the letter of the Bank of China Ref. No. 09510001270 dated April 25, 2006, the letters of credit and the information disclosure requirements as required by the "Unsecured Debt Negotiation Mechanism for Consumer Financial Cases of the Republic of China Banking Association" should include supplemental disclosures of related matters.

Note 9: According to the letter of the Bank of China Ref. No. 09700318940 dated September 15, 2008 and the letter of the Bank of China Ref. No. 10500134790 dated September 20, 2016 regarding the "Consumer Debt Clearance Regulations" for pre-negotiation, rehabilitation and liquidation cases, credit reporting and the information disclosure requirements should include supplemental disclosures of related matters

O-BANK CO., LTD.**NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES OVER WHICH THE BANK EXERCISES SIGNIFICANT INFLUENCE
DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

Investee Company	Location	Main Business	Percentage of Ownership (%)	Carrying Amount	Investment Gain (Loss)	Consolidated Investment			Note
						Stocks (Thousands)	Pro-forma Share of Ownership	Total Stocks (Thousands)	Percentage of Ownership (%)
Investments accounted for using the equity method Beijing Sunshine Consumer Finance Co., Ltd. China Bills Finance Corp. IBT Holdings Corp. IBT Leasing Co., Ltd. IBT Management Corp.	Beijing City, China	Financing business	20.00	\$ 789,863	\$ (82,766)	200,000	-	200,000	20.00
	Taipei City, Taiwan	Bonds underwriting, dealing and brokerage of securities	28.37	7,152,692	447,728	382,532	-	382,532	28.48
	California, America	Holding company	100.00	5,269,068	256,838	10,869	-	10,869	100.00
	Taipei City, Taiwan	Leasing company	100.00	2,784,548	364,120	264,300	-	264,300	100.00
	Taipei City, Taiwan	Investment consulting	100.00	231,911	16,248	13,400	-	13,400	100.00
<u>Non-financial institution</u>									
Investments accounted for using the equity method Chun Teng New Century Co., Ltd. Financial assets at FVTOCI Taiwan Mobile Payment Co., Ltd. Dio Investment Ltd. Shengzhuang Holdings Limited	Taipei City, Taiwan	Securities investment consulting	99.75	314,026	(12,010)	318,281	-	318,281	99.75
	Taipei City, Taiwan	Information Software Services Industry	0.50	1,622	-	300	-	300	0.50
	Cayman Island	Coffee retail	8.82	44,812	-	6,997	-	6,997	8.82
	Cayman Island	Chemical material manufacturing	2.18	13,074	-	244	-	244	2.18

O-BANK AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Renminbi and U.S. Dollars)

O-Bank

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital (Note 1)	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2020 (Note 1)	Investment Flows (Note 1)		Accumulated Outflow of Investment from Taiwan as of December 31, 2020 (Note 1)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 1)	Carrying Amount as of December 31, 2020 (Note 1)	Accumulated Inward Remittance of Earnings as of December 31, 2020
					Outflow	Inflow					
Shihlien Chemical Industrial Jiangsu Co.	Production of glass materials	\$ 22,806,648 (US\$ 800,000)	Note 2 c.	\$ 196,650 (US\$ 6,898)	-	\$ 196,650 (US\$ 6,898)	\$ -	-	\$ -	\$ -	\$ -
Shihlien Brine Huaian Co.	Production of glass materials	912,266 (US\$ 32,000)	Note 2 c.	9,493 (US\$ 333)	-	9,493 (US\$ 333)	-	-	-	-	-
Suzhou Dio F&B Management Co., Ltd.	Coffee retailing	438,999 (US\$ 15,399)	Note 2 c.	57,017 (US\$ 2,000)	-	-	57,017 (US\$ 2,000)	2.60	-	57,017 (US\$ 2,000)	-
Ou Suomiluo Food Co., Ltd.	Coffee retailing	43,822 (RMB 10,000)	Note 2 c.	14,254 (US\$ 500)	-	-	14,254 (US\$ 500)	2.09	-	14,254 (US\$ 500)	-
Beijing Shengzhuang Co., Ltd.	Cosmetic OEM	237,951 (RMB 54,300)	Note 2 c.	57,017 (US\$ 2,000)	-	-	57,017 (US\$ 2,000)	2.175	-	57,017 (US\$ 2,000)	-
Beijing Sunshine Consumer Finance Co., Ltd.	Financing business	4,382,150 (RMB 1,000,000)	Note 2 d.	-	876,430 (US\$ 200,000)	-	876,430 (RMB 200,000)	20.00	(82,766)	789,863	-

Accumulated Investment in Mainland China as of December 31, 2020 (Note 1)	Investment Amounts Authorized by Investment Commission, MOEA (Note 1)	
	Upper Limit on Investment	
\$128,288 (US\$4,500) \$876,430 (RMB200,000)	\$128,288 (US\$4,500) \$876,430 (RMB200,000)	Note 4

IBT Leasing Co., Ltd.

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital (Note 1)	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2020 (Note 1)	Investment Flows (Note 1)		Accumulated Outflow of Investment from Taiwan as of December 31, 2020 (Note 1)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 1)	Carrying Amount as of December 31, 2020 (Note 1)	Accumulated Inward Remittance of Earnings as of December 31, 2020
					Outflow	Inflow					
IBT International Leasing Corp.	Leasing	\$ 1,853,040 (US\$ 65,000)	Note 2 d.	\$ 1,505,239 (US\$ 52,800)	-	\$ -	\$ 1,505,239 (US\$ 52,800)	100.00	\$ 326,688 (Notes 3 and 7)	\$ 2,566,740 (Note 7)	\$ -
Shihlien Chemical Industrial Jiangsu Co.	Production of glass materials	22,806,648 (US\$ 800,000)	Note 2 c.	-	127,062 (US\$ 4,457)	-	127,062 (US\$ 4,457)	0.75	-	127,062 (US\$ 4,457)	-
Shihlien Brine Huaian Co.	Production of glass materials	912,266 (US\$ 32,000)	Note 2 c.	-	10,805 (US\$ 379)	-	10,805 (US\$ 379)	0.75	-	10,805 (US\$ 379)	-

(Continued)

Accumulated Investment in Mainland China as of December 31, 2020 (Note 1)	Investment Amounts Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on Investment
\$1,643,106 (US\$57,656)	\$1,643,106 (US\$57,636)	Note 5

IBT Management Corp.

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital (Note 1)	Investment Type	Accumulated Outflow from Investment from Taiwan as of January 1, 2020 (Notes 1 and 9)	Investment Flows (Note 1)		Accumulated Outflow from Investment from Taiwan as of December 31, 2020 (Note 1)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 1)	Carrying Amount as of December 31, 2020 (Note 1)	Accumulated Inward Remittance of Earnings as of December 31, 2020
Shanghai Douniushi F&B Management Co., Ltd.	Restaurant retailing	\$ 123,441 (US\$ 4,330)	Note 2 c.	\$ 2,053 (US\$ 72)	-	\$ -	\$ 2,053 (US\$ 72)	2.17	\$ -	\$ 2,053 (US\$ 72)	\$ -
Topping Cuisine International Holdings, Ltd.	Food retailing	148,243 (US\$ 5,200)	Note 2 c.	12,088 (US\$ 424)	-	-	12,088 (US\$ 424)	2.17	-	12,088 (US\$ 424)	-
Shanghai Dou Mao Food Management Co., Ltd.	Trading	5,702 (US\$ 200)	Note 2 c.	200 (US\$ 7)	-	-	200 (US\$ 7)	2.17	-	200 (US\$ 7)	-
Beauty Essential International, Ltd.	Cosmetic retailing	85,525 (US\$ 3,000)	Note 2 c.	19,614 (US\$ 688)	-	-	19,614 (US\$ 688)	2.41	-	19,614 (US\$ 688)	-
Meike information technology	Cosmetic retailing information technology	48,464 (US\$ 1,700)	Note 2 c.	827 (US\$ 29)	-	-	827 (US\$ 29)	2.41	-	827 (US\$ 29)	-
Shihlien Chemical Industrial Jangsu Co.	Production of glass materials	22,806,648 (US\$ 800,000)	Note 2 c.	-	76,944 (US\$ 2,699)	-	76,944 (US\$ 2,699)	0.46	-	76,944 (US\$ 2,699)	-
Shihlien Brine Huaian Co.	Production of glass materials	912,266 (US\$ 32,000)	Note 2 c.	-	6,528 (US\$ 229)	-	6,528 (US\$ 229)	0.46	-	6,528 (US\$ 229)	-

Accumulated Investment in Mainland China as of December 31, 2020 (Note 1)	Investment Amounts Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on Investment
\$118,254 (US\$4,148)	\$118,254 (US\$4,148)	\$139,136 (Note 8)

IBT VII Venture Capital Co., Ltd.

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital (Note 1)	Investment Type	Accumulated Outflow from Investment from Taiwan as of January 1, 2020 (Note 1)	Investment Flows (Note 1)		Accumulated Outflow from Investment from Taiwan as of December 31, 2020 (Note 1)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 1)	Carrying Amount as of December 31, 2020 (Note 1)	Accumulated Inward Remittance of Earnings as of December 31, 2020
IBT International Leasing Corp.	Leasing	\$ 1,853,040 (US\$ 65,000)	Note 2 d.	\$ 347,801 (US\$ 12,200)	-	\$ -	\$ 347,801 (US\$ 12,200)	5.00	\$ 17,194 (Notes 3 and 7)	\$ 135,092 (Note 7)	\$ -

Accumulated Investment in Mainland China as of December 31, 2020 (Note 1)	Investment Amounts Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on Investment
\$347,801 (US\$12,200)	\$347,801 (US\$12,200)	\$319,189 (Note 8)

(Continued)

Note 1: The amount is after the exchange rate adjustment for the year ended December 31, 2020.

Note 2: There were five investment approaches stated as follows.

- a. Investment in mainland China by remittance via a third country.
- b. Indirect investment in mainland China via setting a company in a third country.
- c. Indirect investment in mainland China via investing in a current company in a third country. (Via investing Shilien China Holding Co., Limited, Dio Investment, Ltd., Shengzhuang Holding, Ltd., Topping Cuisine International Holding, Ltd., and Beauty Essential International, Ltd.)
- d. Direct investment in mainland China.
- e. Others.

Note 3: From financial statements audited by other CPA.

Note 4: The Bank got the recognition from the Industrial Development Bureau, Industry of Economic Affairs in April 2020, so the Bank is not under "the regulation of investing or technology-cooperation in China".

Note 5: IBT Leasing Co., Ltd. obtained the documents issued by the Ministry of Economic Affairs in line with the operational headquarters in September 2018, so it is not under "the regulation of investing or technology-cooperation in China".

Note 6: IBT Tianjin International Leasing Corp. was merged by IBT Leasing Co., Ltd. on January 1, 2019. IBT Leasing Co., Ltd. holds 95% stock of IBT International Leasing Corp. directly and 5% indirectly through IBT VII Venture Capital Co., Ltd.

Note 7: The accumulated investment amount of IBT Tianjin International Leasing Corp., which included the investment profit and loss and the book value of the investment at the end of the period, is composed of 95% directly held by IBT Leasing Co., Ltd. and 5% indirectly through IBT VII Venture Capital Co., Ltd.

Note 8: The original investment is within the limit.

Note 9: IBT Management Corp. has obtained the verification letter of part of investment from the Investment Review Committee of the Ministry of Economic Affairs, and the remittance amount is mainly based on the verification letter.

(Concluded)

O-BANK AND SUBSIDIARIES

BUSINESS RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS AMONG THE BANK AND SUBSIDIARIES FOR THE YEAR ENDED DECEMBER 31, 2020 (In Thousands of New Taiwan Dollars)

No. (Note 1)	Transaction Corporation	Counterparty	Nature of Relationship (Note 2)	Description of Transactions			Percentage of Total Revenue or Total Assets
				Financial Statement Account	Amounts	Trading Terms	
0	The Bank	Chun Teng New Century, IBTM, IBTS Financial (HK) Limited, IBTS Asia (HK) Limited, IBT Leasing, IBTVC7 and IBTS	a	Deposits	\$ 279,290	Note 3	0.05
0	The Bank	Chun Teng New Century, IBTM, IBTS Asia (HK) Limited, IBT Leasing, IBTS Financial (HK) Limited and IBTS	a	Interest expense	1,231	Note 3	0.02
0	The Bank	Chun Teng New Century, IBTS Asia (HK) Limited, IBTS Financial (HK) Limited and IBTS	a	Payables	173	Note 3	-
0	The Bank	CBF, IBTM and IBT Leasing	a	Other net revenue other than interest	35,060	Note 3	0.44
1	Chun Teng New Century	The Bank	b	Cash and cash equivalents	43,182	Note 3	0.01
1	Chun Teng New Century	The Bank	b	Discontinued operations - interest revenue	138	Note 3	-
1	Chun Teng New Century	The Bank	b	Accounts receivable	14	Note 3	-
1	Chun Teng New Century	IBT Leasing	c	Discontinued operations - other operating and administrative expenses	686	Note 3	0.01
2	IBTM	The Bank	b	Cash and cash equivalents	3,262	Note 3	-
2	IBTM	The Bank	b	Interest revenue	5	Note 3	-
2	IBTM	The Bank	b	Other operating and administrative expenses	775	Note 3	0.01
2	IBTM	The Bank	b	Lease interest expense	26	Note 3	-
2	IBTM	IBTVC7	c	Consultancy service income	6,056	Note 3	0.08
3	CBF	The Bank	b	Other operating and administrative expenses	26,703	Note 3	0.33

(Continued)

No. (Note 1)	Transaction Corporation	Counterparty	Nature of Relationship (Note 2)	Description of Transactions			Percentage of Total Revenue or Total Assets
				Financial Statement Account	Amounts	Trading Terms	
4	IBTS Financial (HK) Limited	The Bank	b	Cash and cash equivalents	\$ 38,000	Note 3	0.01
4	IBTS Financial (HK) Limited	The Bank	b	Discontinued operations - interest revenue	403	Note 3	0.01
4	IBTS Financial (HK) Limited	The Bank	b	Accounts receivable	41	Note 3	-
5	IBTS Asia (HK) Limited	The Bank	b	Cash and cash equivalents	74,806	Note 3	0.01
5	IBTS Asia (HK) Limited	The Bank	b	Discontinued operations - interest revenue	577	Note 3	0.01
5	IBTS Asia (HK) Limited	The Bank	b	Accounts receivable	14	Note 3	-
6	IBTL	The Bank	b	Cash and cash equivalents	9,058	Note 3	-
6	IBTL	The Bank	b	Interest revenue	4	Note 3	-
6	IBTL	The Bank	b	Lease interest expense	391	Note 3	-
6	IBTL	The Bank	b	Other operating and administrative expenses	7,408	Note 3	0.09
6	IBTL	Chun Teng New Century	c	Other net revenue other than interest	686	Note 3	0.01
7	IBTV7	The Bank	b	Cash and cash equivalents	130	Note 3	-
7	IBTV7	IBTM	c	Other operating and administrative expenses	6,056	Note 3	0.08
8	IBTS	The Bank	b	Cash and cash equivalents	110,852	Note 3	0.02
8	IBTS	The Bank	b	Accounts receivable	104	Note 3	-
8	IBTS	The Bank	b	Discontinued operations - interest revenue	104	Note 3	-

Note 1: Information about the business transactions between the Bank and its subsidiaries were classified as follows:

- a. 0 for the Bank.
- b. Subsidiaries are numbered sequentially starting from the number 1.

Note 2: The types of transactions with related parties were classified as follows:

- a. Parent company to subsidiaries.
- b. Subsidiaries to parent company.
- c. Subsidiaries to subsidiaries.

Note 3: The terms for the transactions between the Bank and related parties are similar to those with unrelated parties.

(Concluded)

TABLE 10**O-BANK AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2020**

Name of Major Shareholders	Shares	
	Number of Shares	Percentage of Ownership (%)
Ming Shan Investment Co., Ltd.	386,271,554	12.74
Yi Chang Investment Co., Ltd.	289,007,997	9.53
Taixuan Investment Co., Ltd.	287,135,501	9.47

Note 1: The major shareholder's information on this table is on the last business day at the end of the quarter from the Taiwan Central Depository and Clearing Co., Ltd. The shareholding included shares that the company has completed the delivery of the common stock and preferred stock without physical registration (including treasury shares) of more than 5%. The share capital recorded in the Bank's consolidated financial report and the actual number of shares has been actually delivered without physical registration. Differences, if any, may be due to the basis of preparation and calculation.

Note 2: If shareholders transfer the shareholding to a trust, the trustee will open the trust account to separate the account. Shareholders' handling of insider shareholdings with more than 10% of their shares shall be in accordance with the Securities Exchange Act. However, their shareholdings include their own shares plus their delivery to the trust and the use of decision-making shares in the trust property. Information on insider equity declaration refers to the Public Information Observatory.

Note 3: The number of shares are the total number of common stocks and preferred stocks.

Note 4: Shareholding ratio (%) = The total number of shares held by the shareholder ÷ The total number of shares that have been delivered without physical registration. It is calculated to the second decimal place and rounded off after the third decimal place.

O-Bank Co., Ltd.

**Financial Statements for the
Years Ended December 31, 2020 and 2019 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
O-Bank Co., Ltd.

Opinion

We have audited the accompanying financial statements of O-Bank Co., Ltd (the “Bank”), which comprise the balance sheets as of December 31, 2020 and 2019, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2020 and 2019, its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The descriptions of the key audit matters of the financial statements for the year ended December 31, 2020 are as follows:

Allowance for Credit Losses of Loans

The Bank is engaged principally in providing loans to customers. The Bank's management performed loans impairment assessment in accordance with the requirements of International Financial Reporting Standard 9, “Financial Instruments”. In addition, the allowance for credit losses of loans was calculated and classified in accordance with the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans” (referred to as the “Banking Institutions Regulations Governing the Procedures for Bad Debt”).

For details about the accounting policy on the allowance for credit losses, refer to Note 4 to the accompanying financial statements; for details about the critical accounting judgments, estimates and appropriateness of assumptions of loan impairment, refer to Note 5 to the accompanying financial statements; and for details about the allowance for credit losses, refer to Note 12 to the accompanying financial statements.

The Bank assess the classification of credit-granting assets and recognize allowance for credit losses of loans in accordance with the “Banking Institutions Regulations Governing the Procedures for Bad Debt”. As the assessment and recognition of loss allowance involve subjective judgments and significant estimation assumptions of the management, we have included the assessment of allowance for credit losses of loans as a key audit matter.

The main audit procedures we performed in response to certain aspects of the key audit matter described above are as follows:

- We obtained an understanding and performed testing of the internal controls in respect of the Bank’s loan impairment assessment.
- We examined that the classifications of loans were in accordance with the “Banking Institutions Regulations Governing the Procedures for Bad Debt”. We also recalculated the amount of the allowance for credit losses on loans and checked that the Bank has met the requirements of the regulations.

Investments Accounted for Using the Equity Method - Assessment of Reserve for Loss on Guarantee Contracts

China Bills Finance Corporation, subsidiary accounted for using equity method, sets aside reserves for guarantee liabilities. It is required to comply, with both the International Financial Reporting Standard 9, “Financial Instruments”, whereby the expected losses on guarantee obligations generated by financial guarantee contracts, and the “Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-performing Credit, Non-accrual Loans, and Bad Debt” (referred to as the “Bills Finance Companies Regulations for Evaluating Bad Debt”), whereby the reserves for guarantee liabilities are classified and made.

For the accounting policy and details about the investments accounted for using the equity method, refer to Notes 4 and 13 to the accompanying financial statements.

China Bills Finance Corporation assesses reserve for guarantee contracts involves subjective judgements and significant estimation assumptions of the management. The classification of credit-granting assets and recognition of the reserve for guarantee contracts in accordance with the “Bills Finance Companies Regulations for Evaluating Bad Debt” influence the amounts of the reserve for guarantee contracts. Thus, we consider the assessment of reserve losses on guarantee contracts as a key audit matter.

The main audit procedures we performed in response to certain aspects of the key audit matter described above are as follows:

- We understood the internal controls about the estimated impairment of reserve for losses on guarantee contracts and we tested the effectiveness of the operation of the controls.
- We reviewed the assessment schedule of reserve for losses on credit-granting assets, which China Bills Finance Corporation of management used to assess. We checked the completeness of amount of credit-granting assets in the schedule and rationality of classifications. We recalculated the amounts of reserve for losses on guarantee contracts in the schedule and checked that it meets the requirements of the “Bills Finance Companies Regulations for Evaluating Bad Debt” or not.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Yin-Chou Chen and Wang-Sheng Lin.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 22, 2021

Notice to Readers

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

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

O-BANK CO., LTD.

BALANCE SHEETS

DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars)

ASSETS	2020		2019	
	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Note 6)	\$ 3,566,116	1	\$ 3,714,122	1
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS (Note 7)	17,127,229	5	18,107,334	5
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 8 and 39)	56,042,294	17	80,623,826	24
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 9, 39 and 43)	65,178,855	20	35,244,741	11
RECEIVABLES, NET (Notes 10 and 12)	1,413,105	1	3,233,348	1
CURRENT TAX ASSETS	74,418	-	89,717	-
DISCOUNTS AND LOANS, NET (Notes 11, 12 and 38)	163,916,864	50	173,981,178	52
INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD, NET (Note 13)	16,542,108	5	14,920,171	5
OTHER FINANCIAL ASSETS (Notes 14 and 39)	219,108	-	517,198	-
PROPERTY AND EQUIPMENT, NET (Note 15)	2,489,958	1	2,661,050	1
RIGHT-OF-USE ASSETS, NET (Note 16)	246,147	-	309,517	-
INTANGIBLE ASSETS, NET (Note 17)	1,084,891	-	1,163,114	-
DEFERRED TAX ASSETS (Note 36)	367,617	-	288,087	-
OTHER ASSETS (Notes 16 and 18)	<u>584,938</u>	-	<u>399,430</u>	-
TOTAL	<u>\$ 328,853,648</u>	<u>100</u>	<u>\$ 335,252,833</u>	<u>100</u>
LIABILITIES AND EQUITY				
LIABILITIES				
Deposits From the Central Bank and other banks (Note 19)	\$ 22,339,755	7	\$ 28,938,529	9
Financial liabilities at fair value through profit or loss (Note 8)	637,659	-	519,880	-
Bills and bonds sold under repurchase agreements (Note 20)	1,439,016	-	2,863,548	1
Payables (Note 21)	1,925,339	1	2,681,645	1
Current tax liabilities	23,946	-	46,360	-
Deposits and remittances (Notes 22 and 38)	246,420,823	75	243,645,080	73
Bank debentures payable (Note 23)	16,400,000	5	18,700,000	5
Other financial liabilities (Note 24)	2,848,008	1	3,468,649	1
Provisions (Notes 12, 25 and 26)	512,847	-	370,856	-
Lease liabilities (Note 16)	253,261	-	313,446	-
Deferred tax liabilities (Note 36)	435,263	-	400,449	-
Other liabilities (Note 27)	<u>61,836</u>	-	<u>45,188</u>	-
Total liabilities	<u>293,297,753</u>	<u>89</u>	<u>301,993,630</u>	<u>90</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK (Note 28)				
Capital				
Common stock	27,330,063	8	24,130,063	7
Preferred stock	<u>3,000,000</u>	<u>1</u>	<u>3,000,000</u>	<u>1</u>
Total capital	<u>30,330,063</u>	<u>9</u>	<u>27,130,063</u>	<u>8</u>
Capital surplus	<u>5,966</u>	-	<u>9,750</u>	-
Retained earnings				
Legal reserve	3,697,811	1	3,367,681	1
Special reserve	1,396,353	1	1,631,335	1
Unappropriated earnings	<u>106,262</u>	-	<u>1,187,851</u>	-
Total retained earnings	<u>5,200,426</u>	<u>2</u>	<u>6,186,867</u>	<u>2</u>
Other equity	<u>57,744</u>	-	<u>(67,477)</u>	-
Treasury shares	<u>(38,304)</u>	-	<u>-</u>	-
Total equity	<u>35,555,895</u>	<u>11</u>	<u>33,259,203</u>	<u>10</u>
TOTAL	<u>\$ 328,853,648</u>	<u>100</u>	<u>\$ 335,252,833</u>	<u>100</u>

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

O-BANK CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
NET INTEREST					
INTEREST REVENUE (Notes 29 and 38)	\$ 4,359,827	94	\$ 5,763,585	109	(24)
INTEREST EXPENSE (Notes 29 and 38)	<u>(2,445,244)</u>	<u>(53)</u>	<u>(3,806,134)</u>	<u>(72)</u>	(36)
NET INTEREST	<u>1,914,583</u>	<u>41</u>	<u>1,957,451</u>	<u>37</u>	(2)
TOTAL NET REVENUE OTHER THAN INTEREST REVENUE					
Service fee income, net (Notes 30 and 38)	583,947	13	808,793	15	(28)
(Losses) gains on financial assets or liabilities measured at fair value through profit or loss (Note 31)	(840,982)	(18)	908,385	17	(193)
Realized gains on financial assets at fair value through other comprehensive income (Note 32)	257,439	6	133,451	2	93
Foreign exchange gain, net	1,642,073	35	293,516	6	459
(Impairment loss) reversal of impairment loss on assets	(3,704)	-	1,284	-	(388)
Share of profit of associates subsidiaries and accounted for using equity method (Note 13)	990,158	21	1,098,480	21	(10)
Other net revenue other than interest (Note 38)	<u>107,962</u>	<u>2</u>	<u>103,855</u>	<u>2</u>	4
Total net revenue other than interest revenue	<u>2,736,893</u>	<u>59</u>	<u>3,347,764</u>	<u>63</u>	(18)
TOTAL NET REVENUE	<u>4,651,476</u>	<u>100</u>	<u>5,305,215</u>	<u>100</u>	(12)
BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION (Note 12)	<u>(429,960)</u>	<u>(9)</u>	<u>(921,016)</u>	<u>(17)</u>	(53)

(Continued)

O-BANK CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
OPERATING EXPENSES					
Employee benefits expenses (Note 33)	\$ 1,611,723	35	\$ 1,701,727	32	(5)
Depreciation and amortization expenses (Note 34)	526,662	11	512,931	10	3
Other general and administrative expenses (Notes 35 and 38)	<u>846,840</u>	<u>18</u>	<u>959,449</u>	<u>18</u>	(12)
Total operating expenses	<u>2,985,225</u>	<u>64</u>	<u>3,174,107</u>	<u>60</u>	(6)
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX	1,236,291	27	1,210,092	23	2
INCOME TAX EXPENSE (Note 36)	<u>88,888</u>	<u>2</u>	<u>109,659</u>	<u>2</u>	(19)
NET PROFIT FOR THE YEAR	<u>1,147,403</u>	<u>25</u>	<u>1,100,433</u>	<u>21</u>	4
OTHER COMPREHENSIVE INCOME (LOSS)					
Components of other comprehensive income (loss) that will not be reclassified to profit or loss:					
Gains (losses) on remeasurements of defined benefit plans (Note 26)	292	-	(412)	-	171
Revaluation gains on investments in equity instruments measured at fair value through other comprehensive income	299,035	6	85,932	2	248
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method	<u>39,965</u>	<u>1</u>	<u>83,856</u>	<u>1</u>	(52)
	<u>339,292</u>	<u>7</u>	<u>169,376</u>	<u>3</u>	100
					(Continued)

O-BANK CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
Components of other comprehensive income (loss) that will be reclassified to profit or loss:					
Exchange differences on translation of financial statements of foreign operations	\$ (446,246)	(10)	\$ (237,382)	(4)	88
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	255,704	6	95,117	2	169
Gains from investments in debt instruments measured at fair value through other comprehensive income	32,374	1	130,096	2	(75)
Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Note 36)	<u>56,165</u> <u>(102,003)</u>	<u>1</u> <u>(2)</u>	<u>22,715</u> <u>10,546</u>	<u>-</u> <u>-</u>	147 (1,067)
Other comprehensive income for the year, net of tax	<u>237,289</u>	<u>5</u>	<u>179,922</u>	<u>3</u>	32
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,384,692</u>	<u>30</u>	<u>\$ 1,280,355</u>	<u>24</u>	8
EARNINGS PER SHARE (Note 37)					
Basic	<u>\$0.41</u>		<u>\$0.45</u>		
Diluted	<u>\$0.37</u>		<u>\$0.45</u>		

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

(Concluded)

O-BANK CO., LTD.

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)**

	Capital Stock (Note 28)		Capital Surplus (Note 28)	Retained Earnings (Notes 9 and 28)			Other Equity (Notes 9 and 28)			Treasury Stock (Note 28)	Total Equity
	Common Stocks	Preferred Stocks	Total	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on the Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Financial Assets	at Fair Value Through Other Comprehensive Income		
BALANCE AT JANUARY 1, 2019	\$ 24,130,063	\$ 3,000,000	\$ 27,130,063	\$ 3,184,667	\$ 1,215,831	\$ 610,045	\$ (92,806)	\$ (67,175)	\$	\$	\$ 31,989,128
Appropriation and distribution of 2018 earnings	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	183,014	-	(183,014)	-	-	-	-	-
Special reserve	-	-	-	-	415,504	(415,504)	-	-	-	-	-
Cash dividends of preferred stock distributed by the Bank	-	-	-	-	-	(11,527)	-	-	-	-	(11,527)
Unclaimed dividends	-	-	-	-	-	-	-	-	-	-	341
Changes in capital surplus from investments in subsidiaries accounted for using the equity method	-	-	-	-	-	-	-	-	-	-	906
Net profit for the year ended December 31, 2019	-	-	-	-	-	1,100,433	-	-	-	-	1,100,433
Other comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	(305)	(214,667)	-	394,894	-	179,922
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	1,100,128	(214,667)	-	394,894	-	1,280,355
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	-	-	(87,723)	-	-
BALANCE AT DECEMBER 31, 2019	24,130,063	3,000,000	27,130,063	3,367,681	1,631,335	1,187,851	(307,473)	239,996	-	-	33,259,203
Reversal of special reserve	-	-	-	-	(234,982)	234,982	-	-	-	-	-
Appropriation and distribution of 2019 earnings	-	-	-	330,130	-	(330,130)	-	-	-	-	-
Legal reserve appropriated	-	-	-	-	-	(965,203)	-	-	-	-	(965,203)
Cash dividends of common stock distributed by the Bank	-	-	-	-	-	(127,500)	-	-	-	-	(127,500)
Cash dividends of preferred stock distributed by the Bank	-	-	-	-	-	-	-	-	-	-	-
Unclaimed dividends	-	-	-	-	-	-	-	-	-	-	329
Changes in capital surplus from investments in subsidiaries accounted for using the equity method	-	-	-	-	-	-	-	-	-	-	424
Net profit for the year ended December 31, 2020	-	-	-	-	-	1,147,403	-	-	-	-	1,147,403
Other comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	(147)	(390,081)	627,517	-	-	237,289
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	1,147,256	(390,081)	627,517	-	-	1,384,692
Capital increase	3,200,000	-	3,200,000	-	-	(1,153,209)	-	-	-	-	2,042,254
Purchase of treasury stock	-	-	-	-	-	-	-	-	-	(38,304)	(38,304)
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	112,215	-	(112,215)	-	-	-
BALANCE AT DECEMBER 31, 2020	\$ 27,330,063	\$ 3,000,000	\$ 30,330,063	\$ 3,697,811	\$ 1,396,353	\$ 106,262	\$ (697,554)	\$ 755,298	\$	\$ (38,304)	\$ 35,555,895

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

O-BANK CO., LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit from continuing operations before tax	\$ 1,236,291	\$ 1,210,092
Adjustments to reconcile profit (loss):		
Depreciation expense	261,527	268,936
Amortization expense	265,135	243,995
Expect credit losses/recognition of provisions	433,664	919,732
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	840,982	(908,385)
Interest expense	2,445,244	3,806,134
Interest income	(4,359,827)	(5,763,585)
Dividends income	(134,398)	(25,572)
Share of loss of subsidiaries, associates and joint ventures accounted for using equity method	(990,158)	(1,098,480)
Loss on disposal of property and equipment	-	5,886
Gain on disposal of investments	(123,041)	(107,879)
Gain on lease modification	-	(22)
Changes in operating assets and liabilities:		
Due from the Central Bank and call loans to banks	(2,208,714)	(759,752)
Financial assets at fair value through profit or loss	23,858,329	(26,156,113)
Financial assets at fair value through other comprehensive income	(29,345,706)	13,954,290
Investments in debt instruments measured at amortized cost	-	500,000
Receivables	1,238,603	3,726,768
Discounts and loans	9,833,490	4,483,080
Deposits from the Central Bank and other banks	(6,598,774)	(46,343)
Bills and bonds sold under repurchase agreements	(1,424,532)	(1,536,894)
Payables	(477,663)	(2,141,164)
Deposits and remittances	2,775,743	3,183,781
Provisions	(31,645)	600
Cash outflow used in operations	(2,505,450)	(6,240,895)
Interest received	4,810,708	5,692,121
Dividends received	413,026	329,193
Interest paid	(2,706,268)	(3,809,980)
Income taxes paid	(84,554)	(105,325)
Net cash flows used in operating activities	(72,538)	(4,134,886)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments accounted for using the equity method	(863,564)	-
Acquisition of property and equipment	(63,432)	(97,152)
Proceeds from disposal of property and equipment	-	634
Increase in refundable deposits	(194,299)	-
Decrease in refundable deposits	-	128,674
Acquisition of intangible assets	(121,693)	(113,882)
Increase in other financial assets	(3,017)	-

(Continued)

O-BANK CO., LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
Decrease in other financial assets	\$ -	\$ 398,828
Decrease in other assets	<u>8,791</u>	<u>3,591</u>
Net cash flows (used in) generated from investing activities	<u>(1,237,214)</u>	<u>320,693</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuing bank debentures	-	2,500,000
Repayments of bank debentures	(2,300,000)	(1,650,000)
Increase in long-term borrowings	808,828	874,210
Repayments of long-term borrowings	(937,659)	(2,244,601)
Payments of lease liabilities	(98,007)	(104,852)
Increase in other financial liabilities	-	517,749
Decrease in other financial liabilities	(491,810)	-
Increase in other liabilities	16,648	-
Decrease in other liabilities	-	(11,045)
Cash dividends paid	(1,092,703)	(11,527)
Capital increase	2,032,000	-
Payments to acquire treasury shares	<u>(38,304)</u>	<u>-</u>
Net cash flows used in financing activities	<u>(2,101,007)</u>	<u>(130,066)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	<u>(227,173)</u>	<u>(47,779)</u>
NET DECREASE IN CASH	(3,637,932)	(3,992,038)
CASH AND CASH EQUIVALENT AT BEGINNING OF THE YEAR	<u>13,490,163</u>	<u>17,482,201</u>
CASH AND CASH EQUIVALENT AT END OF THE YEAR	<u>\$ 9,852,231</u>	<u>\$ 13,490,163</u>

Reconciliation of the amounts in the statements of cash flows with the equivalent items reported in the balance sheets at December 31, 2020 and 2019:

	December 31	
	2020	2019
Cash and cash equivalents reported in the balance sheets	\$ 3,566,116	\$ 3,714,122
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	6,286,115	9,474,934
Other items qualifying for cash and cash equivalents under the definition of IAS 7	-	301,107
Cash and cash equivalents at end of the year	<u>\$ 9,852,231</u>	<u>\$ 13,490,163</u>

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

(Concluded)

O-BANK CO., LTD.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Industrial Bank of Taiwan started its preparation for incorporation on March 2, 1998, was authorized for incorporation by the Ministry of Finance on July 27, 1999, and began its business operations on September 2, 1999.

To be in coordination with the government's financial liberation policy and to increase the operating efficiency, on August 14, 2015, the Industrial Bank of Taiwan's board of directors (the "Board") approved of the application for a change of registration to a commercial bank and for a change of name to "O-Bank Co., Ltd." ("O-Bank" or the "Bank"). The Financial Supervisory Commission (the "FSC") accepted the application on December 15, 2016 and required the Bank to submit its proposed adjustment plan to comply with the Banking Act of the Republic of China. On January 1, 2017, the Banking Bureau approved and issued the operating license for the Bank to operate a commercial banking business. The Bank's name was changed from "Industrial Bank of Taiwan" to "O-Bank Co., Ltd." on January 1, 2017.

The Bank's operations include the following: (a) accepting various deposits; (b) issuing bank notes; (c) providing loans, discounts, and acceptance business; (d) providing domestic and foreign exchange and guarantee business; (e) issuing letters of credit at home and abroad; (f) making receipts and payments by agents; (g) investing in and underwriting offering of securities; (h) dealing in government bonds; (i) factoring; (j) providing financial advisory services to financing and non-financing business; (k) wealth management business; (l) providing personal insurance and property insurance agent business; (m) dealing with credit card business; (n) providing foreign exchange services for client's imports or exports, overseas remittances, foreign currency deposits, and foreign currency loans and guarantees; (o) overseeing trust business under the Trust Business Law and regulations; and (p) dealing in derivative financial instruments and participating in other operations authorized by the central authorities.

As of December 31, 2020, the Bank has eight main departments - Business Department, Principal Investment Department, Treasury Department, Securities Trading Department, Corporate and Institutional Banking Department, Corporate Finance Department, Consumer Lending Department and Wealth Management Department. It also has five domestic branches - Zhongxiao Dunhua branch, Taoyuan branch, Hsinchu branch, Taichung branch and Kaohsiung branch. In addition, it has an Offshore Banking Unit, Hong Kong branch, and Tianjin representative office.

The Bank's stocks were listed on the Emerging Stock Market of the Taipei Exchange ("TPEx") starting in August 2004. On April 19, 2016, the Board passed a resolution to apply for stock listing on the Taiwan Stock Exchange ("TWSE"). The TWSE approved the Bank's application for listing on November 28, 2016 and transferred the listing from the TPEx to the TWSE on May 5, 2017.

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

As of December 31, 2020 and 2019, the Bank had 926 and 1,004 employees, respectively.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board and authorized for issue on March 22, 2021.

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

- a. Initial application of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively the “IFRSs”) endorsed and issued into effect by the FSC

The application of the IFRSs recognized and issued by the FSC has no significant impact on the Bank.

- b. The IFRSs endorsed by the FSC for application starting from 2021

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021
Amendment to IFRS 16 “Covid-19-Related Rent Concessions”	June 1, 2020

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”

The Bank elected to apply the practical expedient provided in the amendments to deal with the changes in the basis for determining contractual cash flows of financial assets, financial liabilities or lease liabilities resulting from the interest rate benchmark reform. The changes are accounted for by updating the effective interest rate at the time the basis is changed, provided the changes are necessary as a direct consequence of the reform and the new basis is economically equivalent to the previous basis.

As of the date the financial statements were authorized for issue, the Bank has assessed that the above amendments have no material impact on the Bank, and the Bank is continuously assessing the possible impact that the application of other standards and interpretations will have on the Bank’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 6)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

- Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.
- Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.
- Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.
- Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.
- Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.
- Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.
- Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Statement of Compliance

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

Basis of Preparation

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at revalued amounts or fair values and the net defined benefit liabilities (assets) recognized at the fair value of the assets. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

When preparing these parent company only financial statements, the Bank used the equity method to account for its investments in subsidiaries, associates and joint ventures. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owners of the Bank in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries, associates and joint ventures, the share of other comprehensive income of subsidiaries, associates and joint ventures and the related equity items, as appropriate, in these parent company only financial statements.

Classification of Current and Non-current Assets and Liabilities

Since the operating cycle in the banking industry cannot be clearly identified, accounts included in the financial statements of the Bank were not classified as current or noncurrent. Nevertheless, accounts were properly categorized according to the nature of each account and sequenced by their liquidity. Refer to Note 43 for the maturity analysis of assets and liabilities.

Foreign Currencies

In preparing the Bank's financial statements, transactions in currencies other than the Bank's functional currency (i.e. foreign currencies) are recognized at the amount in original currency.

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

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

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

For the purpose of presenting financial statements, the functional currencies of the Bank (including subsidiaries, associates, joint ventures and branches in other countries that use currencies which are different from the currency of the Bank) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

Investments Accounted for Using the Equity Method

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

Investments in subsidiaries

A subsidiary is an entity (including the special purpose entity) that is controlled by the Bank.

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

Changes in the Bank's ownership interest in a subsidiary that do not result in the Bank losing control of the subsidiary are accounted for as equity transactions. The Bank recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Bank's share of loss of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Bank's net investment in the subsidiary), the Bank continues recognizing its share of further loss.

Any excess of the cost of acquisition over the Bank's share of the net fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Bank's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized immediately in profit or loss.

When the Bank loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Bank accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Bank directly disposed of the related assets or liabilities.

Profit or loss resulting from downstream transactions is eliminated in full only in the parent company only financial statements. Profit and loss resulting from upstream transactions and transactions between subsidiaries is recognized only in the parent company only financial statements and only to the extent of interests in the subsidiaries that are not related to the Bank.

Investments in associates

An associate is an entity over which the Bank has significant influence and which is neither a subsidiary nor an interest in a joint venture. Significant influence refers to the power to participate in the financial and operating policy decisions of the investee but does not control or joint control such policies.

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

Any excess of the cost of acquisition over the Bank's share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Bank's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Bank subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Bank's proportionate interest in the associate. The Bank records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates accounted for using the equity method. If the Bank's ownership interest is reduced due to its additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Bank's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Bank's net investment in the associate), the Bank discontinues recognizing its share of further loss, if any. Additional losses and liabilities are recognized only to the extent that the Bank has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Bank discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Bank accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required had that associate directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Bank continues to apply the equity method and does not remeasure the retained interest.

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

Financial Instruments

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

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

Financial assets

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

a. Measurement categories

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

1) Financial assets at FVTPL

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

Financial assets are designated as FVTPL in the original recognition. If it can eliminate or significantly reduce the measurement or recognition inconsistency.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 42.

2) Financial assets at amortized cost

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

- a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

- a) Purchased or originated credit impaired financial asset, for which interest revenue is calculated by applying the credit adjusted effective interest rate to the amortized cost of such financial assets; and
- b) Financial assets that are not initially credit impaired or not credit impaired when purchased but subsequently become credit impaired, for which the interest revenue is calculated by applying the effective interest rate to the amortized cost of such financial assets.

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

- a) Significant financial difficulty of the issuer or the borrower;
- b) Breach of contract, such as a default;
- c) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- d) The disappearance of an active market for that financial asset because of financial difficulties.

3) Investments in debt instruments at FVTOCI

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

- a) The debt instrument is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of such financial assets; and
- b) The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

4) Investments in equity instruments at FVTOCI

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

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

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

b. Impairment of financial assets

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

The Bank's policy is to always recognize lifetime expected credit losses (i.e. ECLs) on trade receivables and lease receivables. For all other financial instruments, the Bank will recognize lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Bank will measure the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

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

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

- 1) Internal or external information show that the debtor is unlikely to pay its creditors.
- 2) When a financial asset is more than 90 days past due unless the Bank has reasonable and corroborative information to support a more lagged default criterion.

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

Under the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans” issued by the FSC, the Bank should classify credit assets as sound credit assets or unsound credit assets, with the unsound assets further categorized as noteworthy, substandard, having highly doubtful collectability and uncollectable, on the basis of the customers’ financial position, a valuation of the respective collateral and the length of time in which the principal repayments or interest payments have become overdue.

The Bank made minimum provisions of 1%, 2%, 10%, 50% and 100% for credit assets deemed to be uncollectable, to have highly doubtful collectability, to be substandard, to be noteworthy and to have sound credit (excluding assets that represent claims against an ROC government agency), respectively.

Furthermore, the Bank should make at least 1.5% provisions each for sound credit assets in Mainland China (pertaining to short-term advance for trade finance) and loans for house purchases, renovations and constructions, respectively.

The Bank shall determine the unrecoverable claims and write them off after reporting them to the Board for approval.

c. Derecognition of financial assets

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

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

Equity instruments

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

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Bank are recognized at the proceeds received, net of direct issue costs.

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

Financial liabilities

a. Subsequent measurement

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

- Financial liabilities at FVTPL

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

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

- 1) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- 2) The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and has performance evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- 3) The contract contains one or more embedded derivatives so that the entire combined contract (asset or liability) can be designated as at FVTPL.

Financial liabilities at FVTPL, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the other gains and losses line item. For a financial liability designated as at FVTPL, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income and will not be subsequently reclassified to profit or loss. The gain or loss accumulated in other comprehensive income will be transferred to retained earnings when the financial liability is derecognized. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in the fair value of the liability are presented in profit or loss. The fair value is determined in the manner described in Note 42.

- Financial guarantee contracts

The Bank measures financial guarantee contract issued at the higher of:

- 1) The amount of the loss allowance determined in accordance with IFRS 9; and
- 2) The amount initially recognized less, where appropriate, cumulative amount of income recognized in accordance with IFRS 15.

Besides subsequently measuring financial guarantee contracts at the higher of the abovementioned amounts as IFRS assessment result, assessment is also performed under the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" as regulatory assessment result. The higher adequacy provision between above IFRS and regulatory assessment results is recognized.

Financial guarantee contracts issued by the Bank are measured at their fair values and, if not designated as at fair value through profit or loss, are subsequently measured at the higher of the amount of the expected credit loss allowance or the amount initially recognized less cumulative amortization recognized.

b. Derecognition of financial liabilities

The Bank derecognizes financial liabilities when, and only when, the Bank's obligations are discharged, are cancelled or expire. The difference between the carrying amount of a financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Derivative financial instruments

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

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

Non-performing Loans

Under the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans issued by the Banking Bureau, FSC, loans and other credits that remain unpaid as they fall due are transferred to non-performing loans, if the transfer is approved by the Board.

Non-performing loans transferred from loans are recognized as discounts and loans, and those transferred from other credits are recognized as other financial assets.

Repurchase and Resale Transactions

Securities purchased under resale agreements and securities sold under repurchase agreements are generally treated as collateralized financing transactions. Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements are recognized as interest revenue or interest expenses over the term of each agreement.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment loss when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably.

Except of freehold land without depreciated, depreciation is recognized so as to write off the cost of assets less their residual values over their estimated useful lives using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

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

Intangible Assets

a. Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis over the assets' estimated useful lives. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless the Bank expects to dispose of the intangible asset before the end of its economic life.

b. Derecognition of intangible assets

An intangible asset is derecognized on disposal or when no future economic benefits are expected to arise from its use or disposal. Gains or losses arising from derecognition of an intangible asset, which is measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Impairment of Property and Equipment, Right-of-use assets and Intangible Assets Other than Goodwill

At the end of each reporting period, the Bank reviews the carrying amounts of its property and equipment, right-of-use assets and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Bank estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

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

Provisions

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

Onerous contracts

Onerous contracts are those in which the Bank's unavoidable costs of meeting the contractual obligations exceed the economic benefits expected to be received from the contract. The present obligations arising under onerous contracts are recognized and measured as provisions.

Interest and Service Revenue Recognition

Interest revenue on loans is recorded by the accrual method. No interest revenue is recognized in the accompanying financial statements on loans and other credits extended by the Bank that are classified as non-performing loans. The interest revenue on those loans and credits is recognized upon collection.

Revenue from brokering is recognized when the earnings process has been completed.

Dividend income from investments is recognized on the shareholders' right to receive payment. The premise is that the economic benefits related to the transaction. They are likely to flow into the Bank and the amount of income can be reliably measured it.

Leases

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

The Bank as lessee

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

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

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

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the Bank is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Bank uses the lessee's incremental borrowing rate.

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

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

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

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Bank's defined benefit plans. The net defined benefit assets shall not exceed the present value with the refund withdrawal from the plan or the reduction of future withdrawals.

c. Staff preferential deposit

The Bank provides preferential deposit account for employees, which are used to pay fixed preferential deposits for current employees. The effect of the difference between the interest rate of these preferential deposits and the market interest rate is treated as employee benefits.

Share-based Payment Arrangements

The fair value at the grant date of the share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus. The payment is recognized as an expense in full at the grant date if vested immediately.

Taxation

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

a. Current tax

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

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

b. Deferred tax

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 unused loss carryforwards to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, except where the Bank is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in

the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

c. Current and deferred tax for the period

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Cash and Cash Equivalents

The cash and cash equivalent items in the balance sheet include cash on hand, demand deposits, and short-term and highly liquid investments that can be converted into fixed amount of cash at any time. They have little risk of change in value. For the statements of cash flows, the cash and cash equivalents account refers to the accounts in the balance sheets titled cash and cash equivalents, due from the Central Bank and call loans to banks, and call loans to securities firms that meet the definition of cash and cash equivalents in IAS 7 “Statement of Cash Flows” endorsed and issued into effect by the FSC.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The Bank considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Estimated Impairment of Loans

The impairment of loans is based on assumptions about the risk of default and expected loss rates. The Bank uses judgment in making these assumptions and in selecting the inputs of the impairment calculation, based on the Bank's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2020	2019
Cash on hand and petty cash	\$ 44,286	\$ 50,944
Checking for clearing	451,158	535,060
Due from banks	3,070,672	3,125,118
Cash in transit	-	3,000
	<u>\$ 3,566,116</u>	<u>\$ 3,714,122</u>

The cash and cash equivalents of the cash flows and the related adjustments of the balance sheets as of December 31, 2020 and 2019, refer to the statements of cash flows.

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

	December 31	
	2020	2019
Reserves for deposits - Type A	\$ 4,091,431	\$ 2,573,579
Reserves for deposits - Type B	5,521,144	5,124,527
Due from Central Bank - Financial	1,200,031	900,268
Call loans to banks	6,286,115	9,474,934
Others	28,508	34,026
	<u>\$ 17,127,229</u>	<u>\$ 18,107,334</u>

Under a directive issued by the Central Bank, deposit reserves are determined monthly at prescribed rates on average balances of customers' deposits. Type B deposit reserves are subject to withdrawal restrictions.

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2020	2019
<u>Financial assets mandatorily classified as at FVTPL</u>		
Hybrid financial assets		
Convertible bonds - domestic (include asset swap contracts)	\$ 520,456	\$ 726,682
Structured debt	<u>577,236</u>	<u>608,116</u>
	<u>1,097,692</u>	<u>1,334,798</u>
Derivative financial assets		
Currency swap contracts	251,526	160,241
Forward contracts	30,816	7,189
Interest rate swap contracts	8,324	7,610
Currency option contracts - call	<u>8,028</u>	<u>2,882</u>
	<u>298,694</u>	<u>177,922</u>
Non-derivative financial assets		
Negotiable certificates of deposit	28,880,450	54,581,688
Commercial papers	25,395,953	24,192,589
Stocks and beneficiary certificates	<u>369,505</u>	<u>336,829</u>
	<u>54,645,908</u>	<u>79,111,106</u>
	<u>\$ 56,042,294</u>	<u>\$ 80,623,826</u>
<u>Held-for-trading financial liability</u>		
Derivative financial instruments		
Currency swap contracts	\$ 568,576	\$ 429,360
Forward contracts	42,719	15,830
Interest rate swap contracts	18,334	72,003
Currency option contracts - put	<u>8,030</u>	<u>2,687</u>
	<u>\$ 637,659</u>	<u>\$ 519,880</u>

The Bank engages in derivative transactions, including forward contracts, currency swap contracts and currency option contracts, mainly for accommodating customers' needs and managing the exposure positions. As for the engagement in interest rate swap contracts and cross-currency swap contracts, its purpose is to hedge risk of cash flow and risk of market value caused by the change of interest rates or exchange rates. The Bank strategy is to hedge most of the market risk exposures using hedging instruments with market value changes that have a highly negative correlation with the changes in the market of the exposures being hedged.

The contract amounts (or notional amounts) of outstanding derivative transactions as of December 31, 2020 and 2019 were as follows:

	December 31	
	2020	2019
Interest rate swap contracts	\$ 4,141,115	\$ 10,976,643
Currency swap contracts	54,617,646	52,387,421
Forward contracts	5,899,199	3,796,613
Currency option contracts		
Buy	368,196	851,940
Sell	368,196	586,190

Refer to Note 39 for information relating to financial assets at fair value through profit or loss pledged as security.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2020	2019
Investments in equity instruments at FVTOCI	\$ 3,428,978	\$ 947,038
Investments in debt instruments at FVTOCI		
Government bonds	2,784,308	10,163,730
Bank debentures	16,475,294	14,413,232
Corporate bonds	12,196,595	8,371,789
Overseas government bonds	509,692	1,348,952
Negotiable certificates of deposit	<u>29,783,988</u>	<u>-</u>
	<u>\$ 65,178,855</u>	<u>\$ 35,244,741</u>

a. Investments in equity instruments at FVTOCI

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

The Bank disposed stock classified as at FVTOCI for invested management purpose for the years end December 31, 2020 and 2019. The fair value of stocks classified as at FVTOCI which had to be disposed of were \$2,158,832 thousand and \$1,310,927 thousand and the accumulated gain or loss related to the sold assets of \$93,281 thousand gain and \$60,590 thousand gain, respectively, was transferred from other equity-unrealized valuation gain or loss on Financial assets at FVTOCI to retained earnings.

Dividends income from FVTOCI of \$134,398 thousand and \$25,572 thousand were recognized in profit or loss for the years end December 31, 2020 and 2019. The dividends related to investments held at the end of the reporting period were \$129,621 thousand and \$12,799 thousand, respectively.

b. Investments in debt instruments at FVTOCI

Refer to Note 39 for information relating to investments in debt instruments at FVTOCI pledged as security.

Refer to Note 43 for information relating to the credit risk management and impairment assessment of investments in debt instruments at FVTOCI.

Investments in debt instruments at FVTOCI under agreement to repurchase were in the face amount of \$1,470,166 thousand and \$2,810,000 thousand, as of on December 31, 2020 and 2019, respectively.

10. RECEIVABLES, NET

	December 31	
	2020	2019
Accounts receivable	\$ 155,582	\$ 193,932
Investment settlements receivable	-	7,476
Income receivable	818	1,830
Interest receivable	340,320	787,937
Dividends receivable	2,948	1,125
Acceptances receivable	43,447	220,594
Factored receivable	869,297	1,585,725
Others	<u>36,052</u>	<u>482,828</u>
	1,448,464	3,281,447
Less: Allowance for credit losses	<u>35,359</u>	<u>48,099</u>
Receivables, net	<u>\$ 1,413,105</u>	<u>\$ 3,233,348</u>

The changes in gross carrying amount on receivables for the years ended December 31, 2020 and 2019 were as follows:

	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Total
Balance at January 1, 2020	\$ 3,129,203	\$ 106,462	\$ 45,782	\$ 3,281,447
Transfers				
To 12-month ECLs	549	(535)	(14)	-
To lifetime ECLs	(12,197)	12,197	-	-
To credit-impaired financial assets	(165)	(291)	456	-
New financial assets purchased or originated	485,742	15,138	11	500,891
Derecognition of financial assets	(2,183,987)	(102,403)	(10,299)	(2,296,689)
Write-offs	-	-	(125)	(125)
Exchange rate or other changes	<u>(30,239)</u>	<u>(5,176)</u>	<u>(1,645)</u>	<u>(37,060)</u>
Balance at December 31, 2020	<u>\$ 1,388,906</u>	<u>\$ 25,392</u>	<u>\$ 34,166</u>	<u>\$ 1,448,464</u>

	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Total
Balance at January 1, 2019	\$ 6,829,152	\$ 67,777	\$ 27,556	\$ 6,924,485
Transfers				
To 12-month ECLs	2,578	(2,578)	-	-
To lifetime ECLs	(8,772)	8,772	-	-
To credit-impaired financial assets	(5,247)	(427)	5,674	-
New financial assets purchased or originated	1,713,681	98,251	1,739	1,813,671
Derecognition of financial assets	(5,372,410)	(62,665)	(1,778)	(5,436,853)
Exchange rate or other changes	<u>(29,779)</u>	<u>(2,668)</u>	<u>12,591</u>	<u>(19,856)</u>
Balance at December 31, 2019	<u>\$ 3,129,203</u>	<u>\$ 106,462</u>	<u>\$ 45,782</u>	<u>\$ 3,281,447</u>

The Bank provides an appropriate allowance for doubtful debts for the assessment of receivables. Refer to Note 12 for the details and changes in the allowance for doubtful debts of receivables.

Refer to Note 43 for the impairment loss analysis of receivables.

11. DISCOUNTS AND LOANS, NET

	December 31	
	2020	2019
Accounts receivable financing	\$ 102,706	\$ 284,150
Short-term	51,916,182	47,821,366
Medium-term	87,703,765	104,204,562
Long-term	25,528,737	23,392,774
Guaranteed overdraft	142,971	69
Export bill negotiated	1,222	-
Overdue loans	<u>704,710</u>	<u>703,831</u>
	166,100,293	176,406,752
Less: Allowance for credit losses	<u>2,183,429</u>	<u>2,425,574</u>
	<u>\$ 163,916,864</u>	<u>\$ 173,981,178</u>

The changes in gross carrying amount on discount and loans for the years ended December 31, 2020 and 2019 were as follows:

	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Total
Balance at January 1, 2020	\$ 158,371,378	\$ 15,043,738	\$ 2,991,636	\$ 176,406,752
Transfers				
To 12-month ECLs	229,306	(214,268)	(15,038)	-
To lifetime ECLs	(1,810,042)	1,810,042	-	-
To credit-impaired financial assets	(60,114)	(213,239)	273,353	-
New financial assets purchased or originated	87,184,271	10,748,564	389,554	98,322,389
Derecognition of financial assets	(94,749,783)	(10,895,101)	(1,421,510)	(107,066,394)
Write-offs	-	-	(496,924)	(496,924)
Exchange rate or other changes	<u>(738,071)</u>	<u>(300,834)</u>	<u>(26,625)</u>	<u>(1,065,530)</u>
Balance at December 31, 2020	<u>\$ 148,426,945</u>	<u>\$ 15,978,902</u>	<u>\$ 1,694,446</u>	<u>\$ 166,100,293</u>
Balance at January 1, 2019	\$ 165,996,929	\$ 14,677,877	\$ 1,384,426	\$ 182,059,232
Transfers				
To 12-month ECLs	1,979,229	(1,979,229)	-	-
To lifetime ECLs	(4,022,646)	4,022,646	-	-
To credit-impaired financial assets	(1,217,443)	(116,053)	1,333,496	-
New financial assets purchased or originated	97,256,872	9,885,556	2,096,694	109,239,122
Derecognition of financial assets	(100,855,233)	(10,966,554)	(337,636)	(112,159,423)
Write-offs	-	-	(1,145,679)	(1,145,679)
Exchange rate or other changes	<u>(766,330)</u>	<u>(480,505)</u>	<u>(339,665)</u>	<u>(1,586,500)</u>
Balance at December 31, 2019	<u>\$ 158,371,378</u>	<u>\$ 15,043,738</u>	<u>\$ 2,991,636</u>	<u>\$ 176,406,752</u>

The balance of the overdue loans of the Bank as of December 31, 2020 and 2019 no longer include the calculation of interest. The unrecognized interest revenue on the above loans amounted to \$23,762 thousand and \$11,150 thousand for the years ended December 31, 2020 and 2019, respectively. For the years ended December 31, 2020 and 2019, the Bank wrote off credits only upon completing the required legal procedures.

The Bank provide an appropriate allowance for doubtful debts based on the assessment of discounts and loans. Refer to Note 12 for the details and changes in the allowance for doubtful debts of discounts and loans.

Refer to Note 43 for the impairment loss analysis of discounts and loans.

12. ALLOWANCE FOR CREDIT LOSSES AND PROVISIONS

The changes in allowance for credit losses and provisions for the years ended December 31, 2020 and 2019 were as follows:

Allowance for Receivables	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans”	Total
Balance at January 1, 2020	\$ 2,242	\$ 140	\$ 24,403	\$ 26,785	\$ 21,314	\$ 48,099
Transfers						
To 12-month ECLs	12	(6)	(6)	-	-	-
To lifetime ECLs	(12)	12	-	-	-	-
To credit-impaired financial assets	(1)	(14)	15	-	-	-
New financial assets purchased or originated	2,768	86	400	3,254	-	3,254
Derecognition of financial assets	(1,748)	(116)	(647)	(2,511)	-	(2,511)
Change in model or risk parameters	(12)	4	84	76	-	76
Difference between IFRS 9 and “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans”	-	-	-	-	(12,043)	(12,043)
Write-offs	-	-	(125)	(125)	-	(125)
Exchange rate or other changes	-	-	(1,115)	(1,115)	(276)	(1,391)
Balance at December 31, 2020	<u>\$ 3,249</u>	<u>\$ 106</u>	<u>\$ 23,009</u>	<u>\$ 26,364</u>	<u>\$ 8,995</u>	<u>\$ 35,359</u>

Allowance for Discounts and Loans	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans”	Total
Balance at January 1, 2020	\$ 224,015	\$ 61,680	\$ 372,894	\$ 658,589	\$ 1,766,985	\$ 2,425,574
Transfers						
To 12-month ECLs	7,704	(1,278)	(6,426)	-	-	-
To lifetime ECLs	(2,449)	2,449	-	-	-	-
To credit-impaired financial assets	(170)	(1,901)	2,071	-	-	-
New financial assets purchased or originated	215,911	69,838	264,939	550,688	-	550,688
Derecognition of financial assets	(113,769)	(16,615)	(184,184)	(314,568)	-	(314,568)
Change in model or risk parameters	100,097	53,160	375,301	528,558	-	528,558
Difference between IFRS 9 and “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans”	-	-	-	-	(498,308)	(498,308)
Write-offs	-	-	(496,924)	(496,924)	-	(496,924)
Withdrawal after write-offs	-	-	23,955	23,955	-	23,955
Exchange rate or other changes	(1,545)	(156)	(274)	(1,975)	(33,571)	(35,546)
Balance at December 31, 2020	<u>\$ 429,794</u>	<u>\$ 167,177</u>	<u>\$ 351,352</u>	<u>\$ 948,323</u>	<u>\$ 1,235,106</u>	<u>\$ 2,183,429</u>

Reserve for Losses on Guarantee Contracts and Financing Quota Preparation	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans”	Total
Balance at January 1, 2020	\$ 48,534	\$ 4,350	\$ -	\$ 52,884	\$ 229,395	\$ 282,279
Transfers						
To 12-month ECLs	111	(111)	-	-	-	-
To lifetime ECLs	(413)	413	-	-	-	-
New financial assets purchased or originated	90,868	16,551	-	107,419	-	107,419
Derecognition of financial assets	(40,261)	(2,568)	-	(42,829)	-	(42,829)
Change in model or risk parameters	5,631	2,242	-	7,873	-	7,873
Difference between IFRS 9 and “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans”	-	-	-	-	102,351	102,351
Exchange rate or other changes	(116)	(16)	-	(132)	(754)	(886)
Balance at December 31, 2020	<u>\$ 104,354</u>	<u>\$ 20,861</u>	<u>\$ -</u>	<u>\$ 125,215</u>	<u>\$ 330,992</u>	<u>\$ 456,207</u>

Allowance for Receivables	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans”	Total
Balance at January 1, 2019	\$ 5,292	\$ 87	\$ 24,173	\$ 29,552	\$ 52,561	\$ 82,113
Transfers						
To 12-month ECLs	9	(9)	-	-	-	-
To lifetime ECLs	(7)	7	-	-	-	-
To credit-impaired financial assets	(5)	(3)	8	-	-	-
New financial assets purchased or originated	2,028	134	376	2,538	-	2,538
Derecognition of financial assets	(5,052)	(73)	(99)	(5,224)	-	(5,224)
Change in model or risk parameters	(23)	(3)	286	260	-	260
Difference between IFRS 9 and “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans”	-	-	-	-	(31,113)	(31,113)
Exchange rate or other changes	-	-	(341)	(341)	(134)	(475)
Balance at December 31, 2019	<u>\$ 2,242</u>	<u>\$ 140</u>	<u>\$ 24,403</u>	<u>\$ 26,785</u>	<u>\$ 21,314</u>	<u>\$ 48,099</u>

Allowance for Discounts and Loans	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans”	Total
Balance at January 1, 2019	\$ 201,421	\$ 28,086	\$ 327,341	\$ 556,848	\$ 2,113,956	\$ 2,670,804
Transfers						
To 12-month ECLs	14,408	(14,408)	-	-	-	-
To lifetime ECLs	(7,376)	7,376	-	-	-	-
To credit-impaired financial assets	(1,562)	(276)	1,838	-	-	-
New financial assets purchased or originated	99,354	36,736	1,265,748	1,401,838	-	1,401,838
Derecognition of financial assets	(117,080)	(9,808)	(93,436)	(220,324)	-	(220,324)
Change in model or risk parameters	35,149	14,051	17,011	66,211	-	66,211
Difference between IFRS 9 and “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans”	-	-	-	-	(335,472)	(335,472)
Write-offs	-	-	(1,145,679)	(1,145,679)	-	(1,145,679)
Withdrawal after write-offs	-	-	3,741	3,741	-	3,741
Exchange rate or other changes	(299)	(77)	(3,670)	(4,046)	(11,499)	(15,545)
Balance at December 31, 2019	<u>\$ 224,015</u>	<u>\$ 61,680</u>	<u>\$ 372,894</u>	<u>\$ 658,589</u>	<u>\$ 1,766,985</u>	<u>\$ 2,425,574</u>

Reserve for Losses on Guarantee Contracts and Financing Commitments	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans”	Total
Balance at January 1, 2019	\$ 43,476	\$ 10,978	\$ -	\$ 54,454	\$ 186,029	\$ 240,483
Transfers						
To 12-month ECLs	5,965	(5,965)	-	-	-	-
To lifetime ECLs	(693)	693	-	-	-	-
New financial assets purchased or originated	38,322	1,997	-	40,319	-	40,319
Derecognition of financial assets	(31,674)	(4,107)	-	(35,781)	-	(35,781)
Change in model or risk parameters	(6,834)	759	-	(6,075)	-	(6,075)
Difference between IFRS 9 and “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans”	-	-	-	-	43,839	43,839
Exchange rate or other changes	(28)	(5)	-	(33)	(473)	(506)
Balance at December 31, 2019	<u>\$ 48,534</u>	<u>\$ 4,350</u>	<u>\$ -</u>	<u>\$ 52,884</u>	<u>\$ 229,395</u>	<u>\$ 282,279</u>

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2020	2019
Investments in subsidiaries	\$ 15,752,245	\$ 14,920,171
Investments in associates	<u>789,863</u>	<u>-</u>
	<u>\$ 16,542,108</u>	<u>\$ 14,920,171</u>

a. Investments in subsidiaries

	December 31	
	2020	2019
Domestic listed company		
China Bills Finance Corp.	\$ 7,152,692	\$ 6,700,500
Domestic unlisted company		
IBT Holdings Corp.	5,269,068	5,294,014
Chun Teng New Century Co., Ltd. (former IBT Securities Co., Ltd.)	314,026	338,027
IBT Leasing Co., Ltd.	2,784,548	2,361,173
IBT Management Corp.	<u>231,911</u>	<u>226,457</u>
	<u>\$ 15,752,245</u>	<u>\$ 14,920,171</u>

	Proportion of Ownership and Voting Rights	
	December 31	
	2020	2019
China Bills Finance Corp.	28.37%	28.37%
Chun Teng New Century Co., Ltd.	99.75%	99.75%
IBT Holdings Corp.	100.00%	100.00%
IBT Leasing Co., Ltd.	100.00%	100.00%
IBT Management Corp.	100.00%	100.00%

b. Investments in associates

	December 31, 2020
Material associate - Beijing Sunshine Consumer Finance Co., Ltd.	<u>\$ 789,863</u>

Material associate

Name of Associate	Proportion of Ownership and Voting Rights December 31, 2020
Beijing Sunshine Consumer Finance Co., Ltd.	20%

The investment in Beijing Sunshine Consumer Finance Co., Ltd., was jointly invested by the Bank, China Everbright Bank and China CYTS Tours Holding. The Bank's investment amounted to RMB200,000 thousand with the shareholding ratio of 20%, and Beijing Sunshine Consumer Finance Co., Ltd. has begun operation since August 17, 2020.

Refer to Table 7 "Name, locations and other information of investees on which the Bank exercises significant influence" and Table 8 "Information on Investments in Mainland China" for the nature of activities, principal place of business and country of incorporation of the associate.

The financial information of the bank's affiliates is as follows:

	December 31, 2020
Total assets	<u>\$ 13,752,736</u>
Total liabilities	<u>\$ 9,803,422</u>
	For the Year Ended December 31, 2020
Net loss	<u>\$ 413,832</u>
Other comprehensive loss	<u>\$ 413,832</u>

- c. The Bank's investments accounted for using equity method, the details of its investment income (loss) are as follows:

	For the Year Ended December 31	
	2020	2019
Domestic listed company		
China Bills Finance Corp.	\$ 447,728	\$ 353,093
Domestic unlisted company		
Chun Teng New Century Co., Ltd.	(12,010)	(1,823)
IBT Holdings Corp.	256,838	385,991
IBT Leasing Co., Ltd.	364,120	363,808
IBT Management Corp.	16,248	(2,589)
Beijing Sunshine Consumer Finance Co., Ltd.	<u>(82,766)</u>	<u>-</u>
	<u>\$ 990,158</u>	<u>\$ 1,098,480</u>

The investments in subsidiaries and associates accounted for using the equity method, the share of profit or loss of associates and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2020 and 2019 was based on each of financial statements which have been audited for the same years.

14. OTHER FINANCIAL ASSETS

	December 31	
	2020	2019
Call loans to securities firms	\$ -	\$ 301,107
Others	<u>219,108</u>	<u>216,091</u>
	<u>\$ 219,108</u>	<u>\$ 517,198</u>

15. PROPERTY AND EQUIPMENT, NET

	December 31	
	2020	2019
<u>Carrying amounts of each class</u>		
Land	\$ 698,633	\$ 698,633
Buildings	1,309,511	1,347,472
Machinery and computer equipment	286,522	322,908
Transportation equipment	17,579	23,778
Lease improvement	103,365	118,848
Office and other equipment	55,013	68,672
Construction in progress and prepayments for equipment	<u>19,335</u>	<u>80,739</u>
	<u>\$ 2,489,958</u>	<u>\$ 2,661,050</u>

(Continued)

	December 31	
	2020	2019
For own used	\$ 2,126,685	\$ 2,290,909
Assets leased under operating leases	<u>363,273</u>	<u>370,141</u>
	<u>\$ 2,489,958</u>	<u>\$ 2,661,050</u>
		(Concluded)

a. For own used

	Land	Buildings	Machinery and Computer Equipment	Transportation Equipment	Lease Improvement	Office and Other Equipment	Construction in Progress and Prepayments for Equipment	Total
<u>Cost</u>								
Balance at January 1, 2020	\$ 572,250	\$ 1,533,081	\$ 687,180	\$ 50,002	\$ 241,487	\$ 212,579	\$ 80,739	\$ 3,377,318
Additions	-	5,391	18,302	1,210	5,796	5,255	26,288	62,242
Disposals and scrapped	-	-	(508)	-	-	(805)	-	(1,313)
Reclassification	-	-	4,398	-	17,098	496	(87,473)	(65,481)
Effect of foreign currency exchange differences	-	-	(438)	(282)	(1,990)	(626)	(219)	(3,555)
Balance at December 31, 2020	<u>572,250</u>	<u>1,538,472</u>	<u>708,934</u>	<u>50,930</u>	<u>262,391</u>	<u>216,899</u>	<u>19,335</u>	<u>3,369,211</u>
<u>Accumulated depreciation</u>								
Balance at January 1, 2020	-	429,367	364,272	26,224	122,639	143,907	-	1,086,409
Depreciation expense	-	36,484	58,953	7,154	37,566	19,093	-	159,250
Disposals and scrapped	-	-	(508)	-	-	(805)	-	(1,313)
Effect of foreign currency exchange differences	-	-	(305)	(27)	(1,179)	(309)	-	(1,820)
Balance at December 31, 2020	-	<u>465,851</u>	<u>422,412</u>	<u>33,351</u>	<u>159,026</u>	<u>161,886</u>	-	<u>1,242,526</u>
<u>Carrying amounts</u>								
Balance at December 31, 2020	<u>\$ 572,250</u>	<u>\$ 1,072,621</u>	<u>\$ 286,522</u>	<u>\$ 17,579</u>	<u>\$ 103,365</u>	<u>\$ 55,013</u>	<u>\$ 19,335</u>	<u>\$ 2,126,685</u>
<u>Cost</u>								
Balance at January 1, 2019	\$ 613,679	\$ 1,644,005	\$ 624,999	\$ 48,428	\$ 250,472	\$ 214,059	\$ 84,879	\$ 3,480,521
Additions	-	473	27,911	7,770	2,651	1,373	56,521	96,699
Disposals and scrapped	-	(2,134)	(5,603)	(6,131)	(11,040)	(2,665)	-	(27,573)
Reclassification	(41,429)	(109,263)	39,998	-	-	-	(60,654)	(171,348)
Effect of foreign currency exchange differences	-	-	(125)	(65)	(596)	(188)	(7)	(981)
Balance at December 31, 2019	<u>572,250</u>	<u>1,533,081</u>	<u>687,180</u>	<u>50,002</u>	<u>241,487</u>	<u>212,579</u>	<u>80,739</u>	<u>3,377,318</u>
<u>Accumulated depreciation</u>								
Balance at January 1, 2019	-	422,319	312,561	24,041	91,303	127,270	-	977,494
Depreciation expense	-	7,891	57,394	7,810	38,214	19,291	-	130,600
Disposals and scrapped	-	(843)	(5,603)	(5,572)	(6,623)	(2,590)	-	(21,231)
Effect of foreign currency exchange differences	-	-	(80)	(55)	(255)	(64)	-	(454)
Balance at December 31, 2019	-	<u>429,367</u>	<u>364,272</u>	<u>26,224</u>	<u>122,639</u>	<u>143,907</u>	-	<u>1,086,409</u>
<u>Carrying amounts</u>								
Balance at December 31, 2019	<u>\$ 572,250</u>	<u>\$ 1,103,714</u>	<u>\$ 322,908</u>	<u>\$ 23,778</u>	<u>\$ 118,848</u>	<u>\$ 68,672</u>	<u>\$ 80,739</u>	<u>\$ 2,290,909</u>

The above items of property and equipment are depreciated on a straight-line basis at the following rates per annum:

Buildings	25-50 years
Machinery and computer equipment	3-25 years
Transportation equipment	5 years
Lease improvement	5-8 years
Office and other equipment	5-15 years

b. Assets leased under operating leases

	Land	Buildings	Total
<u>Cost</u>			
Balance at January 1, 2020	\$ 126,383	\$ 338,584	\$ 464,967
Additions	<u>-</u>	<u>1,190</u>	<u>1,190</u>
Balance at December 31, 2020	<u>\$ 126,383</u>	<u>\$ 339,774</u>	<u>\$ 466,157</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2020	\$ -	\$ 94,826	\$ 94,826
Depreciation expense	<u>-</u>	<u>8,058</u>	<u>8,058</u>
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 102,884</u>	<u>\$ 102,884</u>
<u>Carrying amounts</u>			
Balance at December 31, 2020	<u>\$ 126,383</u>	<u>\$ 236,890</u>	<u>\$ 363,273</u>
<u>Cost</u>			
Balance at January 1, 2019	\$ 84,954	\$ 227,585	\$ 312,539
Disposals	-	(295)	(295)
Additions	-	453	453
Reclassification	<u>41,429</u>	<u>110,841</u>	<u>152,270</u>
Balance at December 31, 2019	<u>\$ 126,383</u>	<u>\$ 338,584</u>	<u>\$ 464,967</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2019	-	58,463	58,463
Depreciation expense	-	36,480	36,480
Disposals	<u>-</u>	<u>(117)</u>	<u>(117)</u>
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 94,826</u>	<u>\$ 94,826</u>
<u>Carrying amounts</u>			
Balance at December 31, 2019	<u>\$ 126,383</u>	<u>\$ 243,758</u>	<u>\$ 370,141</u>

Operating leases relate to leases of land and building with lease terms between 1 to 5 years. All operating lease contracts contain market review clauses in the event that the lessees exercise their options to extend. The lessees do not have bargain purchase options to acquire the assets at the expiry of the lease periods. The buildings are depreciated on a straight-line basis for 25 to 50 years.

The maturity analysis of lease payments receivable under operating lease payments was as follows:

	December 31	
	2020	2019
Year 1	\$ 21,559	\$ 21,529
Year 2	8,102	8,313
Year 3	7,765	8,072
Year 4	4,530	7,735
Year 5	<u>-</u>	<u>4,512</u>
	<u>\$ 41,956</u>	<u>\$ 50,161</u>

16. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2020	2019
<u>Carrying amounts</u>		
Buildings	<u>\$ 246,147</u>	<u>\$ 309,517</u>
	For the Year Ended December 31	
	2020	2019
Additions to right-of-use assets	<u>\$ 35,240</u>	<u>\$ 126,593</u>
Depreciation charge for right-of-use assets		
Buildings	<u>\$ 94,219</u>	<u>\$ 101,856</u>

b. Lease liabilities

	December 31	
	2020	2019
Carrying amounts	<u>\$ 253,261</u>	<u>\$ 313,446</u>

Range of discount rate for lease liabilities was as follows:

	December 31	
	2020	2019
Buildings	1.381%-5.125%	1.621%- 5.125%

c. Material lease-in activities

Due to rental of buildings, the Bank have been entered into various leasehold contracts with others. These contracts are gradually expiring before the end of July 2026. The rent is calculated based on the lease rate per square feet is paid monthly. According to the contract, the Bank has been paid the deposit of \$26,299 thousand and \$27,721 thousand on December 31, 2020 and 2019, respectively.

d. Other lease information

	For the Year Ended December 31	
	2020	2019
Expenses relating to short-term leases	\$ 4,016	\$ 4,284
Total cash outflow for leases	<u>\$ (102,023)</u>	<u>\$ (109,136)</u>

17. INTANGIBLE ASSETS

	December 31	
	2020	2019

Carrying amounts of each class of

Computer software	<u>\$ 1,084,891</u>	<u>\$ 1,163,114</u>
-------------------	---------------------	---------------------

The changes in of intangible assets for the years ended December 31, 2020 and 2019 are summarized as follows:

<u>Cost</u>	Computer Software
Balance at January 1, 2020	\$ 2,086,977
Additions	121,693
Reclassification	65,481
Disposals	(90)
Effect of foreign currency exchange differences	<u>(1,903)</u>
Balance at December 31, 2020	<u>\$ 2,272,158</u>

Accumulated amortization and impairment

Balance at January 1, 2020	\$ 923,863
Amortization	265,135
Disposals	(90)
Effect of foreign currency exchange differences	<u>(1,641)</u>
Balance at December 31, 2020	<u>\$ 1,187,267</u>

Carrying amounts

Balance at December 31, 2020	<u>\$ 1,084,891</u>
------------------------------	---------------------

Cost

Balance at January 1, 2019	\$ 1,954,770
Additions	113,882
Reclassification	19,077
Disposals	(218)
Effect of foreign currency exchange differences	<u>(534)</u>
Balance at December 31, 2019	<u>\$ 2,086,977</u>

(Continued)

**Computer
Software**

Accumulated amortization and impairment loss

Balance at January 1, 2019	\$ 680,508
Amortization	243,995
Disposals	(218)
Effect of foreign currency exchange differences	<u>(422)</u>
Balance at December 31, 2019	<u>\$ 923,863</u>

Carrying amounts

Balance at December 31, 2019	<u>\$ 1,163,114</u>
	(Concluded)

18. OTHER ASSETS

	<u>December 31</u>	
	2020	2019
Refundable deposits	\$ 413,997	\$ 219,698
Prepayments	38,040	48,793
Others	<u>132,901</u>	<u>130,939</u>
	<u>\$ 584,938</u>	<u>\$ 399,430</u>

19. DEPOSITS FROM THE CENTRAL BANK AND OTHER BANKS

	<u>December 31</u>	
	2020	2019
Call loans from banks	\$ 12,488,924	\$ 19,529,671
Call loans from Central Bank	2,850,831	2,408,858
Deposits from Chunghwa Post Co., Ltd.	<u>7,000,000</u>	<u>7,000,000</u>
	<u>\$ 22,339,755</u>	<u>\$ 28,938,529</u>

20. BILLS AND BONDS SOLD UNDER REPURCHASE AGREEMENTS

	December 31	
	2020	2019
Government bonds	\$ 900,278	\$ 2,863,548
Bank debentures	<u>538,738</u>	<u>-</u>
	<u>\$ 1,439,016</u>	<u>\$ 2,863,548</u>
Date of agreements to repurchase	From January 6 to March 16, 2021	From January 6 to January 17, 2020
Amount of agreements to repurchase	\$ 1,439,685	\$ 2,864,192

21. PAYABLES

	December 31	
	2020	2019
Checks for clearing	\$ 451,158	\$ 535,060
Investment settlements payable	93,761	102,794
Accrued interest	460,862	728,922
Accrued expenses	679,591	706,696
Collections payables	27,750	29,470
Factored payables	79,059	252,912
Acceptances	43,447	220,594
Others	<u>89,711</u>	<u>105,197</u>
	<u>\$ 1,925,339</u>	<u>\$ 2,681,645</u>

22. DEPOSITS AND REMITTANCES

	December 31	
	2020	2019
Deposits		
Checking	\$ 3,063,970	\$ 1,291,303
Demand	47,368,252	38,067,331
Time	179,212,485	187,573,208
Savings deposits	16,729,084	16,649,521
Export remittances	<u>47,032</u>	<u>63,717</u>
	<u>\$ 246,420,823</u>	<u>\$ 243,645,080</u>

23. BANK DEBENTURES PAYABLE

	December 31	
	2020	2019
Subordinate bonds first issued in 2013; fixed 1.95% interest rate; maturity: May 30, 2020; interest paid annually and repay the principal at maturity	\$ -	\$ 2,300,000
Subordinate bonds first issued in 2014; fixed 1.95% interest rate; maturity: March 27, 2021; interest paid annually and repay the principal at maturity	1,300,000	1,300,000
Subordinate bonds second issued in 2014; fixed 1.85% interest rate; maturity: June 26, 2021; interest paid annually and repay the principal at maturity	1,000,000	1,000,000
Subordinate bonds third issued in 2014; fixed 1.95% interest rate; maturity: September 26, 2021; interest paid annually and repay the principal at maturity	600,000	600,000
Subordinate bonds fourth issued in 2014; fixed 2.2% interest rate; maturity: May 5, 2022; interest paid annually and repay the principal at maturity	1,500,000	1,500,000
Subordinate bonds first issued in 2015; fixed 1.85% interest rate; maturity: December 29, 2022; interest paid annually and repay the principal at maturity	1,000,000	1,000,000
Subordinate bonds A first issued in 2016; fixed 1.70% interest rate; maturity: June 29, 2023; interest paid annually and repay the principal at maturity	1,500,000	1,500,000
Subordinate bonds B first issued in 2016; fixed 1.80% interest rate; maturity: June 29, 2024; interest paid annually and repay the principal at maturity	1,500,000	1,500,000
Subordinate bonds first issued in 2017; fixed 1.97% interest rate; maturity: September 5, 2027; interest paid annually and repay the principal at maturity	2,000,000	2,000,000
Subordinate bonds A second issued in 2017; fixed 4% interest rate; no maturity, interest paid annually	750,000	750,000
Subordinate bonds B second issued in 2017; fixed 1.82% interest rate; maturity: December 27, 2027; interest paid annually and repay the principal at maturity	1,000,000	1,000,000
Subordinate bonds A first issued in 2018; fixed 4% interest rate; no maturity, interest paid annually	700,000	700,000
Subordinate bonds B first issued in 2018; fixed 1.75% interest rate; maturity: June 29, 2028; interest paid annually and repay the principal at maturity	1,050,000	1,050,000
Subordinate bonds first issued in 2019; fixed 1.5% interest rate; maturity: June 6, 2026; interest paid annually and repay the principal at maturity	<u>2,500,000</u>	<u>2,500,000</u>
	<u>\$ 16,400,000</u>	<u>\$ 18,700,000</u>

24. OTHER FINANCIAL LIABILITIES

	December 31	
	2020	2019
Funds obtained from the government - intended for specific types of loans	\$ 2,822,069	\$ 2,950,900
Principal of structured products	<u>25,939</u>	<u>517,749</u>
	<u>\$ 2,848,008</u>	<u>\$ 3,468,649</u>

The Lending Fund is a development fund established by the Executive Yuan to promote the development of the financial market economy. The Bank applied for the quota and appointed Mega Bank, Export-Import Bank of the Republic of China, China Trust Commercial Bank, and Taiwan Enterprise Bank to act as the managing bank wherein the loan quota is available for use.

25. PROVISIONS

	December 31	
	2020	2019
Provisions for employee benefits	\$ 56,640	\$ 88,577
Provisions for losses on guarantee contracts	364,486	215,313
Provisions for financing commitments	<u>91,721</u>	<u>66,966</u>
	<u>\$ 512,847</u>	<u>\$ 370,856</u>

Refer to Note 12 for the details and changes in the reserve for losses on guarantee contracts and financing commitments.

26. RETIREMENT BENEFIT PLANS

Defined Contribution Plan

The pension system under the "Labor Pensions Ordinance" applicable to the Bank is the required retirement plan stipulated by the government. A pension of 6% of an employee's monthly salary is paid to the Labor Insurance Bureau under each individual's account.

The amount to be paid in accordance with the percentage specified in the proposed plan for the years ended December 31, 2020 and 2019 was recognized in the statements of comprehensive income in the total amounts of \$51,897 thousand and \$53,036 thousand, respectively.

Defined Benefit Plan

The defined benefit plans adopted by the Bank in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Bank contribution amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Bank assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Bank is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor; the Bank has no right to influence the investment policy and strategy.

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

	December 31	
	2020	2019
Present value of defined benefit obligation	\$ 172,278	\$ 198,373
Fair value of plan assets	<u>(115,638)</u>	<u>(109,796)</u>
Net defined benefit liabilities	<u>\$ 56,640</u>	<u>\$ 88,577</u>

Movement in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2019	<u>\$ 195,051</u>	<u>\$ (107,486)</u>	<u>\$ 87,565</u>
Service cost			
Current service cost	2,349	-	2,349
Net interest expense (income)	<u>1,951</u>	<u>(1,088)</u>	<u>863</u>
Recognized in profit or loss	<u>4,300</u>	<u>(1,088)</u>	<u>3,212</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(3,853)	(3,853)
Changes in demographic assumptions	400	-	400
Changes in financial assumptions	4,613	-	4,613
Experience adjustments	<u>(748)</u>	<u>-</u>	<u>(748)</u>
Recognized in other comprehensive income (loss)	<u>4,265</u>	<u>(3,853)</u>	<u>412</u>
Employer contributions	-	(2,612)	(2,612)
Benefits paid	<u>(5,243)</u>	<u>5,243</u>	<u>-</u>
Balance at December 31, 2019	<u>\$ 198,373</u>	<u>\$ (109,796)</u>	<u>\$ 88,577</u>
Balance at January 1, 2020	<u>\$ 198,373</u>	<u>\$ (109,796)</u>	<u>\$ 88,577</u>
Service cost			
Current service cost	2,276	-	2,276
Net interest expense (income)	<u>1,488</u>	<u>(833)</u>	<u>655</u>
Recognized in profit or loss	<u>3,764</u>	<u>(833)</u>	<u>2,931</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(3,665)	(3,665)
Changes in demographic assumptions	230	-	230
Changes in financial assumptions	4,072	-	4,072
Experience adjustments	<u>(929)</u>	<u>-</u>	<u>(929)</u>
Recognized in other comprehensive income (loss)	<u>3,373</u>	<u>(3,665)</u>	<u>(292)</u>
Employer contributions	-	(2,443)	(2,443)
Benefits paid	(1,099)	1,099	-
Business paid	<u>(32,133)</u>	<u>-</u>	<u>(32,133)</u>
Balance at December 31, 2020	<u>\$ 172,278</u>	<u>\$ (115,638)</u>	<u>\$ 56,640</u>

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

- a. Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- b. Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.
- c. Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	
	2020	2019
Discount rate(s)	0.50%	0.75%
Expected rate(s) of salary increase	2.50%	2.50%

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

	December 31	
	2020	2019
Discount rate(s)		
0.25% increase	<u>\$ (4,072)</u>	<u>\$ (4,614)</u>
0.25% decrease	<u>\$ 4,212</u>	<u>\$ 4,776</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 4,058</u>	<u>\$ 4,618</u>
0.25% decrease	<u>\$ (3,945)</u>	<u>\$ (4,486)</u>

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

	December 31	
	2020	2019
Expected contributions to the plans for the next year	<u>\$ 2,404</u>	<u>\$ 2,661</u>
Average duration of the defined benefit obligation	9.6 years	9.4 years

27. OTHER LIABILITIES

	December 31	
	2020	2019
Guarantee deposits received	\$ 7,596	\$ 6,587
Advance revenue	47,460	28,659
Others	<u>6,780</u>	<u>9,942</u>
	<u>\$ 61,836</u>	<u>\$ 45,188</u>

28. EQUITY

a. Capital stock

	December 31	
	2020	2019
Number of stock authorized (in thousands)	<u>3,500,000</u>	<u>3,500,000</u>
Amount of capital stock authorized	<u>\$ 35,000,000</u>	<u>\$ 35,000,000</u>
Number of stocks issued and fully paid (in thousands)		
Common stock	<u>2,733,006</u>	<u>2,413,006</u>
Preferred stock	<u>300,000</u>	<u>300,000</u>
Amount of stocks issued	<u>\$ 30,330,063</u>	<u>\$ 27,130,063</u>

Fully paid common stocks, which have a par value of \$10, carry one vote per stock and carry a right to dividends.

On June 27, 2018, the Bank's board of directors resolved to issue 300,000 thousand Series A preferred stock, with a par value of \$10. The subscription date was November 29, 2018. The Bank finished the registration on December 21, 2018. The rights and obligations of Series A preferred stockholders are as follows:

- 1) The interest rate of Series A preferred stock shall be based on the 5-year Interest Rate Swap (IRS) rate on the pricing date and the interest shall be calculated on the issue price per share; the interest rate is initially set at 0.94375% plus 3.30625% (total 4.25%) per annum. The interest Rate Swap issued price per share. Interest rate per annum will be reset on the day after the 5.5-year anniversary of the issue date and the day after each subsequent period of 5.5 years thereafter. Dividends for the Series A preferred stock shall be declared once every year in cash. After the stockholders' approval of the Bank's financial statements at its annual stockholders' meeting, the board of directors may set a record date for the distribution of dividends declared from the previous year. Dividend distribution for the years of issuance and redemption shall be calculated pursuant to actual issued days of the given year.
- 2) The Bank has sole discretion on dividend issuance of Series A preferred stock including, but not limited to, its discretion to not declare dividends when no profit is recorded, or insufficient profit is recorded for preferred stock dividends, or preferred stock dividend declaration would render the Bank of International Settlement (BIS) ratio below the level required by the law or relevant authorities, or due other necessary consideration. The Series A preferred stockholders shall not have any objection towards the Bank's cancellation of preferred stock dividend declaration. Undeclared or under declared dividends are not cumulative and are not paid in subsequent years with profit.

- 3) Unless the authorities take over the Bank, order the Bank to suspend, terminate or liquidate its business in accordance with the “Regulations Governing the Capital Adequacy and Capital Category of Banks”, Series A preferred stockholders shall have the same priority as the common stockholders in the event of liquidation, both second to tier 2 capital instrument holder, depositor, and common creditor, but will be capped at the value of issuance.
- 4) Series A preferred stockholders have no voting rights at the annual stockholders’ meeting and cannot elect directors. However, the preferred stockholders should have voting rights at the preferred stockholders’ meeting and also at the stockholders’ meeting when it involves the rights and obligations of the preferred stockholders, and the aforesaid stockholders are eligible for director candidacy. Series A preferred stockholders have voting rights at Series A stockholders’ meeting.
- 5) The preferred stock issued by the Bank shall not be converted within one year from the date of issuance. Starting from the day after the expiration of one year, stockholders of convertible preferred stock may apply for the conversion of part or all of the preferred stock held, from preferred stock to common stock during the conversion period (conversion ratio 1:1). After the convertible preferred stock are converted into common stock, their rights and obligations are the same as the common stock. The issuance of annual dividends for the convertible preferred stock is based on the ratio of the actual number of issued days in the current year to the number of days within the whole year. However, stockholders who converted their preferred stock into common stock before the date of distribution of dividends (interests) in each year shall not participate in the distribution in that year but may participate in the distribution of common stock surplus and additional paid in capital.
- 6) When the Bank issues new shares for cash, Series A preferred stockholders have the same subscription rights as the common stockholders.

On July 7, 2020, the Bank’s board of directors resolved to issue 320,000 thousand common shares with a par value of \$10 and plans to issued at \$6.35 per share, which increased the share capital issued and fully paid increased to 30,330,063 thousand. The above transaction was approved by the FSC.

b. Capital surplus

	December 31	
	2020	2019
May be used to offset a deficit, distributed as dividends, or transferred to capital stock (Note)		
Treasury share transactions	\$ 3,193	\$ 3,193
Share-based payments	-	4,537
Must be used to offset a deficit		
Unclaimed dividends	978	649
May not be used for any purpose		
Share of changes in capital surplus of subsidiaries, associates or joint ventures	<u>1,795</u>	<u>1,371</u>
	<u>\$ 5,966</u>	<u>\$ 9,750</u>

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

c. Special reserves

	December 31	
	2020	2019
Trading loss and default loss reserve	\$ 133,955	\$ 133,955
Employee transfer or placement expenditure related to financial technology development	17,181	18,353
Other equity deductions special reserves	67,477	159,981
According to the Bank's policy	<u>1,177,740</u>	<u>1,319,046</u>
	<u>\$ 1,396,353</u>	<u>\$ 1,631,335</u>

The Bank reclassified reserve for trading loss and default losses as of December 31, 2010 to a special reserve account, which is part of equity, in accordance with Order No. 10010000440 issued by the FSC.

In addition, according to Rule No. 10510001510 issued by the FSC on May 25, 2016, a public bank shall appropriate to special reserve an amount in the range of 0.5% to 1% of net profit after tax from 2016 to 2018; from 2017, the same amount of employee transfer or placement expenditure arising from financial technology development shall be reversed from the balance of the special reserve. The above order was repealed by the FSC Rule No. 10802714560 on May 15, 2019, which stipulates that in 2019, a public bank shall no longer continue to provide a special reserve for the purpose of protecting the interests of domestic bank practitioners in the development of financial technology. The Bank is allowed to reverse the special reserve appropriated in 2016 to 2018 at the amounts of the following expenses.

- 1) Expenses for staff transfer or placement, including the related expenses for assisting employees to transfer between departments or groups, and the payment of retirement and severance benefits to employees that are superior to labor-related laws and regulations.
- 2) Expenses for financial technology or banking business development, i.e., expenditure for education and training to enhance or develop employee functions.

The Bank shall make or reverse appropriations for the items referred to under Rule No. 1010012865, Rule No. 1010047490, and Rule No. 1030006415 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs".

d. Retained earnings and dividend policy

- 1) The Bank's dividend policy approved by the stockholders' meeting of the Bank on June 19, 2020 is as follows:

Under the dividends policy as set forth in the amended Articles, where the Bank made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 30% of the remaining profit until the accumulated legal reserve equals the Bank's paid-in capital, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the board of directors as the basis for proposing a distribution plan, which should be resolved in the stockholders' meeting for distribution of dividends and bonus to stockholders.

In principle, common stock dividends shall not be less than 20% of the available for distribution retained earnings minus the amount for preferred stock dividends. Cash dividend shall not be less than 20% of the total dividend for the current year. When the amount of legal reserve has not reached the Bank's total capital, the amount of cash dividends cannot exceed 15% of the Bank's paid-in capital.

The Bank shall consider its future capital budget plan, financial needs for various businesses, and financial structure in the adoption of a stable and balanced dividend policy. The board of directors may, according to the actual needs, propose adjustments to the dividend distribution, and submit the proposal for approval in the stockholders' meeting.

2) The dividend policy before June 19, 2020 is as follows:

Under the dividends policy as set forth in the amended Articles, where the Bank made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 30% of the remaining profit until the accumulated legal reserve equals the Bank's paid-in capital, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the board of directors as the basis for proposing a distribution plan, which should be resolved in the stockholders' meeting for distribution of dividends and bonus to stockholders. When the amount of legal reserve has not reached the Bank's total capital, the amount of cash dividends cannot exceed 15% of the Bank's paid-in capital.

In addition, according to the provisions of the Bank's articles of incorporation, the Bank shall consider its future capital budget plan, financial needs for various businesses, and financial structure in the adoption of a stable and balanced dividend policy. In principle, cash dividend shall not be less than 20% of the total dividend for the current year. The board of directors may, according to the actual needs, propose adjustments to the dividend distribution, and submit the proposal for approval in the shareholders' meeting.

For the policies on distribution of employees' compensation and remuneration of directors, please refer to Note 33.

The appropriations of earnings for 2019 and 2018 have been proposed by the Bank's board of directors and approved in the stockholders' meetings on June 19, 2020 and June 14, 2019, respectively. The appropriations and dividends per share were as follows:

	2019	2018
	Appropriation of Earnings	Appropriation of Earnings
Legal reserve	\$ 330,130	\$ 183,014
Special reserve appropriated (reversed)	(234,982)	415,504
Cash dividends - common stock	965,203	-
Preferred stock dividends	127,500	11,527

The appropriation of earnings for 2020 had been proposed by the Board on March 22, 2021. The appropriation were as follows:

	Appropriation of Earnings
Legal reserve	\$ 31,879
Special reserve reversed	(598,570)
Cash dividends - common stock	545,454
Cash dividends - preferred stock	127,500

The appropriation of earnings for 2020 are subject to the resolution of the shareholders' meeting to be held on June 25, 2021.

e. Other equity items

1) Exchange differences on the translating the financial statements of foreign operations

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ (307,473)	\$ (92,806)
Exchange differences arising on the translating the financial statements of foreign operations	(446,246)	(237,382)
Income tax related to gains arising on the translating the financial statements of foreign operations	<u>56,165</u>	<u>22,715</u>
Balance at December 31	<u>\$ (697,554)</u>	<u>\$ (307,473)</u>

2) Unrealized valuation gain (loss) on financial assets at FVTOCI

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ 239,996	\$ (67,175)
Recognized during the period		
Unrealized gain - debt instruments	284,191	223,138
Unrealized gain - equity instruments	339,439	169,681
Loss allowance of debt instruments	<u>3,887</u>	<u>2,075</u>
Other comprehensive income recognized in the period	<u>627,517</u>	<u>394,894</u>
Cumulative unrealized loss of equity instruments transferred to retained earnings due to disposal	<u>(112,215)</u>	<u>(87,723)</u>
Balance at December 31	<u>\$ 755,298</u>	<u>\$ 239,996</u>

f. Treasury stock

Unit: In Thousands of Shares

	For the Year Ended December 31, 2020
Number of shares at January 1, 2020	-
Increase during the period	<u>5,737</u>
Number of shares at December 31, 2020	<u>5,737</u>

On March 19, 2020, the Bank's board of directors proposed to acquire treasury stocks transfer to employees. The acquiring period is from March 20, 2020 to May 19, 2020. As of May 19, 2020, the Bank had acquired 5,737 thousand shares of treasury stocks for \$38,304 thousand.

Under the Securities and Exchange Act, the Bank shall neither pledge treasury shares nor exercise stockholders' rights on these shares, such as the rights to receive dividends or to vote.

29. NET INTEREST

	For the Year Ended December 31	
	2020	2019
<u>Interest revenue</u>		
Discounts and loans	\$ 3,750,380	\$ 4,710,269
Investments in securities	478,355	717,321
Due from the Central Bank and call loans to banks	80,579	259,590
Factoring	19,631	30,228
Others	<u>30,882</u>	<u>46,177</u>
	<u>4,359,827</u>	<u>5,763,585</u>
<u>Interest expense</u>		
Deposits	1,921,978	2,921,856
Bills and bonds sold under repurchase agreements	7,238	20,569
Bank debentures	349,741	378,507
Deposits from Central Bank and other banks	154,311	460,969
Others	<u>11,976</u>	<u>24,233</u>
	<u>2,445,244</u>	<u>3,806,134</u>
	<u>\$ 1,914,583</u>	<u>\$ 1,957,451</u>

30. NET SERVICE FEE INCOME

	For the Year Ended December 31	
	2020	2019
Service fee income		
Import and export business	\$ 11,705	\$ 23,219
Loan business	106,417	238,243
Guarantee business	264,224	186,444
Credit examining business	149,797	275,176
Acceptance business	1,023	1,174
Factoring business	16,066	41,461
Trust business	32,751	20,188
Insurance agent business	70,527	116,583
Others	<u>39,041</u>	<u>41,053</u>
	<u>691,551</u>	<u>943,541</u>
Service charge		
Remittance	1,838	1,628
Custody	3,795	2,318
Interbank	16,005	15,956
Reward program	27,594	44,102
Others	<u>58,372</u>	<u>70,744</u>
	<u>107,604</u>	<u>134,748</u>
	<u>\$ 583,947</u>	<u>\$ 808,793</u>
		(Concluded)

31. REALIZED GAINS (LOSSES) ON FINANCIAL ASSETS OR LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	For the Year Ended December 31	
	2020	2019
Realized gains or losses		
Stocks	\$ 109,501	\$ 98,100
Bonds	(6,669)	831
Derivatives	(1,325,132)	731,366
Others	<u>20</u>	<u>-</u>
	<u>(1,222,280)</u>	<u>830,297</u>
Gains (losses) on valuation		
Stocks	52,754	7,606
Bonds	1,482	10,075
Derivatives	(173)	(353,949)
Others	<u>(7,994)</u>	<u>555</u>
	<u>46,069</u>	<u>(335,713)</u>
Interest revenue	<u>335,229</u>	<u>413,801</u>
	<u>\$ (840,982)</u>	<u>\$ 908,385</u>

32. REALIZED GAINS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	For the Year Ended December 31	
	2020	2019
Realized income - debt instruments	\$ 123,041	\$ 107,879
Dividend revenue	<u>134,398</u>	<u>25,572</u>
	<u>\$ 257,439</u>	<u>\$ 133,451</u>

33. EMPLOYEE BENEFITS EXPENSES

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits		
Salaries and wages	\$ 1,387,761	\$ 1,455,597
Remuneration of directors	65,658	84,824
Labor insurance and national health insurance	78,183	79,219
Others	<u>24,465</u>	<u>26,527</u>
Post-employment benefits		
Pension expenses	54,304	55,555
Pension benefits	<u>1,352</u>	<u>5</u>
	<u>\$ 1,611,723</u>	<u>\$ 1,701,727</u>

The Bank accrued employees' compensation and remuneration of directors at the rates of 1%-2.5% and no higher than 2.5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors.

The amounts and accrual rates of employees' compensation and remuneration of directors for the years ended December 31, 2020 and 2019 were as follows:

Accrual rate

	For the Year Ended December 31	
	2020	2019
Employees' compensation	1.25%	1.25%
Remuneration of directors	2.50%	2.50%

Amount

	For the Year Ended December 31	
	2020	2019
Employees' compensation	<u>\$ 16,056</u>	<u>\$ 15,715</u>
Remuneration of directors	<u>32,111</u>	<u>31,430</u>

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

The employees' compensation and remuneration of directors for 2019 and 2018, which were approved by the Board on March 25, 2020 and February 27, 2019, respectively, were as follows:

	For the Year Ended December 31			
	2019		2018	
	Cash	Stock	Cash	Stock
Employees' compensation	\$ 15,715	\$ -	\$ 14,632	\$ -
Remuneration of directors	31,430	-	29,265	-

There are no differences between the 2019 and 2018 actual amounts of employees' compensation and remuneration of directors paid and the 2019 and 2018 amount recognized in the annual financial statements.

The Board approved employees' compensation and remuneration of directors for the years ended December 31, 2020 on March 22, 2021, were as follows:

	For the Year Ended December 31, 2020
Employees' compensation - cash	<u>\$ 16,056</u>
Remuneration of directors	<u>\$ 32,111</u>

Information on the bonuses for employees, directors and supervisors proposed by the Board is available at the Market Observation Post System website of the Taiwan Stock Exchange.

34. DEPRECIATION AND AMORTIZATION EXPENSES

	For the Year Ended December 31	
	2020	2019
Property and equipment	\$ 167,308	\$ 167,080
Intangible assets	265,135	243,995
Right-of-use assets	<u>94,219</u>	<u>101,856</u>
	<u>\$ 526,662</u>	<u>\$ 512,931</u>

35. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	For the Year Ended December 31	
	2020	2019
Rental fees	\$ 4,016	\$ 4,284
Taxation	172,641	195,200
Computer operating and consulting fees	276,542	260,671
Management fees	36,519	35,780
Entertainment fees	34,768	47,209
Advertisement fees	47,486	131,346
Service fees	63,877	57,923
Others	<u>210,991</u>	<u>227,036</u>
	<u>\$ 846,840</u>	<u>\$ 959,449</u>

36. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Year Ended December 31	
	2020	2019
Current tax		
In respect of the current year	\$ 96,266	\$ 139,469
Income tax on unappropriated earning	-	12,537
In respect of prior years	<u>(18,827)</u>	<u>(7,826)</u>
	<u>77,439</u>	<u>144,180</u>
Deferred tax		
In respect of the current year	<u>11,449</u>	<u>(34,521)</u>
Income tax expense recognized in profit or loss	<u>\$ 88,888</u>	<u>\$ 109,659</u>

A reconciliation of accounting profit and income tax expense for the years ended December 31, 2020 and 2019 were as follows:

	For the Year Ended December 31	
	2020	2019
Profit before tax from continuing operations	<u>\$ 1,236,291</u>	<u>\$ 1,210,092</u>
Income tax expense calculated at the statutory rate	\$ 247,258	\$ 242,018
Realized gain on investment in equity instruments measured at fair value through other comprehensive income	20,420	12,118
Nondeductible expenses and tax-exempt income in determining taxable income	(277,342)	(211,389)
Deductible tax amount of overseas income tax	-	(77,388)
Additional income tax under the Alternative Minimum Tax Act	24,824	6,289
Income tax on unappropriated earnings	-	12,537
Unrecognized deductible temporary differences	21,114	120
Overseas income taxes	71,441	133,180
Adjustments for prior years' tax	<u>(18,827)</u>	<u>(7,826)</u>
Income tax expense recognized in profit or loss	<u>\$ 88,888</u>	<u>\$ 109,659</u>
b. Income tax recognized in other comprehensive income		

	For the Year Ended December 31	
	2020	2019
<u>Deferred tax</u>		
Translation of foreign operations	<u>\$ 56,165</u>	<u>\$ 22,715</u>
Income tax expense recognized in other comprehensive income	<u>\$ 56,165</u>	<u>\$ 22,715</u>

c. Deferred tax assets and liabilities

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
FVTPL financial instrument	\$ 51,061	\$ 19	\$ -	\$ 51,080
Allowance for bad debts	223,036	23,346	-	246,382
Loss reserve	2,015	-	-	2,015
Translation of foreign operations	<u>11,975</u>	<u>-</u>	<u>56,165</u>	<u>68,140</u>
	<u>\$ 288,087</u>	<u>\$ 23,365</u>	<u>\$ 56,165</u>	<u>\$ 367,617</u>

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Closing Balance
<u>Deferred tax liabilities</u>				
Temporary differences				
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	<u>\$ 400,449</u>	<u>\$ 34,814</u>	<u>\$ -</u>	<u>\$ 435,263</u> (Concluded)

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
FVTPL instrument assets	\$ 50,173	\$ 888	\$ -	\$ 51,061
Allowance for bad debts	112,204	110,832	-	223,036
Loss reserve	2,015	-	-	2,015
Translation of foreign operations	<u>-</u>	<u>-</u>	<u>11,975</u>	<u>11,975</u>
	<u>\$ 164,392</u>	<u>\$ 111,720</u>	<u>\$ 11,975</u>	<u>\$ 288,087</u>

Deferred tax liabilities

Temporary differences				
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	\$ 323,250	\$ 77,199	\$ -	\$ 400,449
Translations of foreign operations	<u>10,740</u>	<u>-</u>	<u>(10,740)</u>	<u>-</u>
	<u>\$ 333,990</u>	<u>\$ 77,199</u>	<u>\$ (10,740)</u>	<u>\$ 400,449</u>

d. Assessment of the income tax returns

The income tax returns of the Bank through before 2018 have been assessed by the tax authorities (except 2017). The Bank disagreed with the tax authorities' assessment of its 2016 tax return and apply to re-examine. The result of the re-examination was consistent with the Bank.

37. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Year Ended December 31	
	2020	2019
Basic earnings per share	<u>\$ 0.41</u>	<u>\$ 0.45</u>
Diluted earnings per share	<u>\$ 0.37</u>	<u>\$ 0.45</u>

Earning used in calculating earnings per share and weighted average number of common stocks are as follows:

Net Profit for the Year

	For the Year Ended December 31	
	2020	2019
Net profit	\$ 1,147,403	\$ 1,100,433
Less: Declared preferred stock dividend	<u>127,500</u>	<u>11,527</u>
Earnings used in the computation of basic and diluted earnings per share	<u>\$ 1,019,903</u>	<u>\$ 1,088,906</u>

Stock (In Thousand Shares)

	For the Year Ended December 31	
	2020	2019
Weighted average number of common stocks in computation of basic earnings per share	<u>2,471,797</u>	<u>2,413,006</u>
Effect of potentially dilutive common stocks:		
Employees' compensation issued to employees	2,886	2,302
Convertible preferred stock	<u>300,000</u>	<u>27,123</u>
	<u>302,886</u>	<u>29,425</u>
Weighted average number of common stocks used in the computation of diluted earnings per share	<u>2,774,683</u>	<u>2,442,431</u>

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

38. RELATED PARTY TRANSACTIONS

a. The related parties and their relationships with the Bank

Related Party	Relationship with the Bank
Chun Teng New Century Co., Ltd. (Original IBT Securities Co., Ltd.) (Chun Teng New Century) (Company in liquidation)	Subsidiary of Bank
IBT Management Corp. (IBTM)	Subsidiary of Bank
IBT Holdings Corp. (IBTH)	Subsidiary of Bank
China Bills finance Corp. (CBF)	Subsidiary of Bank
IBT Leasing Co., Ltd. (IBTL)	Subsidiary of Bank
IBT II Venture Capital Co., Ltd. (IBT II Venture) (liquidation)	Associates
Beijing Sunshine Consumer Finance Co., Ltd.	Associates
IBTS Holdings (B.V.I.) Limited (IBTSH)	Subsidiary of Chun Teng New Century
IBT international Leasing Corp.	Subsidiary of IBTL
IBT VII Venture Capital Co., Ltd. (IBTV7)	Subsidiary of IBTL
IBTS Financial (HK) Limited (IBTS HK)	Subsidiary of IBTSH
IBTS Asia (HK) Limited (IBTS Asia)	Subsidiary of IBTSH
IBT Education Foundation (IBTEF)	The Bank is the major donor of the foundation
Taiwan Cement Corporation	The Bank's legal director
Yi Chang Investment Co., Ltd.	The Bank's legal director
Ming Shan Investment Co., Ltd.	The Bank's legal director
TCC Energy Co., Ltd.	Other related party
Others	The Bank's management and their other related parties

b. The significant transactions and balances with the related parties are summarized as follows:

1) Deposits (part of deposits and remittance)

	Ending Balance	Interest Expense	Rate (%)
<u>For the year ended December 31, 2020</u>			
Subsidiaries	\$ 279,290	\$ 1,231	0.00-2.70
Associates	1,977	1	0.03
Others	<u>4,809,246</u>	<u>48,140</u>	0.00-6.315
	<u>\$ 5,090,513</u>	<u>\$ 49,372</u>	
<u>For the year ended December 31, 2019</u>			
Subsidiaries	\$ 272,148	\$ 3,121	0.00-2.70
Associates	2,298	33	0.00-0.33
Others	<u>3,670,509</u>	<u>63,622</u>	0.00-6.56
	<u>\$ 3,944,955</u>	<u>\$ 66,776</u>	

2) Loans

		Maximum Balance	Ending Balance	Interest Income	Rate (%)		
For the year ended December 31, 2020							
Others		<u>\$ 430,000</u>	<u>\$ 430,000</u>	<u>\$ 5,317</u>	1.179		
For the year ended December 31, 2019							
Others		<u>\$ 430,000</u>	<u>\$ 430,000</u>	<u>\$ 6,204</u>	1.443		
December 31, 2020							
Category	Name	Maximum Balance (Note)	Ending Balance	Normal Loans	Non- performing Loans	Collateral	Difference of Terms of the Trans- actions with Unrelated Parties
Others	TCC	<u>\$ 430,000</u>	<u>\$ 430,000</u>	<u>\$ 430,000</u>	<u>\$ -</u>	Real estate	None
December 31, 2019							
Category	Name	Maximum Balance (Note)	Ending Balance	Normal Loans	Non- performing Loans	Collateral	Difference of Terms of the Trans- actions with Unrelated Parties
Others	TCC	<u>\$ 430,000</u>	<u>\$ 430,000</u>	<u>\$ 430,000</u>	<u>\$ -</u>	Real estate	None

Note: The maximum balance of daily totals for each category of loan.

3) Purchases and sales of securities

For the Year Ended December 31, 2019				
Related Party	Purchases	Sales	Sales Under Repurchase Agreements	Purchases Under Resell Agreements
Subsidiaries	<u>\$ 99,598</u>	<u>\$ 49,787</u>	<u>\$ -</u>	<u>\$ -</u>

4) Service fee (part of net service fee income)

	For the Year Ended December 31	
	2020	2019
Others	<u>\$ 33</u>	<u>\$ 21</u>

Service fee income is earned by providing authentication, custody and fund purchase services.

5) Other expenses (part of other general and administrative expense)

	For the Year Ended December 31	
	2020	2019
Others	\$ <u>5,720</u>	\$ <u>4,800</u>

Other expenses are donations.

6) Rental income and others

	For the Year Ended December 31	
	2020	2019
Subsidiaries	\$ 21,632	\$ 17,256
Others	<u>552</u>	<u>552</u>
	\$ <u>22,184</u>	\$ <u>17,808</u>

Rental income received by the department is revenue from leasing contract of providing part of the office and equipment and management service contract.

c. Compensation of key management personnel

The remuneration of directors and other members of key management personnel for the years ended December 31, 2020 and 2019 were as follows:

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits	\$ 187,931	\$ 280,592
Post-employment benefits	3,577	3,898
Share-based payments	<u>761</u>	<u>335</u>
	\$ <u>192,269</u>	\$ <u>284,825</u>

The remuneration of directors and other key management personnel is determined by the remuneration committee.

The terms of the transactions with related parties are similar to those for third parties, except for the preferential interest rates given to employees for savings and loans. These rates should be within certain limits.

Under the Banking Law Article 32 and 33, except for consumer loans and government loans, credits extended by the Bank to any related party should be 100% secured, and the terms of credits extended to related parties should be similar to those for third parties.

39. PLEDGED ASSETS

	December 31	
	2020	2019
Pledged time deposits	\$ 219,108	\$ 216,091
Financial assets at FVTPL	5,099,275	15,059,495
Financial assets at FVTOCI	<u>8,088,141</u>	<u>182,854</u>
	<u>\$ 13,406,524</u>	<u>\$ 15,458,440</u>

Under the requirement for joining the Central Bank's Real-time Gross Settlement (RTGS) clearing system, the Bank provided time deposits (part of other financial assets) and negotiable certificates of deposits (part of financial assets at FVTPL and financial assets at FVOCI) as collateral for day-term overdrafts. The pledged amount is adjustable based on the respective overdraft amount, and at the end of the day, the unused part can be used for liquidity reserve. Besides, the Bank contracted for foreign currency call-loan to provide the negotiable certificates of deposits to the Department of Foreign Exchange of Central Bank.

40. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

- a. Except for other disclosures, as of December 31, 2020 and 2019, the Bank had commitments as follows:

	December 31	
	2020	2019
Office decorating and contracts of computer software		
Amount of contracts	\$ 28,631	\$ 110,327
Payments for construction in progress and prepayments for equipment	19,335	80,739

- b. HIGHLITE INDUSTRIES, Inc. allegedly applied to the Bank for loan receivables factoring through false transactions, causing damage to the Bank. The Bank filed a criminal complaint against HIGHLITE INDUSTRIES, Inc. and the relevant persons. The prosecutor prosecuted in January 2020, and the case pronounced sentence in the criminal court of Taiwan Taipei District Court in December 2020. The Bank also filed a lawsuit in the civil court of the Taiwan Taipei District Court in January 2020 in accordance with the law, and the case is under trial in the civil court.

41. TRUST BUSINESS UNDER THE TRUST LAW

Balance Sheet of Trust Accounts

	December 31	
	2020	2019
Trust assets		
Petty cash	\$ 100	\$ 100
Bank deposits	2,404,446	1,665,135
Financial assets	3,285,615	2,875,818
Receivable	18	35
Prepayments	1,374	1,578
Real estate	8,544,916	8,238,959
Other assets	<u>21,329</u>	<u>26,705</u>
Total trust assets	<u>\$ 14,257,798</u>	<u>\$ 12,808,330</u>

(Continued)

	December 31	
	2020	2019
Trust capital and liability		
Payables	\$ 1,188	\$ 2,204
Unearned receipts	1,201	1,266
Taxes payable	4,256	4,297
Guarantee deposits received	51,530	64,658
Other liabilities	955	1,024
Trust capital	14,022,448	12,572,930
Provisions and accumulated profit and loss	<u>176,220</u>	<u>161,951</u>
Trust capital and liability	<u>\$ 14,257,798</u>	<u>\$ 12,808,330</u>

(Concluded)

Income Statements of Trust Accounts

	For the Year Ended December 31	
	2020	2019
Trust revenue		
Interest revenue	\$ 3,182	\$ 15,513
Rent revenue	113,034	115,855
Other revenue	<u>1,427</u>	<u>1,798</u>
	<u>117,643</u>	<u>133,166</u>
Trust expenses		
Management fees	(3,340)	(1,164)
Service charge	(5,169)	(106)
Tax	(14,347)	(14,433)
Other expenses	(13,263)	(13,015)
Income tax expense	<u>(210)</u>	<u>(1,456)</u>
	<u>(36,329)</u>	<u>(30,174)</u>
	<u>\$ 81,314</u>	<u>\$ 102,992</u>

Note: The above income accounts of the trust business were not included in the Bank's income statement.

Trust Property List

	December 31	
	2020	2019
Petty cash	\$ 100	\$ 100
Bank deposits	2,404,446	1,665,135
Stocks	228,378	228,378
Funds	2,839,148	2,647,440
Bonds	218,089	-
Land	7,704,221	7,398,368
Buildings	840,695	840,591
Receivables	18	35
Prepayments	1,374	1,578
Other	<u>21,329</u>	<u>26,705</u>
	<u>\$ 14,257,798</u>	<u>\$ 12,808,330</u>

42. FINANCIAL INSTRUMENTS

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

1) Financial instruments significant difference between carrying amount and fair value

Except as detailed in the following table, the management considers that the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values.

	December 31			
	2020		2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial liabilities</u>				
Bank debentures payable	\$ 16,400,000	\$ 16,574,644	\$ 18,700,000	\$ 18,808,992

2) The fair value hierarchy

Financial Instrument Items at Fair Value	December 31, 2020			
	Total	Level 1	Level 2	Level 3
<u>Financial liabilities</u>				
Bank debentures payable	\$ 16,574,644	\$ -	\$ 16,574,644	\$ -

Financial Instrument Items at Fair Value	December 31, 2019			
	Total	Level 1	Level 2	Level 3
<u>Financial liabilities</u>				
Bank debentures payable	\$ 18,808,992	\$ -	\$ 18,808,992	\$ -

Refer to quoted market prices for fair value if there are public quotation on bank debentures payable with active market. If quoted market prices are not available, the fair value is determined by using a valuation technique or counterparty quotation.

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

- 1) The fair value hierarchy of the financial instruments as of December 31, 2020 and 2019 were as follows:

Item	December 31, 2020			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at FVTPL				
Stocks and beneficial certificates	\$ 369,505	\$ 369,505	\$ -	\$ -
Bills	25,395,953	-	25,395,953	-
Hybrid financial assets	1,097,692	-	1,097,692	-
Negotiable certificates of deposit	28,880,450	-	28,880,450	-
Financial assets at FVTOCI				
Equity instruments	3,428,978	3,369,470	-	59,508
Debt instruments	31,965,889	-	31,965,889	-
Negotiable certificates of deposit	29,783,988	-	29,783,988	-
<u>Derivative financial instruments</u>				
Assets				
Financial assets at FVTPL	298,694	-	298,694	-
Liabilities				
Financial liabilities at FVTPL	637,659	-	637,659	-
Item	December 31, 2019			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at FVTPL				
Stocks and beneficial certificates	\$ 336,829	\$ 336,829	\$ -	\$ -
Bills	24,192,589	-	24,192,589	-
Hybrid financial assets	1,334,798	-	1,334,798	-
Negotiable certificates of deposit	54,581,688	-	54,581,688	-
Financial assets at FVTOCI				
Equity instruments	947,038	624,633	-	322,405
Debt instruments	34,297,703	-	34,297,703	-
<u>Derivative financial instruments</u>				
Assets				
Financial assets at FVTPL	177,922	-	177,922	-
Liabilities				
Financial liabilities at FVTPL	519,880	-	519,880	-

- 2) Valuation techniques and assumptions applied for the purpose of measuring the fair values

In a fair deal, the transaction is fully understood and there is willingness to trade by the two sides in exchange of assets or settle of liabilities, and fair value is the amount settled. Financial instruments at fair value through profit or loss, available-for-sale financial assets and financial assets at fair value through other comprehensive income refer to quoted market prices for fair value. If quoted market prices are not available, then fair value is determined by using a valuation technique.

a) Marking-to-market

This measurement should be used first. Following are the factors that should be considered when using marking-to-market:

- i. Ensure the consistency and completeness of market data.
- ii. The source of market data should be transparent, easy to access, and should come from independent resources.
- iii. Listed securities with high liquidity and representative closing prices should be valued at closing prices.
- iv. Unlisted securities which lack tradable closing prices should use quoted middle prices from independent brokers and follow the guidelines required by regulatory authorities.

b) Marking-to-model

The marking-to-model is used if marking-to-market is infeasible. This valuation methodology is based upon the market parameters to derive the value of the positions and incorporate estimates, as well as assumptions consistent with acquirable information generally used by other market participants to price financial instruments.

Fair values of forward contracts used by the Bank is estimated based on the forward rates provided by Reuters. Fair values of interest rate swap and cross-currency swap contracts are based on counterparties' quotation, using the Murex⁺ information system to capture market data from Reuters for calculating the fair value assessment of individual contracts. Option trading instruments use option pricing model commonly used in the market (ex: Black-Scholes model) to calculate the fair value.

- a) Level 1 - quoted prices in active markets for identical assets or liabilities. Active markets are markets with all of the following conditions: (i) the products traded in the market are homogeneous, (ii) willing parties are available anytime in the market, and (iii) price information is available to the public.
- b) Level 2 - inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e., prices) or indirectly (i.e., derived from prices).
- c) Level 3 - inputs not based on observable market data (unobservable inputs. i.e., option pricing model of historical volatility, due to historical volatility could not represent the overall market participants' volatility expectations of the future).

3) Reconciliation of the financial instruments classified in Level 3

For the year ended December 31, 2020

Financial Assets	Financial Assets at Fair Value through Profit or Loss - Equity Instruments	Financial Assets at Fair Value through Other Comprehensive Income - Equity Instruments	Total
Beginning balance	\$ -	\$ 322,405	\$ 322,405
Recognition in other comprehensive income - unrealized gains (losses) on financial assets at fair value through other comprehensive income	-	(35,369)	(35,369)
Disposals	-	(227,528)	(227,528)
Ending balance	<u>\$ -</u>	<u>\$ 59,508</u>	<u>\$ 59,508</u>

For the year ended December 31, 2019

Financial Assets	Financial Assets at Fair Value through Profit or Loss - Equity Instruments	Financial Assets at Fair Value through Other Comprehensive Income - Equity Instruments	Total
Beginning balance	\$ 39,870	\$ 524,820	\$ 564,690
Recognition in profit or loss - gains (losses) on financial assets or liabilities measured at fair value through profit or loss	(1,083)	-	(1,083)
Recognition in other comprehensive income - unrealized gains (losses) on financial assets at fair value through other comprehensive income	-	131,342	131,342
Transfer to Level 3	-	86,281	86,281
Disposals	(38,787)	(420,038)	(458,825)
Ending balance	<u>\$ -</u>	<u>\$ 322,405</u>	<u>\$ 322,405</u>

The assets held at the balance sheet date, which were included in the profit and loss and the unrealized gains and losses for the years ended December 31, 2020 and 2019, were consisted of \$0 thousand.

Some of the Bank's investment targets were withdrawn for the year ended December 31, 2019. After evaluation, there is no fair market price for reference, so they have been transferred from Level 1 to Level 3. The Bank had no significant transfers for December 31 2020.

4) Transfers between Level 1 and Level 2

The Bank has no significant transfers between Level 1 and Level 2 for years ended December 31, 2020 and 2019.

5) Sensitivity to using reasonable alternative in assumption against Level 3 fair value

The fair value measurement of financial instruments is reasonable, although the use of different valuation models or parameters may lead to different evaluation results. For the fair value measurements of structured bonds which fall under Level 3 of the fair value hierarchy, they are evaluated according to counterparty quotes; for bonds and convertible bonds for asset swaps which have no quoted market prices, they are evaluated using the future cash flows discounted model. Were there to be a 10% or 1 basis point change in either direction of the quotes from respective counterparties or in discount rates and all other conditions remained the same, the effects on the income and other comprehensive income for the years ended December 31, 2020 and 2019 periods would be as follows:

For the year ended December 31, 2020

Item	Movement: Upward/ Downward	Effect on Profit and Loss		Effect on Other Comprehensive Income	
		Favorable	Unfavorable	Favorable	Unfavorable
Equity instruments	10%	\$ -	\$ -	\$ 5,951	\$ (5,951)

For the year ended December 31, 2019

Item	Movement: Upward/ Downward	Effect on Profit and Loss		Effect on Other Comprehensive Income	
		Favorable	Unfavorable	Favorable	Unfavorable
Equity instruments	10%	\$ -	\$ -	\$ 32,241	\$ (32,241)

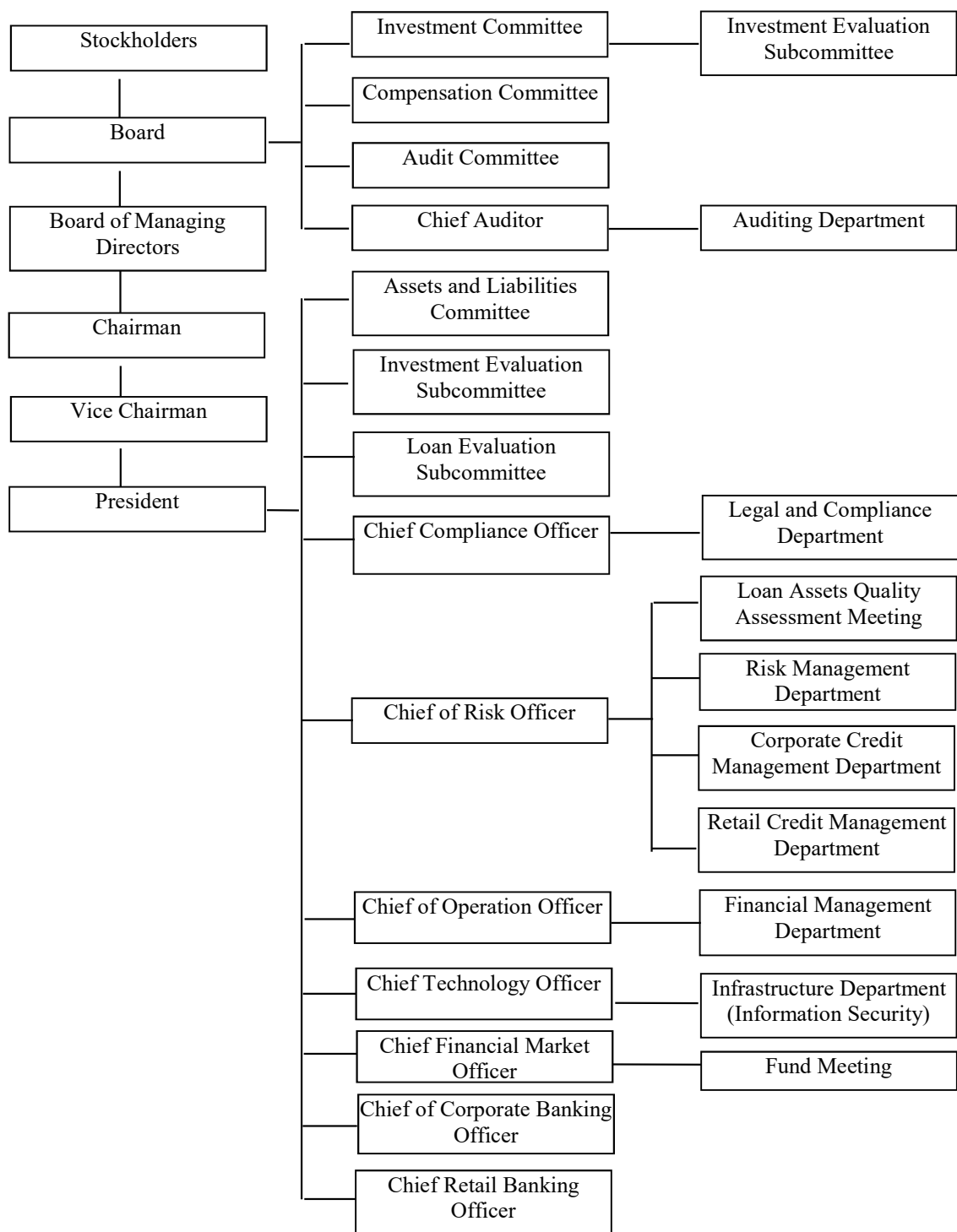
43. FINANCIAL RISK MANAGEMENT

a. Overview

For anticipating the potential expected and unexpected risk, the Bank establishes a comprehensive risk management system to distribute resource effectively and enhance competitiveness by ensuring that all operating risks are controlled to an acceptable extent. The Bank continues to engage actively in the capital adequacy ratio with in the accordance to the regulator's requirements and monitors regulations to meet the international requirement of the Basel Commission.

b. Risk management framework

Ultimate responsibility for setting the Bank's risk appetite rests with the board of directors. The Auditing Department, Audit Committee, Investment Committee, and Compensation Committee report to the board of directors. Assets and Liabilities Committee, Investment Evaluation Subcommittee, and Loan Evaluation Subcommittee, which are under the president of the Bank, hold Capital Asset meetings and Quality Evaluation of Assets meetings for discussing and considering risk management proposals regularly. The Risk Management Department is responsible for establishing a total scheme of risk management and monitoring the execution of such management scheme.



- 1) Assets and Liabilities Committee: Responsible for overseeing and reviewing of significant issues and policies relating to management of assets and liabilities, liquidity risk, interest rate sensitivity, market risk, as well as review the allocation of asset and liability and capital adequacy. It holds assets and liabilities management meeting once a month.
- 2) Loan Evaluation Subcommittee: The subcommittee reviews the loan cases rendered by the Corporate Credit Management Department and Retail Credit Management Department. After passing, the provisions should still be submitted to the level of competence review.
- 3) Investment Evaluation Subcommittee: Assessing and reviewing the investment cases transferred by the ministry of investment, they shall still be submitted to the “Investment Review Committee” as required and submitted to the standing committee for consideration and approval.
- 4) Loan and investment assets held for various businesses:
 - a) Loan assets quality assessment meeting
 - i. Assess the status of credit asset quality and decide/review the strategy and course of action to be taken.
 - ii. Assess the probable loss of loan assets and discuss the adequacy of allowance for credit losses, assurance of responsibility to prepare and its recognition.
 - iii. Pass cases of credit assets which should be recognize loss, and mark the proposal to the board.
 - b) Investment assets quality assessment meeting
 - i. Access the status of investment asset quality from Rank 5 to 8, and choose the action to be taken.
 - ii. Authorized the investment assess result provide by evaluation staff. The composition of evaluation result is consisted with period, industries, economic recycle and evaluation method suggested by accounting principal.
 - iii. Access the probable loss of investment assets, pass cases of investment loss recognition, and make the proposal to the board of director.
 - iv. Track the status of customers still in operating which were full recognized as loss.
- c. Credit risk
 - 1) Sources and definition of credit risk

Credit risk is the potential loss due to the failure of counterparty to meet its obligations to pay the Bank in accordance with agreed terms. The source of credit risks includes the items in balance sheet and off-balance sheet item.
 - 2) Strategy/objectives/policies and procedures
 - a) Credit risk management strategy: The Bank implements the relevant provisions of the principles of credit risk management requirement and establish the Bank’s credit risk management mechanism to ensure that credit risk control is within effective but affordable range, and maintain adequate capital, and execute sound management of the Bank credit risk, and achieve operational and management objectives.

- b) Credit risk management objectives: Through appropriate risk management strategies, policies and procedures, application of the principle of risk diversification, implementation of the Bank's credit risk management, to minimize potential financial losses and pursue optimal rewards.

Sound risk management systems and control processes, strengthened information integration, analysis and early warning validation, make credit management and monitoring to ensure compliance with laws and regulations, the Bank's standards, as serve to maintaining high credit standards and asset quality.

- c) Credit risk management policy: To establish risk management system and to ensure the integrity of business risk management and compliance, the Bank stipulated its "Risk Management Policy" which is in accordance with the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" issued by the FSC. The Bank keeps its capital adequately, achieves the goal of credit risk strategy and creates risk adjusted return maximization plan under the Bank's acceptable range of credit risk.

- d) Credit risk management process:

i. Risk identification

Credit risk management process begins with the identification of existing and potential risks, including all the transactions in banking book and trading book, balance sheet and off-balance sheet transactions. With financial innovation, as new credit businesses become increasingly complex; business executives in order do existing and new credit businesses, should be fully aware of the complexity involved in the business of re-order business and other cases or transactions to be able to identify any possibility of having an event of default.

ii. Risk measurement

- i) The Bank manages asset portfolios by the risk rating scale.

The risk rating scale qualifies the default possibilities of debtors and operation difficulty possibilities of investees in the next year. Risk ratings must actually be scaled when the individual credit and investment accounts are approved. The continual change of the market gives rise to the change in credit or investment household. Therefore, risk ratings must be reevaluated and updated often to adjust the risk rating scale when it is verified.

- ii) Portfolio management:

- It is used to ensure the risk of loan is within the tolerable scope.
- "Concentrative risks" are concentration-limited, avoiding the risks to be overly centralized to sufficiently diversify the risk.
- It achieves the optimal profits.

iii. Risk communication

- i) Internal reporting: Risk management position shall establish appropriate credit risk reporting mechanism for regular statistical reporting and the preparation of a variety of business risk management reports which contain correct, consistent, and real-time credit risk reporting information to ensure any exceptions can be acted on immediately, and as a reference for decision-making. The above communication may include asset quality, portfolio rating classification status, and all kinds of exception reports.

- ii) External disclosure: To comply with the requirements for capital adequacy supervisory review and market discipline principles, the business director of credit risk level should prepare reports in the format specified by the competent authority showing contents, methods and frequency to provide information on the credit risk of the Bank's quantitative, qualitative indicators to illustrate the self-assessment and credit risk management system and disclose information about capital and other capital adequacy matters.

iv. Risk monitoring

- i) The Bank shall establish monitoring system to assess the changes in credit risk of borrower or counterparty or issuer (e.g., bonds issuer and guarantor of issuers of equity related products, derivatives counterparties' credit rating information and credit information), to serve timely detection of problems on assets or transactions, and take immediate action to cope with the possible breach.
- ii) Besides monitoring the individual credit risk, the Bank also deal with credit portfolio monitoring and management.
- iii) Establish stringent credit processes, credit standards and loan management; the project includes the credit factors that should be considered for new credit and credit transfer period, commitment to the periodic review of credit, maintenance of credit records and the proportion of various types of loans in the credit portfolio.
- iv) Establish quota management system to avoid excessive concentration of credit risk to nationality, industry types, same group, same relations, etc.
- v) Establish collateral management system to ensure that collaterals can be effectively managed.

3) Credit risk management and framework

- a) Board of Directors: Responsible for authorizing and reviewing the credit risk management strategies and approving the credit risk management framework. The strategy reflects the level of risk that the Bank can tolerate and the level of profitability that the Bank expects to achieve under various credit risks.
- b) Audit Committee: Responsible for the stipulation and amendment on issues relating to internal control framework, effectiveness of internal control framework, acquisition or disposal of assets or derivatives, monitoring of directors' self-interest issues, appointment or dismissal of the CPA and internal auditors, and other important issues ruled by the FSC.
- c) Risk Management Committee: Responsible for the risk management policies, various risk management regulations, annual risk appetites, limits, risk management proposals for the board of directors' approval levels and various risk management mechanisms, supervise and review credit, market, operations, liquidity, information security, AML, personal data protection, emergencies and other risk management, improve the Bank's risk management mechanism to ensure the effective implementation of the Bank's risk management procedures.
- d) Assets and Liabilities Committee: Holds asset/liability management meeting to inspect asset/liability management, liquidity risk, interest rate sensitivity risk management, market risk, BIS management and in charge of making decisions on policies.
- e) Loan Evaluation Subcommittee: Reviews the loan cases rendered by the corporate credit management department and retail credit management department. After passing the provisions, they are still need to be submitted to the competent level for review.

- f) Loan Assets Quality Evaluation Meeting: In charge of making policies and strategies for identifying the possibilities of loss on credit assets. The Bank evaluates the adequacy of the allowance for credit assets.
 - g) The Risk Management Department: Independent risk management unit which is in charge of risk management and responsible for the related operations of credit risks. It also makes sure the Bank follows the BASEL regulations. It is also responsible for the preparation of risk management reports presented to appropriate management, and plans to establish monitoring tools for credit risk measurement.
 - h) Corporate Credit Department: Supervises the establishment of corporate finance risk identification, measurement, monitoring and management, preparation of regulatory review of credit grading, devising and enhancement of deed lists, deed for credit and guarantee amount control, proper release and other release matters.
 - i) Retail Credit Management Department: Manages personal financial risk, identifies, measures, monitors the allowance for bad debts, and prepares for bad debts presentation, loss assessment and post-loan management.
- 4) The scope and characteristics of credit risk reports and measurement system

For the credit risks implicated in all products and business activities, new products and business, the Bank regularly monitors the credit risk management and is authorized by the board of directors or appropriate committee.

Credit risk measurement and control procedures include credit review, rating scoring, credit control, post-loan management and collection operations. The risk management units regularly provide analysis reports of various types of credit risk and asset quality in addition to the above operational procedures for management indicators. In addition, the Bank also actively controls and periodically reports the monitoring results to the board of directors to grasp the risk situations faced by the state, the group, the industry, the same related parties and the related enterprise risks.

In order to understand the risk appetite and its changes in the financial environment and the impact on capital adequacy, the Bank handles its credit according to the “Regulation on Stress Test Operation for Banks” and “Bank Credit Risk Stress Test Guidelines” issued by the FSC, as an important basis for credit risk management, and continues to adjust the direction of business development, credit policy and credit evaluation procedures.

5) Mitigation of risks or hedging of credit risk and monitoring the risk avoidance

The Bank primarily applies the following risk mitigation tools to reduce extent of credit risk exposures: (1) by requiring the counterparty or third parties to provide collateral, (2) the balance sheet netting: Credit is backed by the counterparty’s bank deposits (on-balance sheet netting), (3) third party guarantees.

Credit risk mitigation tools can reduce or transfer credit risk, but may give rise to other residual risks, including: Legal risk, operational risk, liquidity risk and market risk. The Bank adopted stringent procedures necessary to control these risks, such as policy formulation, development of operating procedures to conduct credit checks and evaluation, system implementation, contract control and so on.

The Bank has developed collateral management policies and operating procedures, including recognition of collateral data, and building of collateral management system. The Bank uses a computing platform for mitigation of complex risk and completes the required collateral to offset data field collection and analysis, and links credit systems and collateral management system information to build up capital provision.

6) Maximum exposure to credit risk

The maximum credit risk exposure amount of financial assets is the book value of the specific asset on the balance sheet date. The analysis of the maximum credit exposure amount (excluding the fair value of collateral) of each off-balance sheet financial instrument held by the Bank is as follows:

Off-balance Sheet Item	Maximum Exposure Amount	
	December 31, 2020	December 31, 2019
Financial guarantees and irrevocable documentary letter of credit		
Contract amounts	\$ 36,447,322	\$ 21,501,289
Maximum exposure amounts	36,447,322	21,501,289
Loan commitments	42,770,934	52,430,535

7) Concentrations of credit risk exposure

Concentrations of credit risk exist when the counterparty includes only one specific person or include many people who engage in similar business which are similar in economic property to. The emergence of concentrations of credit risk includes the operating activities property of the debtor. The Bank does not concentrate on single customer or counterparty in trading but have similar counterparty, industry and geographic region on the loan business (including loan commitments and guarantees and commercial bond issuing commitments).

On December 31, 2020 and 2019, the Bank's significant concentration of credit risk were summarized as follows (only the top three are shown below):

a) By industry

Credit Risk Profile by Industry Sector	December 31, 2020		December 31, 2019	
	Amount	%	Amount	%
Manufacturing	\$ 39,738,714	24	\$ 42,597,881	24
Financial intermediary	39,539,115	24	41,283,654	23
Private	35,461,638	21	28,502,648	16

b) By counterparty

Credit Risk Profile by Counterparty Sector	December 31, 2020		December 31, 2019	
	Amount	%	Amount	%
Private sector	\$ 130,638,655	79	\$ 147,904,104	84
Natural person	35,461,639	21	28,502,648	16

c) By geographical area

Credit Risk Profile by Geographical Area Sector	December 31, 2020		December 31, 2019	
	Amount	%	Amount	%
Domestic	\$ 122,417,279	74	\$ 123,721,500	70
Other Asia area	25,203,739	15	27,253,098	15
America	11,781,416	7	16,491,642	9

8) Credit quality and impairment assessment of financial assets

Some financial assets such as cash and cash equivalents, due from Central Bank and call loan to other banks, financial asset at fair value through profit or loss, bills and bonds purchased under resell agreements, refundable deposits, operating deposits and settlement fund are regarded as very low credit risk owing to the good credit rating of counterparties.

The related financial asset impairment valuation is as follows:

a) Credit business (including loan commitments and guarantees)

On each reporting date, the Bank assesses the change in the default risk of financial assets and considers reasonable and corroborative information that shows the credit risk has increased significantly since initial recognition, including the overdue status of credit assets from clients, actual repayment situations, credit investigation results, announcements of dishonored checks and negotiations of the debts from other financial institutions, or information that the debtor has reorganized or is likely to reorganize, to determine whether the credit risk has increased significantly.

The Bank adopts the 12-month ECLs for the evaluation of the loss allowance of financial instruments whose credit risk has not increased significantly since initial recognition and adopts the lifetime ECLs for the evaluation of the loss allowance of financial instruments whose credit risk has increased significantly since initial recognition or which are credit-impaired.

The Bank considers both the 12-month and lifetime probability of default (“PD”) of the borrower together with the loss given default (“LGD”), multiplied by the exposure at default (“EAD”), and considers the impact of the time value of money in order to calculate the 12-month ECLs and lifetime ECLs, respectively.

The PD refers to the borrower’s probability to default, and the LGD refers to losses caused by such default. The Bank applies the PD and LGD for the impairment assessment of the credit business according to each group entity’s historical information (such as credit loss experience) from internal statistical data and adjusts such historical data based on the current observable and forward-looking macroeconomic information. It then calculates the respective impairment by applying the progressive one factor model.

Considering the impact of COVID-19 to the overall economy, the Bank has adjusted the weights of the assessment factors to reflect the estimated influence of the economic indicator changes on the default rate.

The Bank estimates the balance of each account based on the method of amortization and considers the possible survival rate in order to calculate the EAD. In addition, the Bank estimates the 12-month ECLs and lifetime ECLs of loan commitments based on the guidelines issued by the Bank’s Association and Basel Accords. The Bank calculates the EAD of expected credit losses by considering the portion of the loan commitments expected to be used within 12 months after the reporting date as compared with the expected lifetime of the loan commitments.

The Bank uses the same definitions for default and credit impairment of financial assets. If one or more of the conditions are met, for instance, the financial assets are overdue for more than 90 days or the credit investigation appears to be abnormal, then the Bank determines that the financial assets have defaulted and are credit-impaired.

Credit assets are classified into five categories. In addition to the first category of credit assets, which are normal credit assets that are classified as sound assets, the remaining credit assets are classified as unsound assets and assessed according to the respective collateral and the length of time in which the respective payments become overdue. Such unsound credit assets are then categorized within the second category if they should only be noted; within the third category if they have substandard expected recovery; within the fourth category if their collectability is highly doubtful; and within the fifth category if they are considered uncollectable. The Bank also sets up policies for the management of provisions for doubtful credit assets and the collection and settlement of overdue debts in order to deal with collection problems.

b) Credit risk management for investments in debt instruments

The Bank only invests in debt instruments that are rated the equivalent of investment grade or higher and have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies. The Bank and its subsidiaries' exposure and the external credit ratings are continuously monitored. The Bank and its subsidiaries review changes in bond yields and other public information and make an assessment as to whether there has been a significant increase in credit risk since the last period to the current reporting date.

In order to minimize credit risk, the Bank has tasked its credit management committee with developing and maintaining a credit risk grading framework for categorizing exposures according to the degree of risk of default. The credit rating information may be obtained from independent rating agencies where available, and if not available, the credit management committee uses other publicly available financial information to rate the debtors.

The Bank considers the historical default rates of each credit rating supplied by external rating agencies, the current financial condition of debtors, and industry forecasts to estimate 12-month or lifetime expected credit losses.

The Bank's current credit risk grading mechanism is as follows:

Category	Description	Basis for Recognizing Expected Credit Losses (ECLs)
Performing	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12m ECLs
Doubtful	There has been a significant increase in credit risk since initial recognition	Lifetime ECLs - not credit-impaired
In default	There is evidence indicating the asset is credit-impaired	Lifetime ECLs - credit-impaired

The gross carrying amounts of debt instrument investments by credit category and the corresponding expected loss rates were as follows:

Category	December 31	
	2020	2019
Performing	\$ 61,463,292	\$ 34,040,029
Doubtful	-	-
In default	-	-

The allowance for impairment loss of investments in debt instruments at FVTOCI and at amortized cost for the years ended December 31, 2020 and 2019, grouped by credit rating, is reconciled as follows:

	<u>Credit Rating</u> <u>Performing</u> <u>(12-month</u> <u>ECLs)</u>
Allowance for Impairment Loss	
Balance at January 1, 2020	\$ 9,655
Changes in credit rating	
Normal to abnormal	-
Abnormal to default	-
Default to write off	-
New financial assets purchased	7,730
Derecognition of financial assets	(3,772)
Change in model or risk parameters	(254)
Exchange rate or other changes	<u>(242)</u>
Balance at December 31, 2020	<u>\$ 13,117</u>
	<u>Credit Rating</u> <u>Performing</u> <u>(12-month</u> <u>ECLs)</u>
Allowance for Impairment Loss	
Balance at January 1, 2019	\$ 11,026
Changes in credit rating	
Normal to abnormal	-
Abnormal to default	-
Default to write off	-
New financial assets purchased	2,756
Derecognition of financial assets	(3,167)
Change in model or risk parameters	(873)
Exchange rate or other changes	<u>(87)</u>
Balance at December 31, 2019	<u>\$ 9,655</u>

a) Credit analysis for receivables and discounts and loans

	<u>December 31, 2020</u>				
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Difference Between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
Receivables	\$ 1,388,906	\$ 25,392	\$ 34,166	\$ -	\$ 1,448,464
Allowance for credit losses	(3,249)	(106)	(23,009)	-	(26,364)
Difference Between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,995)</u>	<u>(8,995)</u>
Net total	<u>\$ 1,385,657</u>	<u>\$ 25,286</u>	<u>\$ 11,157</u>	<u>\$ (8,995)</u>	<u>\$ 1,413,105</u>

December 31, 2020					
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Difference Between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
Discounts and loans	\$ 148,426,945	\$ 15,978,902	\$ 1,694,446	\$ -	\$ 166,100,293
Allowance for credit losses	(429,794)	(167,177)	(351,352)	-	(948,323)
Difference Between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	-	-	-	(1,235,106)	(1,235,106)
Net total	<u>\$ 147,997,151</u>	<u>\$ 15,811,725</u>	<u>\$ 1,343,094</u>	<u>\$ (1,235,106)</u>	<u>\$ 163,916,864</u>
December 31, 2019					
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Difference Between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
Receivables	\$ 3,129,203	\$ 106,462	\$ 45,782	\$ -	\$ 3,281,447
Allowance for credit losses	(2,242)	(140)	(24,403)	-	(26,785)
Difference Between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	-	-	-	(21,314)	(21,314)
Net total	<u>\$ 3,126,961</u>	<u>\$ 106,322</u>	<u>\$ 21,379</u>	<u>\$ (21,314)</u>	<u>\$ 3,233,348</u>
December 31, 2019					
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Difference Between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	Total
Discounts and loans	\$ 158,371,378	\$ 15,043,738	\$ 2,991,636	\$ -	\$ 176,406,752
Allowance for credit losses	(224,015)	(61,680)	(372,894)	-	(658,589)
Difference Between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	-	-	-	(1,766,985)	(1,766,985)
Net total	<u>\$ 158,147,363</u>	<u>\$ 14,982,058</u>	<u>\$ 2,618,742</u>	<u>\$ (1,766,985)</u>	<u>\$ 173,981,178</u>

b) Credit analysis for marketable securities

	December 31, 2020
	At FVTOCI
Gross carrying amount	\$ 61,463,292
Allowance for impairment loss	<u>(13,117)</u>
Amortized cost	61,450,175
Fair value adjustment	<u>299,702</u>
	<u><u>\$ 61,749,877</u></u>
	December 31, 2019
	At FVTOCI
Gross carrying amount	\$ 34,040,029
Allowance for impairment loss	<u>(9,655)</u>
Amortized cost	34,030,374
Fair value adjustment	<u>267,329</u>
	<u><u>\$ 34,297,703</u></u>

9) Aging analysis for overdue but not yet impaired financial assets

Delays in processing payments by borrowers and other administrative reasons could result in financial assets which are overdue but not yet impaired.

As of December 31, 2020 and 2019, the Bank had no financial assets which were overdue but not impaired.

d. Liquidity risk

1) Source and definition of liquidity risk

Liquidity is the Bank's capacity to realize assets, obtain financing or funds to meet obligations at maturity, including deposits and off-balance sheet guarantees.

Liquidity risk is the risk that the Bank is unable to meet its payment obligation and to operate normally.

2) Management strategy and principles of liquidity risk

- a) Liquidity risk management process should be able to adequately identify, measure effectively, monitor continuously, and properly control of the Bank's liquidity risk, to ensure that banks both in normal operating environments or under pressure, have sufficient funds to cope assets or settle liabilities when due.
- b) Manage current assets to ensure that the Bank have enough instantly-realized assets to deal with currency risks.
- c) Capital management should include regular review of the asset and liability structure, and proper configuration of assets and liabilities, and should take into account the realization of assets and the stability of financing sources to plan combinations of funding sources to ensure that the Bank's liquidity.

- d) To establish an appropriate information system to measure, monitor and report liquidity risk.
- e) The setting of the measurement systems or models should include important factors which affect the currency risks of the Bank's fund (including the introduction of new products or services) for managing current risks to help the Bank to evaluate and monitor the fund currency risks in the regular condition and under pressure.
- f) To use early warning tools and continuously monitor and report liquidity risk profile, and set liquidity risk limits, with due consideration of business strategy, operational characteristics and risk preference factors.
- g) In addition to the monitoring of the capital requirements, under normal business conditions, the Bank should regularly conduct stress tests to evaluate the assumptions in the liquidity position and ensure that banks have sufficient liquidity to withstand stress scenarios; assessment should be made to view liquidity risk management indicators and reasonableness of limits.
- h) Develop appropriate action plans to respond to possible occurrence of liquidity crisis, and regularly review such plans to ensure that the action plans are in line with the banking operating environment and conditions, and can continue to play its role effectively.

As of December 31, 2020 and 2019, the liquidity reserve ratio was 46.39% and 45.89%, respectively.

- 3) The analysis of cash inflow and outflow of non-derivative financial liabilities held was prepared according to the remaining periods from reporting date to contractual maturity date. The maturity analysis of non-derivative financial liabilities was as follows:

December 31, 2020	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Deposits from the Central Bank and banks	\$ 15,339,755	\$ -	\$ -	\$ -	\$ 7,000,000	\$ 22,339,755
Bills and bonds sold under repurchase agreements	1,036,430	403,255	-	-	-	1,439,685
Payables	931,973	88,178	122,691	679,902	102,341	1,925,085
Deposits and remittances	47,221,101	81,468,024	26,882,824	50,379,624	40,469,250	246,420,823
Bank debentures payable	-	1,300,000	1,000,000	600,000	13,500,000	16,400,000
Lease liabilities	7,918	16,882	23,481	44,436	169,337	262,054
Other financial liabilities	96,772	-	37,975	139,110	2,574,151	2,848,008
	<u>\$ 64,633,949</u>	<u>\$ 83,276,339</u>	<u>\$ 28,066,971</u>	<u>\$ 51,843,072</u>	<u>\$ 63,815,079</u>	<u>\$ 291,635,410</u>
December 31, 2019	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Deposits from the Central Bank and banks	\$ 18,735,242	\$ 3,203,287	\$ -	\$ -	\$ 7,000,000	\$ 28,938,529
Bills and bonds sold under repurchase agreements	2,864,192	-	-	-	-	2,864,192
Payables	1,098,815	207,640	546,657	789,987	38,225	2,681,324
Deposits and remittances	55,308,120	81,785,638	27,045,841	51,156,436	28,349,045	243,645,080
Bank debentures payable	-	-	2,300,000	-	16,400,000	18,700,000
Lease liabilities	7,902	16,310	23,088	45,978	234,721	327,999
Other financial liabilities	517,749	28,545	27,385	229,487	2,665,483	3,468,649
	<u>\$ 78,532,020</u>	<u>\$ 85,241,420</u>	<u>\$ 29,942,971</u>	<u>\$ 52,221,888</u>	<u>\$ 54,687,474</u>	<u>\$ 300,625,773</u>

- 4) The Bank assessed based contractual maturities at the balance sheet to understand all the basic elements of derivative financial instruments. The maturity analysis of derivative financial liabilities was as follows:

December 31, 2020	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Deliverable						
Forward contracts	\$ 12,252	\$ 21,126	\$ 5,384	\$ 3,957	\$ -	\$ 42,719
Currency swap contracts	201,106	259,317	51,569	56,584	-	568,576
Currency option contracts - put	<u>3,658</u>	<u>2,511</u>	<u>342</u>	<u>1,519</u>	<u>-</u>	<u>8,030</u>
	217,016	282,954	57,295	62,060	-	619,325
Non-deliverable						
Interest rate swap contracts	<u>-</u>	<u>-</u>	<u>2,992</u>	<u>1,158</u>	<u>14,184</u>	<u>18,334</u>
	<u>\$ 217,016</u>	<u>\$ 282,954</u>	<u>\$ 60,287</u>	<u>\$ 63,218</u>	<u>\$ 14,184</u>	<u>\$ 637,659</u>
December 31, 2019	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Deliverable						
Forward contracts	\$ 6,694	\$ 5,392	\$ 2,743	\$ 1,001	\$ -	\$ 15,830
Currency swap contracts	134,011	220,821	59,724	14,804	-	429,360
Currency option contracts - put	<u>1,531</u>	<u>78</u>	<u>972</u>	<u>106</u>	<u>-</u>	<u>2,687</u>
	142,236	226,291	63,439	15,911	-	447,877
Non-deliverable						
Interest rate swap contracts	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,182</u>	<u>55,821</u>	<u>72,003</u>
	<u>\$ 142,236</u>	<u>\$ 226,291</u>	<u>\$ 63,439</u>	<u>\$ 32,093</u>	<u>\$ 55,821</u>	<u>\$ 519,880</u>

- 5) The maturity analysis of off-balance sheet items shows the remaining balance from the balance sheet date to the maturity date. For the sent financial guarantee contracts, the maximum amounts are possibly asked for settlement in the earliest period. The amounts in the table below were on cash flow basis; therefore, some disclosed amounts will not match with the balance sheet.

December 31, 2020	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Unused letters of credit	\$ 225,238	\$ 309,705	\$ 99,347	\$ -	\$ -	\$ 634,290
Other guarantees	22,080,214	10,381,167	1,606,604	1,715,749	29,298	35,813,032
Loan commitments	<u>3,614,999</u>	<u>7,229,999</u>	<u>10,844,998</u>	<u>21,080,938</u>	<u>-</u>	<u>42,770,934</u>
	<u>\$ 25,920,451</u>	<u>\$ 17,920,871</u>	<u>\$ 12,550,949</u>	<u>\$ 22,796,687</u>	<u>\$ 29,298</u>	<u>\$ 79,218,256</u>
December 31, 2019	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Unused letters of credit	\$ 282,739	\$ 826,879	\$ 132,284	\$ -	\$ -	\$ 1,241,902
Other guarantees	11,475,900	6,778,683	103,692	1,851,722	49,390	20,259,387
Loan commitments	<u>1,379,509</u>	<u>2,759,017</u>	<u>4,138,525</u>	<u>8,277,050</u>	<u>35,876,434</u>	<u>52,430,535</u>
	<u>\$ 13,138,148</u>	<u>\$ 10,364,579</u>	<u>\$ 4,374,501</u>	<u>\$ 10,128,772</u>	<u>\$ 35,925,824</u>	<u>\$ 73,931,824</u>

e. Market risk

1) Source and definition of market risk

Market risk is defined as an unfavorable change in market prices (such as interest rates, exchange rates, stock prices and commodity prices) which may cause financial instruments classified in trading book a potential loss on or off the balance sheet.

2) Market risk management strategy and process

The Bank manage the market risk with active, careful attitude.

The Bank makes the profit majorly by doing trading business through knowing well correctly how market risk of factors fluctuate. (e.g., market price, exchange rate, interest rate). More violent the market risk factors fluctuate, the bigger the opportunity of the implicit profit is. When preparing the Annual Trading Budget Report of the trading business, the Bank will refer to the overall economic and industrial analysis of the Bank itself and also the other similar business. After discussed to the full and stipulated by the president, the trading department and the market risk management department, it is submitted to the Risk Management Committee and the Board with the plan of stop-loss quotas and product parts quotas to avoid setting up the goal in an impracticable way that leads the dealer to take more risk on operating.

The Bank sets up definite management rules and risk management indicators for different trading business and its risk attribute, and stipulates exposure amount, submission of expiration, authorizing management and ways of disposure. Implement certainly and ensure the trading department to abide by the discipline to control the market risk exposure extent in a safe range.

3) Market risk management organization and framework

- a) The Board of Directors: It is the top market risk supervising organization. The product part quotas and total annual stop-loss quotas of the trading business market risk monitored and managed by the Bank, approved by the Board, are the top stipulation in market risk management.
- b) Risk Management Committee: In charge of stipulating risk management policy and monitoring the operating of market risk management. The Bank hold a risk management meeting per month to review the market risk limits and regulations, report various market risk limit control situations and market risk related matters.
- c) Risk Management Department: In charge of market risk management. According to the Bank's regulation, the department is in charge of every operation related to market risk management, including planning of market risk limit, statistics, reporting and monitoring.

4) Market risk report and evaluation system

The Bank setup the risk index, exposure amount and authority levels by products' type (e.g. equity, interest rate, currency exchange rate).

The Bank setup the limit amount of trading and loss, and other index including VaR, MAT, 20-Day average liquidity and FS sensitivity limit to enhance the risk control system.

The Bank calculates the risk exposure amount of the trade department and traders based on authorized amount, and submits risk report, monitors the limits and executes the following measures.

The Bank sets up the index of stop loss to control the risk of transaction including bonds, Forex, securities and derivative by building the risk evaluation module, and monitor the loss caused by the fluctuation of stock market, exchange rate and interest rates.

5) Value at risk

The Bank adopts Value at Risk to evaluate trading book products such as rate financial instruments, TWD interest products and market risks of trading assets IPO stocks. When market factors happen negative changes, Value at Risk reveals the potential losses of holding financial instruments during a certain period and in a confidence interval. The bank adopts Monte Carlo method to estimate Value at Risk, the confidence interval is 99%, the sample interval of rate and stock products is the past year, the sample interval of interest products is the past three years, simulation times is 5,000 times, simulation path is GBM.

The following table illustrates the Value at Risk of the bank, this risk value is based on confidence interval, estimated in one day potential losses and assumed unfavorable interest rate and stock price change can cover all possible fluctuation in one day. Based on this assumption, the Value at Risk of financial assets and liabilities in the table have one in hundred days possibility more than the amount in the table due to the fluctuation of interest, rate and stock prices. Annual average value, maximum value and minimum value are calculated based on daily Value at Risk. The total market risk value of the bank is less than the sum of the fair value risk value, rate risk value and price risk value of interest changes.

O-Bank

	December 31					
	2020			2019		
	Average	High	Low	Average	High	Low
Currency exchange rate risk	\$ 2,701	\$ 5,282	\$ 352	\$ 1,507	\$ 4,271	\$ 20
Fair value risk resulting from interest rate	4,043	6,925	1,243	1,421	5,410	121
Fair value resulting from stock price	9,019	16,652	1,526	5,999	14,831	812

6) Foreign currency rate risk information

The information of significant foreign financial assets and liabilities is as follows:

Unit: Foreign Currencies (Thousands)/NT\$ (Thousands)

	December 31, 2020		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary item			
USD	\$ 1,573,471	28.5083	\$ 44,856,987
JPY	1,535,129	0.2763	424,210
HKD	6,379,301	3.6774	23,459,116
EUR	20,541	35.0416	719,802
AUD	204,922	21.9686	4,501,838
RMB	343,609	4.3665/4.3822	1,505,737
Investments accounted for using the equity method			
USD	183,689	28.5083	5,236,669
RMB	180,891	4.3665	789,863

Financial liabilities

Monetary item			
USD	2,201,609	28.5083	62,764,163
JPY	2,569,136	0.2763	709,943
HKD	4,719,183	3.6774	17,354,229
EUR	9,831	35.0416	344,494
AUD	8,597	21.9686	188,874
RMB	517,461	4.3822	2,267,592

December 31, 2019			
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary item			
USD	\$ 1,504,313	30.1107	\$ 45,295,960
JPY	2,524,038	0.2770	699,260
HKD	7,776,680	3.8680	30,080,198
EUR	25,306	33.7536	854,152
AUD	1,652	21.0967	34,842
RMB	294,229	4.3218/4.3231	1,271,606
Investments accounted for using the equity method			
USD	168,634	30.1107	5,077,693
<u>Financial liabilities</u>			
Monetary item			
USD	2,304,962	30.1107	69,404,090
JPY	1,483,011	0.2770	410,853
HKD	4,926,752	3.8680	19,056,676
EUR	14,796	33.7536	499,413
AUD	7,009	21.0967	147,871
RMB	457,306	4.3218	1,976,395

f. Banking book interest rate risk

1) Source and definition of interest rate risk of banking book

Banking book's interest rate risk means the probably loss of non-trading book's position within balance sheet and off-balance sheet arise from interest change.

2) Management strategy and process of interest rate risk of banking book

The Bank controls this interest rate risk with a positive and strict attitude. The Bank hopes to pursue the stability and growth of surplus without liquidity flaws.

The Bank set the clear management methods and risk management indicators with different trading, investment and risk, and set the report of risk amount and over limit, approved level and reaction plan. The Bank executes the procedures clearly, establishes a trading discipline that upholds the discipline of investment, and controls the interest rate risk of banking book within the limit.

3) Management organization and framework of interest rate risk of banking book

- a) The Board of Directors: It is the top organization to supervise interest rate risk of banking book. The product part quotas and total annual stop-loss quotas of the trading business market risk monitored and managed by the Bank and approved by the board of director are the top stipulation in bank book interest risk.

- b) Risk Management Committee: In charge of stipulating risk management policy of interest rate risk of banking book and monitoring the risk management operating of interest rate risk of banking book. The Bank assembles related departments to hold an risk management assessment meeting to review the risk management conditions of interest rate risk of banking book and the result of interest rate pressure test once a month.
- c) Risk Management Department: In charge of risk management of interest rate risk of banking book. According to the Bank's regulation, the department is in charge of every operation related to management of interest rate risk of banking book, including planning limits, statistics, reporting and monitoring.

4) The extent and characteristics of interest rate risk report and evaluation system of banking book

The Risk Management Department set the regulation with banking book interest risk as follow, limit of position, Annual stop buying maximum loss limit, FS Sensitivity limit, duration/maturity limit, Individual Investment Target Warning Limits, Individual Investment Target stop buying limit, Earnings View Interest Rate Sensitivity Warning Limit-Rising/falling interest rates by 1bp, First Class Capital Interest Rate Sensitivity Warning Limit: Interest rate rise/fall 25bps, 50bps, 75bps, 100bps.

In summary, it is intended to enhance the risk control framework of interest rate risk of banking book.

Besides, the Risk Management Department executes the following tests to assess the impact to the Bank's net income in each quarter, including the interest rate pressure test and special situation pressure test, and reports the result to the Assets and Liabilities Committee.

The Risk Management Department calculates the exposure amount of each trading departments and traders, and it also reports the risk reports, monitors over-limits, and performs follow-up actions under the regulations.

g. Average amount and average interest rate of interest-earning assets and interest-bearing liabilities

Interest rate fluctuations affect the earning assets and interest-bearing liabilities, and current average interest rates are as follows:

O-Bank

	For the Year Ended December 31			
	2020		2019	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>				
Due from banks (part of cash and cash equivalents and other financial assets)	\$ 963,688	1.19	\$ 1,083,859	2.69
Call loans to other banks	9,081,872	0.76	14,720,683	1.56
Due from the Central Bank	5,315,272	0.46	5,087,055	0.63
Financial assets at FVTPL	66,571,088	0.52	66,204,070	0.64
Bills and bonds purchased under resell agreements	13,156	0.13	34,904	0.16
Discounts and loans	172,849,123	2.17	178,218,274	2.65
Financial assets at FVTOCI	51,321,095	0.93	37,853,046	1.89

(Continued)

	For the Year Ended December 31			
	2020		2019	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
Investment in debt instruments at amortized costs	\$ -	-	\$ 271,215	1.15
Receivables	1,218,615	1.61	1,232,168	2.45
<u>Interest-bearing liabilities</u>				
Deposits from the Central Bank and other banks	32,330,827	0.68	25,504,367	1.94
Demand deposits	50,459,872	0.33	46,431,809	0.48
Time deposits	192,091,535	0.88	193,697,613	1.37
Bill and bonds sold under repurchase agreements	2,256,438	0.32	4,082,774	0.50
Bank debentures payable	17,355,191	2.02	18,671,233	2.03
				(Concluded)

44. CAPITAL MANAGEMENT

a. Strategies to maintain capital adequacy

The Bank's common equity ratio of Tier I capital ratio and capital adequacy ratio required by the competent authority shall comply with the minimum capital ratio for each year; leverage ratio measurement basis subject to the competent authorities. The calculation of the ratio mentioned above by the competent authority regulations.

b. Capital assessment program

Measures are taken when capital ratio and leverage ratio deteriorates such as regular calculation, analysis, monitoring and reporting, the annual allocation of each business's capital adequacy ratio targets and regularly tracking the target achievement rate in the capital in order to take effective measures when capital ratio and leverage ratio are getting worse.

c. Capital adequacy ratio

O-Bank

Items \ Year			December 31, 2020	
			Standalone Capital Adequacy Ratio	Consolidated Capital Adequacy Ratio
Eligible capital	Common equity		\$ 26,668,441	\$ 26,668,441
	Other Tier 1 capital		300,001	300,001
	Tier 2 capital		2,843,868	2,843,868
	Eligible capital		29,812,310	29,812,310
Risk-weighted assets	Credit risk	Standardized approach	204,697,317	204,697,317
		Internal rating based approach	-	-
		Securitization	-	-
	Operational risk	Basic indicator approach	9,020,363	9,020,363
		Standardized/alternative standardized approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standardized approach	21,536,500	21,536,500
		Internal model approach	-	-
	Total risk-weighted assets		235,254,180	235,254,180
Capital adequacy ratio			12.67%	12.67%
Ratio of common equity to risk-weighted assets			11.34%	11.34%
Ratio of Tier 1 capital to risk-weighted assets			11.46%	11.46%
Leverage ratio			7.49%	7.49%

Items \ Year			December 31, 2019	
			Standalone Capital Adequacy Ratio	Consolidated Capital Adequacy Ratio
Eligible capital	Common equity		\$ 25,023,843	\$ 43,690,516
	Other Tier 1 capital		639,356	2,223,697
	Tier 2 capital		4,212,975	7,492,885
	Eligible capital		29,876,174	53,407,098
Risk-weighted assets	Credit risk	Standardized approach	188,883,844	305,810,019
		Internal rating based approach	-	-
		Securitization	-	-
	Operational risk	Basic indicator approach	8,785,450	9,966,550
		Standardized/alternative standardized approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standardized approach	15,774,738	86,130,688
		Internal model approach	-	-
	Total risk-weighted assets		213,444,032	401,907,257
Capital adequacy ratio			14.00%	13.29%
Ratio of common equity to risk-weighted assets			11.72%	10.87%
Ratio of Tier 1 capital to risk-weighted assets			12.02%	11.42%
Leverage ratio			7.31%	7.07%

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

Note 2: Formulas used were as follows:

- 1) Eligible capital = Common equity + Other Tier 1 capital + Tier 2 capital.
- 2) Risk-weighted assets = Risk-weighted asset for credit risk + Capital requirements for operational risk and market risk x 12.5.
- 3) Capital adequacy ratio = Eligible capital ÷ Risk-weighted assets.
- 4) Ratio of common equity to risk-weighted assets = Common equity ÷ Risk-weighted assets.
- 5) Ratio of Tier 1 capital to risk-weighted assets = (Common equity + Other Tier 1 capital) ÷ Risk-weighted assets.
- 6) Leverage ratio = Tier 1 capital ÷ Exposure measurement.

According to the Banking Law and other related regulations, in order to improve the financial foundation of banks, the Bank's standalone and consolidated capital adequacy ratio shall not be lower than 10.5%. The ratio of Tier 1 capital shall not be lower than 8.5%. The ratio of common equity shall not be lower than 7.0%. Should any actual ratios be lower than the requirements, the central competent authority has the right to constrain the earnings distribution.

45. ASSET QUALITY, CONCENTRATION OF CREDIT EXTENSIONS, INTEREST RATE SENSITIVITY, PROFITABILITY AND DISCLOSURE OF RELATED INFORMATION OF INDUSTRY REGULATIONS OF MATURITY ANALYSIS OF ASSETS AND LIABILITIES

O-Bank

a. Credit risk

- 1) Asset quality of loans: See Table 6.
- 2) Concentration of credit extensions

December 31, 2020

Rank	Company Name	Credit Extensions Balance	% of Net Asset Value
1	A Group (real estate development)	\$ 6,070,402	17.07
2	B Group (unclassified other financial service)	5,000,000	14.06
3	C Group (real estate development)	3,948,600	11.11
4	D Group (real estate development)	3,463,866	9.74
5	E Group (glass and glass made product manufacturing)	2,867,564	8.06
6	F Group (retail sale of other food, beverages and tobacco in specialized stores)	2,694,711	7.58
7	G Group (non-hazardous waste treatment industry)	2,565,020	7.21
8	H Group (short-term accommodation activities)	2,506,680	7.05
9	I Group (mixed concrete development)	2,378,896	6.69
10	J Group (ocean transportation)	2,288,233	6.44

December 31, 2019

Rank	Company Name	Credit Extensions Balance	% of Net Asset Value
1	A Group (real estate development)	\$ 5,753,105	17.30
2	B Group (unclassified other financial service)	5,000,000	15.03
3	C Group (short-term accommodation activities)	3,216,788	9.67
4	D Group (glass and glass made product manufacturing)	3,184,329	9.57
5	E Group (real estate development)	2,855,678	8.59
6	F Group (ocean transportation)	2,817,127	8.47
7	G Group (non-hazardous waste treatment industry)	2,740,563	8.24
8	H Group (retail sale of other food, beverages and tobacco in specialized stores)	2,361,262	7.10
9	I Group (real estate development)	2,275,244	6.84
10	J Group (unclassified other financial service)	2,200,000	6.61

Note 1: The list shows top 10 rankings by total amount of credit, endorsement or other transactions but excludes government-owned or state-run enterprises. If the borrower is a member of a group enterprise, the total amount of credit, endorsement or other transactions of the entire group enterprise must be listed and disclosed by code and line of industry. The industry of the group enterprise should be presented as the industry of the member firm with the highest risk exposure. The lines of industry should be described in accordance with the Standard Industrial Classification System of the Republic of China published by the Directorate-General of Budget, Accounting and Statistics under the Executive Yuan.

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

Note 3: 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, accounts receivable factored without recourse, acceptances and guarantees.

b. Market risk

Interest Rate Sensitivity Balance Sheet (New Taiwan Dollars)
December 31, 2020

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	\$ 166,617,648	\$ 27,109,896	\$ 19,442,085	\$ 13,240,863	\$ 226,410,492
Interest rate-sensitive liabilities	86,971,113	53,710,041	46,607,835	31,028,330	218,317,319
Interest rate-sensitive gap	79,646,535	(26,600,145)	(27,165,750)	(17,787,467)	8,093,173
Net worth					31,587,200
Ratio of interest rate-sensitive assets to liabilities					103.71%
Ratio of interest rate sensitivity gap to net worth					25.62%

December 31, 2019

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	\$ 176,652,492	\$ 16,509,588	\$ 22,630,970	\$ 17,618,963	\$ 233,412,013
Interest rate-sensitive liabilities	84,975,570	55,369,472	45,670,081	38,253,295	224,268,418
Interest rate-sensitive gap	91,676,922	(38,859,884)	(23,039,111)	(20,634,332)	9,143,595
Net worth					29,743,152
Ratio of interest rate-sensitive assets to liabilities					104.08%
Ratio of interest rate sensitivity gap to net worth					30.74%

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

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

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

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

**Interest Rate Sensitivity Balance Sheet (U.S. Dollars)
December 31, 2020**

(In Thousands of U.S. Dollars)

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	\$ 1,386,743	\$ 45,633	\$ 14,858	\$ 838,439	\$ 2,285,673
Interest rate-sensitive liabilities	1,142,565	874,559	148,455	40	2,165,619
Interest rate-sensitive gap	244,178	(828,926)	(133,597)	838,399	120,054
Net worth					120,088
Ratio of interest rate-sensitive assets to liabilities					105.54%
Ratio of interest rate sensitivity gap to net worth					99.97%

December 31, 2019

(In Thousands of U.S. Dollars)

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	\$ 1,395,585	\$ 3,927	\$ 28,169	\$ 926,845	\$ 2,354,526
Interest rate-sensitive liabilities	1,587,278	566,081	116,022	-	2,269,381
Interest rate-sensitive gap	(191,693)	(562,154)	(87,853)	926,845	85,145
Net worth					90,510
Ratio of interest rate-sensitive assets to liabilities					103.75%
Ratio of interest rate sensitivity gap to net worth					94.07%

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

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

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

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

c. Liquidity risk

1) Profitability

(In %)

Items		For the Year Ended December 31, 2020	For the Year Ended December 31, 2019
Return on total assets	Before income tax	0.37	0.36
	After income tax	0.35	0.33
Return on equity	Before income tax	3.59	3.71
	After income tax	3.33	3.37
Net income ratio		24.67	20.74

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 revenue.

Note 4: Income before (after) income tax represents income for the year ended December 31, 2020 and 2019.

2) Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities (New Taiwan Dollars)
December 31, 2020

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 262,332,096	\$ 64,095,871	\$ 20,700,615	\$ 22,974,910	\$ 23,836,815	\$ 30,968,773	\$ 99,755,112
Main capital outflow on maturity	295,589,959	18,721,529	26,002,566	72,207,928	33,181,228	67,024,836	78,451,872
Gap	(33,257,863)	45,374,342	(5,301,951)	(49,233,018)	(9,344,413)	(36,056,063)	21,303,240

December 31, 2019

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 263,936,011	\$ 86,414,796	\$ 17,965,942	\$ 19,571,792	\$ 14,933,468	\$ 20,455,947	\$ 104,594,066
Main capital outflow on maturity	300,088,366	26,069,687	23,807,444	63,323,723	28,391,885	55,193,251	103,302,376
Gap	(36,152,355)	60,345,109	(5,841,502)	(43,751,931)	(13,458,417)	(34,737,304)	1,291,690

Note: The Bank amounts refer to the total NTD amounts of the overall Bank.

Maturity Analysis of Assets and Liabilities (U.S. Dollars)
December 31, 2020

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 3,300,572	\$ 989,563	\$ 742,797	\$ 349,232	\$ 248,629	\$ 970,351
Main capital outflow on maturity	3,381,571	1,122,743	933,356	429,820	268,086	627,566
Gap	(80,999)	(133,180)	(190,559)	(80,588)	(19,457)	342,785

December 31, 2019

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 3,260,012	\$ 866,871	\$ 911,524	\$ 325,670	\$ 161,334	\$ 994,613
Main capital outflow on maturity	3,480,736	1,236,624	1,128,140	349,850	214,910	551,212
Gap	(220,724)	(369,753)	(216,616)	(24,180)	(53,576)	443,401

Note 1: The Bank amounts refer to the total USD amounts of the overall Bank.

Note 2: If the overseas assets are at least 10% of the total assets, there should be additional disclosures.

Maturity Analysis of Overseas Assets and Liabilities (U.S. Dollars)
December 31, 2020

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 1,189,456	\$ 646,460	\$ 127,635	\$ 52,502	\$ 45,992	\$ 316,867
Main capital outflow on maturity	1,169,148	328,887	276,564	143,306	114,680	305,711
Gap	20,308	317,573	(148,929)	(90,804)	(68,688)	11,156

December 31, 2019

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 1,103,727	\$ 384,098	\$ 305,702	\$ 28,774	\$ 25,942	\$ 359,211
Main capital outflow on maturity	1,092,355	305,634	412,616	151,193	46,871	176,041
Gap	11,372	78,464	(106,914)	(122,419)	(20,929)	183,170

46. CASH FLOWS INFORMATION

Changes in Liabilities from Financing Activities

For the year ended December 31, 2020

	January 1, 2020	Cash Inflow (Outflow)	None Cash		December 31, 2020
			Add Leasing	Other	
Bank debentures payable	\$ 18,700,000	\$ (2,300,000)	\$ -	\$ -	\$ 16,400,000
Lease liabilities	313,446	(98,007)	35,240	2,582	253,261
Other financial liabilities	3,468,649	(620,641)	-	-	2,848,008
Other liabilities	45,188	16,648	-	-	61,836
	<u>\$ 22,527,283</u>	<u>\$ (3,002,000)</u>	<u>\$ 35,240</u>	<u>\$ 2,582</u>	<u>\$ 19,563,105</u>

For the year ended December 31, 2019

	January 1, 2019	Cash Inflow (Outflow)	None Cash		December 31, 2019
			Add Leasing	Other	
Bank debentures payable	\$ 17,850,000	\$ 850,000	\$ -	\$ -	\$ 18,700,000
Lease liabilities	296,144	(104,852)	126,564	(4,410)	313,446
Other financial liabilities	4,321,291	(852,642)	-	-	3,468,649
Other liabilities	56,233	(11,045)	-	-	45,188
	<u>\$ 22,523,668</u>	<u>\$ (118,539)</u>	<u>\$ 126,564</u>	<u>\$ (4,410)</u>	<u>\$ 22,527,283</u>

47. OTHERS

The Bank has evaluated the economic impact of the COVID-19. Until the issue date of the financial statements, the Bank found no significant impact on its financial condition and operations through its relevant risk management and control procedures.

48. ADDITIONAL DISCLOSURES

- a. Related information of significant transactions and investees and
- b. Names, locations, and other information of investees over which the Bank exercises significant influence
 - 1) Financing provided: The Bank - not applicable; investees - Table 1 (attached)
 - 2) Endorsement/guarantee provided: The Bank - not applicable; investees - Table 2 (attached)
 - 3) Marketable securities held: The Bank - not applicable; investees - Table 3 (attached)
 - 4) Marketable securities acquired and disposed of at costs or prices of at least NT \$300 million or 10% of the paid-in capital - Table 4 (attached)
 - 5) Acquisition of individual real estate at costs of at least NT \$300 million or 10% of the paid-in capital: None
 - 6) Disposal of individual real estate at costs of at least NT \$300 million or 10% of the paid-in capital: None
 - 7) Allowance of service fees to related parties amounting to at least NT \$5 million: None
 - 8) Receivables from related parties amounting to at least NT \$300 million or 10% of the paid-in capital: None
 - 9) Sale of non-performing loans - Table 5 (attached)
 - 10) Information of applying for authorization of securitized product type according to the "Regulations of Financial Assets Securitization or Regulations of Real Estate Securitization": None
 - 11) Other significant transactions which may affect the decisions of users of individual financial reports: None
 - 12) Related information and total stockholding circumstances of "Name, locations and other information of investees on which the Bank exercises significant influence." - Table 7 (attached)

13) Derivative instrument transactions: Note 8

- c. Investment in mainland China: Table 8 (attached)
- d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: Table 9 (attached)

TABLE 1

O-BANK CO., LTD.

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing (Note 2)	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 3)	Aggregate Financing Limits (Note 4)	Note
													Item	Value			
1	IBT Leasing	Lei Xin Construction	Account receivable - short-term accommodations	No	\$ 54,380	\$ -	\$ -	2-8	2	\$ -	Working capital turnover	\$ -	Real estate	\$ -	\$ 278,418	\$ 1,113,674	
		Kuang Ming shipping Corp.	Account receivable - short-term accommodations	No	120,000	-	-	2-8	2	-	Working capital turnover	-	-	-	278,418	1,113,674	
		Inhon Communication Co., Ltd.	Account receivable - short-term accommodations	No	64,912	29,904	29,904	2-8	2	-	Working capital turnover	358	Margin	12,982	278,418	1,113,674	
		Huimin Environmental Tech. Corp.	Account receivable - short-term accommodations	No	2,882	-	-	2-8	2	-	Working capital turnover	-	-	-	278,418	1,113,674	
		Power Home Construction	Account receivable - short-term accommodations	No	58,644	-	-	2-8	2	-	Working capital turnover	-	-	-	278,418	1,113,674	
		United Renewable Energy Co.	Account receivable - short-term accommodations	No	15,089	-	-	2-8	1	77,159	-	-	-	-	278,418	2,784,184	
		An Chieh Bao Corp.	Account receivable - short-term accommodations	No	53,745	29,679	29,679	2-8	2	-	Working capital turnover	308	Margin	6,000	278,418	1,113,674	
		Advanced Wireless and Antenna Inc.	Account receivable - short-term accommodations	No	7,403	-	-	2-8	2	-	Working capital turnover	-	-	-	278,418	1,113,674	
		Yuan Mao Construction Co., Ltd.	Account receivable - short-term accommodations	No	130,000	106,600	106,600	2-8	2	-	Working capital turnover	1,386	Stock	61,600	278,418	1,113,674	
		Taroko Entertainment Co., Ltd.	Account receivable - short-term accommodations	No	64,205	38,907	38,907	2-8	2	-	Working capital turnover	700	Stock	-	278,418	1,113,674	
		Dingyang Industrial Co., Ltd.	Account receivable - short-term accommodations	No	30,000	-	-	2-8	2	-	Working capital turnover	-	-	-	278,418	1,113,674	
		Priority International Finance	Account receivable - short-term accommodations	No	24,000	24,000	24,999	2-8	2	-	Working capital turnover	45	Certificate of deposit	2,400	278,418	1,113,674	
		TRK Corporation	Account receivable - short-term accommodations	No	70,000	-	-	2-8	2	-	Working capital turnover	-	-	-	278,418	1,113,674	
		Quodiung Investment Co., Ltd.	Account receivable - short-term accommodations	No	100,000	96,000	96,000	2-8	2	-	Working capital turnover	1,728	Stock/real estate	51,830	278,418	1,113,674	
		Taiwan Star Telecom Corporation Limited	Account receivable - short-term accommodations	No	150,000	150,000	150,000	2-8	1	150,000	-	750	Equipment	33,152	278,418	2,784,184	
		Zhangtjie Zhongjun Real Estate Co., Ltd.	Entrusted loans	No	33,622	-	-	6-16	2	-	Working capital turnover	-	Real estate	39,243	270,183	1,080,733	
		Suzhou Dong Sheng Machine Co., Ltd.	Entrusted loans	No	19,468	-	-	6-16	2	-	Working capital turnover	-	Real estate	34,522	270,183	1,080,733	
		Suzhou Leading Car Service Co., Ltd.	Entrusted loans	No	40,132	15,128	15,128	6-16	2	-	Working capital turnover	34	Margin	6,550	270,183	1,080,733	
		Nanjing Forland automobile leasing Co., Ltd.	Entrusted loans	No	40,132	15,128	15,128	6-16	2	-	Working capital turnover	34	Margin	6,550	270,183	1,080,733	

Note 1: Explanation:

- a. Issuing entity: 0.
b. Invested companies were sequentially numbered from No. 1.

Note 2: Loan type: Business "1"; short-term financial intermediation "2".

Note 3: IBT Leasing and IBT International Leasing Corp. loaned to individual company were limited by 10% net assets.

Note 4: Each issuing entity's total amount of loans was limited to 40% of IBT Leasing Corp.'s, IBT International Leasing Corp.'s and IBT Tianjin International Leasing Corp.'s net assets. The loan mentioned formerly which belongs to business transactions is limited to 100% of the corporation's net assets.

O-BANK CO., LTD.

**ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2020**
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 3)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Subsidiaries (Note 4)	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship (Note 2)								Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Subsidiaries (Note 4)	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
1	IBT Leasing	IBT International Leasing Corp. IBT VII Venture Capital Co., Ltd.	b b	\$ 22,273,474 22,273,474	\$ 12,084,350 80,000	\$ 6,393,987 80,000	\$ 4,307,577 80,000	\$ - -	229.65 2.87	\$ 33,410,211 33,410,211	No No	No No	No No	Yes No

Note 1: Explanation:

- a. Issuing entity: 0.
- b. Invested companies were sequentially numbered from 1.

Note 2: Relationships between the endorsement/guarantee provider and the guaranteed party:

- a. Trading partner.
- b. Directly and indirectly owns over 50% of the common stocks of the subsidiary.
- c. Companies that directly and indirectly hold more than 50% of the voting rights of the company.
- d. The company directly or indirectly holds more than 90% of the voting shares.
- e. Guaranteed by the Bank according to the construction contract.
- f. An investee company, for which the guarantees were provided based on the Bank's proportionate share in the investee company.
- g. The inter-industry is engaged in joint and several guarantees for the performance of the pre-sale house sales contract in accordance with the Consumer Protection Law.

Note 3: Based on the Bank's guidelines, the maximum amount of guarantee to IBT International Leasing Corp. is up to eight times of the Bank's net value under direct and indirect holding voting right of stockholders; the maximum amount of guarantee to the Bank is up to twelve times of the Bank's net value.

Note 4: The endorsement belongs to the grandson company from IBT International Leasing Corp.

O-BANK CO., LTD.

MARKETABLE SECURITIES HELD

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2020			Note
				Stocks/Units (Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value
IBT Holdings	<u>Stocks</u> EverTrust Bank	Subsidiaries	Investments accounted for using the equity method	10,714	US\$ 183,689	91.78	US\$ 183,689
	Closed type beneficiary certificate O-Bank Real Estate Investment Trust “Successful One”	-	Financial asset at FVTOCI	3,059	29,672	1.02	29,672
	<u>Stocks</u> Thunder Tiger Biotechnology Co., Ltd	-	Financial asset at FVTPL	1,773	38,567	7.38	38,567
	TaiRx Co., Ltd	-	Financial asset at FVTPL	511	14,794	0.57	14,794
	Beauty Essentials International Ltd. (Samoa)	-	Financial asset at FVTPL	25,974	13,303	2.41	13,303
	Houdou Pinshan (Cayman) Co., Ltd.	-	Financial asset at FVTPL	500	13,446	2.17	13,446
	Shihlien China Holding Corp.	-	Financial asset at FVTPL	19,682	100,055	0.46	100,055
IBT Leasing Co., Ltd.	Ta Chen Stainless Pipe Co. Ltd.	-	Financial asset at FVTPL	1,150	35,995	0.07	35,995
	Shin Kong Financial Holding Co., Ltd. preferred shares B	-	Financial asset at FVTOCI	400	16,940	0.18	16,940
	Closed type beneficiary certificate O-Bank Real Estate Investment Trust “Successful One”	-	Financial asset at FVTOCI	12,260	118,922	4.09	118,922
	<u>Stocks</u> IBT International Leasing Corp.	Subsidiaries	Investments accounted for using the equity method	-	2,566,740	95.00	2,566,740
	IBT VII Venture Capital Co., Ltd.	Subsidiaries	Investments accounted for using the equity method	65,000	531,982	100.00	531,982
	Shihlien China Holding Corp.	-	Financial asset at FVTOCI	32,500	165,216	0.75	165,216
	Shin Kong Financial Holding Co., Ltd. preferred shares B	-	Financial asset at FVTOCI	1,700	71,995	0.77	71,995
IBT VII Venture Capital Co., Ltd.	Closed type beneficiary certificate O-Bank Real Estate Investment Trust “Successful One”	-	Financial asset at FVTOCI	14,000	135,800	4.67	135,800

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2020			Note
				Stocks/Units (Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value
	Stocks IBT International Leasing Corp. TAIRX Corp. Meridigen Corp. FemcoSteel Tech Co., Ltd. Shihlian China Holdings Corp. New Applied Materials Co., Ltd. Polaris Co., Ltd. BioResource International, Inc. Chipwell tech corporation Biocontrol Gene Vaccine Co., Ltd. Reber Genetics Co., Ltd. Kaohsiung Rapid Transit Corporation All Rights Reserved. Ta Chen Stainless Pipe Co. Ltd. Shin Kong Financial Holding Co., Ltd. preferred shares B	Subsidiaries - - - - - - - - - - - - - - -	Investments accounted for using the equity method Financial asset at FVTPL Financial asset at FVTPL Financial asset at FVTPL Financial asset at FVTPL Financial asset at FVTPL Financial asset at FVTPL Financial asset at FVTPL Financial asset at FVTPL Financial asset at FVTPL Financial asset at FVTPL Financial asset at FVTPL Financial asset at FVTPL Financial asset at FVTPL Financial asset at FVTPL Financial asset at FVTPL	-	\$	5.00	\$
				3,800	135,092	6.22	135,092
				500	110,054	0.55	110,054
				1,298	11,334	3.10	11,334
				9,135	38,330	0.21	38,330
				610	46,441	0.83	46,441
				140	15,775	0.02	15,775
				1,105	2,304	5.91	2,304
				391	82,530	2.61	82,530
				1,008	2,994	0.98	2,994
				461	1,019	2.20	1,019
				3,845	6,179	1.38	6,179
					42,806		42,806
				1,350	42,255	0.08	42,255
				125	5,294	0.06	5,294

Note 1: The holding company is registered in Hong Kong. The registered capital stock and number of stocks are in Hong Kong dollars and Hong Kong stocks.

Note 2: The securities are transferred within the group and are listed in the financial asset at FVTOCI when they are combined.

(Concluded)

O-BANK CO., LTD.

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities (Note 1)	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal		Ending Balance		
					Shares/Units (In Thousands)	Amount	Shares/Units (In Thousands)	Amount	Shares/Units (In Thousands)	Amount	Gain (Loss) on Disposal	Shares/Units (In Thousands)	Amount
The Bank	Stock Beijing Sunshine Consumer Finance Co., Ltd.	Investments accounted for using the equity method	Beijing Sunshine Consumer Finance Co., Ltd.	-	-	\$ -	200,000	\$ 863,564 (Note 1)	-	\$ -	91,831 (Note 2)	200,000	\$ 789,863

Note 1: It is the original investment cost.

Note 2: Exchange differences on translating the financial statements of foreign operations were \$9,065 thousand and investment loss were \$82,766 thousand.

O-BANK CO., LTD.
**SALES OF NONPERFORMING LOANS
FOR THE YEAR ENDED DECEMBER 31, 2020**
(In Thousands of New Taiwan Dollars)

1. Sales of nonperforming loans

Trade Date	Trade Name	Creditor Composition Content	Book Value	Price	Dispose of Profit and Loss	With Agreed Conditions	The Relationship Between the Transaction Object and The Bank
December 14, 2020	Bridging Wealth Capital Management Limited	Residential mortgage	\$ 52,780 (Note)	\$ 75,898	\$ 23,118	None	None

Note: Book value equals the amount of the original loan minus the allowance for bad debts.

2. The sale of a batch of nonperforming loans totaling over NT\$1 billion (excluding those sold to related parties): None

O-BANK CO., LTD.

NON-PERFORMING LOANS AND ACCOUNTS RECEIVABLE
DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars or in %)

Period	Items	December 31, 2020					December 31, 2019				
		Nonperforming Loans (Note 1)	Outstanding Loan Balance	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)	Nonperforming Loans (Note 1)	Outstanding Loan Balance	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Corporate banking	Secured	\$ 418,641	\$ 74,359,778	0.56%	\$ 910,746	217.55%	\$ 934,247	\$ 82,539,697	1.13%	\$ 1,035,910	110.88%
	Unsecured	268,279	64,041,050	0.42%	860,294	320.67%	379,818	71,471,813	0.53%	1,078,036	283.83%
	Housing mortgage (Note 4)	7,544	15,334,873	0.05%	230,205	3,051.50%	-	13,266,726	-	199,076	-
	Cash card	-	-	-	-	-	-	-	-	-	-
Consumer banking	Small-scale credit loans (Note 5)	310	1,537,037	0.02%	19,537	6,302.26%	2,221	1,072,040	0.21%	11,016	495.99%
	Secured	999	5,941,536	0.02%	59,492	5,955.16%	-	4,199,768	-	41,998	-
Total lending business	Other (Note 6)	9,246	4,886,019	0.19%	103,155	1,115.67%	9,113	3,856,708	0.24%	59,538	653.33%
	Unsecured	705,019	166,100,293	0.42%	2,183,429	309.70%	1,325,399	176,406,752	0.75%	2,425,574	183.01%
		Nonperforming Receivables	Outstanding Receivable Balance	Ratio of Nonperforming Receivables	Allowance for Possible Losses	Coverage Ratio	Nonperforming Receivables	Outstanding Receivable Balance	Ratio of Nonperforming Receivables	Allowance for Possible Losses	Coverage Ratio
Credit cards		-	-	-	-	-	-	-	-	-	-
Factored accounts receivable without recourse (Note 7)		-	869,297	-	9,380	-	-	1,585,725	-	17,004	-
		Exempt from Reporting the Total Balance of Overdue Loans	Exempt from Reporting the Total Balance of Overdue Loans	Exempt from Reporting the Total Balance of Overdue Loans	Exempt from Reporting the Total Balance of Overdue Loans	Exempt from Reporting the Total Balance of Overdue Loans	Exempt from Reporting the Total Balance of Overdue Loans	Exempt from Reporting the Total Balance of Overdue Loans	Exempt from Reporting the Total Balance of Overdue Loans	Exempt from Reporting the Total Balance of Overdue Loans	Exempt from Reporting the Total Balance of Overdue Loans
Exempt amount - due to debt negotiation and performance (Note 8)		\$	-	-	\$	-	\$	-	-	\$	-
Debt settlement plan and rehabilitative program (Note 9)		\$	79,994	-	-	-	-	734	-	-	-
Total			79,994					734			

Note 1: Nonperforming 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," Nonperforming 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 Nonperforming loans: Nonperforming loans ÷ Outstanding loan balance.
Ratio of Nonperforming credit card receivables: Nonperforming 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 ÷ Nonperforming 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, the spouse or the minor children of the borrowers.

Note 5: Small-amount pure credit loans that must be governed by the Bank of China Ref. No. 09440010950 dated December 19, 2005 and are not credit cards or cash cards.

Note 6: "Others" in consumer finance refers to other secured or unsecured consumer loans that are not "residential property mortgage", "cash cards", "small amount pure credit loans", excluding credit cards.

Note 7: As required by the Banking Bureau in its letter dated July 19, 2005 (Ref. No. 0945000494), factored accounts receivable without recourse are reported as Nonperforming receivables within three months after the factoring or insurance companies refuse to indemnify banks for any liabilities on these accounts.

Note 8: According to the letter of the Bank of China Ref. No. 09510001270 dated April 25, 2006, the letters of credit and the information disclosure requirements as required by the "Unsecured Debt Negotiation Mechanism for Consumer Financial Cases of the Republic of China Banking Association" should include supplemental disclosures of related matters.

Note 9: According to the letter of the Bank of China Ref. No. 09700318940 dated September 15, 2008 and the letter of the Bank of China Ref. No. 10500134790 dated September 20, 2016 regarding the "Consumer Debt Clearance Regulations" for pre-negotiation, rehabilitation and liquidation cases, credit reporting and the information disclosure requirements should include supplemental disclosures of related matters

O-BANK CO., LTD.

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES OVER WHICH THE BANK EXERCISES SIGNIFICANT INFLUENCE
 DECEMBER 31, 2020
 (In Thousands of New Taiwan Dollars)

Investee Company	Location	Main Business	Percentage of Ownership (%)	Carrying Amount	Investment Gain (Loss)	Consolidated Investment			Note
						Stocks (Thousands)	Pro-forma Share of Ownership	Total	
<u>Financial institution</u>									
Investments accounted for using the equity method									
Beijing Sunshine Consumer Finance Co., Ltd.	Beijing City, China	Financing business	20.00	\$ 789,863	\$ (82,766)	200,000	-	200,000	20.00
China Bills Finance Corp.	Taipei City, Taiwan	Bonds underwriting, dealing and brokerage of securities	28.37	7,152,692	447,728	382,532	-	382,532	28.48
IBT Holdings Corp.	California, America	Holding company	100.00	5,269,068	256,838	10,869	-	10,869	100.00
IBT Leasing Co., Ltd.	Taipei City, Taiwan	Leasing company	100.00	2,784,548	364,120	264,300	-	264,300	100.00
IBT Management Corp.	Taipei City, Taiwan	Investment consulting	100.00	231,911	16,248	13,400	-	13,400	100.00
<u>Non-financial institution</u>									
Investments accounted for using the equity method									
Chun Teng New Century Co., Ltd.	Taipei City, Taiwan	Securities investment consulting	99.75	314,026	(12,010)	318,281	-	318,281	99.75
Financial assets at FVTOCI									
Taiwan Mobile Payment Co., Ltd.	Taipei City, Taiwan	Information Software Services Industry	0.50	1,622	-	300	-	300	0.50
Dio Investment Ltd.	Cayman Island	Coffee retail	8.82	44,812	-	6,997	-	6,997	8.82
Shengzhuang Holdings Limited	Cayman Island	Chemical material manufacturing	2.18	13,074	-	244	-	244	2.18

O-BANK CO., LTD.

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2020

(New Taiwan Dollars and U.S. Dollars in Thousands, Unless Stated Otherwise)

O-Bank

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital (Note 1)	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2020 (Note 1)	Investment Flows (Note 1)		Accumulated Outflow of Investment from Taiwan as of December 31, 2020 (Note 1)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 1)	Carrying Amount as of December 31, 2020 (Note 1)	Accumulated Inward Remittance of Earnings as of December 31, 2020
					Outflow	Inflow					
Shihlien Chemical Industrial Jiangsu Co.	Production of glass materials	\$ 22,806,648 (US\$ 800,000)	Note 2 c.	\$ 196,650 (US\$ 6,898)	-	\$ 196,650 (US\$ 6,898)	\$ -	-	\$ -	\$ -	-
Shihlien Brine Huanan Co.	Production of glass materials	912,266 (US\$ 32,000)	Note 2 c.	9,493 (US\$ 333)	-	9,493 (US\$ 333)	-	-	-	-	-
Suzhou Dio F&B Management Co., Ltd.	Coffee retailing	438,999 (US\$ 15,399)	Note 2 c.	57,017 (US\$ 2,000)	-	-	57,017 (US\$ 2,000)	2.60	-	57,017 (US\$ 2,000)	-
Ou Suomiluo Food Co., Ltd.	Coffee retailing	43,822 (RMB 10,000)	Note 2 c.	14,254 (US\$ 500)	-	-	14,254 (US\$ 500)	2.09	-	14,254 (US\$ 500)	-
Beijing Shengzhuang Co., Ltd.	Cosmetic OEM	237,951 (RMB 54,300)	Note 2 c.	57,017 (US\$ 2,000)	-	-	57,017 (US\$ 2,000)	2.175	-	57,017 (US\$ 2,000)	-
Beijing Sunshine Consumer Finance Co., Ltd.	Financing business	4,382,150 (RMB 1,000,000)	Note 2 d.	-	876,430 (US\$ 200,000)	-	876,430 (RMB 200,000)	20.00	(82,766)	789,863	-

Accumulated Investment in Mainland China as of December 31, 2020 (Note 1)	Investment Amounts Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on Investment
\$128,288 (US\$4,500) \$876,430 (RMB200,000)	\$128,288 (US\$4,500) \$876,430 (RMB200,000)	Note 4

(Continued)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital (Note 1)	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2020 (Note 1)	Investment Flows (Note 1)		Accumulated Outflow of Investment from Taiwan as of December 31, 2020 (Note 1)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 1)	Carrying Amount as of December 31, 2020 (Note 1)	Accumulated Inward Remittance of Earnings as of December 31, 2020
					Outflow	Inflow					
IBT International Leasing Corp.	Leasing	\$ 1,853,040 (US\$ 65,000)	Note 2 d.	\$ 1,505,239 (US\$ 52,800)	\$ -	\$ -	\$ 1,505,239 (US\$ 52,800)	100.00 (Note 6)	\$ 326,688 (Notes 3 and 7)	\$ 2,566,740 (Note 7)	\$ -
Shihlien Chemical Industrial Jiangsu Co.	Production of glass materials	22,806,648 (US\$ 800,000)	Note 2 c.	-	127,062 (US\$ 4,457)	-	127,062 (US\$ 4,457)	0.75	-	127,062 (US\$ 4,457)	-
Shihlien Brine Huanan Co.	Production of glass materials	912,266 (US\$ 32,000)	Note 2 c.	-	10,805 (US\$ 379)	-	10,805 (US\$ 379)	0.75	-	10,805 (US\$ 379)	-

Accumulated Investment in Mainland China as of December 31, 2020 (Note 1)	Investment Amounts Authorized by Investment Commission, MOEA (Note 1)	
	Upper Limit on Investment	
\$1,643,106 (US\$57,636)	\$1,643,106 (US\$57,636)	
	Note 5	

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital (Note 1)	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2020 (Notes 1 and 9)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2020 (Note 1)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 1)	Carrying Amount as of December 31, 2020 (Note 1)	Accumulated Inward Remittance of Earnings as of December 31, 2020
					Outflow	Inflow					
Shanghai Douniushi F&B Management Co., Ltd.	Restaurant retailing	\$ 123,441 (US\$ 4,330)	Note 2 c.	\$ 2,053 (US\$ 72)	\$ -	\$ -	\$ 2,053 (US\$ 72)	2.17	\$ -	\$ 2,053 (US\$ 72)	\$ -
Topping Cuisine International Holding, Ltd.	Food retailing	148,243 (US\$ 5,200)	Note 2 c.	12,088 (US\$ 424)	-	-	12,088 (US\$ 424)	2.17	-	12,088 (US\$ 424)	-
Shanghai Dou Mao Food Management Co., Ltd.	Trading	5,702 (US\$ 200)	Note 2 c.	200 (US\$ 7)	-	-	200 (US\$ 7)	2.17	-	200 (US\$ 7)	-
Beauty Essential International, Ltd.	Cosmetic retailing	85,525 (US\$ 3,000)	Note 2 c.	19,614 (US\$ 688)	-	-	19,614 (US\$ 688)	2.41	-	19,614 (US\$ 688)	-
Meike information technology	Cosmetic retailing information technology	48,464 (US\$ 1,700)	Note 2 c.	827 (US\$ 29)	-	-	827 (US\$ 29)	2.41	-	827 (US\$ 29)	-
Shihlien Chemical Industrial Jiangsu Co.	Production of glass materials	22,806,648 (US\$ 800,000)	Note 2 c.	-	76,944 (US\$ 2,699)	-	76,944 (US\$ 2,699)	0.46	-	76,944 (US\$ 2,699)	-
Shihlien Brine Huanan Co.	Production of glass materials	912,266 (US\$ 32,000)	Note 2 c.	-	6,528 (US\$ 229)	-	6,528 (US\$ 229)	0.46	-	6,528 (US\$ 229)	-

(Continued)

Accumulated Investment in Mainland China as of December 31, 2020 (Note 1)	Investment Amounts Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on Investment
\$118,254 (US\$4,148)	\$118,254 (US\$4,148)	\$139,136 (Note 8)

IBT VII Venture Capital Co., Ltd.

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital (Note 1)	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2020 (Note 1)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2020 (Note 1)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 1)	Carrying Amount as of December 31, 2020 (Note 1)	Accumulated Inward Remittance of Earnings as of December 31, 2020
					Outflow	Inflow					
IBT International Leasing Corp.	Leasing	\$ 1,853,040 (US\$ 65,000)	Note 2 d.	\$ 347,801 (US\$ 12,200)	\$ -	\$ -	\$ 347,801 (US\$ 12,200)	5.00	\$ 17,194 (Notes 3 and 7)	\$ 135,092 (Note 7)	\$ -

Accumulated Investment in Mainland China as of December 31, 2020 (Note 1)	Investment Amounts Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on Investment
\$347,801 (US\$12,200)	\$347,801 (US\$12,200)	\$319,189 (Note 8)

Note 1: The amount is after the exchange rate adjustment for the year ended December 31, 2020.

Note 2: There were five investment approaches stated as follows.

- Investment in mainland China by remittance via a third country.
- Indirect investment in mainland China via setting a company in a third country.
- Indirect investment in mainland China via investing in a current company in a third country. (Via investing Shilien China Holding Co., Limited, Dio Investment, Ltd., Shengzhuang Holding, Ltd., Topping Cuisine International Holding, Ltd., and Beauty Essential International, Ltd.)
- Direct investment in mainland China.
- Others.

Note 3: From financial statements audited by other CPA.

Note 4: The Bank got the recognition from the Industrial Development Bureau, Industry of Economic Affairs in April 2020, so the Bank is not under "the regulation of investing or technology-cooperation in China".

Note 5: IBT Leasing Co., Ltd. obtained the documents issued by the Ministry of Economic Affairs in line with the operational headquarters in September 2018, so it is not under "the regulation of investing or technology-cooperation in China".

Note 6: IBT Tianjin International Leasing Corp. was merged by IBT Leasing Co., Ltd. on January 1, 2019. IBT Leasing Co., Ltd. holds 95% stock of IBT International Leasing Corp. directly and 5% indirectly through IBT VII Venture Capital Co., Ltd.

Note 7: The accumulated investment amount of IBT Tianjin International Leasing Corp., which included the investment profit and loss and the book value of the investment at the end of the period, is composed of 95% directly held by IBT Leasing Co., Ltd. and 5% indirectly through IBT VII Venture Capital Co., Ltd.

Note 8: The original investment is within the limit.

Note 9: IBT Management Corp. has obtained the verification letter of part of investment from the Investment Review Committee of the Ministry of Economic Affairs, and the remittance amount is mainly based on the verification letter.

(Concluded)

TABLE 9**O-BANK****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2020**

Name of Major Shareholders	Shares	
	Number of Shares	Percentage of Ownership (%)
Ming Shan Investment Co., Ltd.	386,271,554	12.74
Yi Chang Investment Co., Ltd.	289,007,997	9.53
Taixuan Investment Co., Ltd.	287,135,501	9.47

Note 1: The major shareholder's information on this table is on the last business day at the end of the quarter from the Taiwan Central Depository and Clearing Co., Ltd. The shareholding included shares that the company has completed the delivery of the common stock and preferred stock without physical registration (including treasury shares) of more than 5%. The share capital recorded in the Bank's financial report and the actual number of shares has been actually delivered without physical registration. Differences, if any, may be due to the basis of preparation and calculation.

Note 2: If shareholders transfer the shareholding to a trust, the trustee will open the trust account to separate the account. Shareholders' handling of insider shareholdings with more than 10% of their shares shall be in accordance with the Securities Exchange Act. However, their shareholdings include their own shares plus their delivery to the trust and the use of decision-making shares in the trust property. Information on insider equity declaration refers to the Public Information Observatory.

Note 3: The number of shares are the total number of common stocks and preferred stocks.

Note 4: Shareholding ratio (%) = The total number of shares held by the shareholder ÷ The total number of shares that have been delivered without physical registration. It is calculated to the second decimal place and rounded off after the third decimal place.

ALL FOR YOU

www.o-bank.com

