O-Bank and Subsidiaries

Consolidated Financial Statements for the Nine Months Ended September 30, 2019 and 2018 and Independent Auditors' Review Report

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Stockholders
O-Bank

Introduction

We have reviewed the accompanying consolidated balance sheets of O-Bank and its subsidiaries (collectively, the "Group") as of September 30, 2019 and 2018, the related consolidated statements of comprehensive income for the three months ended September 30, 2019 and 2018 and for the nine months ended September 30, 2019 and 2018, the consolidated statements of changes in equity and cash flows for the nine months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies "(collectively referred to as 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 International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the following paragraph, we conducted our reviews in accordance with Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As disclosed in Note 15 to the consolidated financial statements, the financial statements of some non-significant subsidiaries included in the consolidated financial statements referred to in the first paragraph were not reviewed. As of September, 2019 and 2018, combined total assets of these non-significant subsidiaries were NT$906,969 thousand and NT$890,767 thousand, respectively, representing 0.16% and 0.16%, respectively, of the consolidated total assets, and combined total liabilities of these subsidiaries were NT$146,299 thousand and NT$117,310 thousand, respectively, representing 0.03% and 0.02%, respectively, of the consolidated total liabilities; for the three months ended September 30, 2019 and 2018 and for the nine months ended September 30, 2019 and 2018, the amounts of combined comprehensive income of these subsidiaries were NT$(24,651) thousand, NT$(10,633) thousand, NT$23,698 thousand and NT$(45,427) thousand, respectively, representing (4.99%), (2.65%), 0.98% and (3.20%), respectively, of the consolidated total comprehensive income.

Qualified Conclusion

Based on our reviews, except for the adjustments, if any, as might have been determined to be necessary had the financial statements of the non-significant subsidiaries described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not give a true and fair view of the consolidated financial position of the Group as at September 31, 2019 and 2018, and of its consolidated financial performance and its consolidated cash flows for the nine months periods 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 Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

October 24, 2019

<u>*Notice to Readers*</u>

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

For the convenience of readers, the independent auditors' review 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' review report and consolidated financial statements shall prevail.

O-BANK AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	September 30, 2019 (Reviewed)		December 31, 2018 (Audited)		September 30, 2018 (Reviewed)	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS (Notes 6 and 44)	$ 6,843,618	1	$ 9,227,068	2	$ 8,029,528	1
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS (Note 7)	22,693,174	4	22,607,002	4	27,846,533	5
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 8 and 41)	167,442,850	30	151,512,614	27	140,870,916	25
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 9, 41 and 44)	136,944,017	24	149,952,752	27	153,532,738	28
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTISED COST (Notes 41 and 44)	-	-	499,939	-	499,911	-
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Note 10)	2,190,130	-	991,363	-	2,970,543	1
RECEIVABLES, NET (Notes 11 and 13)	21,517,160	4	20,829,951	4	20,775,623	4
CURRENT TAX ASSETS	421,433	-	381,082	-	401,326	-
DISCOUNTS AND LOANS, NET (Notes 12, 13 and 45)	196,690,740	35	197,338,050	35	196,129,041	35
OTHER FINANCIAL ASSETS (Note 16)	1,547,696	-	1,329,918	-	985,803	-
PROPERTY AND EQUIPMENT, NET (Note 17)	2,855,401	1	2,951,660	1	2,938,059	1
RIGHT-OF-USE ASSETS, NET (Notes 4 and 18)	540,855	-	-	-	-	-
INTANGIBLE ASSETS, NET (Note 19)	2,372,691	1	2,457,300	-	2,455,429	-
DEFERRED TAX ASSETS (Note 38)	658,843	-	672,656	-	607,052	-
OTHER ASSETS (Note 20)	958,332	-	1,090,219	-	1,259,226	-
TOTAL	$ 563,676,940	100	$ 561,841,574	100	$ 559,301,728	100
LIABILITIES AND EQUITY						
LIABILITIES						
Deposits from the Central Bank and banks (Note 21)	$ 45,089,241	8	$ 55,529,376	10	$ 58,101,637	10
Financial liabilities at fair value through profit or loss (Note 8)	281,036	-	793,272	-	1,106,642	-
Notes and bonds issued under repurchase agreement (Note 22)	167,610,826	30	151,446,900	27	153,722,301	28
Payables (Note 23)	5,975,252	1	5,636,437	1	5,081,898	1
Current tax liabilities	117,758	-	17,857	-	148,457	-
Deposits and remittances (Notes 24 and 40)	257,276,518	46	261,803,321	47	251,158,210	45
Bank notes payable (Note 25)	18,700,000	3	17,850,000	3	21,200,000	4
Other financial liabilities (Note 26)	12,445,664	2	15,034,414	3	18,371,969	3
Provisions (Notes 13 and 27)	1,919,937	-	1,869,428	-	1,900,306	-
Lease liabilities (Notes 18)	552,699	-	-	-	-	-
Deferred income tax liabilities (Note 38)	449,756	-	341,015	-	317,159	-
Other liabilities (Note 29)	2,480,969	1	2,400,842	-	2,213,713	1
Total liabilities	512,899,656	91	512,722,862	91	513,322,292	92
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK						
Capital stock						
Common stock	24,130,063	4	24,130,063	4	24,130,063	4
Preferred stock	3,000,000	1	3,000,000	1	-	-
Total capital stock	27,130,063	5	27,130,063	5	24,130,063	4
Capital surplus	9,751	-	8,503	-	8,524	-
Retained earnings						
Legal reserve	3,367,681	1	3,184,667	1	3,184,667	1
Special reserve	1,631,335	-	1,215,831	-	1,215,831	-
Unappropriated earnings	1,180,194	-	610,045	-	545,902	-
Total retained earnings	6,179,210	1	5,010,543	1	4,946,400	1
Other equity	96,200	-	(159,981)	-	(84,987)	-
Total equity attributable to owners of the Bank	33,415,224	6	31,989,128	6	29,000,000	5
NON-CONTROLLING INTERESTS	17,362,060	3	17,129,584	3	16,979,436	3
Total equity (Note 30)	50,777,284	9	49,118,712	9	45,979,436	8
TOTAL	$ 563,676,940	100	$ 561,841,574	100	$ 559,301,728	100

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

(With Deloitte & Touche review report dated October 24, 2019)

O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
INTEREST INCOME (Note 31)	$ 2,390,127	121	$ 2,380,283	122	$ 7,270,568	113	$ 6,720,221	115
INTEREST EXPENSE (Notes 31 and 40)	(1,427,595)	(72)	(1,324,275)	(68)	(4,330,278)	(67)	(3,554,652)	(61)
NET INTEREST REVENUE	962,532	49	1,056,008	54	2,940,290	46	3,165,569	54
NET REVENUE OTHER THAN INTEREST INCOME								
Net service fee revenue (Notes 32 and 40)	459,390	23	411,323	21	1,536,745	24	1,371,323	24
Gains on financial assets or liabilities measured at fair value through profit or loss (Note 33)	492,633	25	439,087	22	2,116,637	33	1,573,927	27
Realized gain on financial assets at fair value through other comprehensive income (Note 34)	104,737	5	93,731	5	225,586	3	139,313	3
Foreign exchange gain (loss), net	(83,215)	(4)	(77,960)	(4)	(516,847)	(8)	(512,404)	(9)
(Impairment loss on assets) reversal of impairment loss on assets	(1,335)	-	2,354	-	(8,196)	-	7,231	-
Other net revenue other than interest income (Note 40)	33,784	2	32,009	2	122,218	2	79,639	1
Total net revenue other than interest income	1,005,994	51	900,544	46	3,476,143	54	2,659,029	46
NET REVENUE	1,968,526	100	1,956,552	100	6,416,433	100	5,824,598	100
BAD DEBTS EXPENSE AND GUARANTEE LIABILITY PROVISION (Note 13)	(47,428)	(3)	(106,708)	(5)	(556,079)	(9)	(261,447)	(4)
OPERATING EXPENSES								
Employee benefits expenses (Notes 28, 35 and 40)	710,818	36	687,485	35	2,087,341	33	2,032,280	35
Depreciation and amortization expense (Note 36)	156,324	8	107,043	6	462,633	7	313,869	5
Other general and administrative expense (Notes 37 and 40)	301,814	15	398,701	20	930,763	14	1,080,988	19
Total operating expenses	1,168,956	59	1,193,229	61	3,480,737	54	3,427,137	59
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX	752,142	38	656,615	33	2,379,617	37	2,136,014	37
INCOME TAX EXPENSE (Note 38)	202,233	10	200,931	10	617,819	10	637,943	11

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O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
INCOME FROM CONTINUING OPERATIONS	549,909	28	455,684	23	1,761,798	27	1,498,071	26
Income (loss) from discontinued operations (Note 14)	(1,780)	-	2,005	-	(3,947)	-	2,958	-
NET PROFIT FOR THE PERIOD	548,129	28	457,689	23	1,757,851	27	1,501,029	26
OTHER COMPREHENSIVE INCOME (LOSS)								
Components of other comprehensive income that will not be reclassified to profit or loss:								
Gains (losses) on remeasurements of defined benefit plans	-	-	-	-	(41)	-	-	-
Revaluation gains on investments in equity instruments measured at fair value through other comprehensive income	276	-	5,147	-	243,893	4	146,855	2
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 38)	-	-	(211)	-	8	-	2,630	-
Total components of other comprehensive income that will not be reclassified to profit or loss, net of tax	276	-	4,936	-	243,860	4	149,485	2
Components of other comprehensive income that will be reclassified to profit or loss:								
Exchange differences on translation	(94,986)	(5)	(61,093)	(3)	14,825	-	93,371	2
Gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	33,310	2	18,911	1	486,760	8	(321,262)	(6)
Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Note 38)	7,300	-	(18,583)	(1)	(76,774)	(1)	(2,807)	-

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O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
Total components of other comprehensive income that will be reclassified to profit or loss	(54,376)	(3)	(60,765)	(3)	424,811	7	(230,698)	(4)
Other comprehensive income (loss) for the period, net of tax	(54,100)	(3)	(55,829)	(3)	668,671	11	(81,213)	(2)
TOTAL COMPREHENSIVE INCOME	$ 494,029	25	$ 401,860	20	$ 2,426,522	38	$ 1,419,816	24
NET PROFIT ATTRIBUTABLE TO:								
Owners of the Bank	$ 311,366	16	$ 215,993	11	$ 1,049,676	16	$ 727,614	13
Non-controlling interests	236,763	12	241,696	12	708,175	11	773,415	13
	$ 548,129	28	$ 457,689	23	$ 1,757,851	27	$ 1,501,029	26
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owners of the Bank	$ 191,624	10	$ 157,957	8	$ 1,436,375	22	$ 741,526	13
Non-controlling interests	302,405	15	243,903	12	990,147	16	678,290	11
	$ 494,029	25	$ 401,860	20	$ 2,426,522	38	$ 1,419,816	24
EARNINGS PER SHARE (Note 39)								
From continuing and discontinued operations								
Basic	$0.13		$0.09		$0.43		$0.30	
Diluted	$0.13		$0.09		$0.43		$0.30	
From continuing operations								
Basic	$0.13		$0.09		$0.43		$0.30	
Diluted	$0.13		$0.09		$0.43		$0.30	

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

(With Deloitte & Touche review report dated October 24, 2019) (Concluded)

O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Equity Attributable to Owners of the Bank													
	Capital Stock (Note 30)				Retained Earnings (Note 30)				Other Equity (Note 30)					
	Common Stock (In Thousands)	Preferred Stock (In Thousands)	Total	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Foreign Financial Statements	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Gains (Losses) on Financial Assets Measures at Fair Value Through Other Comprehensive Income	Owner of the Bank	Non-controlling Interests (Note 30)	Total Equity
BALANCE AT JANUARY 1, 2018	$ 24,130,063	$ -	$ 24,130,063	$ 7,730	$ 2,880,297	$ 1,229,536	$ 1,014,567	$ 5,124,400	$ (216,266)	$ 236,666	$ -	$ 29,282,593	$ 16,892,050	$ 46,174,643
Effect of retrospective application	-	-	-	-	-	-	(208,457)	(208,457)	-	(236,666)	144,112	(301,011)	90,927	(210,084)
BALANCE AT JANUARY 1, 2018 AS RESTATED	24,130,063	-	24,130,063	7,730	2,880,297	1,229,536	806,110	4,915,943	(216,266)	-	144,112	28,981,582	16,982,977	45,964,559
Appropriation of 2017 earnings														
Legal reserve appropriated	-	-	-	-	304,370	-	(304,370)	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	-	-	(13,705)	13,705	-	-	-	-	-	-	-
Cash dividends of common stock distributed by the Bank	-	-	-	-	-	-	(723,902)	(723,902)	-	-	-	(723,902)	-	(723,902)
Unclaimed dividends	-	-	-	329	-	-	-	-	-	-	-	329	1,174	1,503
Changes in capital surplus from investments in subsidiaries accounted for using the equity method	-	-	-	465	-	-	-	-	-	-	-	465	-	465
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(683,005)	(683,005)
Net profit for the nine months ended September 30, 2018	-	-	-	-	-	-	727,614	727,614	-	-	-	727,614	773,415	1,501,029
Other comprehensive income (loss) for the nine months ended September 30, 2018	-	-	-	-	-	-	807	807	61,939	-	(48,834)	13,912	(95,125)	(81,213)
Total comprehensive income (loss) for the nine months ended September 30, 2018	-	-	-	-	-	-	728,421	728,421	61,939	-	(48,834)	741,526	678,290	1,419,816
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	25,938	25,938	-	-	(25,938)	-	-	-
BALANCE AT SEPTEMBER 30, 2018	$ 24,130,063	$ -	$ 24,130,063	$ 8,524	$ 3,184,667	$ 1,215,831	$ 545,902	$ 4,946,400	$ (154,327)	$ -	$ 69,340	$ 29,000,000	$ 16,979,436	$ 45,979,436
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)	$ 31,989,128	$ 17,129,584	$ 49,118,712
Appropriation of 2018 earnings														
Legal reserve appropriated	-	-	-	-	183,014	-	(183,014)	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	-	-	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	2,292	2,633
Changes in capital surplus from investments in subsidiaries accounted for using the equity method	-	-	-	907	-	-	-	-	-	-	-	907	-	907
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(759,963)	(759,963)
Net profit for the nine months ended September 30, 2019	-	-	-	-	-	-	1,049,676	1,049,676	-	-	-	1,049,676	708,175	1,757,851
Other comprehensive income (loss) for the nine months ended September 30, 2019	-	-	-	-	-	-	(9)	(9)	12,920	-	373,788	386,699	281,972	668,671
Total comprehensive income (loss) for the nine months ended September 30, 2019	-	-	-	-	-	-	1,049,667	1,049,667	12,920	-	373,788	1,436,375	990,147	2,426,522
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	130,527	130,527	-	-	(130,527)	-	-	-
BALANCE AT SEPTEMBER 30, 2019	$ 24,130,063	$ 3,000,000	$ 27,130,063	$ 9,751	$ 3,367,681	$ 1,631,335	$ 1,180,194	$ 6,179,210	$ (79,886)	$ -	$ 176,086	$ 33,415,224	$ 17,362,060	$ 50,777,284

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

(With Deloitte & Touche review report dated October 24, 2019)

O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit from continuing operations before tax	$ 2,379,617	$ 2,136,014
Profit (loss) from discontinued operations before tax	(3,947)	3,012
Adjustments to reconcile profit (loss):		
Depreciation expense	274,014	142,739
Amortization expense	189,082	171,145
Expect credit losses/recognition of provisions	564,275	254,216
Net gain on financial assets or liabilities at fair value through profit or loss	(21,606)	(335,241)
Interest expense	4,330,278	3,554,652
Interest income	(7,271,491)	(6,728,841)
Dividends income	(70,156)	(107,444)
Gain on disposal of property and equipment	(465)	(2,422)
Gain on disposal of investments	(44,335)	-
Changes in operating assets and liabilities:		
Due from the Central Bank and call loans to banks	1,438,316	(14,841,818)
Financial assets at fair value through profit or loss	(15,889,040)	13,824,964
Financial assets at fair value through other comprehensive income	13,785,564	(3,071,866)
Investments in debt instruments measured at amortised cost	500,000	-
Receivables	(731,971)	154,702
Discounts and loans	158,162	(16,421,304)
Deposits from the Central Bank and banks	(10,440,135)	5,068,998
Financial liabilities at fair value through profit or loss	(512,236)	315,624
Notes and bonds issued under repurchase agreement	16,163,926	(36,099,667)
Payables	398,967	(135,854)
Deposits and remittances	(4,526,803)	52,871,510
Provisions	18,434	40,568
Cash inflow generated from operations	688,450	793,687
Interest received	7,338,744	6,735,251
Dividends received	66,923	103,125
Interest paid	(4,377,653)	(3,357,671)
Income taxes paid	(435,715)	(569,034)
Net cash flows generated from operating activities	3,280,749	3,705,358
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(71,063)	(226,623)
Proceeds from disposal of property and equipment	3,656	61,241
Decrease in refundable deposits	180,083	2,722,795
Acquisition of intangible assets	(94,015)	(129,623)
Increase in other financial assets	-	(875,710)
Decrease in other financial assets	403,126	-

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O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2019	**2018**
Increase in other assets	(48,196)	-
Decrease in other assets	-	43,664
Net cash flows generated from investing activities	373,591	1,595,744
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term loans	(642,761)	(778,625)
Decrease in commercial paper	(500,000)	(850,000)
Proceeds from issuing bank notes payable	2,500,000	1,750,000
Repayments of bank notes payable	(1,650,000)	(950,000)
Repayments of long-term borrowings	(360,043)	(1,126,791)
Repayment of the principal portion of lease liabilities	(115,438)	-
Decrease in other financial liabilities	(1,086,065)	(1,210,434)
Increase in other liabilities	80,095	-
Decrease in other liabilities	-	(261,297)
Dividends paid to ownership of the Bank	(11,527)	(723,902)
Dividends paid to non-controlling interest	(759,963)	(683,005)
Net cash flows used in financing activities	(2,545,702)	(4,834,054)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(147,929)	(277,555)
NET INCREASE IN CASH AND CASH EQUIVALENTS	960,709	189,493
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	24,952,785	17,606,425
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 25,913,494	$ 17,795,918

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O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

A reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets as of September 30, 2019 and 2018 is as follows:

	September 30	
	2019	**2018**
Cash and cash equivalents reported in the statement of financial position	$ 6,843,618	$ 8,029,528
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	16,258,842	6,795,847
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7	2,190,130	2,970,543
Other items that meet the definition of cash and cash equivalents in IAS 7	620,904	-
Cash and cash equivalents at the end of the period	$ 25,913,494	$ 17,795,918

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

(With Deloitte & Touche review report dated October 24, 2019) (Concluded)

O-BANK AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)
(Reviewed, Not Audited)

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 Commercial Bank Corp. 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 Commercial Bank Corp. 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 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 September 30, 2019, 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 Digital Wealth Management Department. It also has five domestic branches - Taipei Vieshow branch, Zhongxiao Dunhua 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 consolidated financial statements are presented in the Bank's functional currency, the New Taiwan dollar. The Bank and its subsidiaries are collectively referred to as the "Group".

As of September 30, 2019, December 31, 2018 and September 30, 2018, the Bank had 1,523, 1,458 and 1,443 employees, respectively.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board and authorized for issue on October 24, 2019.

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

a. Initial application of the amendments to 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 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 Financial Supervisory Commission (FSC)

Except for the following, the initial application of the amendments to 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 the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Group's accounting policies:

- IFRS 16 "Leases"

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

<u>Definition of a lease</u>

The Group elects to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

<u>The Group as lessee</u>

The Group recognizes right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts were recognized as expenses on a straight-line basis. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows.

The Group elects to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information is not restated.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at the Group applies IAS 36 to all right-of-use assets.

The Group also applies the following practical expedients:

1) The Group applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

2) The Group accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 2.55%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	$ 596,248
Less: Recognition exemption for short-term leases	(4,270)
Less: Recognition exemption for leases of low-value assets	(19,629)
Undiscounted amounts on January 1, 2019	$ 572,349
Discounted amounts using the incremental borrowing rate on January 1, 2019	$ 542,298
Lease liabilities recognized on January 1, 2019	$ 542,298

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	As Originally Stated on January 1, 2019	**Adjustments Arising from Initial Application**	**Restated on January 1, 2019**
Right-of-use assets	$ -	$ 536,523	$ 536,523
Total effect on assets		$ 536,523	
Lease liabilities	$ -	$ 542,298	$ 542,298
Other liabilities	$ 2,400,842	(5,775)	$ 2,395,067
Total effect on liabilities		$ 536,523	

b. The IFRSs endorsed by the FSC for application starting from 2020

New IFRSs	**Effective Date Announced by IASB**
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 1)
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 2)

Note 1: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 2: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

As of the date the consolidated financial statements were authorized for issue, the Group have assessed that the above amendments have no material impact on the Group, and 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)
Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"	January 1, 2020
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, 2021

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

As of the date the consolidated financial statements were authorized for issue, the Group have assessed that the above amendments have no material impact on the Group, and 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 IAS 34 "Interim Financial Reporting" as endorsed and issued into effect by the FSC.

Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual financial statements.

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 45 for the maturity analysis of assets and 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 and Table 6 for the list of main business activities and ownership percentages of subsidiaries.

Other Significant Accounting and Reporting Policies

Except as described in the following paragraphs, other significant accounting and reporting policies used in the preparation of these consolidated financial statements are the same as those disclosed in the consolidated financial statements for the year ended December 31, 2018.

a. Leases

2019

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.

2018

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

The Group as lessee

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheets as a finance lease obligation.

Finance expenses implicit in lease payments for each period are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets; in which case, they are capitalized.

Operating lease payments are recognized as expenses on a straight-line basis over the lease term.

b. Employee benefits

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

c. Taxation

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are 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 based on the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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 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

	September 30, 2019	December 31, 2018	September 30, 2018
Cash on hand and petty cash	$ 92,573	$ 153,719	$ 107,388
Checking for clearing	76,467	1,159,621	192,586
Due from banks	6,674,578	7,913,728	7,729,554
	$ 6,843,618	$ 9,227,068	$ 8,029,528

The cash and cash equivalents of the consolidated cash flows and the related adjustments of the consolidated balance sheets as of December 31, 2018 are as follows. For the adjustments as of September 30, 2019 and 2018, refer to the statements of cash flows.

	December 31, 2018
Cash and cash equivalents reported in the consolidated balance sheets	$ 9,227,068
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	14,734,354
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7	991,363
Cash and cash equivalents in the consolidated statements of cash flows	$ 24,952,785

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

	September 30, 2019	December 31, 2018	September 30, 2018
Reserves for deposits - Type A	$ 696,016	$ 1,560,003	$ 15,343,424
Reserves for deposits - Type B	5,041,582	4,808,616	4,675,941
Reserves for deposits - Financial	645,510	1,500,954	999,235
Call loans	16,258,842	14,734,354	6,795,847
Others	51,224	3,075	32,086
	$ 22,693,174	$ 22,607,002	$ 27,846,533

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

	September 30, 2019	December 31, 2018	September 30, 2018
Financial assets mandatorily classified as at FVTPL			
Convertible bonds - domestic	$ 9,161,668	$ 6,894,527	$ 6,340,039
Convertible bonds - overseas	-	308,774	307,903
Structured debt	624,878	610,614	576,027
	9,786,546	7,813,915	7,223,969
Derivative financial assets (not under hedge accounting)			
Foreign exchange forward contracts	195,289	740,592	1,016,987
Forward contracts	43,913	28,342	100,432
Interest rate swap contracts	10,163	39,083	54,619
Cross-currency swap contracts	-	29,827	30,551
Foreign currency option contracts - call	4662	-	-
	254,027	837,844	1,202,589
Non-derivative financial assets			
Short-term instruments	90,929,958	75,261,511	68,381,291
Negotiable certificates of deposit	65,903,892	67,139,658	62,019,122
Stocks and beneficiary certificates	468,993	359,716	825,271
Government bonds	99,434	99,970	1,218,188
When-issued bonds	-	-	486
	157,402,277	142,860,855	132,444,358
	$ 167,442,850	$ 151,512,614	$ 140,870,916
Financial liabilities held for trading			
Derivative financial instruments			
Foreign exchange swap contracts	$ 186,458	$ 619,881	$ 816,922
Forward contracts	3,469	39,163	59,038
Interest rate swap contracts	85,651	128,343	130,364
Foreign currency option contracts - put	4,668	-	-
Others	620	961	912
	280,866	788,348	1,007,236
Non-derivative financial liabilities			
Commercial paper contracts	170	4,924	556
When-issued bonds	-	-	98,850
	170	4,924	99,406
	$ 281,036	$ 793,272	$ 1,106,642

The Group engages in derivative transactions, including forward contracts, cross-currency swap contracts and foreign currency option contracts, mainly for accommodating customers' needs and managing the exposure positions. As 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 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 September 30, 2019, December 31, 2018 and September 30, 2018 were as follows:

	September 30, 2019	December 31, 2018	September 30, 2018
Interest rate swap contracts	$ 20,006,732	$ 23,279,433	$ 23,196,170
Foreign exchange swap contracts	56,442,830	84,155,536	81,883,505
Cross-currency swap contracts	-	1,079,651	837,626
Forward contracts	4,998,712	6,239,093	7,683,373
Foreign currency option contracts			
Call	625,089	-	-
Put	625,089	-	-
Purchase commitments	450,000	700,000	500,000

As of September 30, 2019, December 31, 2018 and September 30, 2018, financial instruments at fair value through profit and loss in the amount of $72,608,149 thousand, $62,414,535 thousand and $55,457,297 thousand were under agreement to repurchase, respectively.

Refer to Note 41 for information relating to financial instruments at fair value through profit or loss pledged as security.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	September 30, 2019	December 31, 2018	September 30, 2018
Investments in equity instruments at FVTOCI	$ 1,888,508	$ 2,954,899	$ 2,902,180
Investments in debt instruments at FVTOCI			
Domestic government bonds	32,464,271	49,458,259	52,138,992
Bank debentures	34,394,924	33,449,576	33,581,714
Corporate bonds	62,829,329	60,676,073	61,356,564
Overseas government bonds	2,373,496	1,400,934	1,387,020
American mortgage backed securities	2,993,489	2,013,011	2,166,268
	$ 136,944,017	$ 149,952,752	$ 153,532,738

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 nine months end September 30, 2019 and 2018. The fair value of stocks classified as at FVTOCI that were disposed of was $1,837,977 thousand and $3,252,992 thousand and the accumulated gain related to the sold assets of $130,527 thousand and $25,938 thousand, was transferred from equity to retained earnings.

Dividends income from FVTOCI of $65,207 thousand and $96,972 thousand were recognized in profit or loss for the nine months end September 30, 2019 and 2018. The dividends related to investments held at the end of the reporting period were $57,478 thousand and $81,014 thousand.

b. Investments in debt instruments at FVTOCI

1) Refer to Note 41 for information relating to investments in debt instruments at FVTOCI pledged as security.

2) Refer to Note 45 for information relating to the credit risk management and impairment assessment of investments in debt instruments at FVTOCI.

3) The Group has sold investments in debt instruments at FVTOCI on the condition of buying them back were in the amount of $89,292,127 thousand, $84,563,136 thousand and $91,742,578 thousand, on September 30, 2019, December 31, 2018 and September 30, 2018, respectively.

10. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

The Group's securities purchased under resale agreements and bond investments are all government bonds. As of September 30, 2019, December 31, 2018 and September 30, 2018, the bonds purchased under agreements to resell were in the amount of $2,191,210 thousand, $991,720 thousand and $2,971,923 thousand, respectively. As of September 30, 2019, December 31, 2018 and September 30, 2018, bonds purchased under agreements to resell were sold under agreements to repurchase in the amount of $2,117,000 thousand, $990,000 thousand and $2,837,000 thousand, respectively.

11. RECEIVABLES, NET

	September 30, 2019	December 31, 2018	September 30, 2018
Lease payments receivable	$ 12,001,298	$ 12,399,120	$ 13,374,548
Investment settlements receivable	4,543,606	459,188	626,943
Factored receivables	2,531,669	4,714,725	4,331,356
Interest receivable	1,822,997	1,890,250	1,862,476
Accounts receivable	1,211,870	1,213,552	1,506,286
Acceptances receivable	228,823	225,582	134,909
Settlements receivable - trusteeship	92,129	84,729	95,957
Others	269,511	1,188,591	175,274
	22,701,903	22,175,737	22,107,749
Less: Allowance for possible losses	506,344	611,254	561,672
Unrealized interest revenue	678,399	734,532	770,454
Receivables, net	$ 21,517,160	$ 20,829,951	$ 20,775,623

The changes in gross carrying amount on receivables (less unrealized interest revenue) for the nine months ended September 30, 2019 and 2018 were as follows:

	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Total
Balance at January 1, 2019	$ 20,765,683	$ 304,253	$ 371,269	$ 21,441,205
Transfers				
To 12-month ECLs	2,424	(2,424)	-	-
To lifetime ECLs	(271,855)	271,855	-	-
To credit-impaired financial assets	(118,679)	(205,506)	324,185	-
New financial assets purchased	15,113,774	1,328,806	876	16,443,456
Derecognition of financial assets	(15,156,616)	(167,097)	(102,929)	(15,426,642)
Write-offs	-	-	(138,547)	(138,547)
Exchange rate or other changes	(257,365)	(3,471)	(35,132)	(295,968)
Balance at September 30, 2019	$ 20,077,366	$ 1,526,416	$ 419,722	$ 22,023,504

	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Total
Balance at January 1, 2018	$ 20,914,187	$ 453,669	$ 479,595	$ 21,847,451
Transfers				
To 12-month ECLs	13,469	(13,469)	-	-
To lifetime ECLs	(248,584)	249,443	(859)	-
To credit-impaired financial assets	(86,089)	(32,109)	118,198	-
New financial assets purchased	16,478,329	5,815	229	16,484,373
Derecognition of financial assets	(15,994,177)	(115,444)	(91,180)	(16,200,801)
Write-offs	-	-	(460,925)	(460,925)
Exchange rate or other changes	(323,269)	(250,766)	241,232	(332,803)
Balance at September 30, 2018	$ 20,753,866	$ 297,139	$ 286,290	$ 21,337,295

Rental equipment is held as collateral for the lease payments 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 45 for the impairment loss analysis of receivables.

12. DISCOUNTS AND LOANS, NET

	September 30, 2019	December 31, 2018	September 30, 2018
Short-term	$ 65,863,003	$ 67,402,492	$ 62,942,313
Medium-term	112,401,587	119,135,400	124,105,513
Long-term	19,685,957	13,151,025	11,392,638
Accounts receivable financing	346,777	508,098	462,945
Export bill negotiated	2,035	50,167	47,925
Guaranteed overdraft	76	15,660	-

Overdue loans	1,261,317	27,337	24,741
	199,560,752	200,290,179	198,976,075
Less: Allowance for credit losses	2,870,012	2,952,129	2,847,034
	$ 196,690,740	$ 197,338,050	$ 196,129,041

The changes in gross carrying amount on discount and loans for the nine months ended September 30, 2019 and 2018 were as follows:

	12-month ECLs	**Lifetime ECLs**	**Lifetime ECLs (Credit-impaired Financial Assets)**	**Total**
Balance at January 1, 2019	$ 183,751,973	$ 15,147,609	$ 1,390,597	$ 200,290,179
Transfers				
To 12-month ECLs	1,829,355	(1,829,355)	-	-
To lifetime ECLs	(2,969,282)	2,969,282	-	-
To credit-impaired financial assets	(815,232)	(756)	815,988	-
New financial assets purchased	84,329,482	8,242,271	1,824,840	94,396,593
Derecognition of financial assets	(85,066,293)	(8,815,059)	(211,054)	(94,092,406)
Write-offs	-	-	(585,498)	(585,498)
Exchange rate or other changes	(81,406)	(265,505)	(101,205)	(448,116)
Balance at September 30, 2019	$ 180,978,597	$ 15,448,487	$ 3,133,668	$ 199,560,752

	12-month ECLs	**Lifetime ECLs**	**Lifetime ECLs (Credit-impaired Financial Assets)**	**Total**
Balance at January 1, 2018	$ 168,857,771	$ 12,242,648	$ 1,667,619	$ 182,768,038
Transfers				
To 12-month ECLs	458,147	(458,147)	-	-
To lifetime ECLs	(1,109,752)	1,109,752	-	-
To credit-impaired financial assets	(27,029)	(74,723)	101,752	-
New financial assets purchased	103,995,273	5,712,005	-	109,707,278
Derecognition of financial assets	(86,041,581)	(7,303,256)	(582,636)	(93,927,473)
Write-offs	(693)	(221)	(251,559)	(252,473)
Exchange rate or other changes	660,275	11,860	8,570	680,705
Balance at September 30, 2018	$ 186,792,411	$ 11,239,918	$ 943,746	$ 198,976,075

The balance of the overdue loans of the Group as of September 30, 2019, December 31, 2018 and September 30, 2018 no longer include the calculation of interest. The unrecognized interest revenue on the above loans amounted to $7,430 thousand and $345 thousand for the nine months ended September 30, 2019 and 2018, respectively. For the nine months ended September 30, 2019 and 2018, the Group wrote off credits only upon completing the required legal procedures.

Refer to Note 41 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 45 for the impairment loss analysis of discounts and loans .

13. ALLOWANCE FOR CREDIT LOSSES AND PROVISIONS

The allowance for impairment loss and provisions as of January 1, 2019 and September 30, 2019, grouped by credit ratings, are reconciled 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, 2019	$ 218,853	$ 111,931	$ 227,909	$ 558,693	$ 52,561	$ 611,254
Transfers						
To 12-month ECLs	5,254	(5,254)	-	-	-	-
To lifetime ECLs	(9,096)	9,096	-	-	-	-
To credit-impaired financial assets	(51)	(107,790)	107,841	-	-	-
New financial assets purchased	1,924	39,616	40,836	82,376	-	82,376
Derecognition of financial assets	(25,018)	(70)	(222)	(25,310)	-	(25,310)
Change in model or risk parameters	(21)	(19)	12	(28)	-	(28)
Difference of impairment loss under regulations	-	-	-	-	(22,182)	(22,182)
Write-offs	-	-	(138,547)	(138,547)	-	(138,547)
Withdrawal after write-offs	-	-	7,403	7,403	-	7,403
Exchange rate or other changes	(3,378)	696	(6,006)	(8,688)	66	(8,622)
Balance at September 30, 2019	$ 188,467	$ 48,206	$ 239,226	$ 475,899	$ 30,445	$ 506,344

Allowance for Discounts and Loans, Net	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference of Impairment Loss under Regulations	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	14,076	(14,076)	-	-	-	-
To lifetime ECLs	(5,942)	5,942	-	-	-	-
To credit-impaired financial assets	(894)	(216)	1,110	-	-	-
New financial assets purchased	124,226	13,093	794,486	931,805	-	931,805
Derecognition of financial assets	(89,429)	(25,030)	(85,422)	(199,881)	-	(199,881)
Change in model or risk parameters	25,500	4,448	2,830	32,778	-	32,778
Difference of impairment loss under regulations	-	-	-	-	(275,554)	(275,554)
Write-offs	-	-	(585,498)	(585,498)	-	(585,498)
Withdrawal after write-offs	-	-	2,403	2,403	-	2,403
Exchange rate or other changes	204	271	1,843	2,318	9,512	11,830
Balance at September 30, 2019	$ 270,936	$ 34,052	$ 466,513	$ 771,501	$ 2,098,511	$ 2,870,012

Reserve for Losses on Guarantees and Financing Quota Preparation	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference of Impairment Loss under Regulations	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	(821)	821	-	-	-	-
New financial assets purchased	46,470	2,281	-	48,751	-	48,751
Derecognition of financial assets	(31,576)	(3,593)	-	(35,169)	-	(35,169)
Change in model or risk parameters	(35,975)	3,262	-	(32,713)	-	(32,713)
Difference of impairment loss under regulations	-	-	-	-	51,206	51,206
Withdrawal after write-offs	-	-	-	-	3,760	3,760
Exchange rate or other changes	74	4	-	78	446	524
Balance at September 30, 2019	$ 82,350	$ 7,908	$ -	$ 90,258	$ 1,521,884	$ 1,612,142

The allowance for impairment loss and provisions as of January 1, 2018 and September 30, 2018, grouped by credit ratings, are reconciled as follows:

Allowance for Receivables	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2018 per IAS 39	$ 257,337	$ 51,027	$ 293,133	$ 601,497	$ 43,861	$ 645,358
Adjustment on initial application of IFRS 9	615	199,964	25,506	226,085	-	226,085
Balance at January 1, 2018 per IFRS 9	257,952	250,991	318,639	827,582	43,861	871,443
Transfers						
To 12-month ECLs	4,255	(3,832)	(423)	-	-	-
To lifetime ECLs	(3,959)	3,959	-	-	-	-
To credit-impaired financial assets	(51)	(35,881)	35,932	-	-	-
New financial assets purchased	4,241	35	66	4,342	-	4,342
Derecognition of financial assets	(12,504)	(9)	(1,760)	(14,273)	-	(14,273)
Change in model or risk parameters	(152)	(5)	34	(123)	-	(123)
Difference of Impairment Loss under Regulations	-	-	-	-	158,657	158,657
Write-offs	-	-	(460,925)	(460,925)	-	(460,925)
Withdrawal after write-offs	-	-	13,620	13,620	-	13,620
Exchange rate or other changes	(5,663)	(7,791)	7,689	(5,765)	(5,304)	(11,069)
Balance at September 30, 2018	$ 244,119	$ 207,467	$ (87,128)	$ 364,458	$ 197,214	$ 561,672

Allowance for Discounts and Loans, Net	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2018 per IAS 39	$ 511,729	$ 98,492	$ 539,987	$ 1,150,208	$ 1,531,644	$ 2,681,852
Adjustment on initial application of IFRS 9	71,417	10,864	75,616	157,897	-	157,897
Balance at January 1, 2018 per IFRS 9	583,146	109,356	615,603	1,308,105	1,531,644	2,839,749
Transfers						
To 12-month ECLs	8,142	(8,142)	-	-	-	-
To lifetime ECLs	(1,668)	1,668	-	-	-	-
To credit-impaired financial assets	(81)	(23)	104	-	-	-
New financial assets purchased	85,196	12,239	80,272	177,707	-	177,707
Derecognition of financial assets	(353,722)	(36,638)	(63,308)	(453,668)	-	(453,668)
Change in model or risk parameters	(116,677)	(22,954)	(45,169)	(184,800)	-	(184,800)
Difference of Impairment Loss under Regulations	-	-	-	-	681,313	681,313
Write-offs	(693)	(221)	(251,559)	(252,473)	-	(252,473)
Withdrawal after write-offs	-	-	17,418	17,418	-	17,418
Exchange rate or other changes	5,516	1,425	9,110	16,051	5,737	21,788
Balance at September 30, 2018	$ 209,519	$ 56,710	$ 362,471	$ 628,340	$ 2,218,694	$ 2,847,034

Reserve for Losses on Guarantees and Financing Quota Preparation	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference of Impairment Loss under Regulations	Total
Balance at January 1, 2018 per IAS 39	$ 72,391	$ 3,134	$ -	$ 75,525	$ 1,494,026	$ 1,569,551
Adjustment on initial application of IFRS 9	61,822	19,144	-	80,966	-	80,966
Balance at January 1, 2018 per IFRS 9	134,213	22,278	-	156,491	1,494,026	1,650,517
Transfers						
To credit-impaired financial assets	374	(374)	-	-	-	-
New financial assets purchased	34,772	2,076	10,261	47,109	-	47,109
Derecognition of financial assets	(72,679)	(6,222)	-	(78,901)	-	(78,901)
Change in model or risk parameters	(19,923)	(776)	-	(20,699)	-	(20,699)
Difference of Impairment Loss under Regulations	-	-	-	-	(55,217)	(55,217)
Withdrawal after write-offs	-	-	-	-	12,112	12,112
Exchange rate or other changes	949	129	-	1,078	311	1,389
Balance at September 30, 2018	$ 77,706	$ 17,111	$ 10,261	$ 105,078	$ 1,451,232	$ 1,556,310

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 on September 26, 2016.

The subsidiary ended the securities business on September 23, 2016, and was dissolved and liquidated on November 11, 2016 approved by the board of directors' 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 Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	**2018**	**2019**	**2018**
Interest income	$ 867	$ 5,621	$ 3,226	$ 15,228
Interest expense	-	-	-	-
Net interest revenue	867	5,621	3,226	15,228
Net revenue other than interest income				
Net service fee revenue	7	52	37	78
Gain (loss)on financial assets or liabilities measured at fair value through profit or loss	2015	(464)	3,267	(2,234)
Foreign exchange gain (loss), net	(1)	1,080	10	4,644
Gain from sale of fair value through other comprehensive income financial assets	-	-	3,180	-
Other net revenue other than interest income	386	2,779	2,117	5,629
Net revenue other than interest income	2,407	3,447	8,611	8,117
Total net revenue	3,274	9,068	11,837	23,345
Operating expenses				
Employee benefits expenses	1,877	1,930	6,099	5,787
Depreciation and amortization expense	155	5	463	15
Others general and administrative expenses	2,456	2,893	7,456	8,467
Total operating expenses	4,488	4,828	14,018	14,269
Income tax expense	-	-	-	54
Income (loss) from discontinued operations before write-off	(1,214)	4,240	(2,181)	9,022
Write-offs from transactions with related parties	(566)	(2,235)	(1,766)	(6,064)
Income (loss) from discontinued operations	$ (1,780)	$ 2,005	$ (3,947)	$ 2,958

(Continued)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Income (loss) from discontinued operations attributable to:				
Owners of the Bank	$ (1,776)	$ 1,999	$ (3,937)	$ 2,951
Non-controlling interests	(4)	6	(10)	7
	$ (1,780)	$ 2,005	$ (3,947)	$ 2,958
Net cash flows from (used in) operating activities	$ (47,378)	$ (16,792)	$ (26,762)	$ 132,441
Net cash flows from (used in) investing activities	20	(50,222)	7	(1,254)
Net cash flows used in financing activities	-	221	-	-
Effects of exchange rate changes on cash and cash equivalents	1,723	(2,171)	(656)	(10,529)
Net cash inflow (outflow)	$ (45,635)	$ (68,964)	$ (27,411)	$ 120,658

(Concluded)

15. SUBSIDIARIES

a. Subsidiary included in consolidated financial statements:

Investor	Investee	Main Business	% of Ownership September 30, 2019	% of Ownership December 31, 2018	% of Ownership September 30, 2018	Remark	Review by CPA
The Bank	China Bills Finance Co. (CBF)	Bonds underwriting, dealing and brokerage of securities	28.37	28.37	28.37	Founded in 1978	Yes
	IBTH	Holding company	100.00	100.00	100.00	Founded in 2006 in California	Yes
	IBT Leasing	Leasing	100.00	100.00	100.00	Founded in 2011	Yes
	IBTM	Investment consulting	100.00	100.00	100.00	Founded in 2000	No
	Chun Teng New Century Co., Ltd. (former IBTS)	Investment (former Security Firm)	99.75	99.75	99.75	Founded in 1961 (dissolved on November 11, 2016 and still recognized using the equity method)	No
IBT Leasing	IBT International Leasing Corp.	Leasing	100.00	100.00	100.00	Founded in 2011 in mainland China (commonly held with IBT VII)	Yes
	IBT Tianjin International Leasing Corp.	Leasing	-	100.00	100.00	Founded in 2013 in mainland China (commonly held with IBT VII)	Note
	IBT VII Venture Capital Co., Ltd.	Venture capital	100.00	100.00	100.00	Founded in 2014	No
Chun Teng New Century Co., Ltd (formerly IBTS)	IBTSH	Holding company	100.00	100.00	100.00	Founded in 2003 in the British Virgin Islands	No
IBTSH	IBTS HK	Investment	100.00	100.00	100.00	Founded in 2003 in Hong Kong	No
	IBTS Asia	Securities and investment	100.00	100.00	100.00	Founded in 2004 in Hong Kong	No
IBTH	EverTrust Bank	Banking	91.78	91.78	91.78	Founded in 1994 in California	Yes

Note: To improve the development of China leasing business, the board of directors approved, the merger between IBT International Leasing Corp. merges and IBT Tianjin International Leasing Corp., and the date of merger was on will be January 1, 2019. The board of directors meeting date was September 26, 2018.

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		
		September 30, 2019	December 31, 2018	September 30, 2018
CBF	Taipei	71.63%	71.63%	71.63%

The summarized financial information below represents amounts before intragroup eliminations:

	September 30, 2019	December 31, 2018	September 30, 2018
CBF			
Equity attributable to:			
Owners of CBF	$ 6,687,185	$ 6,609,502	$ 6,554,704
Non-controlling interests of CBF	16,885,138	16,688,991	16,550,626
	$ 23,572,323	$ 23,298,493	$ 23,105,330

	For the Nine Months Ended September 30	
	2019	2018
Net interest revenue	$ 1,522,761	$ 1,513,274
Net profit from continuing operations	$ 949,382	$ 1,048,763
Other comprehensive income (loss) for the period	382,188	(143,014)
Total comprehensive income for the period	$ 1,331,570	$ 905,749
Profit attributable to:		
Owners of CBF	$ 269,348	$ 297,521
Non-controlling interests of CBF	680,034	751,242
	$ 949,382	$ 1,048,763
Total comprehensive income attributable to:		
Owners of CBF	$ 377,770	$ 256,950
Non-controlling interests of CBF	953,800	648,799
	$ 1,331,570	$ 905,749
Net cash inflow (outflow) from:		
Operating activities	$ 10,195,293	$ 19,228
Investing activities	(6,811)	12,603
Financing activities	(9,123,723)	(89,831)
Net cash outflow	$ 1,064,759	$ (58,000)
Dividends paid to non-controlling interests of CBF	$ 759,963	$ 683,005

16. OTHER FINANCIAL ASSETS

	September 30, 2019	December 31, 2018	September 30, 2018
Time deposits with original maturities more than 3 months	$ 70,162	$ 113,913	$ 76,396
Pledged deposits	745,294	525,500	525,000
Reserve account	86,068	49,598	54,672
Dismantling securities companies	620,904	614,919	305,585
Others	25,268	23,988	24,150
	$ 1,547,696	$ 1,329,918	$ 985,803

17. PROPERTY AND EQUIPMENT

	September 30, 2019	December 31, 2018	September 30, 2018
Carrying amounts of each class			
Land	$ 781,970	$ 781,970	$ 781,970
Buildings	1,333,500	1,369,375	1,381,436
Machinery and computer equipment	345,192	338,826	350,171
Transportation equipment	38,957	36,715	39,783
Office and other equipment	88,668	103,446	106,135
Lease improvement	202,235	233,827	245,313
Construction in progress and prepayments for equipment	64,879	87,501	33,251
	$ 2,855,401	$ 2,951,660	$ 2,938,059

The movements of property and equipment for the nine months ended September 30, 2019 and 2018 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
Cost								
Balance at January 1, 2019	$ 781,970	$ 1,898,675	$ 747,969	$ 77,088	$ 282,253	$ 385,137	$ 87,501	$ 4,260,593
Additions	-	99	15,705	12,783	1,157	3,887	37,432	71,063
Disposal and scrapped	-	(2,429)	(9,846)	(10,596)	(5,392)	(6,209)	(526)	(34,998)
Reclassification	-	-	40,536	-	2,650	427	(59,561)	(15,948)
Effect of foreign currency exchange differences	-	-	(822)	(168)	(226)	1,335	33	152
Balance at September 30, 2019	$ 781,970	$ 1,896,345	$ 793,542	$ 79,107	$ 280,442	$ 384,577	$ 64,879	$ 4,280,862
Accumulated depreciation								
Balance at January 1, 2019	$ -	$ 529,300	$ 409,143	$ 40,373	$ 178,807	$ 151,310	$ -	$ 1,308,933
Disposal and scrapped	-	(960)	(9,821)	(9,428)	(5,389)	(6,209)	-	(31,807)
Depreciation expense	-	34,505	49,283	9,213	18,760	36,712	-	148,473
Reclassification	-	-	537	-	(640)	(3)	-	(106)
Effect of foreign currency exchange differences	-	-	(792)	(8)	236	532	-	(32)
Balance at September 30, 2019	$ -	$ 562,845	$ 448,350	$ 40,150	$ 191,774	$ 182,342	$ -	$ 1,425,461
Carrying amounts								
Balance at September 30, 2019	$ 781,970	$ 1,333,500	$ 345,192	$ 38,957	$ 88,668	$ 202,235	$ 64,879	$ 2,855,401

(Continued)

	Land	Buildings	Machinery and Computer Equipment	Transportation Equipment	Office and Other Equipment	Lease Improvement	Construction in Progress and Prepayments for Equipment	Total
Cost								
Balance at January 1, 2018	$ 848,222	$ 1,944,911	$ 732,062	$ 82,406	$ 241,495	$ 358,067	$ 140,912	$ 4,348,075
Additions	-	-	18,551	15,439	11,144	48,164	133,325	226,623
Disposal and scrapped	(66,252)	(45,624)	(3,685)	(20,074)	(4,229)	(27,995)	(18,917)	(186,776)
Reclassification	-	-	6,655	-	31,893	10,314	(222,132)	(173,270)
Effect of foreign currency exchange differences	-	-	(853)	(105)	845	2,620	63	2,570
Balance at September 30, 2018	$ 781,970	$ 1,899,287	$ 752,730	$ 77,666	$ 281,148	$ 391,170	$ 33,251	$ 4,217,222
Accumulated depreciation								
Balance at January 1, 2018	$ 48,038	$ 506,380	$ 356,323	$ 47,080	$ 163,702	$ 141,600	$ -	$ 1,263,123
Disposal and scrapped	(48,038)	(23,362)	(3,298)	(18,331)	(3,958)	(30,970)	-	(127,957)
Depreciation expense	-	34,833	49,807	9,035	15,223	33,841	-	142,739
Reclassification	-	-	604	-	(598)	(6)	-	-
Effect of foreign currency exchange differences	-	-	(877)	99	644	1,392	-	1,258
Balance at September 30, 2018	$ -	$ 517,851	$ 402,559	$ 37,883	$ 175,013	$ 145,857	$ -	$ 1,279,163
Carrying amounts								
Balance at September 30, 2018	$ 781,970	$ 1,381,436	$ 350,171	$ 39,783	$ 106,135	$ 245,313	$ 33,251	$ 2,938,059

(Concluded)

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

18. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	September 30, 2019
Carrying amounts	
Buildings	$ 529,922
Transportation equipment	10,933
	$ 540,855

	For the Three Months Ended September 30, 2019	For the Nine Months Ended September 30, 2019
Additions to right-of-use assets	$166,750	$168,562
Depreciation charge for right-of-use assets		
Buildings	$ 39,681	$120,726
Transportation equipment	1,945	4,815
	$ 41,626	$125,541

b. Lease liabilities - 2019

	September 30, 2019
Carrying amounts	$ 552,699

Range of discount rate for lease liabilities was as follows:

	September 30, 2019
Buildings	1.62%-5.70%
Transportation equipment	1.98%-6.00%

c. Material lease-in activities - 2019

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 October 2028. 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 $35,160 thousand on September 30, 2019.

d. Other lease information

	For the Three Months Ended September 30, 2019	For the Nine Months Ended September 30, 2019
Expenses relating to short-term leases	$ 3,344	$ 10,480
Expenses relating to low-value asset leases	$ 692	$ 2,468
Total cash outflow for leases	$ (33,673)	$ (129,548)

19. INTANGIBLE ASSETS

	September 30, 2019	December 31, 2018	September 30, 2018
Carrying amounts of each class			
Computer software	$ 1,193,506	$ 1,287,701	$ 1,292,334
Goodwill	1,178,032	1,166,769	1,159,715
Others	1,153	2,830	3,380
	$ 2,372,691	$ 2,457,300	$ 2,455,429

The movements of intangible assets for the nine months ended September 30, 2019 and 2018 are summarized as follows:

	Computer Software	Goodwill	Others	Total
Cost				
Balance at January 1, 2019	$ 2,120,054	$ 1,166,769	$ 7,506	$ 3,294,329
Additions	94,015	-	-	94,015
Disposals	(360)	-	-	(360)
Reclassification	(1,665)	-	-	(1,665)
Effect of foreign currency exchange differences	219	11,263	73	11,555
Balance at September 30, 2019	$ 2,212,263	$ 1,178,032	$ 7,579	$ 3,397,874
Accumulated amortization and impairment loss				
Balance at January 1, 2019	$ 832,353	$ -	$ 4,676	$ 837,029
Amortization	187,376	-	1,706	189,082
Disposals	(360)	-	-	(360)
Reclassification	(791)	-	-	(791)
Effect of foreign currency exchange differences	179	-	44	223
Balance at September 30, 2019	$ 1,018,757	$ -	$ 6,426	$ 1,025,183
Carrying amounts				
Balance at September 30, 2019	$ 1,193,506	$ 1,178,032	$ 1,153	$ 2,372,691
Cost				
Balance at January 1, 2018	$ 1,885,101	$ 1,133,222	$ 7,289	$ 3,025,612
Additions	129,623	-	-	129,623
Reclassification	59,047	-	-	59,047
Effect of foreign currency exchange differences	944	26,493	171	27,608
Balance at September 30, 2018	$ 2,074,715	$ 1,159,715	$ 7,460	$ 3,241,890
Accumulated amortization and impairment loss				
Balance at January 1, 2018	$ 619,896	$ -	$ 2,349	$ 622,245
Amortization	169,503	-	1,642	171,145
Reclassification	(7,893)	-	-	(7,893)
Effect of foreign currency exchange differences	875	-	89	964
Balance at September 30, 2018	$ 782,381	$ -	$ 4,080	$ 786,461
Carrying amounts				
Balance at September 30, 2018	$ 1,292,334	$ 1,159,715	$ 3,380	$ 2,455,429

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 is 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.

20. OTHER ASSETS

	September 30, 2019	December 31, 2018	September 30, 2018
Refundable deposits	$ 253,072	$ 433,155	$ 557,050
Life insurance cash surrender value	349,980	344,395	341,469
Prepayments	149,893	74,585	170,978
Others	205,387	238,084	189,729
	$ 958,332	$ 1,090,219	$ 1,259,226

21. DEPOSITS FROM THE CENTRAL BANK AND BANKS

	September 30, 2019	December 31, 2018	September 30, 2018
Due to other banks	$ 35,295,171	$ 53,377,161	$ 56,573,713
Call loans from Central Bank	2,794,070	2,152,215	1,527,924
Chunghwa Post deposit transfer	7,000,000	-	-
	$ 45,089,241	$ 55,529,376	$ 58,101,637

22. NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENT

	September 30, 2019	December 31, 2018	September 30, 2018
Transactions instruments	$ 72,433,247	$ 62,123,793	$ 55,248,544
Government bonds	21,274,687	31,013,011	30,636,245
Corporate bonds	49,425,047	43,415,222	49,446,288
Bank notes payable	24,477,845	14,894,874	18,391,224
	$ 167,610,826	$ 151,446,900	$ 153,722,301
Date of agreements to repurchase	August 2020	June 2019	March 2019
Amount of agreements to repurchase	$ 167,713,923	$ 151,544,513	$ 153,814,170

23. PAYABLES

	September 30, 2019	December 31, 2018	September 30, 2018
Investment settlements payable	$ 1,784,867	$ 107,965	$ 952,016
Factored receivables	1,602,797	1,821,591	1,762,686
Accrued interest	837,641	894,253	812,074
Accrued expenses	827,216	941,904	733,140
Acceptances receivable	228,823	225,582	134,909
Collections for others	129,098	146,221	151,578
Settlement accounts payable - execution of customer orders	92,100	84,724	95,950
Checks clearing payables	76,467	1,159,621	192,586
Others	396,243	254,576	246,959
	$ 5,975,252	$ 5,636,437	$ 5,081,898

24. DEPOSITS AND REMITTANCES

	September 30, 2019	December 31, 2018	September 30, 2018
Deposits			
Checking	$ 4,836,926	$ 5,114,611	$ 4,168,794
Demand	41,089,231	35,746,655	33,437,557
Time	200,750,182	211,109,170	206,454,125
Export remittance	452	6	21,884
Savings deposits	10,599,727	9,832,879	7,075,850
	$ 257,276,518	$ 261,803,321	$ 251,158,210

25. BANK NOTES PAYABLE

	September 30, 2019	December 31, 2018	September 30, 2018
Second subordinate debenture bonds second issued in 2011; fixed 2.30% interest rate; maturity: October 28, 2018; interest paid annually and repay the principal at maturity	$ -	$ -	$ 3,350,000
First subordinate debenture bonds first issued in 2012; fixed 1.85% interest rate; maturity: August 17, 2019; interest paid annually and repay the principal at maturity	-	1,650,000	1,650,000
First subordinate debenture 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	2,300,000	2,300,000

(Continued)

	September 30, 2019	December 31, 2018	September 30, 2018
First subordinate debenture 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	$ 1,300,000
Second subordinate debenture 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	1,000,000
Third subordinate debenture 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	600,000
Fourth subordinate debenture bonds forth 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	1,500,000
First subordinate debenture 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	1,000,000
First subordinate debenture 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	1,500,000
First subordinate debenture 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	1,500,000
First subordinate debenture 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	2,000,000
Second subordinate debenture bonds A second issued in 2017; fixed 4% interest rate; no maturity, interest paid annually	750,000	750,000	750,000
Second subordinate debenture 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	1,000,000
First subordinate debenture bonds A first issued in 2018; fixed 4% interest rate; no maturity, interest paid annually	700,000	700,000	700,000
Second subordinate debenture bonds B second 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	1,050,000
First subordinate debenture bonds A first issued in 2019; fixed 1.5% interest rate; maturity: June 6, 2026; interest paid annually and repay the principal at maturity	2,500,000	-	-
	$ 18,700,000	$ 17,850,000	$ 21,200,000

(Concluded)

26. OTHER FINANCIAL LIABILITIES

	September 30, 2019	December 31, 2018	September 30, 2018
Bank loans	$ 8,710,438	$ 9,713,242	$ 11,135,122
Commercial papers payable	500,000	999,881	2,449,499
Structured products	10,183	-	-
Funds obtained from the government - intended for specific types of loans	3,225,043	4,321,291	4,787,348
	$ 12,445,664	$ 15,034,414	$ 18,371,969

a. Bank loans

	September 30, 2019	December 31, 2018	September 30, 2018
Short-term loans	$ 4,426,113	$ 5,068,874	$ 5,620,940
Long-term loans	4,284,325	4,644,368	5,514,182
	$ 8,710,438	$ 9,713,242	$ 11,135,122
Interest rate interval			
New Taiwan dollars	1.20%-1.60%	1.15%-1.50%	1.20%-1.50%
U.S. dollars	3.43%-3.83%	3.71%-5.00%	2.33%-5.94%
Renminbi	4.99%-6.18%	4.99%-6.18%	5.22%-6.18%

b. Commercial papers payable

	September 30, 2019	December 31, 2018	September 30, 2018
Commercial papers payable	$ 500,000	$ 1,000,000	$ 2,450,000
Less: Unamortized discount	-	(119)	(501)
	$ 500,000	$ 999,881	$ 2,449,499
Interest rate interval	1.19%-1.26%	0.65%-1.23%	0.60%-1.19%

c. Funds obtained from the government - intended for specific types of loans

	September 30, 2019	December 31, 2018	September 30, 2018
Funds obtained from the government - intended for specific types of loans	$ 3,225,043	$ 4,321,291	$ 4,787,348

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.

27. PROVISIONS

	September 30, 2019	December 31, 2018	September 30, 2018
Provisions for employee benefits	$ 307,795	$ 293,645	$ 318,180
Reserve for losses on guarantees	1,533,730	1,497,762	1,489,153
Reserve for claims outstanding	-	-	25,816
Reserve for financing limits	78,412	78,021	67,157
	$ 1,919,937	$ 1,869,428	$ 1,900,306

Refer to Note 13 for the details and changes in the reserve for losses on guarantees and financing quota preparation.

28. RETIREMENT BENEFIT PLANS

Draw 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 three months ended September 30, 2019 and 2018 and the nine months ended September 30, 2019 and 2018 was recognized in the consolidated statements of comprehensive income in the total amounts of $18,509 thousand, $15,623 thousand, $51,417 thousand and $54,857 thousand, respectively.

Welfare Plan

The retirement expense recognized under defined benefit plans for the three months ended September 30, 2019 and 2018 and the nine months ended September 30, 2019 and 2018 are calculated using the respective 2018 and 2017 annually determined discount rates as of December 31, 2018 and 2017 and amounted to $2,125 thousand, $5,359 thousand, $6,402 thousand and $12,038 thousand, respectively.

29. OTHER LIABILITIES

	September 30, 2019	December 31, 2018	September 30, 2018
Guarantee deposits received	$ 1,892,430	$ 1,981,734	$ 1,962,696
Advance revenue	224,361	119,378	116,489
Others	364,178	299,730	134,528
	$ 2,480,969	$ 2,400,842	$ 2,213,713

30. EQUITY

a. Capital stock

Common stock

	September 30, 2019	December 31, 2018	September 30, 2018
Number of stock authorized (in thousands)	3,500,000	3,500,000	3,500,000
Amount of capital stock authorized	$ 35,000,000	$ 35,000,000	$ 35,000,000
Number of stocks issued and fully paid (in thousands)			
Common stock	2,413,006	2,413,006	2,413,006
Preferred stock	300,000	300,000	-
Amount of stocks issued	$ 27,130,063	$ 27,130,063	$ 24,130,063

Fully paid common stocks, which have a par value of $10, carry one vote per stock and carry a right to dividends.

The Bank's board of directors resolved to issue 300,000 thousand Series A preferred stock, with a par value of $10 on June 27, 2018. 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) Series A preferred stock at 0.94375% plus 3.30625% (total 4.25%) per annum are a 5-year - calculation pursuant to 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 hereafter. Series A preferred stock are declared once per year in cash. After the stockholders' approval of the Bank's financial statements at its annual stockholders' meeting, the board may set a record date for the distribution of available dividends 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 capping 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 special year of distribution but may participate in the distribution of common stock surplus and additional paid in capital.

6) When the Bank conducts rights for cash issuance, Series A preferred stockholders have the same subscription rights as the common stockholders.

b. Capital surplus

	September 30, 2019	December 31, 2018	September 30, 2018
May be used to offset a deficit, distributed as dividends, or transferred to capital stock (Note)			
Treasury stock transactions	$ 3,193	$ 3,193	$ 3,193
Stock-based payments	4,537	4,537	4,537
Must be used to offset a deficit			
Unclaimed dividends	649	308	329
May not be used for any purpose			
Share of changes in capital surplus of associates or joint ventures	1,372	465	465
	$ 9,751	$ 8,503	$ 8,524

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. Retained earnings and dividends policy

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, except 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 as the basis for proposing a distribution plan, which should be resolved in the stockholders' meeting for distribution of dividends and bonus to stockholders. Legal reserve shall be appropriated until it has reached the Bank's capital surplus. When the legal reserve has exceeded 15% of the Bank's capital surplus, the excess may be distributed in cash. For the policies on distribution of employees' compensation and remuneration of directors before and after amendment, refer to Note 35.

The Bank's Articles of Incorporation also stipulate a dividend policy that the issuance of a stock dividend takes precedence over the payment of cash dividends. In principle, cash dividends are limited to 20% of total dividends distributed. The distribution method is stipulated by standard, so the Bank may make adjustment approved by the stockholders' meeting when the Board asks for it.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Bank's capital surplus. 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 capital surplus, the excess may be transferred to capital or distributed in cash.

Under the Company Law, legal reserve shall be appropriated until it has reached the Bank's capital surplus. This reserve may be used to offset deficit. When the Bank has no loss and the legal reserve has exceeded 15% of the Bank's capital surplus, the excess may be transferred to capital or distributed in cash.

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" should be appropriated to or reversed from a special reserved by the Bank.

Under Rule No. 10510001510 issued by the FSC on May 25, 2016 a public issuing bank shall make a special surplus in the range of 0.5% to 1% of net profit after tax in 2016 to 2018. Since 2017, the staff of financial technology development arising from the transfer or placement of the same amount of spending opened a special reserve balance within the scope of the rotary when the deduction of other equity was reversed, and the reversed part could be distributed in cash.

The appropriations of earnings for 2018 and 2017 were approved in stockholders' meetings on June 14, 2019 and June 14, 2018, respectively. The appropriations and dividends per share were as follows:

	2018	2017
	Appropriation of Earnings	**Appropriation of Earnings**
Legal reserve	$ 183,014	$ 304,370
Special reserve appropriated (reversed)	415,504	(13,705)
Cash dividends - common stock	-	723,902
Preferred stock dividends	11,527	-

d. Other equity items

1) Exchange differences on translation of foreign financial statements

	For the Nine Months Ended September 30	
	2019	**2018**
Balance at January 1	$ (92,806)	$ (216,266)
Exchange differences arising on translating the financial statements of foreign operations	22,591	81,595
Income tax related to gains arising on translating the financial statements of foreign operations	(9,671)	(19,656)
Balance at September 30	$ (79,886)	$ (154,327)

2) Unrealized gains (losses) on valuation of available-for-sale financial assets

	For the Nine Months Ended September 30	
	2019	2018
Balance at January 1 per IAS 39		$ -
Effect of IFRS 9 retrospective application		144,112
Balance at January 1 per IFRS 9	$ (67,175)	144,112
Recognized during the period		
Unrealized gain (loss) - debt instruments	234,861	(128,811)
Unrealized gain (loss) - equity instruments	137,404	83,335
Loss allowance of debt instruments	1,523	(3,358)
Other comprehensive income recognized in the period	373,788	(48,834)
Cumulative unrealized gain (loss) of equity instruments transferred to retained earnings due to disposal	(130,527)	(25,938)
Balance at September 30,	$ 176,086	$ 69,340

e. Non-controlling interests

	For the Nine Months Ended September 30	
	2019	2018
Balance at January 1 (IAS 39)		$ 16,892,050
Effect of IFRS 9 retrospective application		90,927
Balance at January 1 (IFRS 9)	$ 17,129,584	16,982,977
Attribute to non-controlling interests		
Net profit for the period	708,175	773,415
Capital surplus	2,292	1,174
Unrealized gains and losses on FVTOCI	277,738	(106,984)
Exchange differences arising on translation of foreign entities	4,257	9,824
Income tax related to remeasurements of defined benefit plans	(23)	2,035
Net profit for the period	(759,963)	(683,005)
Ending balance	$ 17,362,060	$ 16,979,436

31. NET INTEREST REVENUE

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Interest revenue				
Discounts and loans	$ 1,574,236	$ 1,508,790	$ 4,683,692	$ 4,167,953
Investments in marketable securities	490,766	508,442	1,520,851	1,475,213
Installment sales and leases	243,436	283,444	756,710	871,521
Due from the Central Bank and call loans to banks	59,725	45,590	224,050	121,421
Others	21,964	34,017	85,265	84,113
	2,390,127	2,380,283	7,270,568	6,720,221
Interest expense				
Deposits	812,223	684,332	2,503,791	1,707,954
Due to the Central Bank and banks	150,446	194,842	481,558	524,409
Bank notes payable	98,509	115,756	283,973	324,991
Notes and bonds issued under repurchase agreement	273,978	216,345	767,668	642,614
Others	92,439	113,000	293,288	354,684
	1,427,595	1,324,275	4,330,278	3,554,652
	$ 962,532	$ 1,056,008	$ 2,940,290	$ 3,165,569

32. NET SERVICE FEE REVENUE (CHARGE)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Service fee				
Guarantee business	$ 224,199	$ 181,421	$ 645,204	$ 533,684
Loan business	31,835	24,133	169,717	76,919
Agency income	71,399	60,889	222,507	195,762
Trust business	2,658	1,733	16,497	5,181
Lease business	78,158	77,221	185,102	220,086
Credit examining business	36,381	69,073	218,575	323,967
Import and export business	5,721	8,315	18,709	31,346
Factoring business	5,585	21,634	30,764	69,227
Insurance agent	22,696	3,190	94,549	5,593
Others	13,796	16,174	42,059	48,285
	492,428	463,783	1,643,683	1,510,050
Service charge				
Others	33,038	52,460	106,938	138,727
	$ 459,390	$ 411,323	$ 1,536,745	$ 1,371,323

33. GAINS ON FINANCIAL ASSETS OR LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Realized gain profit or loss				
Bills	$ 5,638	$ 17,213	$ 32,650	$ 67,436
Stocks	(5,935)	(9,497)	91,661	10,991
Bonds	2,855	6,668	25,642	3,694
Derivatives	257,832	329,209	1,148,538	495,808
	260,390	343,593	1,298,491	577,929
Gains (losses) on valuation				
Bills	(6,494)	34,326	9,244	49,892
Stocks	(1,078)	(25,347)	22,053	(63,712)
Bonds	(6,471)	(2,075)	7,725	(32,735)
Derivatives	(49,607)	(137,890)	(57,353)	384,030
	(63,650)	(130,986)	(18,331)	337,475
Interest revenue	295,893	226,480	836,477	658,523
	$ 492,633	$ 439,087	$ 2,116,637	$ 1,573,927

34. GAINS ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Realized income - debt instruments	$ 64,855	$ 17,668	$ 163,559	$ 42,341
Dividend revenue	39,882	76,063	62,027	96,972
	$ 104,737	$ 93,731	$ 225,586	$ 139,313

35. EMPLOYEE BENEFITS EXPENSE

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Short-term employee benefits				
Salaries and wages	$ 591,927	$ 580,004	$ 1,725,904	$ 1,687,993
Labor insurance and national health insurance	38,697	37,235	117,900	112,795
Directors' remuneration and fees	24,161	18,728	61,276	60,374
Others	35,394	30,536	124,437	104,223
Post-employment benefits				
Pension	20,634	20,982	57,819	66,895
Retirement allowance				
Equity delivery	5	-	5	-
	$ 710,818	$ 687,485	$ 2,087,341	$ 2,032,280

The Bank accrued employees' compensation and remuneration of directors and supervisors 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 and supervisors.

The amounts and accrual rates of employees' compensation and remuneration of directors and supervisors for the nine months ended September 30, 2019 and 2018 were as follows:

Accrual rate

	For the Nine Months Ended September 30	
	2019	**2018**
Employees' compensation	1.25%	1.25%
Remuneration of directors	2.50%	2.50%

Amount

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	**2018**	**2019**	**2018**
Employees' compensation	$ 4,996	$ 3,650	$ 16,058	$ 12,250
Remuneration of directors	$ 9,991	$ 7,300	$ 32,116	$ 24,500

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 2018 and 2017, which were approved by the Board on February 27, 2019 and February 27, 2018, respectively, were as follows:

	2018		2017	
	Cash	**Stock**	**Cash**	**Stock**
Employees' compensation	$ 14,632	$ -	$ 15,919	$ -
Remuneration of directors	29,265	-	31,838	-

There are no differences between the 2018 and 2017 actual amounts of employees' compensation and remuneration of directors paid and the 2018 and 2017 amount recognized in the annual consolidated financial statements.

Information for 2019 and 2018 on the bonuses for employees, directors proposed by the Board is available at the Market Observation Post System website of the Taiwan Stock Exchange.

36. DEPRECIATION AND AMORTIZATION EXPENSE

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	**2018**	**2019**	**2018**
Property and equipment	$ 49,619	$ 48,457	$ 148,009	$ 142,724
Right-of-use assets	41,627	-	125,542	-
Intangible assets	65,078	58,586	189,082	171,145
	$ 156,324	$ 107,043	$ 462,633	$ 313,869

37. OTHER GENERAL AND ADMINISTRATIVE EXPENSE

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Taxation	$ 64,236	$ 58,161	$ 198,880	$ 173,467
Rental	2,914	58,164	9,519	167,173
Management fees	11,152	9,175	34,307	31,118
Computer operating and consulting fees	64,301	72,024	198,336	151,521
Entertainment	14,367	15,262	40,888	42,804
Professional services	20,479	28,323	63,212	81,411
Advertisement	40,927	23,479	90,976	94,984
Others	83,438	134,113	294,645	338,510
	$ 301,814	$ 398,701	$ 930,763	$ 1,080,988

38. 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 Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Current tax				
In respect of the current period	$ 123,585	$ 85,468	$ 563,010	$ 498,407
Income tax on unappropriated earnings	-	-	12,537	-
In respect of prior periods	7,750	(918)	(682)	(17,421)
	131,335	86,386	574,865	480,986
Deferred tax				
In respect of the current period	70,898	114,545	42,954	159,584
Effect of tax rate change	-	-	-	(2,627)
	70,898	114,545	42,954	156,957
Income tax expense recognized in profit or loss	$ 202,233	$ 200,931	$ 617,819	$ 637,943

The Income Tax Act in the ROC was amended in 2018 and the corporate income tax rate was adjusted from 17% to 20% effective in 2018. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings will be reduced from 10% to 5%.

b. Income tax recognized in other comprehensive income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Deferred tax				
Recognized in other comprehensive income				
Translation of foreign operations	$ (17,313)	$ 1,878	$ (2,354)	$ 21,606
Losses on remeasurements of defined benefit plans	-	-	(8)	-
Unrealized gain (loss) on financial assets at FVTOCI	10,013	11,234	79,128	(25,962)
Effect of tax rate change	-	5,682	-	4,533
Income tax recognized in other comprehensive expense (income)	$ (7,300)	$ 18,794	$ 76,766	$ 177

c. Assessment of the income tax returns

The income tax returns of the Bank through 2016 have been assessed by the tax authorities. The income tax returns of the Bank's subsidiary IBTM and IBT VII through 2017 have been assessed. The income tax returns of other subsidiaries through 2016 have been assessed by the tax authorities, except the Bank's subsidiary CBF for 2015. The Bank disagreed with the tax authorities' assessment of its 2016 tax return and plan to re-examine. The approved content of the 2014 was incorrectly calculated and has been applied for corrective correction.

39. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Basic earnings per share				
From continuing operations	$ 0.13	$ 0.09	$ 0.43	$ 0.30
From discontinued operations	-	-	-	-
Total basic earnings per share	$ 0.13	$ 0.09	$ 0.43	$ 0.30
Diluted earnings per share				
From continuing operations	$ 0.13	$ 0.09	$ 0.43	$ 0.30
From discontinued operations	-	-	-	-
Total diluted earnings per share	$ 0.13	$ 0.09	$ 0.43	$ 0.30

Earnings used in calculating earnings per share and weighted average number of common stocks as above are as follows:

Net Profit (Loss) for the Period

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	**2018**	**2019**	**2018**
Profit for the period attributable to owners of the Bank	$ 311,366	$ 212,993	$ 1,049,676	$ 727,614
Less: Declared preferred stock dividend	-	-	11,527	-
Earnings used in the computation of basic earnings per share	311,366	212,993	1,038,149	727,614
Less: Profit (loss) for the period from discontinued operations used in the computation of basic earnings per share from discontinued operations	(1,776)	1,999	(3,937)	2,951
Earnings used in the computation of basic and diluted earnings per share from continuing operations	$ 313,142	$ 210,994	$ 1,042,086	$ 724,663

Weighted average number of common stocks outstanding (in thousand shares) are as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	**2018**	**2019**	**2018**
Weighted average number of common stocks in computation of basic earnings per share	2,413,006	2,413,006	2,413,006	2,413,006
Effect of potentially dilutive common stocks:				
Employees' compensation issued to employees	651	441	2,481	1,759
Weighted average number of common stocks used in the computation of diluted earnings per share	2,413,657	2,413,447	2,415,487	2,414,765

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.

40. 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 Bank

Related Party	Relationship with the Bank
IBT II Venture Capital Co., Ltd. (IBT II Venture) (dissolved March 31, 2017)	Associates
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 Chemical Corporation (TCC)	Other relatives
Others	The Bank's management and their other relatives

b. The significant transactions and balances with the related parties are summarized as follows:

1) Deposits

	Ending Balance	Interest Expense	Rate (%)
For the nine months ended September 30, 2019			
Associates	$ 20,186	$ 26	0.00-0.35
Others	3,241,069	48,600	0.00-6.56
	$ 3,261,255	$ 48,626	
For the nine months ended September 30, 2018			
Associates	$ 6,059	$ 3	0.00-0.15
Others	1,520,038	31,842	0.00-6.56
	$ 1,526,097	$ 31,845	

2) Loan

	Maximum Balance	Ending Balance	Interest Income	Rate (%)
For the nine months ended September 30, 2019				
Others	$ 430,000	$ 430,000	$ 4,641	1.44
For the nine months ended September 30, 2018				
Others	$ -	$ -	$ -	-

September 30, 2019							
Category	**Name**	**Maximum Balance (Note 1)**	**Ending Balance**	**Normal Loans**	**Non-performing Loans**	**Collateral**	**Difference of Terms of the Transactions with Unrelated Parties**
Others	TCC	$ 430,000	$ 430,000	$ 430,000	$ -	Real estate	None

September 30, 2018							
Category	**Name**	**Maximum Balance (Note)**	**Ending Balance**	**Normal Loans**	**Non-performing Loans**	**Collateral**	**Difference of Terms of the Transactions with Unrelated Parties**
Others	-	$ -	$ -	$ -	$ -	-	-

Note: The maximum balance of daily totals for each category of loan.

3) Commission and fee revenue

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	**2018**	**2019**	**2018**
Others	$ 3	$ 9	$ 20	$ 34

Service fee income is earned by providing authentication, custody and fund purchase services.

4) Other expenses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	**2018**	**2019**	**2018**
Others	$ -	$ -	$ 4,800	$ 4,800

Other expenses are donations.

c. Compensation of key management personnel

The remuneration of directors and other members of key management personnel for the three months and the nine months ended September 30, 2019 and 2018 were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	**2018**	**2019**	**2018**
Short-term employee benefits	$ 65,850	$ 48,813	$ 193,573	$ 198,918
Post-employment benefits	2,723	3,196	7,697	6,369
Stock-based payments	-	-	335	-
	$ 68,573	$ 52,009	$ 201,605	$ 205,287

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.

41. PLEDGED ASSETS

	September 30, 2019	December 31, 2018	September 30, 2018
Financial assets at fair value through profit or loss	$ 17,056,372	$ 15,059,868	$ 13,398,574
Financial assets at fair value through other comprehensive income	2,293,593	2,140,376	2,385,195
Loans	8,067,772	9,067,994	8,361,020
Debt instruments measured at amortized costs	-	166,680	166,670
Pledged time deposits	745,294	751,000	747,232
Compensation account for payments	86,068	49,598	54,672
	$ 28,249,099	$ 27,235,516	$ 25,113,363

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 due from banks) and negotiable certificates of deposits (part of financial assets at fair value through profit or loss and debt instrument investments measured at amortized cost) 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 at FVTOCI were bond 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 U.S.A. Besides, the above loans were provided as collateral for EverTrust Bank to apply for credit limits with Federal Home Loan Bank of San Francisco. Restricted assets were provided not merely as collateral for bank overdraft mortgage guarantee, short-term loans, issuance of commercial promissory notes, commercial paper issued, contract security deposit and administrative reliefs but were also pledged for the Central Bank's bond bidding.

42. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. Except for other disclosures, As of September 30, 2019, December 31, 2018 and September 30, 2018, the Group had commitments as follows:

	September 30, 2019	December 31, 2018	September 30, 2018
Office decorating and contracts of computer software			
Amount of contracts	$ 109,092	$ 146,125	$ 123,018
Payments for construction in progress and prepayments for equipment	63,300	87,501	33,251

b. The Group as lessee

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, 2018 and September 30, 2018, refundable deposits paid under operating lease amounted to $33,183 thousand and $32,061 thousand, respectively.

The future minimum payments under non-cancellable operating lease are summarized as follows:

	December 31, 2019	September 30, 2019
Up to 1 years	$ 162,811	$ 147,501
Over 1 year to 5 years	325,856	337,956
Over 5 years	82,714	91,076
	$ 571,381	$ 576,533

c. Highlite Industries, Inc. (the "Highlite") was suspected of using false transactions to apply for loan financing with the Bank, which caused loss to the Bank. The Bank has filed a criminal suit against the Highlite and related parties.

43. TRUST BUSINESS UNDER THE TRUST LAW

Balance Sheet of Trust Accounts

	September 30, 2019	December 31, 2018	September 30, 2018
Trust assets			
Petty cash	$ 100	$ 100	$ 100
Bank deposits	1,742,479	2,799,410	679,716
Financial assets	2,727,540	1,072,855	634,743
Interest receivable	38	51	9
Prepayments	2,512	1,267	2,092
Real estate	8,238,959	9,165,624	5,033,311
Other assets	27,585	32,292	33,170
Total trust assets	$ 12,739,213	$ 13,071,599	$ 6,383,141
Trust capital and liability			
Payables	$ 47,801	$ 1,542	$ 414
Advance revenue	1,136	839	1,731
Taxes payable	6,583	4,233	3,580
Receipts under custody	-	106	3,528
Guarantee Deposits received	67,252	76,680	79,802
Other liabilities	461	968	488
Trust capital	12,477,225	12,828,013	6,157,476
Provisions and accumulated profit and loss	138,755	159,218	136,122
Trust capital and liability	$ 12,739,213	$ 13,071,599	$ 6,383,141

Income Statements of Trust Accounts

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Trust revenue				
Interest revenue	$ 1,896	$ 234	$ 13,950	$ 674
Rent revenue	28,789	27,073	87,690	27,073
Other revenue	20	48	28	48
Trust expenses				
Management fees	300	93	812	455
Fees	30	92	80	201
Other expenses	3,240	3,142	9,760	3,320
Tax	3,643	8,165	10,790	23,845
Income tax expense	167	25	1,324	60
	$ 23,325	$ 15,838	$ 78,902	$ (86)

Note: The above income accounts of the trust business were not included in the Bank's income statement.

Trust Property List

	September 30, 2019	December 31, 2018	September 30, 2018
Petty cash	$ 100	$ 100	$ 100
Bank deposits	1,742,479	2,799,410	679,716
Stocks	228,378	228,378	228,378
Funds	2,499,162	844,477	406,365
Land	7,398,368	8,320,001	4,187,687
Real estate	840,591	845,623	845,624
Interest receivable	38	51	9
Prepayments	2,512	1,267	2,092
Other	27,585	32,292	33,170
	$ 12,739,213	$ 13,071,599	$ 6,383,141

44. 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 consider that the carrying amounts of financial assets and financial liabilities recognized in the condensed consolidated financial statements approximate their fair values or their fair values cannot be reliably measured.

	September 30, 2019		December 31, 2018		September 30, 2018	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Financial assets						
Financial assets at amortized costs	$ -	$ -	$ 499,939	$ 501,732	$ 499,911	$ 502,825
Financial liabilities						
Bank notes payable	18,700,000	18,764,617	17,850,000	17,906,381	21,200,000	21,238,161

2) The fair value hierarchy

(In Thousands of New Taiwan Dollars)

Financial Instrument Items at Fair Value	September 30, 2019			
	Total	**Level 1**	**Level 2**	**Level 3**
Financial liabilities				
Bank notes payable	$ 18,764,617	$ 18,764,617	$ -	$ -

Financial Instrument Items at Fair Value	December 31, 2018			
	Total	**Level 1**	**Level 2**	**Level 3**
Financial assets				
Financial assets at amortized costs	$ 501,732	$ -	$ 501,732	$ -
Financial liabilities				
Bank notes payable	17,906,381	17,906,381	-	-

Financial Instrument Items at Fair Value	September 30, 2018			
	Total	**Level 1**	**Level 2**	**Level 3**
Financial assets				
Financial assets at amortized costs	$ 502,825	$ -	$ 502,825	$ -
Financial liabilities				
Bank notes payable	21,238,161	21,238,161	-	-

Refer to quoted market prices for fair value if there are public quotation on amortized cost financial assets and bank notes 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 September 30, 2019, December 31, 2018 and September 30, 2018 were as follows:

(In Thousands of New Taiwan Dollars)

Item	September 30, 2019			
	Total	**Level 1**	**Level 2**	**Level 3**
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Stocks and beneficial certificates	$ 468,993	$ 397,636	$ -	$ 71,357
Bonds	99,434	-	99,434	-
Bills	90,929,958	-	90,929,958	-
Convertible bonds and structured bonds	9,786,546	150,423	1,431,355	8,204,768
Negotiable certificates of deposit	65,903,892	-	65,903,892	-
Financial assets at fair value through other comprehensive income				
Stocks	1,888,508	874,585	136,285	877,638
Bonds	135,055,509	-	135,055,509	-
Liabilities				
Financial liabilities at fair value through profit or loss	170	-	170	-
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	254,027	-	254,027	-
Liabilities				
Financial liabilities at fair value through profit or loss	280,866	-	280,866	-

Item	December 31, 2018 Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss				
Stocks and beneficial certificates	$ 359,716	$ 288,217	$ -	$ 71,499
Bonds	99,970	-	99,970	-
Bills	75,261,511	-	75,261,511	-
Convertible bonds and structured bonds	7,813,915	293,692	1,021,828	6,498,395
Negotiable certificates of deposit	67,139,658	-	67,139,658	-
Financial assets at fair value through other comprehensive income				
Equity instruments	2,954,899	1,963,220	135,161	856,518
Debt instruments	146,997,853	-	146,997,853	-
Liabilities				
Financial liabilities at fair value through profit or loss	4,924	-	4,924	-
<u>Derivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss	837,844	-	837,844	-
Liabilities				
Financial liabilities at fair value through profit or loss	788,348	-	788,348	-

Item	September 30, 2018 Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss				
Stocks and beneficial certificates	$ 825,271	$ 755,488	$ -	$ 69,783
Bonds	1,218,674	115,974	1,102,700	-
Bills	68,381,291	-	68,381,291	-
Convertible bonds and structured bonds	7,223,969	-	1,047,360	6,176,609
Negotiable certificates of deposit	62,019,122	-	62,019,122	-
Financial assets at fair value through other comprehensive income				
Stocks	2,902,180	1,760,028	125,209	1,016,943
Bonds	150,630,558	-	150,630,558	-
Liabilities				
Financial liabilities at fair value through profit or loss	99,406	-	99,406	-
<u>Derivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss	1,202,589	-	1,202,589	-
Liabilities				
Financial liabilities at fair value through profit or loss	1,007,236	-	1,007,236	-

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 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) Valuation in fair value of Level 3 items of financial instruments

For the nine months ended September 30, 2019

Financial Assets	Financial Assets at Fair Value Through Profit or Loss		Financial Assets at Fair Value Through Other Compre- hensive 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 - financial assets at fair value through profit or loss	15,373	(142)	-	15,231
Recognition in other comprehensive income - financial assets at fair value through other comprehensive income	-	-	(27,160)	(27,160)
Purchases	7,798,200	-		7,798,200
Disposal	(6,107,200)	-	(38,001)	(6,145,201)
Transfer to Level 3	-	-	86,281	86,281
Ending balance	$ 8,204,768	$ 71,357	$ 877,638	$ 9,153,763

For the nine months ended September 30, 2018

Financial Assets	Financial Assets at Fair Value Through Profit or Loss		Financial Assets at Fair Value Through Other Compre-hensive Income Equity Instruments	Total
	Convertible Bonds	Equity Instruments		
Beginning balance	$ 6,891,357	$ 34,628	$ -	$ 6,925,985
Effect of retrospective application (IFRS 9)	-	38,787	1,072,809	1,111,596
Recognition in profit or loss - financial assets (liabilities) at fair value through profit or loss	9,152	(3,632)	-	5,520
Recognition in other comprehensive income - financial assets at fair value through other comprehensive income	-	-	(30,890)	(30,890)
Purchases	6,317,800	-	-	6,317,800
Disposal	(7,041,700)	-	(24,976)	(7,066,676)
Ending balance	$ 6,176,609	$ 69,783	$ 1,016,943	$ 7,263,335

The assets held at the balance sheet date, which were included in the profit and loss and the unrealized gains and losses on September 30, 2019 and 2018, were profit of $15,373 thousand and gain of $9,152 thousand, respectively.

Some of the Group's investment targets were withdrawn for the nine months ended September 30, 2019. After evaluation, there is no fair market price for reference, so they have been transferred from Level 1 to Level 3. There was no transfer from Level 3 for the nine months ended September 30, 2018.

4) Transfers between Level 1 and Level 2

The Group had no significant transfers between Level 1 and Level 2 for the nine months ended September 30, 2019 and 2018.

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; and bonds and convertible corporate bonds for asset swaps which have no quoted market prices are evaluated using the future cash flows discounted model. In order to calculate the zero coupon yield curve, the Group uses LIBOR rate and U.S. dollar swap rate plus margin. If there was 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 in the respective 2019 and 2018 periods would be as follows:

For the nine months ended September 30, 2019

(In Thousands of New Taiwan Dollars)

Item	Movement: Upward/ Downward	Effect on Profit and Loss		Effect on Other Comprehensive Income	
		Favorable	Unfavorable	Favorable	Unfavorable
Convertible bond	1BP	$ 1,225	$ (1,225)	$ -	$ -
Equity instruments	10%	7,136	(7,136)	88,418	(88,418)

For the nine months ended September 30, 2018

(In Thousands of New Taiwan Dollars)

Item	Effect on Profit and Loss		Effect on Other Comprehensive Income	
	Favorable	Unfavorable	Favorable	Unfavorable
Financial assets at fair value through profit or loss	$ 866	$ (866)	$ -	$ -
Financial assets at fair value through other comprehensive income	-	-	35,880	(35,880)

45. FINANCIAL RISK MANAGEMENT

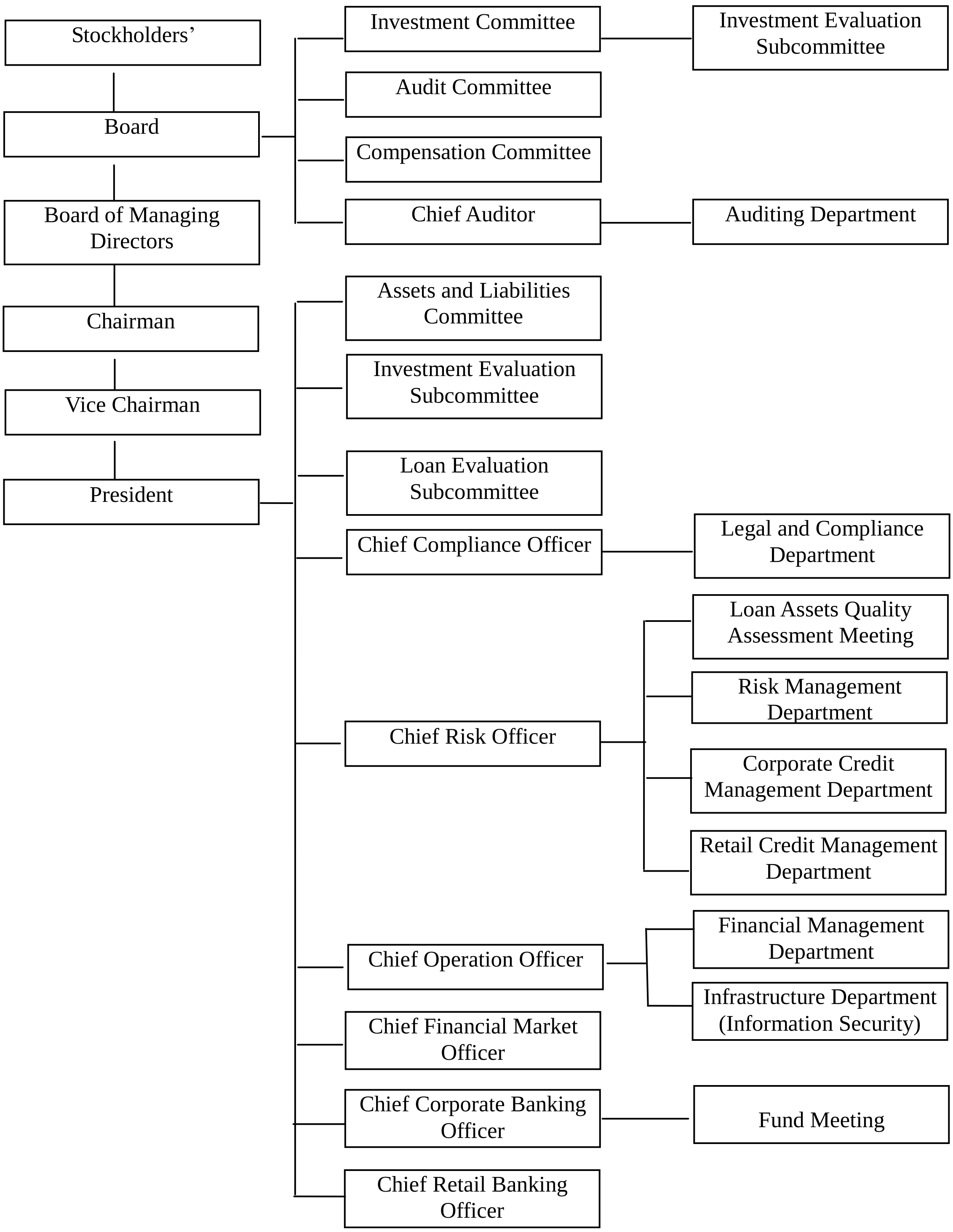
a. Overview

For anticipating 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 maintaining capital adequacy ratio with in the accordance to the regulator’s requirements and monitors regulations to meet the Basel III international standards of the Basel Commission.

b. Risk management framework

Risk management framework of the Bank and its important entities controlled by the Bank are expressed as follows:

The ultimate responsibility for setting the Bank's risk management rests with the board of directors. The Auditing Department, Audit Committee, Investment Committee and Compensation Committee are set up under the board of directors. Assets and Liabilities Committee, Investment Evaluation Subcommittee, and Loan Evaluation Subcommittee, which are under the President, will 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 bank-wide risk mechanism to supervise and monitor the effectiveness of risk management across the Bank.



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: Responsible for reviewing and approving the loan cases rendered by the Corporate Credit Management Department and Retail Credit Management Department. After approval, the provisions should still be submitted to the competent authority for review based on regulations.

3) Investment Evaluation Subcommittee: Responsible for assessing and reviewing the investment cases forwarded by the ministry of investment, which shall still be submitted to the Investment Review Committee as required and also need to be submitted to the standing committee for consideration and approval.

4) Assets assessment meetings of 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 review the adequacy of allowance provision for bad debts, and guarantee liabilities.

      iii. The abovementioned assessment of loan assets shall be submitted to the board of directors with the consent of general manager after the resolution of the allowance for bad debts and guarantees.

      iv. Tracking of investors who are still in operation, but their investments have generated losses.

   b) Investment assets quality assessment meeting

      i. Assess the current status of each 5-8 investment asset quality, and choose the strategy and course of actions to be taken.

      ii. Discuss the investment results provided by evaluation staff. The composition of evaluation results is consisted of each investor’s period, industries, economic recycle and evaluation methods referred to suggested by accounting principles.

      iii. Assess the probable loss of investment assets and discuss the recognition of investment loss case, as well as submit the proposal to the board of directors.

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 supervision of the audit office, and the business risk control management unit. To effectively manage the overall risk and risks associated with integration of relevant 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 items in balance sheet and off-balance sheet.

2) Strategy/objectives/policies and procedures of credit risk

a) Credit risk management strategy: The Bank implements the relevant provisions of the principles of credit risk management and establishes the credit risk management mechanism to ensure that credit risk control is within effective but affordable range, and also to maintain adequate capital, 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, are required in performing make credit management and monitoring functions to ensure compliance with laws and regulations, and the Bank's standards, as well as maintaining high credit standards and asset quality.

c) Credit risk management policy: The Bank establishes risk management system to ensure the integrity of business risk management and compliance particularly with the Financial Supervisory Commission, which issued the "financial holding companies and banking internal control and Auditing System Implementation Measures "and "norms for formulating proposals and execution of risk management policies by subsidiaries of banks", to limit the credit risk of the Bank within the acceptable range, maintain adequate capital and credit risk strategy and to create maximum risk-adjusted returns to achieve the objectives.

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, along. With financial innovation, new types of credit businesses become increasingly complex; thus, before undertaking existing and new credit businesses, business executives should be fully aware of the complexity involved in the business of credit risk 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 scales are used evaluate the probabilities of default and major operational difficulties of investees in the next year. Risk ratings need to be scaled when individual credit and investment accounts are approved. The continuous change in the credit status is due to the change in credit or investment household. Therefore, risk rating scales must be frequently reevaluated and updated for verification according to its credit changes.

ii) The purpose of portfolio management:

- Develop and monitor the Bank's credit portfolio to ensure the risk of loan is within the tolerable scope,
- "Concentration risks" are concentration-limited, which means avoiding the concentration of risks and achieving risk dispersion.
- Achieve the optimal target profits.

iii. Risk communication

i) Internal reporting: Risk management unit should establish appropriate credit risk reporting mechanism for regular statistical reporting and the preparation of a variety of business risk management reports which contain actual, 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 content of above communication may include asset quality, portfolio rating classification status, and all kinds of exception reports.

ii) External disclosure: To comply with the principles of requirements for capital adequacy supervisory review and market discipline, the business director of credit risk level should prepare reports in the format specified by the competent authority showing contents, methods and frequency for providing information on the credit risk of the Bank 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 (i.e. bonds issuer and guarantor of issuers of equity related products, derivatives counterparties' credit rating information and credit information), which serve as timely detection of problems on assets or transactions, and 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 on nationalities, 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) 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.

d) 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.

e) 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.

f) 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.

g) 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.

h) 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 HKMA risk stress test, 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		
	September 30, 2019	December 31, 2018	September 30, 2018
Financial guarantees and irrevocable documentary letter of credit			
Contract amounts	$ 130,167,567	$ 121,652,586	$ 121,236,376
Maximum exposure amounts	130,167,567	121,652,586	121,236,376
Agreed financing	54,061,467	51,883,120	54,343,070

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 nature of operating activities property of the debtor. The Group does not concentrate its transactions on single customer or counterparty but have similar counterparty, industry and geographic region on the loan business (including loan commitments and guarantees and commercial bond issuing commitments).

On September 30, 2019, December 31, 2018 and September 30, 2018, 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	September 30, 2019		December 31, 2018		September 30, 2018	
	Amount	%	Amount	%	Amount	%
Financial intermediary	$ 80,504,883	26	$ 69,975,701	23	$ 64,054,815	21
The printed circuit board component manufacturing	70,113,414	23	37,442,251	12	42,915,838	14
Real estate	60,768,218	20	58,336,211	19	58,343,244	19

b) By counterparty

Credit Risk Profile by Industry Sector	September 30, 2019		December 31, 2018		September 30, 2018	
	Amount	%	Amount	%	Amount	%
Private sector	$ 175,290,930	88	$ 183,749,738	92	$ 185,451,220	93
Natural person	24,269,823	12	16,540,441	8	13,524,855	7

c) By geographical area

Credit Risk Profile by Industry Sector	September 30, 2019		December 31, 2018		September 30, 2018	
	Amount	%	Amount	%	Amount	%
Domestic	$ 123,392,660	62	$ 122,863,558	61	$ 119,865,711	60
America	37,687,205	19	34,140,109	17	34,426,729	17
Other Asia area	29,744,253	15	35,143,990	18	35,661,306	18

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 banks, financial asset at fair value through profit or loss, repos and debt securities, refundable deposits, guaranty bond and clearing 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.

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 gross carrying amounts of debt instrument investments by credit category and the corresponding expected loss rates were as follows:

September 30, 2019

Category	Expected Loss Rate	Gross Carrying Amount
Performing	0.0189%-0.393%	$ 132,861,935
Doubtful	0.1917%-0.227%	1,400,044
In default	-	-

December 31, 2018

Category	Expected Loss Rate	Gross Carrying Amount
Performing	0.0014%-0.405%	$ 146,682,749
Doubtful	-	-
In default	-	-

September 30, 2018

Category	Expected Loss Rate	Gross Carrying Amount
Performing	0.0014%-0.405%	$ 150,239,853
Doubtful	-	-
In default	-	-

The allowance for impairment loss of investments in debt instruments at FVTOCI and at amortized cost for the nine months ended September 30, 2019 and 2018, 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, 2019	$ 35,671	$ -	$ 35,671
Transfers			
From performing to doubtful	(923)	923	-
Net remeasurement	303	9,098	9,401
New financial assets purchased	2,019	-	2,019
Derecognition	(2,566)	-	(2,566)
Change in model or risk parameters	(658)	-	(658)
Change in exchange rates or others	50	-	50
Balance at September 30, 2019	$ 33,896	$ 10,021	$ 43,917

	Credit Rating Performing (12-month ECLs)
Balance at January 1, 2018 per IAS 39	$ -
Adjustment on initial application of IFRS 9	44,061
Balance at January 1, 2018 per IFRS 9	44,061
New financial assets purchased	3,191
Derecognition of financial assets	(9,980)
Change in model or risk parameters	(443)
Change in exchange rates or others	(177)
Balance at September 30, 2018	$ 37,006

a) Credit analysis for receivables and discounts and loans

September 30, 2019

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Difference of Impairment Loss under Regulations	Total
Receivables	$ 20,077,366	$ 1,526,416	$ 419,722	$ -	$ 22,023,504
Allowance for credit losses	(188,467)	(48,206)	(239,226)	-	(475,899)
Difference of impairment loss under regulations	-	-	-	(30,445)	(30,445)
Net total	$ 19,888,899	$ 1,478,210	$ 180,496	$ (30,445)	$ 21,517,160

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Difference of Impairment Loss under Regulations	Total
Discounts and loans	$ 180,978,597	$ 15,448,487	$ 3,133,668	$ -	$ 199,560,752
Allowance for credit losses	(270,936)	(34,052)	(466,513)	-	(771,501)
Difference of impairment loss under regulations	-	-	-	(2,098,511)	(2,098,511)
Net total	$ 180,707,661	$ 15,414,435	$ 2,667,155	$ (2,098,511)	$ 196,690,740

December 31, 2018

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Difference of Impairment Loss under Regulations	Total
Receivables	$ 20,765,683	$ 304,253	$ 371,269	$ -	$ 21,441,205
Allowance for credit losses	(218,853)	(111,931)	(227,909)	-	(558,693)
Difference of impairment loss under regulations	-	-	-	(52,561)	(52,561)
Net total	$ 20,546,830	$ 192,322	$ 143,360	$ (52,561)	$ 20,829,951

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Difference of Impairment Loss under Regulations	Total
Discounts and loans	$ 183,751,973	$ 15,147,609	$ 1,390,597	$ -	$ 200,290,179
Allowance for credit losses	(203,195)	(49,620)	(334,761)	-	(587,576)
Difference of impairment loss under regulations	-	-	-	$ (2,364,553)	(2,364,553)
Net total	$ 183,548,778	$ 15,097,989	$ 1,055,836	$ (2,364,553)	$ 197,338,050

September 30, 2018

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Difference of Impairment Loss under Regulations	Total
Receivables	$ 20,753,866	$ 297,139	$ 286,290	$ -	$ 21,337,295
Allowance for credit losses	(244,119)	(207,467)	(87,128)	-	(364,458)
Difference of impairment loss under regulations	-	-	-	(197,214)	(197,214)
Net total	$ 20,509,747	$ 89,672	$ 373,418	$ (197,214)	$ 20,775,623

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Difference of Impairment Loss under Regulations	Total
Discounts and loans	$ 186,792,411	$ 11,239,918	$ 943,746	$ -	$ 198,976,075
Allowance for credit losses	(209,159)	(56,710)	(362,471)	-	(628,340)
Difference of impairment loss under regulations	-	-	-	(2,218,694)	(2,218,694)
Net total	$ 186,583,252	$ 11,183,208	$ 581,275	$ (2,218,694)	$ 196,129,041

b) Credit analysis for marketable securities

September 30, 2019

	At FVTOCI	At Amortized Cost
Gross carrying amount	$ 134,261,979	$ -
Allowance for impairment loss	(43,917)	-
Amortized cost	134,218,062	$ -
Fair value adjustment	837,447	
	$ 135,055,509	

December 31, 2018

	At FVTOCI	At Amortized Cost
Gross carrying amount	$ 146,682,749	$ 499,939
Allowance for impairment loss	(35,671)	-
Amortized cost	146,647,078	$ 499,939
Fair value adjustment	350,775	
	$ 146,997,853	

September 30, 2018

	At FVTOCI	At Amortized Cost
Gross carrying amount	$ 150,239,853	$ 499,911
Allowance for impairment loss	(37,006)	-
Amortized cost	150,202,847	$ 499,911
Fair value adjustment	427,711	
	$ 150,630,558	

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 September 30, 2019, December 31, 2018 and September 30, 2018, 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 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 Bank's operating environment and conditions, and can continue to play its role effectively.

As of September 30, 2019, December 31, 2018 and September 30, 2018, the liquidity reserve ratios were 46.39%, 45.61% and 45.43%, 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:

September 30, 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	$ 36,584,726	$ 1,504,515	$ -	$ -	$ 7,000,000	$ 45,089,241
Financial liabilities at fair value through profit or loss	170	-	-	-	-	170
Securities sold under agreements to repurchase	142,224,348	23,873,121	1,539,478	76,976	-	167,713,923
Accounts payable	2,947,447	145,713	2,120,581	700,405	61,106	5,975,252
Deposits and remittances	64,137,869	54,228,069	76,949,732	32,543,678	29,417,170	257,276,518
Bank notes payable	-	-	-	2,300,000	16,400,000	18,700,000
Other financial liabilities	1,304,074	2,679,818	925,184	2,139,508	5,397,080	12,445,664
	$ 247,198,634	$ 82,431,236	$ 81,534,975	$ 37,760,567	$ 58,275,356	$ 507,200,768

December 31, 2018	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	$ 48,781,709	$ 6,747,667	$ -	$ -	$ -	$ 55,529,376
Financial liabilities at fair value through profit or loss	4,924	-	-	-	-	4,924
Securities sold under agreements to repurchase	125,561,932	24,799,314	980,470	202,797	-	151,544,513
Accounts payable	2,183,750	431,407	2,048,855	933,391	39,034	5,636,437
Deposits and remittances	75,701,417	71,367,790	46,562,669	42,107,083	26,064,362	261,803,321
Bank notes payable	-	-	-	1,650,000	16,200,000	17,850,000
Other financial liabilities	2,154,084	1,762,372	1,079,679	3,110,559	6,927,720	15,034,414
	$ 254,387,816	$ 105,108,550	$ 50,671,673	$ 48,003,830	$ 49,231,116	$ 507,402,985

September 30, 2018	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	$ 49,926,432	$ 7,730,749	$ 444,456	$ -	$ -	$ 58,101,637
Financial liabilities at fair value through profit or loss	99,406	-	-	-	-	99,406
Securities sold under agreements to repurchase	120,418,403	32,788,210	607,557	-	-	153,814,170
Accounts payable	2,057,299	117,734	2,227,207	625,198	54,460	5,081,898
Deposits and remittances	52,951,628	77,689,214	53,108,006	44,283,299	23,126,063	251,158,210
Bank notes payable	-	3,350,000	-	1,650,000	16,200,000	21,200,000
Other financial liabilities	5,151,311	1,447,823	701,223	3,007,137	8,064,475	18,371,969
	$ 230,604,479	$ 123,123,730	$ 57,088,449	$ 49,565,634	$ 47,444,998	$ 507,827,290

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:

September 30, 2019	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Deliverable						
Foreign forward contracts	$ 1,527	$ 1,252	$ 690	$ -	$ -	$ 3,469
Foreign currency swap contracts	60,065	87,401	35,214	3,778	-	186,458
Others	2,059	3,054	48	127	-	5,288
	63,651	91,707	35,952	3,905	-	195,215
Non-deliverable						
Interest rate swap contracts	-	-	-	18,849	66,802	85,651
	$ 63,651	$ 91,707	$ 35,952	$ 22,754	$ 66,802	$ 280,866

December 31, 2018	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Deliverable						
Foreign forward contracts	$ 11,258	$ 1,022	$ 1,669	$ 25,214	$ -	$ 39,163
Foreign currency swap contracts	335,349	55,470	215,891	13,171	-	619,881
Others	961	-	-	-	-	961
	347,568	56,492	217,560	38,385	-	660,005
Non-deliverable						
Interest rate swap contracts	-	1,647	4,000	1,334	121,362	128,343
	$ 347,568	$ 58,139	$ 221,560	$ 39,719	$ 121,362	$ 788,348

September 30, 2018	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Deliverable						
Foreign forward contracts	$ 2,823	$ 35,522	$ 9,763	$ 10,930	$ -	$ 59,038
Foreign currency swap contracts	224,801	162,262	253,868	175,991	-	816,922
Others	912	-	-	-	-	912
Non-deliverable						
Interest rate swap contracts	-	1,035	2,453	7,278	119,598	130,364
	$ 228,536	$ 198,819	$ 266,084	$ 194,199	$ 119,598	$ 1,007,236

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.

September 30, 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	$ 590,560	$ 586,569	$ 175,227	$ 7,123	$ -	$ 1,359,479
Other guarantee amounts	47,188,657	71,056,602	6,714,169	3,668,975	179,685	128,808,088
Agreed financing amount	1,506,656	3,013,312	4,519,969	9,039,937	35,981,593	54,061,467
	$ 49,285,873	$ 74,656,483	$ 11,409,365	$ 12,716,035	$ 36,161,278	$ 184,229,034

December 31, 2018	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	$ 604,084	$ 840,096	$ 328,568	$ -	$ 7,389	$ 1,780,137
Other guarantee amounts	41,321,550	65,333,900	7,089,769	5,998,775	128,455	119,872,449
Agreed financing amount	1,613,326	2,311,405	3,467,107	6,934,213	37,557,069	51,883,120
	$ 43,538,960	$ 68,485,401	$ 10,885,444	$ 12,932,988	$ 37,692,913	$ 173,535,706

September 30, 2018	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	$ 618,680	$ 1,058,842	$ 133,753	$ -	$ 7,449	$ 1,818,724
Other guarantee amounts	39,903,002	66,922,707	7,372,950	5,085,093	133,900	119,417,652
Agreed financing amount	1,793,583	2,296,752	3,445,128	6,890,255	39,917,352	54,343,070
	$ 42,315,265	$ 70,278,301	$ 10,951,831	$ 11,975,348	$ 40,058,701	$ 175,579,446

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 a potential loss on the balance sheet of financial instruments classified in trading book.

2) Market risk management strategy and process

The Group manage the market risk with active, careful attitude.

The Group 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 the board of directors.

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 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 (VaR) to evaluate the market risk of financial instruments related to currency exchange rate, NTD interest rate, and price of listed stock. VaR is the potential loss in market values of financial instruments held by the Bank, which is measured within a set confidence interval for a specified period. The Bank estimated VaR on the basis of Monte Carlo method, with 99% confidence interval. The sample period of currency exchange rate products and stock is past 1 year. The sample period of interest rate products is past 3 years. The Bank simulates 5,000 times with GBM model. The table below presents VaR of financial instruments, which is according to confidence interval, using estimation of potential loss amount in a day to assume possible fluctuation in market during a day under unfavorable changes in interest rates, exchange rates or market price per share. Based on the assumption, the VaRs of the financial instruments may exceed the following values due to the fluctuations of interest rate or currency exchange rate in 1 day out of 100 days. The average VaR, the high and low VaRs were calculated based on daily VaRs in the year. The whole market risk of the Bank was less than the aggregated value of VaRs of fair value, currency exchange rate and price.

O-Bank

	September 30, 2019			December 31, 2018			September 30, 2018		
	Average	High	Low	Average	High	Low	Average	High	Low
Currency exchange rate risk	$ 1,659	$ 4,271	$ 20	$ 960	$ 7,992	$ 105	$ 1,057	$ 7,992	$ 105
Fair value risk resulting from interest rate	1,518	5,410	121	2,551	8,991	-	2,938	8,991	-
Fair value resulting from stock price	5,789	14,831	812	7,114	14,004	321	9,027	14,004	3,068

6) Foreign currency rate risk information

The information of significant foreign financial assets and liabilities is as follows:

(Unit: Foreign Currencies and New Taiwan Dollars in Thousands)

	September 30, 2019		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary item			
USD	$ 2,871,420	31.0452	$ 89,143,876
JPY	2,283,384	0.2877	656,860
HKD	7,835,881	3.9592	31,024,133
EUR	19,654	33.9445	667,071,599
AUD	921	20.999	19,339,218
RMB	2,449,106	4.3559	1,080,577,585
Financial liabilities			
Monetary item			
USD	2,711,428	31.0452	84,176,872
JPY	1,467,719	0.2877	42,221,814
HKD	5,904,130	3.9592	23,375,868
EUR	17,181	33.9445	583,201
AUD	8,610	20.999	180,802
RMB	2,089,495	4.3559	9,102,872

	December 31, 2018		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
<u>Financial assets</u>			
Monetary item			
USD	$ 3,655,151	30.7459	$ 112,381,036
JPY	1,384,579	0.2781	385,062
HKD	8,911,525	3.9254	34,981,039
EUR	18,765	35.2119	660,751
AUD	2,318	21.6701	50,231
RMB	2,781,862	4.4700	12,434,883
<u>Financial liabilities</u>			
Monetary item			
USD	3,663,930	30.7459	112,650,950
JPY	1,344,156	0.2781	373,820
HKD	6,513,703	3.9254	25,568,699
EUR	10,228	35.2119	360,147
AUD	8,661	21.6701	187,685
RMB	2,618,361	4.4700	11,704,039

	September 30, 2018		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
<u>Financial assets</u>			
Monetary item			
USD	$ 2,863,085	30.5585	$ 87,491,535
JPY	1,147,252	0.2691	308,717
HKD	8,117,166	3.9062	31,706,867
EUR	17,788	35.4953	631,390
AUD	1,906	22.0586	42,044
RMB	2,969,361	4.4446	13,197,742
<u>Financial liabilities</u>			
Monetary item			
USD	2,825,754	30.5585	86,350,740
JPY	1,254,302	0.2691	337,524
HKD	6,404,734	3.9062	25,017,852
EUR	10,748	35.4953	381,503
AUD	8,624	22.0586	190,234
RMB	2,614,587	4.4446	11,620,896

f. Bank book interest rate risk

1) Source and definition of bank book interest rate risk

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 rate change.

2) Bank book interest rate risk management strategy and process

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 Bank book interest rate risk within the limit.

3) Bank book interest rate risk management organization and framework

a) The Board of Directors: It is the top bank book interest rate 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 and approved by the board of directors are the top stipulation in bank book interest rate risk.

b) Assets and Liabilities Committee: In charge of stipulating bank book interest rate risk management policy and monitoring the operating of bank book interest rate risk management. The Bank assembles related departments to hold an assets-and-liabilities assessment meeting to review the management conditions of Bank book interest rate risk investment business and the result of interest rate pressure test once a month.

c) Risk Management Department: In charge of bank book interest rate risk management. According to the Bank's regulation, the department is in charge of every operation related to bank book interest risk management, including planning of bank book interest rate risk limits, statistics, reporting and monitoring.

4) The extent and characteristics of the Bank book interest rate risk report and evaluation system

The Risk Management Department set the regulation with bank book interest rate 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, 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 bank book interest rate risk.

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 Nine Months Ended September 30			
	2019		2018	
	Average Balance	**Average Rate (%)**	**Average Balance**	**Average Rate (%)**
Assets				
Due from banks - cash and cash equivalents and other financial assets	$ 1,082,590	2.77	$ 1,077,523	2.32
Call loans to banks	15,657,889	1.64	9,347,801	1.29
Due from the Central Bank	5,100,297	0.64	4,170,119	0.65
Financial assets at fair value through profit or loss	64,080,883	0.65	43,060,072	0.60
Securities purchased under resell agreements	46,666	0.16	352,045	0.20
Discounts and loans	180,376,784	2.66	174,187,948	2.53
Financial assets at fair value through other comprehensive income	39,701,459	1.90	45,069,413	1.54
Financial assets at amortized costs	362,614	1.14	499,861	1.15
Receivables	1,340,452	2.50	2,039,879	2.32
Liabilities				
Deposits from the Central Bank and banks	26,075,221	2.03	36,079,355	1.66
Demand deposits	46,047,411	0.47	37,148,658	0.47
Time deposits	197,025,904	1.40	170,356,562	1.11
Securities sold under repurchase agreements	3,782,125	0.51	5,707,412	0.81
Bank notes payable	18,661,538	2.03	20,880,769	2.08
Other financial liabilities	3,843,888	-	5,097,644	-

China Bills Finance Corporation (CBF)

	For the Nine Months Ended September 30			
	2019		2018	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
Assets				
Cash and cash equivalents (including certificate of deposit)	$ 817,944	0.11	$ 802,753	0.17
Call loans to banks	33,370	0.18	13,297	0.20
Financial assets at fair value through profit or loss - bonds and bills	93,288,461	0.62	92,114,220	0.56
Financial assets at fair value through other comprehensive income-bond investment	96,907,206	1.33	96,627,076	1.33
Financial assets at fair value through profit or loss - mixed financial assets	7,423,033	1.55	6,451,927	1.48
Securities purchased under resell agreements	1,118,027	0.35	4,964,861	0.35
Liabilities				
Due to other banks	16,699,616	0.79	17,367,372	0.57
Bank overdrafts	2,429	1.78	1,777	1.75
Securities (bills and bonds) sold under repurchase agreements	158,569,667	0.63	160,137,713	0.51
Commercial papers payable	1,157,509	0.62	1,897,070	0.58

46. 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 is subject to the competent authorities. The calculation of the ratio mentioned above is in accordance with the competent authority regulations.

b. Capital assessment program

Various capital ratios and leverage ratio calculation, analysis, monitoring and reporting, the annual allocation of each business’s capital adequacy ratio targets, and the target achievement rate in the capital ratio are performed on a regular basis. Actions are taken when various capital ratios and leverage ratio have deteriorated.

47. ASSET QUALITY OF LOANS, 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 5.

2) Concentration of credit extensions

September 30, 2019

(In Thousands of New Taiwan Dollars or in %)

Rank	Company Name	Credit Extensions Balance	% of Net Asset Value
1	A Company (real estate development)	$ 5,474,307	16.38
2	B Company (unclassified other financial service)	5,000,000	14.96
3	C Company (short term accommodation activities)	3,484,252	10.43
4	D Company (LCD and component manufacturing)	2,997,685	8.97
5	E Company (ocean transportation)	2,993,725	8.96
6	F Company (real estate development)	2,745,337	8.22
7	G Company (retail sale of other food, beverages and tobacco in specialized stores)	2,449,579	7.33
8	H Company (real estate development)	2,363,579	7.07
9	I Company (unclassified other financial service)	2,200,000	6.58
10	J Company (unclassified other financial service)	2,085,802	6.24

December 31, 2018

(In Thousands of New Taiwan Dollars or in %)

Rank	Company Name	Credit Extensions Balance	% of Net Asset Value
1	A Company (real estate development)	$ 6,363,353	19.89
2	B Company (unclassified other financial service)	4,536,476	14.18
3	F Company (real estate development)	3,376,930	10.56
4	E Company (short term accommodation activities)	3,344,736	10.46
5	C Company (ocean transportation)	3,194,081	9.98
6	D Company (LCD and component manufacturing)	2,563,619	8.01
7	H Company (real estate development)	2,538,157	7.93
8	N Company (chemistry manufacturing)	2,417,984	7.56
9	J Company (unclassified other financial service)	2,109,623	6.59
10	M Company (real estate development)	2,045,098	6.39

September 30, 2018

(In Thousands of New Taiwan Dollars or in %)

Rank	Company Name	Credit Extensions Balance	% of Net Asset Value
1	A Company (real estate development)	$ 6,303,035	21.73
2	B Company (unclassified other financial service)	4,490,556	15.48
3	C Company (short term accommodation activities)	3,410,962	11.76
4	E Company (ocean transportation)	3,345,361	11.54
5	D Company (LCD and component manufacturing)	3,193,571	11.01
6	F Company (real estate development)	3,166,930	10.92
7	H Company (real estate development)	2,537,888	8.75
8	H Company (chemistry manufacturing)	2,181,433	7.52
9	K Company (unclassified other financial service)	2,113,126	7.29
10	L Company (real estate development)	2,083,006	7.18

b. Market risk

Interest Rate Sensitivity Balance Sheet (New Taiwan Dollars)
September 30, 2019

(In Thousands of New Taiwan Dollars or in %)

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	$ 154,175,064	$ 13,448,419	$ 28,367,880	$ 20,876,989	$ 216,868,352
Interest rate-sensitive liabilities	71,632,900	69,052,445	27,564,957	41,460,228	209,710,530
Interest rate-sensitive gap	82,542,164	(55,604,026)	802,923	(20,583,239)	7,157,822
Net worth					30,042,176
Ratio of interest rate-sensitive assets to liabilities					103.41%
Ratio of interest rate sensitivity gap to net worth					23.83%

December 31, 2018

(In Thousands of New Taiwan Dollars or in %)

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	$ 153,895,676	$ 3,701,113	$ 5,156,795	$ 59,203,989	$ 221,957,573
Interest rate-sensitive liabilities	80,313,253	45,671,299	41,035,656	45,437,973	212,458,181
Interest rate-sensitive gap	73,582,423	(41,970,186)	(35,878,861)	13,766,016	9,499,392
Net worth					29,476,185
Ratio of interest rate-sensitive assets to liabilities					104.47%
Ratio of interest rate sensitivity gap to net worth					32.23%

September 30, 2018

(In Thousands of New Taiwan Dollars or in %)

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	$ 148,311,576	$ 11,108,287	$ 4,658,911	$ 59,710,457	$ 223,789,231
Interest rate-sensitive liabilities	80,884,626	55,505,793	42,790,993	38,926,395	218,107,807
Interest rate-sensitive gap	67,426,950	(44,397,506)	(38,132,082)	20,784,062	5,681,424
Net worth					26,571,602
Ratio of interest rate-sensitive assets to liabilities					102.60%
Ratio of interest rate sensitivity gap to net worth					21.38%

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)
September 30, 2019

(In Thousands of U.S. Dollars or in %)

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	$ 1,460,625	$ 11,108	$ 28,742	$ 818,766	$ 2,319,241
Interest rate-sensitive liabilities	1,401,779	617,744	220,075	-	2,239,598
Interest rate-sensitive gap	58,846	(606,636)	(191,333)	818,766	79,643
Net worth					87,653
Ratio of interest rate-sensitive assets to liabilities					103.56%
Ratio of interest rate sensitivity gap to net worth					90.86%

December 31, 2018

(In Thousands of U.S. Dollars or in %)

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	$ 1,496,271	$ 15,499	$ 36,800	$ 968,185	$ 2,516,755
Interest rate-sensitive liabilities	1,892,767	520,320	87,390	-	2,500,477
Interest rate-sensitive gap	(396,496)	(504,821)	(50,590)	968,185	16,278
Net worth					64,062
Ratio of interest rate-sensitive assets to liabilities					100.65%
Ratio of interest rate sensitivity gap to net worth					25.41%

September 30, 2018

(In Thousands of U.S. Dollars or in %)

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	$ 1,490,069	$ 20,406	$ 25,784	$ 809,396	$ 2,345,655
Interest rate-sensitive liabilities	1,666,042	546,250	120,094	3,101	2,335,487
Interest rate-sensitive gap	(175,973)	(525,844)	(94,310)	806,295	10,168
Net worth					60,951
Ratio of interest rate-sensitive assets to liabilities					100.44%
Ratio of interest rate sensitivity gap to net worth					16.68%

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 Nine Months Ended September 30, 2019	For the Nine Months Ended September 30, 2018
Return on total assets	Before income tax	0.37	0.30
	After income tax	0.32	0.23
Return on equity	Before income tax	3.75	3.22
	After income tax	3.21	2.50
Net income ratio		25.30	20.73

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 nine months ended September 30, 2019 and 2018.

2) Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities (New Taiwan Dollars)
September 30, 2019

(In Thousands of New Taiwan Dollars)

	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	$ 251,416,188	$ 83,889,226	$ 9,717,441	$ 21,260,061	$ 15,446,122	$ 20,621,174	$ 100,482,164
Main capital outflow on maturity	290,101,471	21,897,993	25,367,485	47,663,266	58,151,738	35,825,759	101,195,230
Gap	(38,685,283)	61,991,233	(15,650,044)	(26,403,205)	(42,705,616)	(15,204,585)	(713,066)

December 31, 2018

(In Thousands of New Taiwan Dollars)

	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	$ 261,684,702	$ 66,366,860	$ 21,782,255	$ 22,834,590	$ 18,588,439	$ 19,785,994	$ 112,326,564
Main capital outflow on maturity	299,504,646	31,670,930	36,010,964	52,474,249	41,206,123	49,853,927	88,288,453
Gap	(37,819,944)	34,695,930	(14,228,709)	(29,639,659)	(22,617,684)	(30,067,933)	24,038,111

September 30, 2018

(In Thousands of New Taiwan Dollars)

	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	$ 267,692,707	$ 64,809,790	$ 21,464,136	$ 24,272,935	$ 20,272,774	$ 23,135,366	$ 113,737,706
Main capital outflow on maturity	303,326,972	26,356,880	26,715,205	71,208,511	45,315,367	52,177,175	81,553,834
Gap	(35,634,265)	38,452,910	(5,251,069)	(46,935,576)	(25,042,593)	(29,041,809)	32,183,872

Note: The Bank amounts refer to the total NTD amounts of the overall Group.

Maturity Analysis of Assets and Liabilities (U.S. Dollars)
September 30, 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	$ 3,240,216	$ 963,021	$ 944,263	$ 318,609	$ 144,575	$ 869,748
Main capital outflow on maturity	3,602,447	1,356,771	931,055	483,797	295,239	535,585
Gap	(362,231)	(393,750)	13,208	(165,188)	(150,664)	334,163

December 31, 2018

(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	$ 3,865,995	$ 1,551,474	$ 698,979	$ 509,652	$ 324,982	$ 780,908
Main capital outflow on maturity	4,008,431	1,858,382	1,012,637	522,411	207,076	407,925
Gap	(142,436)	(306,908)	(313,658)	(12,759)	117,906	372,983

September 30, 2018

(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	$ 3,715,626	$ 1,031,328	$ 897,444	$ 567,848	$ 402,469	$ 816,537
Main capital outflow on maturity	4,042,600	1,433,593	1,107,739	652,157	314,025	535,086
Gap	(326,974)	(402,265)	(210,295)	(84,309)	88,444	281,451

Note 1: The Bank amounts refer to the total USD amounts of the overall Group.

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)
September 30, 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	$ 1,062,517	$ 425,867	$ 208,087	$ 29,931	$ 34,359	$ 364,273
Main capital outflow on maturity	1,058,071	440,548	226,654	133,184	95,959	161,726
Gap	4,446	(14,681)	(18,567)	(103,253)	(61,600)	202,547

December 31, 2018

(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	$ 1,071,742	$ 487,386	$ 155,816	$ 43,623	$ 20,899	$ 364,018
Main capital outflow on maturity	1,071,400	510,060	289,780	90,435	45,654	135,471
Gap	342	(22,674)	(133,964)	(46,812)	(24,755)	228,547

September 30, 2018

(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	$ 999,249	$ 330,060	$ 198,069	$ 59,351	$ 52,660	$ 359,109
Main capital outflow on maturity	1,029,182	388,491	266,283	147,560	73,378	153,470
Gap	(29,933)	(58,431)	(68,214)	(88,209)	(20,718)	205,639

Note 1: The Bank amounts refer to the total USD amounts of the overall Group.

Note 2: If the overseas assets are at least 10% of the total assets, there should be additional disclosures.

China Bills Finance Corporation

a. Asset quality

(Unit: In Thousands of New Taiwan Dollars or in %)

Item / Period	September 30, 2019	December 31, 2018	September 30, 2018
Balance of guarantees and endorsement credits overdue within 3 months	$ -	$ -	$ -
Nonperforming debts (include overdue receivables)	-	-	-
Credits under observation	-	-	-
Overdue receivables	-	-	-
Ratio of nonperforming debts	0.00%	0.00%	0.00%
Ratio of nonperforming debts and credits under observation	0.00%	0.00%	0.00%
Required provision for credit losses and reserve for losses on guarantees	$ 1,074,899	$ 1,045,899	$ 1,050,537
Actual provision for credit losses and reserve for losses on guarantees	1,310,077	1,310,077	1,310,077

b. The principal operation

(Unit: In Thousands of New Taiwan Dollars or in %)

Item / Period	September 30, 2019	December 31, 2018	September 30, 2018
Balance of guarantees and endorsement securities	$ 107,451,100	$ 104,434,900	$ 104,898,200
Ratio of guarantees and endorsement securities to net worth (Note)	4.90	4.77	4.79
Short-term bills and bonds sold under agreement to repurchase	$ 162,859,945	$ 147,142,872	$ 149,859,450
Ratio of short-term bills and bonds sold under agreement to repurchase to net worth (Note)	7.42	6.72	6.84

c. For the provision policy losses and allowance for doubtful accounts, refer to Note 13.

d. Concentrations of credit extensions

(In Thousands of New Taiwan Dollars or in %)

Item / Period	September 30, 2019		December 31, 2018		September 30, 2018	
Credit of the common interested party	$ -		$ -		$ -	
Credit ratio of the interested party (Credit of the common interested party ÷ Total credit)	-		-		-	
Credit ratio of pledged stocks (Credit of pledged stocks ÷ Total credit)	21.93		19.80		18.40	
Loan concentration by industry	**Type of Industry**	**%**	**Type of Industry**	**%**	**Type of Industry**	**%**
(The concentration of listed industries were the Top 3 of all industries)	1) Finance and insurance industry	33.26	1) Finance and insurance industry	36.16	1) Finance and insurance industry	31.10
	2) Manufacturing industry	22.95	2) Manufacturing industry	22.25	2) Manufacturing industry	25.46
	3) Real estate industry	23.51	3) Real estate industry	22.94	3) Real estate industry	24.97

Note 1: Ratio of credit extensions to common interest parties: Credit to common interest 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

September 30, 2019

(In Millions of New Taiwan Dollars or in %)

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	$ 92,580	$ 11,249	$ 9,057	$ 91,490	$ 204,376
Interest rate-sensitive liabilities	180,137	1,539	77	-	181,753
Interest rate-sensitive gap	(87,557)	9,710	8,980	91,490	22,623
Net worth					23,572
Ratio of interest rate-sensitive assets to liabilities (%)					112.45
Ratio of interest rate sensitivity gap to net worth (%)					95.97

December 31, 2018

(In Millions of New Taiwan Dollars or in %)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	$ 85,776	$ 13,639	$ 5,451	$ 90,728	$ 195,594
Interest rate-sensitive liabilities	172,907	980	203	-	174,090
Interest rate-sensitive gap	(87,131)	12,659	5,248	90,728	21,504
Net worth					23,299
Ratio of interest rate-sensitive assets to liabilities (%)					112.35
Ratio of interest rate sensitivity gap to net worth (%)					92.30

September 30, 2018

(In Millions of New Taiwan Dollars or in %)

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	$ 83,885	$ 10,361	$ 9,373	$ 89,769	$ 193,388
Interest rate-sensitive liabilities	171,161	608	-	-	171,769
Interest rate-sensitive gap	(87,276)	9,753	9,373	89,769	21,619
Net worth					23,105
Ratio of interest rate-sensitive assets to liabilities (%)					112.59
Ratio of interest rate sensitivity gap to net worth (%)					93.57

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

September 30, 2019

(In Millions of New Taiwan Dollars)

Items \ Period		1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Cash used in	Bills	$ 44,526	$ 42,753	$ 6,573	$ 919	$ -
	Bonds	250	1,535	4,676	8,138	91,490
	Due from banks	326	-	-	-	-
	Call loans	1,000	-	-	-	-
	Securities purchased under resell agreements	1,290	900	-	-	-
	Total	47,392	45,188	11,249	9,057	91,490
Cash provided by	Borrowing	18,994	-	-	-	-
	Securities sold under agreement to repurchase	137,285	23,858	1,539	77	-
	Eligible capital	-	-	-	-	23,572
	Total	156,279	23,858	1,539	77	23,572
Net cash flows		(108,887)	21,330	9,710	8,980	67,918
Accumulated cash flows		(108,887)	(87,557)	(77,847)	(68,867)	(949)

December 31, 2018

(In Millions of New Taiwan Dollars)

Items \ Period		1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Cash used in	Bills	$ 44,934	$ 36,756	$ 8,820	$ 110	$ -
	Bonds	1,479	1,354	4,819	5,341	90,728
	Due from banks	262	-	-	-	-
	Call loans	-	-	-	-	-
	Securities purchased under agreement to resell	991	-	-	-	-
	Total	47,666	38,110	13,639	5,451	90,728
Cash provided by	Borrowing	27,044	-	-	-	-
	Securities sold under agreement to repurchase	121,064	24,799	980	203	-
	Eligible capital	-	-	-	-	23,299
	Total	148,108	24,799	980	203	23,299
Net cash flows		(100,442)	13,311	12,659	5,248	67,429
Accumulated cash flows		(100,442)	(87,131)	(74,472)	(69,224)	(1,795)

September 30, 2018

(In Millions of New Taiwan Dollars)

Items \ Period		1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Cash used in	Bills	$ 41,020	$ 35,192	$ 6,427	$ 1,203	$ -
	Bonds	1,181	3,473	3,934	8,170	89,769
	Due from banks	249	-	-	-	-
	Call loans	-	-	-	-	-
	Securities purchased under resell agreements	1,618	1,152	-	-	-
	Total	44,068	39,817	10,361	9,373	89,769
Cash provided by	Borrowing	22,001	-	-	-	-
	Securities sold under agreement to repurchase	116,372	32,788	608	-	-
	Eligible capital	-	-	-	-	23,105
	Total	138,373	32,788	608	-	23,105
Net cash flows		(94,305)	7,029	9,753	9,373	66,664
Accumulated cash flows		(94,305)	(87,276)	(77,523)	(68,150)	(1,486)

g. Matters requiring special notation

(In Thousands of New Taiwan Dollars)

Causes	September 30, 2019	December 31, 2018	September 30, 2018
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	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	None
Within the past year, misconduct occurred, resulting in the Ministry of Finance's imposing strict corrective measures	None	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	None
Other	None	None	None

Note: The term "within the past year" means one year before the balance sheet date.

48. CASH FLOWS INFORMATION

Changes in Liabilities from Financing Activities

For the nine months ended September 30, 2019

	January 1, 2019	Cash Inflow (Outflow)	None Cash		September 30, 2019
			Add Leasing	Other	
Bank notes payable	$ 17,850,000	$ 850,000	$ -	$ -	$ 18,700,000
Lease liabilities	542,298	(107,272)	169,056	(51,383)	552,699
Other financial liabilities	15,034,414	(2,588,869)	-	119	12,445,664
Other liabilities	2,400,842	80,095	-	32	2,480,969
	$ 35,827,554	$ (1,766,046)	$ 169,056	$ 51,232	$ 34,179,332

For the nine months ended September 30, 2018

	January 1, 2018	Cash Inflow (Outflow)	None Cash	September 30, 2018
			Other	
Bank notes payable	$ 20,400,000	$ 800,000	$ -	$ 21,200,000
Other financial liabilities	22,337,877	(3,965,908)	-	18,371,969
Other liabilities	2,477,851	(264,138)	-	2,213,713
	$ 45,215,728	$ (3,430,046)	$ -	$ 41,785,682

49. 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) The amount of buying or selling stocks for joint venture is at least $300 million or 10% of the paid-in capital: None

5) Acquisition of individual real estate at costs of at least $300 million or 10% of the paid-in capital: None

6) Disposal of individual real estate at costs of at least $300 million or 10% of the paid-in capital: None

7) Allowance of service fees to related parties amounting to at least $5 million: None

8) Receivables from related parties amounting to at least $300 million or 10% of the paid-in capital: None

9) Sale of nonperforming loans: Table 4 (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." Uncovering

13) Derivative instrument transactions: Note 8

c. Investment in mainland China: Table 6 (attached)

d. Business relationships and significant transactions among the group: Table 7 (attached)

50. 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 the same as significant accounting policies described in Note 4. The Group shall be reported to the operating segment 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 Bank's revenue and results by reportable segment.

	Bank	Overseas	Leasing	Bills	Others	Eliminations	Consolidated
For the nine months ended September 30, 2019							
Net interest revenue							
From unaffiliated segment	$ 1,503,960	$ 813,773	$ 522,632	$ 99,865	$ (18)	$ 203	$ 2,940,415
From other segment	(2,578)	-	3	-	147	2,303	(125)
	$ 1,501,382	$ 813,773	$ 522,635	$ 99,865	$ 129	$ 2,506	$ 2,940,290
Net revenue other than interest income							
From unaffiliated segment	$ 2,630,934	$ 40,544	$ 259,136	$ 1,437,850	$ 9,226	$ -	$ 4,377,690
From other segment	16,979	-	(1,258)	(14,953)	(643)	(901,672)	(901,547)
	$ 2,647,913	$ 40,544	$ 257,878	$ 1,422,897	$ 8,583	$ (901,672)	$ 3,476,143
Net profit from continuing operations	$ 1,049,676	$ 341,790	$ 292,055	$ 949,382	$ (3,139)	$ (867,966)	$ 1,761,798
Identifiable assets	$ 312,338,037	$ 29,170,057	$ 13,653,913	$ 208,192,141	$ 217,085	$ 105,707	$ 563,676,940
Depreciation and amortization expense	$ 382,585	$ 42,571	$ 29,824	$ 18,512	$ 823	$ (11,682)	$ 462,633
Capital expenditures	$ 48,123	$ 864	$ 15,802	$ 6,274	$ -	$ -	$ 71,063
For the nine months ended September 30, 2018							
Net interest revenue							
From unaffiliated segment	$ 1,645,178	$ 699,748	$ 577,157	$ 273,916	$ 25	$ (30,455)	$ 3,165,569
From other segment	(8,579)	-	333	1,243	395	6,608	-
	$ 1,636,599	$ 699,748	$ 577,490	$ 275,159	$ 420	$ (23,847)	$ 3,165,569
Net revenue other than interest income							
From unaffiliated segment	$ 1,218,802	$ 37,213	$ 154,547	$ 1,238,114	$ (10,445)	$ -	$ 2,638,231
From other segment	27,213	-	-	-	-	(6,415)	20,798
	$ 1,246,015	$ 37,213	$ 154,547	$ 1,238,114	$ (10,445)	$ (6,415)	$ 2,659,029
Net profit from continuing operations	$ 727,614	$ 268,631	$ 96,815	$ 1,048,763	$ (21,687)	$ (619,107)	$ 1,501,029
Identifiable assets	$ 333,653,836	$ 26,775,841	$ 15,488,547	$ 197,400,531	$ 216,697	$ (14,233,724)	$ 559,301,728
Depreciation and amortization expense	$ 282,019	$ 13,534	$ 11,838	$ 6,315	$ 163	$ -	$ 313,869
Capital expenditures	$ 172,920	$ 41,954	$ 10,236	$ 1,510	$ 3	$ -	$ 226,623

TABLE 1

O-BANK AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019
(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	$ 91,560	$ 68,660	$ 68,660	2-8	2	$ -	Working capital turnover	$ 6,866	Real estate	$ 124,389	$ 227,857	$ 911,427	
		Kaiju Aluminum Industry Co., Ltd.	Account receivable - short-term accommodations	No	8,601	-	-	2-8	1	30,000	Working capital turnover	-	Real estate	-	227,857	2,278,567	
		Kaiju Aluminum Industry Co., Ltd.	Account receivable - short-term accommodations	No	8,601	-	-	2-8	2	-	Working capital turnover	-	Real estate	-	227,857	911,427	
		General Energy Solutions	Account receivable - short-term accommodations	No	2,324	-	-	2-8	2	-	Working capital turnover	-	Margin	-	227,857	911,427	
		San Rong Fisheries Corp.	Account receivable - short-term accommodations	No	13,080	-	-	2-8	2	-	Working capital turnover	-	-	-	227,857	911,427	
		Shanyue development Co., Ltd.	Account receivable - short-term accommodations	No	165,000	165,000	165,000	2-8	2	-	Working capital turnover	2,970	Real estate	88,310	227,857	911,427	
		Kuang Ming shipping Corp.	Account receivable - short-term accommodations	No	167,100	110,000	110,000	2-8	2	-	Working capital turnover	1,782	Performance bond	11,000	227,857	911,427	
		Inhon Communication Co., Ltd.	Account receivable - short-term accommodations	No	66,587	29,924	29,924	2-8	2	-	Working capital turnover	737	Margin	10,000	227,857	911,427	
		Huimin Environmental Tech. Corp.	Account receivable - short-term accommodations	No	30,000	11,448	11,448	2-8	2	-	Working capital turnover	149	-	-	227,857	911,427	
		Power Home Construction	Account receivable - short-term accommodations	No	82,500	58,644	58,644	2-8	2	-	Working capital turnover	762	Real estate	96,949	227,857	911,427	
		General Energy Solutions	Account receivable - short-term accommodations	No	43,994	22,472	22,472	2-8	1	77,159	Working capital turnover	300	Margin	5,800	227,857	2,278,567	
		Shinex Machinery Engineering Inc.	Account receivable - short-term accommodations	No	15,668	-	-	2-8	2	-	Working capital turnover	-	-	-	227,857	911,427	
		An Chieh Bao Corp.	Account receivable - short-term accommodations	No	51,030	42,995	42,995	2-8	2	-	Working capital turnover	409	Margin	12,000	227,857	911,427	
		Advanced Wireless and Antenna Inc.	Account receivable - short-term accommodations	No	28,231	12,363	12,363	2-8	2	-	Working capital turnover	235	Margin	6,000	227,857	911,427	
		Yuan Mao Construction Co., Ltd.	Account receivable - short-term accommodations	No	120,000	105,600	105,600	2-8	2	-	Working capital turnover	1,901	Stock	64,800	227,857	911,427	
		Taroko Recreation Management Co., Ltd.	Account receivable - short-term accommodations	No	70,000	67,692	67,692	2-8	2	-	Working capital turnover	880	Stock	-	227,857	911,427	
2	IBT International Leasing Corp.	Qingdao Liansheng Industry Co., Ltd.	Entrusted loans	Yes	81,632	-	-	6-16	2	-	Working capital turnover	-	-	-	227,938	911,752	
		Shanghai Kuang Di Entertainment Co., Ltd.	Entrusted loans	No	18,958	-	-	6-16	2	-	Working capital turnover	-	-	-	227,938	911,752	
		Zhangjiajie Zhongjun Real Estate Co., Ltd.	Entrusted loans	No	61,006	42,704	42,704	6-16	2	-	Working capital turnover	854	Real estate	67,268	227,938	911,752	
		Suzhou Dong Sheng Machine Co., Ltd.	Entrusted loans	No	40,329	24,890	24,890	6-16	2	-	Working capital turnover	100	Real estate	34,451	227,938	911,752	
		Suzhou Leading Car Service Co., Ltd.	Entrusted loans	No	50,112	46,111	46,111	6-16	2	-	Working capital turnover	158	Margin	6,536	227,938	911,752	
		Nanjing Forland automobile leasing Co., Ltd.	Entrusted loans	No	50,112	46,111	46,111	6-16	2	-	Working capital turnover	158	Margin	6,536	227,938	911,752	
		Shanghai Qiaoyou Garment Co., Ltd.	Entrusted loans	No	11,995	-	-	6-16	2	-	Working capital turnover	-	-	-	227,938	911,752	
		Qiangsheng (Shanghai) Multimedia Co., Ltd.	Entrusted loans	No	46,022	-	-	6-16	2	-	Working capital turnover	-	-	-	227,938	911,752	
		Shanghai Meijiaqi Electronics Co., Ltd.	Entrusted loans	No	19,241	-	-	6-16	2	-	Working capital turnover	-	-	-	227,938	911,752	

(Continued)

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, IBT International Leasing Corp. and IBT Tianjin 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 net assets.

(Concluded)

O-BANK AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019
(In Thousands of New Taiwan Dollars)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 2)	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 3)	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship (Note 1)										
1	IBT Leasing	IBT International Leasing Corp.	b	$ 18,228,535	$ 15,220,159	$ 13,624,747	$ 5,190,968	$ -	597.95	$ 27,342,802	Yes	No	Yes

Note 1: Relationships between the endorsement/guarantee provider and the guaranteed party:

a. Trading partner.
b. Directly owns over 50% of the common stocks of the subsidiary.
c. The Bank and subsidiary own over 50% ownership of the investee company.
d. A parent company that own over 50% ownership of the company directly or through a subsidiary.
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.

Note 2: 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 3: The endorsement belongs to the grandson company from IBT International Leasing Corp.

TABLE 3

O-BANK AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
SEPTEMBER 30, 2019
(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	September 30, 2019				Note
				Stocks/Units (Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
IBT Holdings	Stocks							
	EverTrust Bank	Subsidiaries	Investments accounted for using the equity method	10,714	US$ 172,006	91.78	US$ 172,006	
IBT Management Corp.	Open type beneficiary certificate							
	Taishin Ta-Chong Money Market Fund	-	Financial asset at FVTPL	750	10,686	-	10,686	
	Uni Money Market Fund	-	Financial asset at FVTPL	803	10,625	-	10,625	
	Closed type beneficiary certificate							
	O-Bank Real Estate Investment Trust “Successful One”	-	Financial asset at FVTOCI	15,319	134,041	5.11	134,041	
	Stocks							
	Gatetech Technology Co., Ltd.	-	Financial asset at FVTOCI	92	893	0.18	893	
IBT Leasing Co., Ltd.	Stocks							
	IBT International Leasing Corp.	Subsidiaries	Investments accounted for using the equity method	-	2,165,412	95.00	2,165,412	
	IBT VII Venture Capital Co., Ltd.	Subsidiaries	Investments accounted for using the equity method	65,000	436,657	100.00	436,657	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	122,500	4.67	122,500	
	Stocks							
	IBT International Leasing Corp.	Subsidiaries	Investments accounted for using the equity method	-	113,969	5.00	113,969	
	EirGenix Co., Ltd.	-	Financial asset at FVTPL	342	10,346	0.20	10,346	
	TAIRX Corp.	-	Financial asset at FVTPL	1,842	33,764	2.56	33,764	
	Meridigen Corp.	-	Financial asset at FVTPL	500	8,440	0.55	8,440	
	Femcosteel Tech Co., Ltd.	-	Financial asset at FVTPL	1,298	34,527	3.11	34,527	
	Shihlian China Holdings Corp.	-	Financial asset at FVTPL	9,135	43,488	0.21	43,488	Note 2
	New Applied Materials Co., Ltd.	-	Financial asset at FVTPL	347	8,264	0.59	8,264	
	Polaris Co., Ltd.	-	Financial asset at FVTPL	140	1,841	0.04	1,841	
	BioResource Internailtional, Inc.	-	Financial asset at FVTPL	1,105	75,761	5.91	75,761	Note 3

Note 1: Unreviewed by certified public accountant.

Note 2: 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 3: The securities are transferred within the group and are listed in the financial asset at FVTOCI when they are combined.

TABLE 4

O-BANK AND SUBSIDIARIES

SALES OF NONPERFORMING LOANS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019
(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
June 21, 2019	TANG, YIU PONG	Residential mortgage	$ 116,525	$ 116,525	$ -	None	None
August 12, 2019	NOBLE GATE GROUP LIMITED	Commercial mortgage	$ 74,840	$ 74,840	$ -	None	None

2. Sales of nonperforming loans in a single batch of claims amounting to more than $1 billion (excluding those sold to related parties): None.

TABLE 5

O-BANK AND SUBSIDIARIES

NON-PERFORMING LOANS AND ACCOUNTS RECEIVABLE
SEPTEMBER 30, 2019, DECEMBER 31, 2018 AND SEPTEMBER 30, 2018
(In Thousands of New Taiwan Dollars or in %)

Period			September 30, 2019					December 31, 2018				
Items			Non-performing Loans (Note 1)	Outstanding Loan Balance	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)	Non-performing Loans (Note 1)	Outstanding Loan Balance	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Corporate banking	Secured		$ 548,636	$ 85,260,824	0.64%	$ 1,051,635	191.68%	$ 21,623	$ 85,631,246	0.03%	$ 1,036,438	4,793.22%
	Unsecured		704,880	75,974,409	0.93%	1,291,457	183.22%	-	85,108,167	-	1,480,041	-
Consumer banking	Housing mortgage (Note 4)		-	13,378,443	-	183,840	-	-	8,074,049	-	121,111	-
	Cash card		-	-	-	-	-	-	-	-	-	-
	Small-scale credit loans		7,801	4,524,134	0.17%	59,018	756.54%	5,714	3,245,770	0.18%	33,214	581.27%
	Other	Secured	-	-	-	-	-	-	-	-	-	-
		Unsecured	-	-	-	-	-	-	-	-	-	-
Total lending business			1,261,317	179,137,810	0.70%	2,585,950	205.02%	27,337	182,059,232	0.02%	2,670,804	9,769.92%
			Non-performing Receivables	Outstanding Receivable Balance	Ratio of Nonperforming Receivables	Allowance for Possible Losses	Coverage Ratio	Non-performing Receivables	Outstanding Receivable Balance	Ratio of Nonperforming Receivables	Allowance for Possible Losses	Coverage Ratio
Credit cards			-	-	-	-	-	-	-	-	-	-
Factored accounts receivable without recourse (Note 5)			-	2,529,693	-	26,522	-	-	4,714,725	-	50,500	-
			Exempt from Reporting the Total Balance of Overdue Loans			Exempt from Reporting the Total Balance of Overdue Account Receivable		Exempt from Reporting the Total Balance of Overdue Loans			Exempt from Reporting the Total Balance of Overdue Account Receivable	
Exempt amount - due to debt negotiation and performance (Note 6)			$ -			$ -		$ -			$ -	
Debt settlement plan and rehabilitative program (Note 7)			746			-		-			-	
Total			746			-		-			-	

Period			September 30, 2018				
Items			Nonperforming Loans (Note 1)	Outstanding Loan Balance	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Corporate banking	Secured		$ 21,623	$ 80,353,931	0.03	$ 936,553	4,331.28%
	Unsecured		-	90,794,333	-	1,502,943	-
Consumer banking	Housing mortgage (Note 4)			6,729,630	-	101,612	-
	Cash card		-	-	-	-	-
	Small-scale credit loans		3,119	2,609,265	0.12	26,316	843.73%
	Other	Secured	-	-	-	-	-
		Unsecured	-	-	-	-	-
Total lending business			24,742	180,487,159	0.01	2,567,424	10,376.78%
			Nonperforming Receivables	Outstanding Receivable Balance	Ratio of Nonperforming Receivables	Allowance for Possible Losses	Coverage Ratio
Credit cards			-	-	-	-	-
Factored accounts receivable without recourse (Note 5)			-	4,331,356	-	46,937	-

(Continued)

	Exempt from Reporting the Total Balance of Overdue Loans	Exempt from Reporting the Total Balance of Overdue Account Receivable
Exempt amount - due to debt negotiation and performance (Note 6)	$ -	$ -
Debt settlement plan and rehabilitative program (Note 7)	-	-
Total	-	-

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: 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 6: 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 7: 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 date 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.

(Concluded)

O-BANK AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019
(New Taiwan Dollars and U.S. Dollars in Thousands, Unless Stated Otherwise)

O-Bank

(Continued)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2019	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of September 30, 2019	Accumulated Inward Remittance of Earnings as of September 30, 2019
					Outflow	Inflow					
Shinlien Chemical Industrial Jiangsu Co.	Production of glass materials	$ 24,836,175 (US$ 800,000)	Note 1 c.	$ 214,150 (US$ 6,898)	$ -	$ -	$ 214,150 (US$ 6,898)	1.39	$ -	$ 214,150 (US$ 6,898)	$ -
Shinlien Brine Huaian Co.	Production of glass materials	993,447 (US$ 32,000)	Note 1 c.	10,338 (US$ 333)	-	-	10,338 (US$ 333)	1.39	-	10,338 (US$ 333)	-
Suzhou Dio F&B Management Co., Ltd.	Coffee retailing	478,065 (US$ 15,399)	Note 1 c.	62,090 (US$ 2,000)	-	-	62,090 (US$ 2,000)	2.60	-	62,090 (US$ 2,000)	-
Ou Suomiluo Food Co., Ltd.	Coffee retailing	43 576 (RMB 10,000)	Note 1 c.	15,523 (US$ 500)	-	-	15,523 (US$ 500)	2.09	-	15,523 (US$ 500)	-
Beijing Shengzhuang Co., Ltd.	Cosmetic OEM	236,620 (RMB 54,300)	Note 1 c.	62,090 (US$ 2,000)	-	-	62,090 (US$ 2,000)	2.175	-	62,090 (US$ 2,000)	-
Shanghai Douniushi F&B Management Co., Ltd.	Restaurant retailing	134,426 (US$ 4,330)	Note 1 c.	18,161 (US$ 585)	-	-	18,161 (US$ 585)	2.17	-	18,161 (US$ 585)	-
Topping Cuisine International Holding, Ltd.	Food retailing	161,435 (US$ 5,200)	Note 1 c.	18,161 (US$ 585)	-	-	18,161 (US$ 585)	2.17	-	18,161 (US$ 585)	-
Shanghai Dou Mao Food Management Co., Ltd.	Trading	6,209 (US$ 200)	Note 1 c.	124 (US$ 4)	-	-	124 (US$ 4)	2.17	-	124 (US$ 4)	-
Beauty Essential International, Ltd.	Cosmetic retailing	93,136 (US$ 3,000)	Note 1 c.	24,402 (US$ 786)	-	-	24,402 (US$ 786)	2.64	-	24,402 (US$ 786)	-
Meike information technology	Cosmetic retailing information technology	52,777 (US$ 1,700)	Note 1 c.	0 (US$ 0)	497 (US$ 16)	-	497 (US$ 16)	0.93	-	497 (US$ 16)	-

Accumulated Investment in Mainland China as of September 30, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$425,536 (US$13,707)	$425,536 (US$13,707)	Note 3

IBT Leasing Co., Ltd.

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2019	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of September 30, 2019	Accumulated Inward Remittance of Earnings as of September 30, 2019
					Outflow	Inflow					
IBT International Leasing Corp.	Leasing	$ 2,017,939 (US$ 65,000)	Note 1 d.	$ 1,639,188 (US$ 52,800)	$ -	$ -	$ 1,639,188 (US$ 52,800)	100.00 (Note 5)	$ 248,260 (Notes 2 and 6)	$ 2,165,412 (Note 6)	$ -

Accumulated Investment in Mainland China as of September 30, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$1,639,188 (US$52,800)	$1,639,188 (US$52,800)	Note 4

IBT VII Venture Capital Co., Ltd.

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2019	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of September 30, 2019	Accumulated Inward Remittance of Earnings as of September 30, 2019
					Outflow	Inflow					
IBT International Leasing Corp.	Leasing	$ 2,017,939 (US$ 65,000)	Note 1 d.	$ 378,751 (US$ 12,200)	$ -	$ -	$ 378,751 (US$ 12,200)	5.00	$ 13,066	$ 113,969	$ -

Accumulated Investment in Mainland China as of September 30, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$378,751 (US$12,200)	$378,751 (US$12,200)	$261,994 (Note 7)

(Continued)

Note 1: 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 Cusine International Holding, Ltd., and Beauty Essential International, Ltd.)

d. Direct investment in mainland China.

e. Others.

Note 2: Investment gain or loss.

a. No investment gain or loss for the reason of being under preparation.

b. Recognition of investment gain or loss is classified as follows.

1) From financial statements reviewed by international accounting firms in cooperation with accounting firms in the Republic of China.
2) From financial statements reviewed by certified public accountants of parent company in the Republic of China.
3) Others.

Note 3: The Bank got the recognition from the Industrial Development Bureau, Industry of Economic Affairs in April 2017, so it is not under “the regulation of investing or technology-cooperation in China”.

Note 4: IBT Leasing Co., Ltd. obtained the documents issued by the Industrial Bureau of 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 5: IBT Tianjin International Leasing Corp. was merged by IBT Leasing Co., Ltd. of 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 6: The accumulated investment amount of IBT Tianjin International Leasing Corp., which recognizes the investment profit and loss and the book value of the investment at the end of the period, is expressed as 95% held by IBT Leasing Co., Ltd.

Note 7: The original investment is under the limited.

(Concluded)

TABLE 7

O-BANK AND SUBSIDIARIES

BUSINESS RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS AMONG THE BANK AND SUBSIDIARIES
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019
(In Thousands of New Taiwan Dollars)

No.	Transaction Corporation	Counterparty	Nature of Relationship (Note 1)	Description of Transactions			
				Financial Statement Account	Amounts	Trading Terms	Percentage of Total Revenue or Total Assets
1	The Bank	Chun Teng New Century, IBTM, IBTS Financial (HK) Limited, IBTS Asia (HK) Limited, IBT Leasing and IBTVC7	a	Deposits	$ 235,759	Note 2	0.04
2	The Bank	Chun Teng New Century, IBTM, IBTS Financial (HK) Limited, IBTS Asia (HK) Limited, IBT Leasing and IBTVC7	a	Interest expense	2,452	Note 2	0.04
3	The Bank	Chun Teng New Century, IBTM, IBTS Financial (HK) Limited, and IBTS Asia (HK) Limited	a	Payables	505	Note 2	-
4	The Bank	CBF, IBTM and IBT Leasing	a	Other net revenue other than interest	26,782	Note 2	0.40
5	Chun Teng New Century	The Bank	b	Cash and cash equivalents	46,601	Note 2	0.01
6	Chun Teng New Century	The Bank	b	Accounts receivable	47	Note 2	-
7	Chun Teng New Century	The Bank	b	Discontinued operations - interest revenue	127	Note 2	-
8	Chun Teng New Century	IBT Leasing	c	Discontinued operations - operation expenses	538	-	0.01
9	IBTM	The Bank	b	Accounts receivable	7	Note 2	-
10	IBTM	The Bank	b	Cash and cash equivalents	52,055	Note 2	0.01
11	IBTM	The Bank	b	Interest revenue	147	Note 2	-
12	IBTM	The Bank	b	Other operating and administrative expenses	650	-	0.01
13	IBTM	The Bank	b	Interest expense	19	Note 2	-
14	IBTM	IBTVC7	c	Consultancy service income	4,542	Note 2	0.07
15	CBF	The Bank	b	Interest expense	106	Note 2	-
16	CBF	The Bank	b	Other operating and administrative expenses	24,776	-	0.39

(Continued)

No.	Transaction Corporation	Counterparty	Nature of Relationship (Note 1)	Description of Transactions			
				Financial Statement Account	Amounts	Trading Terms	Percentage of Total Revenue or Total Assets
17	IBTS Financial (HK) Limited	The Bank	b	Cash and cash equivalents	$ 24,648	Note 2	-
18	IBTS Financial (HK) Limited	The Bank	b	Accounts receivable	132	Note 2	-
19	IBTS Financial (HK) Limited	The Bank	b	Discontinued operations - interest revenue	384	Note 2	0.01
20	IBTS Asia (HK) Limited	The Bank	b	Cash and cash equivalents	107,140	Note 2	0.02
21	IBTS Asia (HK) Limited	The Bank	b	Discontinued operations - interest revenue	1,792	Note 2	0.03
22	IBTS Asia (HK) Limited	The Bank	b	Accounts receivable	319	Note 2	-
23	IBTL	The Bank	b	Cash and cash equivalents	1,145	Note 2	-
24	IBTL	The Bank	b	Interest expense	79	Note 2	-
25	IBTL	The Bank	b	Other operating and administrative expenses	1,233	Note 2	0.02
26	IBTL	Chun Teng New Century	c	Other net revenue other than interest	538	-	0.01
27	IBTVC7	The Bank	b	Cash and cash equivalents	4,170	Note 2	-
28	IBTVC7	The Bank	b	Interest revenue	2	Note 2	-
29	IBTVC7	IBTM	c	Other operating and administrative expenses	4,542	-	0.07

Note 1: 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 2: The terms for the transactions between the Bank and related parties are similar to those with unrelated parties.

(Concluded)