O-Bank Co., Ltd.

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
O-Bank Co., Ltd.

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2020 and 2019, its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks.

Basis for Opinion

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

Key Audit Matters

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

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

<u>Allowance for Credit Losses of Loans</u>

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

For details about the accounting policy on the allowance for credit losses, refer to Note 4 to the accompanying financial statements; for details about the critical accounting judgments, estimates and appropriateness of assumptions of loan impairment, refer to Note 5 to the accompanying financial statements; and for details about the allowance for credit losses, refer to Note 12 to the accompanying financial statements.

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

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

- We obtained an understanding and performed testing of the internal controls in respect of the Bank’s loan impairment assessment.

- We examined that the classifications of loans were in accordance with the “Banking Institutions Regulations Governing the Procedures for Bad Debt”. We also recalculated the amount of the allowance for credit losses on loans and checked that the Bank has mets the requirements of the regulations.

Investments Accounted for Using the Equity Method - Assessment of Reserve for Loss on Guarantee Contracts

China Bills Finance Corporation, subsidiary accounted for using equity method, sets aside reserves for guarantee liabilities. It is required to comply, with both the International Financial Reporting Standard 9, “Financial Instruments”, whereby the expected losses on guarantee obligations generated by financial guarantee contracts, and the “Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-performing Credit, Non-accrual Loans, and Bad Debt” (referred to as the “Bills Finance Companies Regulations for Evaluating Bad Debt”), whereby the reserves for guarantee liabilities are classified and made.

For the accounting policy and details about the investments accounted for using the equity method, refer to Notes 4 and 13 to the accompanying financial statements.

China Bills Finance Corporation assesses reserve for guarantee contracts involves subjective judgements and significant estimation assumptions of the management. The classification of credit-granting assets and recognization of the reserve for guarantee contracts in accordance with the “Bills Finance Companies Regulations for Evaluating Bad Debt” influence the amounts of the reserve for guarantee contracts. Thus, we consider the assessment of reserve losses on guarantee contracts as a key audit matter.

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

- We understood the internal controls about the estimated impairment of reserve for losses on guarantee contracts and we tested the effectiveness of the operation of the controls.

- We reviewed the assessment schedule of reserve for losses on credit-granting assets, which China Bills Finance Corporation of management used to assess. We checked the completeness of amount of credit-granting assets in the schedule and rationality of classifications. We recalculated the amounts of reserve for losses on guarantee contracts in the schedule and checked that it meets the requirements of the “Bills Finance Companies Regulations for Evaluating Bad Debt” or not.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee, are responsible for overseeing the Bank's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

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

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

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

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

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

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 22, 2021

Notice to Readers

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

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

O-BANK CO., LTD.

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

	2020		2019	
ASSETS	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS (Note 6)	$ 3,566,116	1	$ 3,714,122	1
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS (Note 7)	17,127,229	5	18,107,334	5
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 8 and 39)	56,042,294	17	80,623,826	24
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 9, 39 and 43)	65,178,855	20	35,244,741	11
RECEIVABLES, NET (Notes 10 and 12)	1,413,105	1	3,233,348	1
CURRENT TAX ASSETS	74,418	-	89,717	-
DISCOUNTS AND LOANS, NET (Notes 11, 12 and 38)	163,916,864	50	173,981,178	52
INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD, NET (Note 13)	16,542,108	5	14,920,171	5
OTHER FINANCIAL ASSETS (Notes 14 and 39)	219,108	-	517,198	-
PROPERTY AND EQUIPMENT, NET (Note 15)	2,489,958	1	2,661,050	1
RIGHT-OF-USE ASSETS, NET (Note 16)	246,147	-	309,517	-
INTANGIBLE ASSETS, NET (Note 17)	1,084,891	-	1,163,114	-
DEFERRED TAX ASSETS (Note 36)	367,617	-	288,087	-
OTHER ASSETS (Notes 16 and 18)	584,938	-	399,430	-
TOTAL	$ 328,853,648	100	$ 335,252,833	100
LIABILITIES AND EQUITY				
LIABILITIES				
Deposits From the Central Bank and other banks (Note 19)	$ 22,339,755	7	$ 28,938,529	9
Financial liabilities at fair value through profit or loss (Note 8)	637,659	-	519,880	-
Bills and bonds sold under repurchase agreements (Note 20)	1,439,016	-	2,863,548	1
Payables (Note 21)	1,925,339	1	2,681,645	1
Current tax liabilities	23,946	-	46,360	-
Deposits and remittances (Notes 22 and 38)	246,420,823	75	243,645,080	73
Bank debentures payable (Note 23)	16,400,000	5	18,700,000	5
Other financial liabilities (Note 24)	2,848,008	1	3,468,649	1
Provisions (Notes 12, 25 and 26)	512,847	-	370,856	-
Lease liabilities (Note 16)	253,261	-	313,446	-
Deferred tax liabilities (Note 36)	435,263	-	400,449	-
Other liabilities (Note 27)	61,836	-	45,188	-
Total liabilities	293,297,753	89	301,993,630	90
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK (Note 28)				
Capital				
Common stock	27,330,063	8	24,130,063	7
Preferred stock	3,000,000	1	3,000,000	1
Total capital	30,330,063	9	27,130,063	8
Capital surplus	5,966	-	9,750	-
Retained earnings				
Legal reserve	3,697,811	1	3,367,681	1
Special reserve	1,396,353	1	1,631,335	1
Unappropriated earnings	106,262	-	1,187,851	-
Total retained earnings	5,200,426	2	6,186,867	2
Other equity	57,744	-	(67,477)	-
Treasury shares	(38,304)	-	-	-
Total equity	35,555,895	11	33,259,203	10
TOTAL	$ 328,853,648	100	$ 335,252,833	100

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

O-BANK CO., LTD.

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

	2020		2019		Percentage Increase (Decrease)
	Amount	**%**	**Amount**	**%**	**%**
NET INTEREST					
INTEREST REVENUE (Notes 29 and 38)	$ 4,359,827	94	$ 5,763,585	109	(24)
INTEREST EXPENSE (Notes 29 and 38)	(2,445,244)	(53)	(3,806,134)	(72)	(36)
NET INTEREST	1,914,583	41	1,957,451	37	(2)
TOTAL NET REVENUE OTHER THAN INTEREST REVENUE					
Service fee income, net (Notes 30 and 38)	583,947	13	808,793	15	(28)
(Losses) gains on financial assets or liabilities measured at fair value through profit or loss (Note 31)	(840,982)	(18)	908,385	17	(193)
Realized gains on financial assets at fair value through other comprehensive income (Note 32)	257,439	6	133,451	2	93
Foreign exchange gain, net	1,642,073	35	293,516	6	459
(Impairment loss) reversal of impairment loss on assets	(3,704)	-	1,284	-	(388)
Share of profit of associates subsidiaries and accounted for using equity method (Note 13)	990,158	21	1,098,480	21	(10)
Other net revenue other than interest (Note 38)	107,962	2	103,855	2	4
Total net revenue other than interest revenue	2,736,893	59	3,347,764	63	(18)
TOTAL NET REVENUE	4,651,476	100	5,305,215	100	(12)
BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION (Note 12)	(429,960)	(9)	(921,016)	(17)	(53)

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O-BANK CO., LTD.

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

	2020		2019		Percentage Increase (Decrease)
	Amount	**%**	**Amount**	**%**	**%**
OPERATING EXPENSES					
Employee benefits expenses (Note 33)	$ 1,611,723	35	$ 1,701,727	32	(5)
Depreciation and amortization expenses (Note 34)	526,662	11	512,931	10	3
Other general and administrative expenses (Notes 35 and 38)	846,840	18	959,449	18	(12)
Total operating expenses	2,985,225	64	3,174,107	60	(6)
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX	1,236,291	27	1,210,092	23	2
INCOME TAX EXPENSE (Note 36)	88,888	2	109,659	2	(19)
NET PROFIT FOR THE YEAR	1,147,403	25	1,100,433	21	4
OTHER COMPREHENSIVE INCOME(LOSS)					
Components of other comprehensive income (loss) that will not be reclassified to profit or loss:					
Gains (losses) on remeasurements of defined benefit plans (Note 26)	292	-	(412)	-	171
Revaluation gains on investments in equity instruments measured at fair value through other comprehensive income	299,035	6	85,932	2	248
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method	39,965	1	83,856	1	(52)
	339,292	7	169,376	3	100

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O-BANK CO., LTD.

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

	2020		2019		Percentage Increase (Decrease)
	Amount	**%**	**Amount**	**%**	**%**
Components of other comprehensive income (loss) that will be reclassified to profit or loss:					
Exchange differences on translation of financial statements of foreign operations	$ (446,246)	(10)	$ (237,382)	(4)	88
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	255,704	6	95,117	2	169
Gains from investments in debt instruments measured at fair value through other comprehensive income	32,374	1	130,096	2	(75)
Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Note 36)	56,165	1	22,715	-	147
	(102,003)	(2)	10,546	-	(1,067)
Other comprehensive income for the year, net of tax	237,289	5	179,922	3	32
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 1,384,692	30	$ 1,280,355	24	8
EARNINGS PER SHARE (Note 37)					
Basic	$0.41		$0.45		
Diluted	$0.37		$0.45		

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

O-BANK CO., LTD.

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

	Capital Stock (Note 28)				Retained Earnings (Notes 9 and 28)				Other Equity (Notes 9 and 28)			
	Common Stocks	Preferred Stocks	Total	Capital Surplus (Note 28)	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on the Translation of Foreign Financial Statements of Foreign Operations	Unrealized Gains (Losses) on Financial Assets at Fair Value Through Other Comprehensive	Treasury Stock (Note 28)	Total Equity
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
Appropriation and distribution of 2018 earnings												
Legal reserve	-	-	-	-	183,014	-	(183,014)	-	-	-	-	-
Special reserve	-	-	-	-	-	415,504	(415,504)	-	-	-	-	-
Cash dividends of preferred stock distributed by the Bank	-	-	-	-	-	-	(11,527)	(11,527)	-	-	-	(11,527)
Unclaimed dividends	-	-	-	341	-	-	-	-	-	-	-	341
Changes in capital surplus from investments in subsidiaries accounted for using the equity method	-	-	-	906	-	-	-	-	-	-	-	906
Net profit for the year ended December 31, 2019	-	-	-	-	-	-	1,100,433	1,100,433	-	-	-	1,100,433
Other comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	-	(305)	(305)	(214,667)	394,894	-	179,922
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	-	1,100,128	1,100,128	(214,667)	394,894	-	1,280,355
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	87,723	87,723	-	(87,723)	-	-
BALANCE AT DECEMBER 31, 2019	24,130,063	3,000,000	27,130,063	9,750	3,367,681	1,631,335	1,187,851	6,186,867	(307,473)	239,996	-	33,259,203
Reversal of special reserve	-	-	-	-	-	(234,982)	234,982	-	-	-	-	-
Appropriation and distribution of 2019 earnings												
Legal reserve appropriated	-	-	-	-	330,130	-	(330,130)	-	-	-	-	-
Cash dividends of common stock distributed by the Bank	-	-	-	-	-	-	(965,203)	(965,203)	-	-	-	(965,203)
Cash dividends of preferred stock distributed by the Bank	-	-	-	-	-	-	(127,500)	(127,500)	-	-	-	(127,500)
Unclaimed dividends	-	-	-	329	-	-	-	-	-	-	-	329
Changes in capital surplus from investments in subsidiaries accounted for using the equity method	-	-	-	424	-	-	-	-	-	-	-	424
Net profit for the year ended December 31, 2020	-	-	-	-	-	-	1,147,403	1,147,403	-	-	-	1,147,403
Other comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	-	(147)	(147)	(390,081)	627,517	-	237,289
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	-	1,147,256	1,147,256	(390,081)	627,517	-	1,384,692
Capital increase	3,200,000	-	3,200,000	(4,537)	-	-	(1,153,209)	(1,153,209)	-	-	-	2,042,254
Purchase of treasury stock	-	-	-	-	-	-	-	-	-	-	(38,304)	(38,304)
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	112,215	112,215	-	(112,215)	-	-
BALANCE AT DECEMBER 31, 2020	$ 27,330,063	$ 3,000,000	$ 30,330,063	$ 5,966	$ 3,697,811	$ 1,396,353	$ 106,262	$ 5,200,426	$ (697,554)	$ 755,298	$ (38,304)	$ 35,555,895

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

O-BANK CO., LTD.

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

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit from continuing operations before tax	$ 1,236,291	$ 1,210,092
Adjustments to reconcile profit (loss):		
Depreciation expense	261,527	268,936
Amortization expense	265,135	243,995
Expect credit losses/recognition of provisions	433,664	919,732
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	840,982	(908,385)
Interest expense	2,445,244	3,806,134
Interest income	(4,359,827)	(5,763,585)
Dividends income	(134,398)	(25,572)
Share of loss of subsidiaries, associates and joint ventures accounted for using equity method	(990,158)	(1,098,480)
Loss on disposal of property and equipment	-	5,886
Gain on disposal of investments	(123,041)	(107,879)
Gain on lease modification	-	(22)
Changes in operating assets and liabilities:		
Due from the Central Bank and call loans to banks	(2,208,714)	(759,752)
Financial assets at fair value through profit or loss	23,858,329	(26,156,113)
Financial assets at fair value through other comprehensive income	(29,345,706)	13,954,290
Investments in debt instruments measured at amortized cost	-	500,000
Receivables	1,238,603	3,726,768
Discounts and loans	9,833,490	4,483,080
Deposits from the Central Bank and other banks	(6,598,774)	(46,343)
Bills and bonds sold under repurchase agreements	(1,424,532)	(1,536,894)
Payables	(477,663)	(2,141,164)
Deposits and remittances	2,775,743	3,183,781
Provisions	(31,645)	600
Cash outflow used in operations	(2,505,450)	(6,240,895)
Interest received	4,810,708	5,692,121
Dividends received	413,026	329,193
Interest paid	(2,706,268)	(3,809,980)
Income taxes paid	(84,554)	(105,325)
Net cash flows used in operating activities	(72,538)	(4,134,886)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments accounted for using the equity method	(863,564)	-
Acquisition of property and equipment	(63,432)	(97,152)
Proceeds from disposal of property and equipment	-	634
Increase in refundable deposits	(194,299)	-
Decrease in refundable deposits	-	128,674
Acquisition of intangible assets	(121,693)	(113,882)
Increase in other financial assets	(3,017)	-

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O-BANK CO., LTD.

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

	2020	2019
Decrease in other financial assets	$ -	$ 398,828
Decrease in other assets	8,791	3,591
Net cash flows (used in) generated from investing activities	(1,237,214)	320,693
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuing bank debentures	-	2,500,000
Repayments of bank debentures	(2,300,000)	(1,650,000)
Increase in long-term borrowings	808,828	874,210
Repayments of long-term borrowings	(937,659)	(2,244,601)
Payments of lease liabilities	(98,007)	(104,852)
Increase in other financial liabilities	-	517,749
Decrease in other financial liabilities	(491,810)	-
Increase in other liabilities	16,648	-
Decrease in other liabilities	-	(11,045)
Cash dividends paid	(1,092,703)	(11,527)
Capital increase	2,032,000	-
Payments to acquire treasury shares	(38,304)	-
Net cash flows used in financing activities	(2,101,007)	(130,066)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(227,173)	(47,779)
NET DECREASE IN CASH	(3,637,932)	(3,992,038)
CASH AND CASH EQUIVALENT AT BEGINNING OF THE YEAR	13,490,163	17,482,201
CASH AND CASH EQUIVALENT AT END OF THE YEAR	$ 9,852,231	$ 13,490,163

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

	December 31	
	2020	2019
Cash and cash equivalents reported in the balance sheets	$ 3,566,116	$ 3,714,122
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	6,286,115	9,474,934
Other items qualifying for cash and cash equivalents under the definition of IAS 7	-	301,107
Cash and cash equivalents at end of the year	$ 9,852,231	$ 13,490,163

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

1. GENERAL INFORMATION

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

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

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

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

The Bank's stocks were listed on the Emerging Stock Market of the Taipei Exchange ("TPEx") starting in August 2004. On April 19, 2016, the Board passed a resolution to apply for stock listing on the Taiwan Stock Exchange ("TWSE"). The TWSE approved the Bank's application for listing on November 28, 2016 and transferred the listing from the TPEx to the TWSE on May 5, 2017.

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

As of December 31, 2020 and 2019, the Bank had 926 and 1,004 employees, respectively.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board and authorized for issue on March 22, 2021.

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

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

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

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

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

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

  The Bank elected to apply the practical expedient provided in the amendments to deal with the changes in the basis for determining contractual cash flows of financial assets, financial liabilities or lease liabilities resulting from the interest rate benchmark reform. The changes are accounted for by updating the effective interest rate at the time the basis is changed, provided the changes are necessary as a direct consequence of the reform and the new basis is economically equivalent to the previous basis.

As of the date the financial statements were authorized for issue, the Bank has assessed that the above amendments have no material impact on the Bank, and the Bank is continuously assessing the possible impact that the application of other standards and interpretations will have on the Bank's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

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

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

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Statement of Compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks.

Basis of Preparation

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

When preparing these parent company only financial statements, the Bank used the equity method to account for its investments in subsidiaries, associates and joint ventures. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owners of the Bank in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries, associates and joint ventures, the share of other comprehensive income of subsidiaries, associates and joint ventures and the related equity items, as appropriate, in these parent company only financial statements.

Classification of Current and Non-current Assets and Liabilities

Since the operating cycle in the banking industry cannot be clearly identified, accounts included in the financial statements of the Bank were not classified as current or noncurrent. Nevertheless, accounts were properly categorized according to the nature of each account and sequenced by their liquidity. Refer to Note 43 for the maturity analysis of assets and liabilities.

Foreign Currencies

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

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

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

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

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

Investments Accounted for Using the Equity Method

The Bank uses the equity method to account for its investments in subsidiaries and associates.

<u>Investments in subsidiaries</u>

A subsidiary is an entity (including the special purpose entity) that is controlled by the Bank.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Bank's share of the profit or loss and other comprehensive income of the subsidiary. The Bank also recognizes the changes in the Bank's share of equity of subsidiaries.

Changes in the Bank's ownership interest in a subsidiary that do not result in the Bank losing control of the subsidiary are accounted for as equity transactions. The Bank recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Bank's share of loss of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Bank's net investment in the subsidiary), the Bank continues recognizing its share of further loss.

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

When the Bank loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Bank accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Bank directly disposed of the related assets or liabilities.

Profit or loss resulting from downstream transactions is eliminated in full only in the parent company only financial statements. Profit and loss resulting from upstream transactions and transactions between subsidiaries is recognized only in the parent company only financial statements and only to the extent of interests in the subsidiaries that are not related to the Bank.

Investments in associates

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

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

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

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

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

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

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

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

Financial Instruments

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

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

Financial assets

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

a. Measurement categories

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

   1) Financial assets at FVTPL

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

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 42.

2) Financial assets at amortized cost

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

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

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

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

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

a) Purchased or originated credit impaired financial asset, for which interest revenue is calculated by applying the credit adjusted effective interest rate to the amortized cost of such financial assets; and

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

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

a) Significant financial difficulty of the issuer or the borrower;

b) Breach of contract, such as a default;

c) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or

d) The disappearance of an active market for that financial asset because of financial difficulties.

3) Investments in debt instruments at FVTOCI

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

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

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

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

4) Investments in equity instruments at FVTOCI

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

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

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

b. Impairment of financial assets

The Bank recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including discounts and loans and receivables), investments in debt instruments that are measured at FVTOCI, lease receivables.

The Bank's policy is to always recognize lifetime expected credit losses (i.e. ECLs) on trade receivables and lease receivables. For all other financial instruments, the Bank will recognize lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Bank will measure the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

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

For internal credit risk management purposes, the Bank determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Bank):

1) Internal or external information show that the debtor is unlikely to pay its creditors.

2) When a financial asset is more than 90 days past due unless the Bank has reasonable and corroborative information to support a more lagged default criterion.

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

Under the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" issued by the FSC, the Bank should classify credit assets as sound credit assets or unsound credit assets, with the unsound assets further categorized as noteworthy, substandard, having highly doubtful collectability and uncollectable, on the basis of the customers' financial position, a valuation of the respective collateral and the length of time in which the principal repayments or interest payments have become overdue.

The Bank made minimum provisions of 1%, 2%, 10%, 50% and 100% for credit assets deemed to be uncollectable, to have highly doubtful collectability, to be substandard, to be noteworthy and to have sound credit (excluding assets that represent claims against an ROC government agency), respectively.

Furthermore, the Bank should make at least 1.5% provisions each for sound credit assets in Mainland China (pertaining to short-term advance for trade finance) and loans for house purchases, renovations and constructions, respectively.

The Bank shall determine the unrecoverable claims and write them off after reporting them to the Board for approval.

c. Derecognition of financial assets

The Bank derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

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

Equity instruments

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

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Bank are recognized at the proceeds received, net of direct issue costs.

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

Financial liabilities

a. Subsequent measurement

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

- Financial liabilities at FVTPL

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

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

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

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

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

  Financial liabilities at FVTPL, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the other gains and losses line item. For a financial liability designated as at FVTPL, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income and will not be subsequently reclassified to profit or loss. The gain or loss accumulated in other comprehensive income will be transferred to retained earnings when the financial liability is derecognized. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in the fair value of the liability are presented in profit or loss. The fair value is determined in the manner described in Note 42.

- Financial guarantee contracts

  The Bank measures financial guarantee contract issued at the higher of:

  1) The amount of the loss allowance determined in accordance with IFRS 9; and

  2) The amount initially recognized less, where appropriate, cumulative amount of income recognized in accordance with IFRS 15.

  Besides subsequently measuring financial guarantee contracts at the higher of the abovementioned amounts as IFRS assessment result, assessment is also performed under the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" as regulatory assessment result. The higher adequacy provision between above IFRS and regulatory assessment results is recognized.

  Financial guarantee contracts issued by the Bank are measured at their fair values and, if not designated as at fair value through profit or loss, are subsequently measured at the higher of the amount of the expected credit loss allowance or the amount initially recognized less cumulative amortization recognized.

b. Derecognition of financial liabilities

The Bank derecognizes financial liabilities when, and only when, the Bank's obligations are discharged, are cancelled or expire. The difference between the carrying amount of a financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Derivative financial instruments

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

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

Non-performing Loans

Under the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing Loans issued by the Banking Bureau, FSC, loans and other credits that remain unpaid as they fall due are transferred to non-performing loans, if the transfer is approved by the Board.

Non-performing loans transferred from loans are recognized as discounts and loans, and those transferred from other credits are recognized as other financial assets.

Repurchase and Resale Transactions

Securities purchased under resale agreements and securities sold under repurchase agreements are generally treated as collateralized financing transactions. Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements are recognized as interest revenue or interest expenses over the term of each agreement.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment loss when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably.

Except of freehold land without depreciated, depreciation is recognized so as to write off the cost of assets less their residual values over their estimated useful lives using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

Intangible Assets

a. Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis over the assets' estimated useful lives. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless the Bank expects to dispose of the intangible asset before the end of its economic life.

b. Derecognition of intangible assets

An intangible asset is derecognized on disposal or when no future economic benefits are expected to arise from its use or disposal. Gains or losses arising from derecognition of an intangible asset, which is measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Impairment of Property and Equipment, Right-of-use assets and Intangible Assets Other than Goodwill

At the end of each reporting period, the Bank reviews the carrying amounts of its property and equipment, right-of-use assets and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Bank estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the assets may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit or assets related to contract costs is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount (deduct amortization and depreciation) that would have been determined had no impairment loss been recognized on the asset, cash-generating unit or assets related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

<u>Onerous contracts</u>

Onerous contracts are those in which the Bank's unavoidable costs of meeting the contractual obligations exceed the economic benefits expected to be received from the contract. The present obligations arising under onerous contracts are recognized and measured as provisions.

Interest and Service Revenue Recognition

Interest revenue on loans is recorded by the accrual method. No interest revenue is recognized in the accompanying financial statements on loans and other credits extended by the Bank that are classified as non-performing loans. The interest revenue on those loans and credits is recognized upon collection.

Revenue from brokering is recognized when the earnings process has been completed.

Dividend income from investments is recognized on the shareholders' right to receive payment. The premise is that the economic benefits related to the transaction. They are likely to flow into the Bank and the amount of income can be reliably measured it.

Leases

At the inception of a contract, the Bank assesses whether the contract is, or contains, a lease.

<u>The Bank as lessee</u>

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

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

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the Bank is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Bank uses the lessee's incremental borrowing rate.

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

Employee Benefits

a. Short-term employee benefits

   Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

b. Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Bank's defined benefit plans. The net defined benefit assets shall not exceed the present value with the refund withdrawal from the plan or the reduction of future withdrawals.

c. Staff preferential deposit

The Bank provides preferential deposit account for employees, which are used to pay fixed preferential deposits for current employees. The effect of the difference between the interest rate of these preferential deposits and the market interest rate is treated as employee benefits.

Share-based Payment Arrangements

The fair value at the grant date of the share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus. The payment is recognized as an expense in full at the grant date if vested immediately.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

a. Current tax

According to the Income Tax Law, an additional tax of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforwards to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, except where the Bank is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

c. Current and deferred tax for the period

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Cash and Cash Equivalents

The cash and cash equivalent items in the balance sheet include cash on hand, demand deposits, and short-term and highly liquid investments that can be converted into fixed amount of cash at any time. They have little risk of change in value. For the statements of cash flows, the cash and cash equivalents account refers to the accounts in the balance sheets titled cash and cash equivalents, due from the Central Bank and call loans to banks, and call loans to securities firms that meet the definition of cash and cash equivalents in IAS 7 “Statement of Cash Flows” endorsed and issued into effect by the FSC.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The Bank considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Estimated Impairment of Loans

The impairment of loans is based on assumptions about the risk of default and expected loss rates. The Bank uses judgment in making these assumptions and in selecting the inputs of the impairment calculation, based on the Bank's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2020	2019
Cash on hand and petty cash	$ 44,286	$ 50,944
Checking for clearing	451,158	535,060
Due from banks	3,070,672	3,125,118
Cash in transit	-	3,000
	$ 3,566,116	$ 3,714,122

The cash and cash equivalents of the cash flows and the related adjustments of the balance sheets as of December 31, 2020 and 2019, refer to the statements of cash flows.

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

	December 31	
	2020	2019
Reserves for deposits - Type A	$ 4,091,431	$ 2,573,579
Reserves for deposits - Type B	5,521,144	5,124,527
Due from Central Bank - Financial	1,200,031	900,268
Call loans to banks	6,286,115	9,474,934
Others	28,508	34,026
	$ 17,127,229	$ 18,107,334

Under a directive issued by the Central Bank, deposit reserves are determined monthly at prescribed rates on average balances of customers' deposits. Type B deposit reserves are subject to withdrawal restrictions.

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2020	2019
Financial assets mandatorily classified as at FVTPL		
Hybrid financial assets		
Convertible bonds - domestic (include asset swap contracts)	$ 520,456	$ 726,682
Structured debt	577,236	608,116
	1,097,692	1,334,798
Derivative financial assets		
Currency swap contracts	251,526	160,241
Forward contracts	30,816	7,189
Interest rate swap contracts	8,324	7,610
Currency option contracts - call	8,028	2,882
	298,694	177,922
Non-derivative financial assets		
Negotiable certificates of deposit	28,880,450	54,581,688
Commercial papers	25,395,953	24,192,589
Stocks and beneficiary certificates	369,505	336,829
	54,645,908	79,111,106
	$ 56,042,294	$ 80,623,826
Held-for-trading financial liability		
Derivative financial instruments		
Currency swap contracts	$ 568,576	$ 429,360
Forward contracts	42,719	15,830
Interest rate swap contracts	18,334	72,003
Currency option contracts - put	8,030	2,687
	$ 637,659	$ 519,880

The Bank engages in derivative transactions, including forward contracts, currency swap contracts and currency option contracts, mainly for accommodating customers' needs and managing the exposure positions. As for the engagement in interest rate swap contracts and cross-currency swap contracts, its purpose is to hedge risk of cash flow and risk of market value caused by the change of interest rates or exchange rates. The Bank strategy is to hedge most of the market risk exposures using hedging instruments with market value changes that have a highly negative correlation with the changes in the market of the exposures being hedged.

The contract amounts (or notional amounts) of outstanding derivative transactions as of December 31, 2020 and 2019 were as follows:

	December 31	
	2020	2019
Interest rate swap contracts	$ 4,141,115	$ 10,976,643
Currency swap contracts	54,617,646	52,387,421
Forward contracts	5,899,199	3,796,613
Currency option contracts		
Buy	368,196	851,940
Sell	368,196	586,190

Refer to Note 39 for information relating to financial assets at financial assets at fair value through profit or loss pledged as security.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2020	2019
Investments in equity instruments at FVTOCI	$ 3,428,978	$ 947,038
Investments in debt instruments at FVTOCI		
Government bonds	2,784,308	10,163,730
Bank debentures	16,475,294	14,413,232
Corporate bonds	12,196,595	8,371,789
Overseas government bonds	509,692	1,348,952
Negotiable certificates of deposit	29,783,988	-
	$ 65,178,855	$ 35,244,741

a. Investments in equity instruments at FVTOCI

These investments in listed, unlisted, and emerging stocks are not held for trading. Instead, they are held for medium- to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Bank's strategy of holding these investments for long-term purposes.

The Bank disposed stock classified as at FVTOCI for invested management purpose for the years end December 31, 2020 and 2019. The fair value of stocks classified as at FVTOCI which had to be disposed of were $2,158,832 thousand and $1,310,927 thousand and the accumulated gain or loss related to the sold assets of $93,281 thousand gain and $60,590 thousand gain, respectively, was transferred from other equity-unrealized valuation gain or loss on Financial assets at FVTOCI to retained earnings.

Dividends income from FVTOCI of $134,398 thousand and $25,572 thousand were recognized in profit or loss for the years end December 31, 2020 and 2019. The dividends related to investments held at the end of the reporting period were $129,621 thousand and $12,799 thousand, respectively.

b. Investments in debt instruments at FVTOCI

Refer to Note 39 for information relating to investments in debt instruments at FVTOCI pledged as security.

Refer to Note 43 for information relating to the credit risk management and impairment assessment of investments in debt instruments at FVTOCI.

Investments in debt instruments at FVTOCI under agreement to repurchase were in the face amount of $1,470,166 thousand and $2,810,000 thousand, as of on December 31, 2020 and 2019, respectively.

10. RECEIVABLES, NET

	December 31	
	2020	2019
Accounts receivable	$ 155,582	$ 193,932
Investment settlements receivable	-	7,476
Income receivable	818	1,830
Interest receivable	340,320	787,937
Dividends receivable	2,948	1,125
Acceptances receivable	43,447	220,594
Factored receivable	869,297	1,585,725
Others	36,052	482,828
	1,448,464	3,281,447
Less: Allowance for credit losses	35,359	48,099
Receivables, net	$ 1,413,105	$ 3,233,348

The changes in gross carrying amount on receivables for the years ended December 31, 2020 and 2019 were as follows:

	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Total
Balance at January 1, 2020	$ 3,129,203	$ 106,462	$ 45,782	$ 3,281,447
Transfers				
To 12-month ECLs	549	(535)	(14)	-
To lifetime ECLs	(12,197)	12,197	-	-
To credit-impaired financial assets	(165)	(291)	456	-
New financial assets purchased or originated	485,742	15,138	11	500,891
Derecognition of financial assets	(2,183,987)	(102,403)	(10,299)	(2,296,689)
Write-offs	-	-	(125)	(125)
Exchange rate or other changes	(30,239)	(5,176)	(1,645)	(37,060)
Balance at December 31, 2020	$ 1,388,906	$ 25,392	$ 34,166	$ 1,448,464

	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Total
Balance at January 1, 2019	$ 6,829,152	$ 67,777	$ 27,556	$ 6,924,485
Transfers				
To 12-month ECLs	2,578	(2,578)	-	-
To lifetime ECLs	(8,772)	8,772	-	-
To credit-impaired financial assets	(5,247)	(427)	5,674	-
New financial assets purchased or originated	1,713,681	98,251	1,739	1,813,671
Derecognition of financial assets	(5,372,410)	(62,665)	(1,778)	(5,436,853)
Exchange rate or other changes	(29,779)	(2,668)	12,591	(19,856)
Balance at December 31, 2019	$ 3,129,203	$ 106,462	$ 45,782	$ 3,281,447

The Bank provides an appropriate allowance for doubtful debts for the assessment of receivables. Refer to Note 12 for the details and changes in the allowance for doubtful debts of receivables.

Refer to Note 43 for the impairment loss analysis of receivables.

11. DISCOUNTS AND LOANS, NET

	December 31	
	2020	**2019**
Accounts receivable financing	$ 102,706	$ 284,150
Short-term	51,916,182	47,821,366
Medium-term	87,703,765	104,204,562
Long-term	25,528,737	23,392,774
Guaranteed overdraft	142,971	69
Export bill negotiated	1,222	-
Overdue loans	704,710	703,831
	166,100,293	176,406,752
Less: Allowance for credit losses	2,183,429	2,425,574
	$ 163,916,864	$ 173,981,178

The changes in gross carrying amount on discount and loans for the years ended December 31, 2020 and 2019 were as follows:

	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Total
Balance at January 1, 2020	$ 158,371,378	$ 15,043,738	$ 2,991,636	$ 176,406,752
Transfers				
To 12-month ECLs	229,306	(214,268)	(15,038)	-
To lifetime ECLs	(1,810,042)	1,810,042	-	-
To credit-impaired financial assets	(60,114)	(213,239)	273,353	-
New financial assets purchased or originated	87,184,271	10,748,564	389,554	98,322,389
Derecognition of financial assets	(94,749,783)	(10,895,101)	(1,421,510)	(107,066,394)
Write-offs	-	-	(496,924)	(496,924)
Exchange rate or other changes	(738,071)	(300,834)	(26,625)	(1,065,530)
Balance at December 31, 2020	$ 148,426,945	$ 15,978,902	$ 1,694,446	$ 166,100,293
Balance at January 1, 2019	$ 165,996,929	$ 14,677,877	$ 1,384,426	$ 182,059,232
Transfers				
To 12-month ECLs	1,979,229	(1,979,229)	-	-
To lifetime ECLs	(4,022,646)	4,022,646	-	-
To credit-impaired financial assets	(1,217,443)	(116,053)	1,333,496	-
New financial assets purchased or originated	97,256,872	9,885,556	2,096,694	109,239,122
Derecognition of financial assets	(100,855,233)	(10,966,554)	(337,636)	(112,159,423)
Write-offs	-	-	(1,145,679)	(1,145,679)
Exchange rate or other changes	(766,330)	(480,505)	(339,665)	(1,586,500)
Balance at December 31, 2019	$ 158,371,378	$ 15,043,738	$ 2,991,636	$ 176,406,752

The balance of the overdue loans of the Bank as of December 31, 2020 and 2019 no longer include the calculation of interest. The unrecognized interest revenue on the above loans amounted to $23,762 thousand and $11,150 thousand for the years ended December 31, 2020 and 2019, respectively. For the years ended December 31, 2020 and 2019, the Bank wrote off credits only upon completing the required legal procedures.

The Bank provide an appropriate allowance for doubtful debts based on the assessment of discounts and loans. Refer to Note 12 for the details and changes in the allowance for doubtful debts of discounts and loans.

Refer to Note 43 for the impairment loss analysis of discounts and loans.

12. ALLOWANCE FOR CREDIT LOSSES AND PROVISIONS

The changes in allowance for credit losses and provisions for the years ended December 31, 2020 and 2019 were as follows:

Allowance for Receivables	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
Balance at January 1, 2020	$ 2,242	$ 140	$ 24,403	$ 26,785	$ 21,314	$ 48,099
Transfers						
To 12-month ECLs	12	(6)	(6)	-	-	-
To lifetime ECLs	(12)	12	-	-	-	-
To credit-impaired financial assets	(1)	(14)	15	-	-	-
New financial assets purchased or originated	2,768	86	400	3,254	-	3,254
Derecognition of financial assets	(1,748)	(116)	(647)	(2,511)	-	(2,511)
Change in model or risk parameters	(12)	4	84	76	-	76
Difference between IFRS 9 and "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	-	-	-	-	(12,043)	(12,043)
Write-offs	-	-	(125)	(125)	-	(125)
Exchange rate or other changes	-	-	(1,115)	(1,115)	(276)	(1,391)
Balance at December 31, 2020	$ 3,249	$ 106	$ 23,009	$ 26,364	$ 8,995	$ 35,359

Allowance for Discounts and Loans	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
Balance at January 1, 2020	$ 224,015	$ 61,680	$ 372,894	$ 658,589	$ 1,766,985	$ 2,425,574
Transfers						
To 12-month ECLs	7,704	(1,278)	(6,426)	-	-	-
To lifetime ECLs	(2,449)	2,449	-	-	-	-
To credit-impaired financial assets	(170)	(1,901)	2,071	-	-	-
New financial assets purchased or originated	215,911	69,838	264,939	550,688	-	550,688
Derecognition of financial assets	(113,769)	(16,615)	(184,184)	(314,568)	-	(314,568)
Change in model or risk parameters	100,097	53,160	375,301	528,558	-	528,558
Difference between IFRS 9 and "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	-	-	-	-	(498,308)	(498,308)
Write-offs	-	-	(496,924)	(496,924)	-	(496,924)
Withdrawal after write-offs	-	-	23,955	23,955	-	23,955
Exchange rate or other changes	(1,545)	(156)	(274)	(1,975)	(33,571)	(35,546)
Balance at December 31, 2020	$ 429,794	$ 167,177	$ 351,352	$ 948,323	$ 1,235,106	$ 2,183,429

Reserve for Losses on Guarantee Contracts and Financing Quota Preparation	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
Balance at January 1, 2020	$ 48,534	$ 4,350	$ -	$ 52,884	$ 229,395	$ 282,279
Transfers						
To 12-month ECLs	111	(111)	-	-	-	-
To lifetime ECLs	(413)	413	-	-	-	-
New financial assets purchased or originated	90,868	16,551	-	107,419	-	107,419
Derecognition of financial assets	(40,261)	(2,568)	-	(42,829)	-	(42,829)
Change in model or risk parameters	5,631	2,242	-	7,873	-	7,873
Difference between IFRS 9 and "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	-	-	-	-	102,351	102,351
Exchange rate or other changes	(116)	(16)	-	(132)	(754)	(886)
Balance at December 31, 2020	$ 104,354	$ 20,861	$ -	$ 125,215	$ 330,992	$ 456,207

Allowance for Receivables	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
Balance at January 1, 2019	$ 5,292	$ 87	$ 24,173	$ 29,552	$ 52,561	$ 82,113
Transfers						
To 12-month ECLs	9	(9)	-	-	-	-
To lifetime ECLs	(7)	7	-	-	-	-
To credit-impaired financial assets	(5)	(3)	8	-	-	-
New financial assets purchased or originated	2,028	134	376	2,538	-	2,538
Derecognition of financial assets	(5,052)	(73)	(99)	(5,224)	-	(5,224)
Change in model or risk parameters	(23)	(3)	286	260	-	260
Difference between IFRS 9 and "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	-	-	-	-	(31,113)	(31,113)
Exchange rate or other changes	-	-	(341)	(341)	(134)	(475)
Balance at December 31, 2019	$ 2,242	$ 140	$ 24,403	$ 26,785	$ 21,314	$ 48,099

Allowance for Discounts and Loans	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
Balance at January 1, 2019	$ 201,421	$ 28,086	$ 327,341	$ 556,848	$ 2,113,956	$ 2,670,804
Transfers						
To 12-month ECLs	14,408	(14,408)	-	-	-	-
To lifetime ECLs	(7,376)	7,376	-	-	-	-
To credit-impaired financial assets	(1,562)	(276)	1,838	-	-	-
New financial assets purchased or originated	99,354	36,736	1,265,748	1,401,838	-	1,401,838
Derecognition of financial assets	(117,080)	(9,808)	(93,436)	(220,324)	-	(220,324)
Change in model or risk parameters	35,149	14,051	17,011	66,211	-	66,211
Difference between IFRS 9 and "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	-	-	-	-	(335,472)	(335,472)
Write-offs	-	-	(1,145,679)	(1,145,679)	-	(1,145,679)
Withdrawal after write-offs	-	-	3,741	3,741	-	3,741
Exchange rate or other changes	(299)	(77)	(3,670)	(4,046)	(11,499)	(15,545)
Balance at December 31, 2019	$ 224,015	$ 61,680	$ 372,894	$ 658,589	$ 1,766,985	$ 2,425,574

Reserve for Losses on Guarantee Contracts and Financing Commitments	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
Balance at January 1, 2019	$ 43,476	$ 10,978	$ -	$ 54,454	$ 186,029	$ 240,483
Transfers						
To 12-month ECLs	5,965	(5,965)	-	-	-	-
To lifetime ECLs	(693)	693	-	-	-	-
New financial assets purchased or originated	38,322	1,997	-	40,319	-	40,319
Derecognition of financial assets	(31,674)	(4,107)	-	(35,781)	-	(35,781)
Change in model or risk parameters	(6,834)	759	-	(6,075)	-	(6,075)
Difference between IFRS 9 and "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	-	-	-	-	43,839	43,839
Exchange rate or other changes	(28)	(5)	-	(33)	(473)	(506)
Balance at December 31, 2019	$ 48,534	$ 4,350	$ -	$ 52,884	$ 229,395	$ 282,279

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2020	2019
Investments in subsidiaries	$ 15,752,245	$ 14,920,171
Investments in associates	789,863	-
	$ 16,542,108	$ 14,920,171

a. Investments in subsidiaries

	December 31	
	2020	2019
Domestic listed company		
China Bills Finance Corp.	$ 7,152,692	$ 6,700,500
Domestic unlisted company		
IBT Holdings Corp.	5,269,068	5,294,014
Chun Teng New Century Co., Ltd. (former IBT Securities Co., Ltd.)	314,026	338,027
IBT Leasing Co., Ltd.	2,784,548	2,361,173
IBT Management Corp.	231,911	226,457
	$ 15,752,245	$ 14,920,171

	Proportion of Ownership and Voting Rights	
	December 31	
	2020	2019
China Bills Finance Corp.	28.37%	28.37%
Chun Teng New Century Co., Ltd.	99.75%	99.75%
IBT Holdings Corp.	100.00%	100.00%
IBT Leasing Co., Ltd.	100.00%	100.00%
IBT Management Corp.	100.00%	100.00%

b. Investments in associates

	December 31, 2020
Material associate - Beijing Sunshine Consumer Finance Co., Ltd.	$ 789,863

Material associate

Name of Associate	Proportion of Ownership and Voting Rights December 31, 2020
Beijing Sunshine Consumer Finance Co., Ltd.	20%

The investment in Beijing Sunshine Consumer Finance Co., Ltd., was jointly invested by the Bank, China Everbright Bank and China CYTS Tours Holding. The Bank's investment amounted to RMB200,000 thousand with the shareholding ratio of 20%, and Beijing Sunshine Consumer Finance Co., Ltd. has begun operation since August 17, 2020.

Refer to Table 7 "Name, locations and other information of investees on which the Bank exercises significant influence" and Table 8 "Information on Investments in Mainland China" for the nature of activities, principal place of business and country of incorporation of the associate.

The financial information of the bank's affiliates is as follows:

	December 31, 2020
Total assets	$ 13,752,736
Total liabilities	$ 9,803,422

	For the Year Ended December 31, 2020
Net loss	$ 413,832
Other comprehensive loss	$ 413,832

c. The Bank's investments accounted for using equity method, the details of its investment income (loss) are as follows:

	For the Year Ended December 31	
	2020	**2019**
Domestic listed company		
China Bills Finance Corp.	$ 447,728	$ 353,093
Domestic unlisted company		
Chun Teng New Century Co., Ltd.	(12,010)	(1,823)
IBT Holdings Corp.	256,838	385,991
IBT Leasing Co., Ltd.	364,120	363,808
IBT Management Corp.	16,248	(2,589)
Beijing Sunshine Consumer Finance Co., Ltd.	(82,766)	-
	$ 990,158	$ 1,098,480

The investments in subsidiaries and associates accounted for using the equity method, the share of profit or loss of associates and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2020 and 2019 was based on each of financial statements which have been audited for the same years.

14. OTHER FINANCIAL ASSETS

	December 31	
	2020	**2019**
Call loans to securities firms	$ -	$ 301,107
Others	219,108	216,091
	$ 219,108	$ 517,198

15. PROPERTY AND EQUIPMENT, NET

	December 31	
	2020	**2019**
Carrying amounts of each class		
Land	$ 698,633	$ 698,633
Buildings	1,309,511	1,347,472
Machinery and computer equipment	286,522	322,908
Transportation equipment	17,579	23,778
Lease improvement	103,365	118,848
Office and other equipment	55,013	68,672
Construction in progress and prepayments for equipment	19,335	80,739
	$ 2,489,958	$ 2,661,050

(Continued)

	December 31	
	2020	2019
For own used	$ 2,126,685	$ 2,290,909
Assets leased under operating leases	363,273	370,141
	$ 2,489,958	$ 2,661,050

(Concluded)

a. For own used

	Land	Buildings	Machinery and Computer Equipment	Transportation Equipment	Lease Improvement	Office and Other Equipment	Construction in Progress and Prepayments for Equipment	Total
Cost								
Balance at January 1, 2020	$ 572,250	$ 1,533,081	$ 687,180	$ 50,002	$ 241,487	$ 212,579	$ 80,739	$ 3,377,318
Additions	-	5,391	18,302	1,210	5,796	5,255	26,288	62,242
Disposals and scrapped	-	-	(508)	-	-	(805)	-	(1,313)
Reclassification	-	-	4,398	-	17,098	496	(87,473)	(65,481)
Effect of foreign currency exchange differences	-	-	(438)	(282)	(1,990)	(626)	(219)	(3,555)
Balance at December 31, 2020	572,250	1,538,472	708,934	50,930	262,391	216,899	19,335	3,369,211
Accumulated depreciation								
Balance at January 1, 2020	-	429,367	364,272	26,224	122,639	143,907	-	1,086,409
Depreciation expense	-	36,484	58,953	7,154	37,566	19,093	-	159,250
Disposals and scrapped	-	-	(508)	-	-	(805)	-	(1,313)
Effect of foreign currency exchange differences	-	-	(305)	(27)	(1,179)	(309)	-	(1,820)
Balance at December 31, 2020	-	465,851	422,412	33,351	159,026	161,886	-	1,242,526
Carrying amounts								
Balance at December 31, 2020	$ 572,250	$ 1,072,621	$ 286,522	$ 17,579	$ 103,365	$ 55,013	$ 19,335	$ 2,126,685
Cost								
Balance at January 1, 2019	$ 613,679	$ 1,644,005	$ 624,999	$ 48,428	$ 250,472	$ 214,059	$ 84,879	$ 3,480,521
Additions	-	473	27,911	7,770	2,651	1,373	56,521	96,699
Disposals and scrapped	-	(2,134)	(5,603)	(6,131)	(11,040)	(2,665)	-	(27,573)
Reclassification	(41,429)	(109,263)	39,998	-	-	-	(60,654)	(171,348)
Effect of foreign currency exchange differences	-	-	(125)	(65)	(596)	(188)	(7)	(981)
Balance at December 31, 2019	572,250	1,533,081	687,180	50,002	241,487	212,579	80,739	3,377,318
Accumulated depreciation								
Balance at January 1, 2019	-	422,319	312,561	24,041	91,303	127,270	-	977,494
Depreciation expense	-	7,891	57,394	7,810	38,214	19,291	-	130,600
Disposals and scrapped	-	(843)	(5,603)	(5,572)	(6,623)	(2,590)	-	(21,231)
Effect of foreign currency exchange differences	-	-	(80)	(55)	(255)	(64)	-	(454)
Balance at December 31, 2019	-	429,367	364,272	26,224	122,639	143,907	-	1,086,409
Carrying amounts								
Balance at December 31, 2019	$ 572,250	$ 1,103,714	$ 322,908	$ 23,778	$ 118,848	$ 68,672	$ 80,739	$ 2,290,909

The above items of property and equipment are depreciated on a straight-line basis at the following rates per annum:

Buildings	25-50 years
Machinery and computer equipment	3-25 years
Transportation equipment	5 years
Lease improvement	5-8 years
Office and other equipment	5-15 years

b. Assets leased under operating leases

	Land	Buildings	Total
Cost			
Balance at January 1, 2020	$ 126,383	$ 338,584	$ 464,967
Additions	-	1,190	1,190
Balance at December 31, 2020	$ 126,383	$ 339,774	$ 466,157
Accumulated depreciation			
Balance at January 1, 2020	$ -	$ 94,826	$ 94,826
Depreciation expense	-	8,058	8,058
Balance at December 31, 2020	$ -	$ 102,884	$ 102,884
Carrying amounts			
Balance at December 31, 2020	$ 126,383	$ 236,890	$ 363,273
Cost			
Balance at January 1, 2019	$ 84,954	$ 227,585	$ 312,539
Disposals	-	(295)	(295)
Additions	-	453	453
Reclassification	41,429	110,841	152,270
Balance at December 31, 2019	$ 126,383	$ 338,584	$ 464,967
Accumulated depreciation			
Balance at January 1, 2019	-	58,463	58,463
Depreciation expense	-	36,480	36,480
Disposals	-	(117)	(117)
Balance at December 31, 2019	$ -	$ 94,826	$ 94,826
Carrying amounts			
Balance at December 31, 2019	$ 126,383	$ 243,758	$ 370,141

Operating leases relate to leases of land and building with lease terms between 1 to 5 years. All operating lease contracts contain market review clauses in the event that the lessees exercise their options to extend. The lessees do not have bargain purchase options to acquire the assets at the expiry of the lease periods. The buildings are depreciated on a straight-line basis for 25 to 50 years.

The maturity analysis of lease payments receivable under operating lease payments was as follows:

	December 31	
	2020	2019
Year 1	$ 21,559	$ 21,529
Year 2	8,102	8,313
Year 3	7,765	8,072
Year 4	4,530	7,735
Year 5	-	4,512
	$ 41,956	$ 50,161

16. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2020	2019
Carrying amounts		
Buildings	$ 246,147	$ 309,517

	For the Year Ended December 31	
	2020	2019
Additions to right-of-use assets	$ 35,240	$ 126,593
Depreciation charge for right-of-use assets		
Buildings	$ 94,219	$ 101,856

b. Lease liabilities

	December 31	
	2020	2019
Carrying amounts	$ 253,261	$ 313,446

Range of discount rate for lease liabilities was as follows:

	December 31	
	2020	2019
Buildings	1.381%-5.125%	1.621%- 5.125%

c. Material lease-in activities

Due to rental of buildings, the Bank have been entered into various leasehold contracts with others. These contracts are gradually expiring before the end of July 2026. The rent is calculated based on the lease rate per square feet is paid monthly. According to the contract, the Bank has been paid the deposit of $26,299 thousand and $27,721 thousand on December 31, 2020 and 2019, respectively.

d. Other lease information

	For the Year Ended December 31	
	2020	2019
Expenses relating to short-term leases	$ 4,016	$ 4,284
Total cash outflow for leases	$ (102,023)	$ (109,136)

17. INTANGIBLE ASSETS

	December 31	
	2020	2019
Carrying amounts of each class of		
Computer software	$ 1,084,891	$ 1,163,114

The changes in of intangible assets for the years ended December 31, 2020 and 2019 are summarized as follows:

	Computer Software
Cost	
Balance at January 1, 2020	$ 2,086,977
Additions	121,693
Reclassification	65,481
Disposals	(90)
Effect of foreign currency exchange differences	(1,903)
Balance at December 31, 2020	$ 2,272,158
Accumulated amortization and impairment	
Balance at January 1, 2020	$ 923,863
Amortization	265,135
Disposals	(90)
Effect of foreign currency exchange differences	(1,641)
Balance at December 31, 2020	$ 1,187,267
Carrying amounts	
Balance at December 31, 2020	$ 1,084,891
Cost	
Balance at January 1, 2019	$ 1,954,770
Additions	113,882
Reclassification	19,077
Disposals	(218)
Effect of foreign currency exchange differences	(534)
Balance at December 31, 2019	$ 2,086,977

(Continued)

	Computer Software
Accumulated amortization and impairment loss	
Balance at January 1, 2019	$ 680,508
Amortization	243,995
Disposals	(218)
Effect of foreign currency exchange differences	(422)
Balance at December 31, 2019	$ 923,863
Carrying amounts	
Balance at December 31, 2019	$ 1,163,114

(Concluded)

18. OTHER ASSETS

	December 31	
	2020	2019
Refundable deposits	$ 413,997	$ 219,698
Prepayments	38,040	48,793
Others	132,901	130,939
	$ 584,938	$ 399,430

19. DEPOSITS FROM THE CENTRAL BANK AND OTHER BANKS

	December 31	
	2020	2019
Call loans from banks	$ 12,488,924	$ 19,529,671
Call loans from Central Bank	2,850,831	2,408,858
Deposits from Chunghwa Post Co., Ltd.	7,000,000	7,000,000
	$ 22,339,755	$ 28,938,529

20. BILLS AND BONDS SOLD UNDER REPURCHASE AGREEMENTS

	December 31	
	2020	2019
Government bonds	$ 900,278	$ 2,863,548
Bank debentures	538,738	-
	$ 1,439,016	$ 2,863,548
Date of agreements to repurchase	From January 6 to March 16, 2021	From January 6 to January 17, 2020
Amount of agreements to repurchase	$ 1,439,685	$ 2,864,192

21. PAYABLES

	December 31	
	2020	2019
Checks for clearing	$ 451,158	$ 535,060
Investment settlements payable	93,761	102,794
Accrued interest	460,862	728,922
Accrued expenses	679,591	706,696
Collections payables	27,750	29,470
Factored payables	79,059	252,912
Acceptances	43,447	220,594
Others	89,711	105,197
	$ 1,925,339	$ 2,681,645

22. DEPOSITS AND REMITTANCES

	December 31	
	2020	2019
Deposits		
Checking	$ 3,063,970	$ 1,291,303
Demand	47,368,252	38,067,331
Time	179,212,485	187,573,208
Savings deposits	16,729,084	16,649,521
Export remittances	47,032	63,717
	$ 246,420,823	$ 243,645,080

23. BANK DEBENTURES PAYABLE

	December 31	
	2020	2019
Subordinate bonds first issued in 2013; fixed 1.95% interest rate; maturity: May 30, 2020; interest paid annually and repay the principal at maturity	$ -	$ 2,300,000
Subordinate bonds first issued in 2014; fixed 1.95% interest rate; maturity: March 27, 2021; interest paid annually and repay the principal at maturity	1,300,000	1,300,000
Subordinate bonds second issued in 2014; fixed 1.85% interest rate; maturity: June 26, 2021; interest paid annually and repay the principal at maturity	1,000,000	1,000,000
Subordinate bonds third issued in 2014; fixed 1.95% interest rate; maturity: September 26, 2021; interest paid annually and repay the principal at maturity	600,000	600,000
Subordinate bonds 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
Subordinate bonds first issued in 2015; fixed 1.85% interest rate; maturity: December 29, 2022; interest paid annually and repay the principal at maturity	1,000,000	1,000,000
Subordinate bonds A first issued in 2016; fixed 1.70% interest rate; maturity: June 29, 2023; interest paid annually and repay the principal at maturity	1,500,000	1,500,000
Subordinate bonds B first issued in 2016; fixed 1.80% interest rate; maturity: June 29, 2024; interest paid annually and repay the principal at maturity	1,500,000	1,500,000
Subordinate bonds first issued in 2017; fixed 1.97% interest rate; maturity: September 5, 2027; interest paid annually and repay the principal at maturity	2,000,000	2,000,000
Subordinate bonds A second issued in 2017; fixed 4% interest rate; no maturity, interest paid annually	750,000	750,000
Subordinate bonds B second issued in 2017; fixed 1.82% interest rate; maturity: December 27, 2027; interest paid annually and repay the principal at maturity	1,000,000	1,000,000
Subordinate bonds A first issued in 2018; fixed 4% interest rate; no maturity, interest paid annually	700,000	700,000
Subordinate bonds B first issued in 2018; fixed 1.75% interest rate; maturity: June 29, 2028; interest paid annually and repay the principal at maturity	1,050,000	1,050,000
Subordinate bonds first issued in 2019; fixed 1.5% interest rate; maturity: June 6, 2026; interest paid annually and repay the principal at maturity	2,500,000	2,500,000
	$ 16,400,000	$ 18,700,000

24. OTHER FINANCIAL LIABILITIES

	December 31	
	2020	2019
Funds obtained from the government - intended for specific types of loans	$ 2,822,069	$ 2,950,900
Principal of structured products	25,939	517,749
	$ 2,848,008	$ 3,468,649

The Lending Fund is a development fund established by the Executive Yuan to promote the development of the financial market economy. The Bank applied for the quota and appointed Mega Bank, Export-Import Bank of the Republic of China, China Trust Commercial Bank, and Taiwan Enterprise Bank to act as the managing bank wherein the loan quota is available for use.

25. PROVISIONS

	December 31	
	2020	2019
Provisions for employee benefits	$ 56,640	$ 88,577
Provisions for losses on guarantee contracts	364,486	215,313
Provisions for financing commitments	91,721	66,966
	$ 512,847	$ 370,856

Refer to Note 12 for the details and changes in the reserve for losses on guarantee contracts and financing commitments.

26. RETIREMENT BENEFIT PLANS

Defined Contribution Plan

The pension system under the “Labor Pensions Ordinance” applicable to the Bank is the required retirement plan stipulated by the government. A pension of 6% of an employee’s monthly salary is paid to the Labor Insurance Bureau under each individual’s account.

The amount to be paid in accordance with the percentage specified in the proposed plan for the years ended December 31, 2020 and 2019 was recognized in the statements of comprehensive income in the total amounts of $51,897 thousand and $53,036 thousand, respectively.

Defined Benefit Plan

The defined benefit plans adopted by the Bank in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Bank contribution amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee’s name. Before the end of each year, the Bank assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Bank is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor; the Bank has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Bank's defined benefit plans were as follows:

	December 31	
	2020	2019
Present value of defined benefit obligation	$ 172,278	$ 198,373
Fair value of plan assets	(115,638)	(109,796)
Net defined benefit liabilities	$ 56,640	$ 88,577

Movement in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2019	$ 195,051	$ (107,486)	$ 87,565
Service cost			
Current service cost	2,349	-	2,349
Net interest expense (income)	1,951	(1,088)	863
Recognized in profit or loss	4,300	(1,088)	3,212
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(3,853)	(3,853)
Changes in demographic assumptions	400	-	400
Changes in financial assumptions	4,613	-	4,613
Experience adjustments	(748)	-	(748)
Recognized in other comprehensive income (loss)	4,265	(3,853)	412
Employer contributions	-	(2,612)	(2,612)
Benefits paid	(5,243)	5,243	-
Balance at December 31, 2019	$ 198,373	$ (109,796)	$ 88,577
Balance at January 1, 2020	$ 198,373	$ (109,796)	$ 88,577
Service cost			
Current service cost	2,276	-	2,276
Net interest expense (income)	1,488	(833)	655
Recognized in profit or loss	3,764	(833)	2,931
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(3,665)	(3,665)
Changes in demographic assumptions	230	-	230
Changes in financial assumptions	4,072	-	4,072
Experience adjustments	(929)	-	(929)
Recognized in other comprehensive income (loss)	3,373	(3,665)	(292)
Employer contributions	-	(2,443)	(2,443)
Benefits paid	(1,099)	1,099	-
Business paid	(32,133)	-	(32,133)
Balance at December 31, 2020	$ 172,278	$ (115,638)	$ 56,640

Through the defined benefit plans under the Labor Standards Law, the Bank is exposed to the following risks:

a. Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

b. Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.

c. Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2020	**2019**
Discount rate(s)	0.50%	0.75%
Expected rate(s) of salary increase	2.50%	2.50%

If possible reasonable changes in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2020	**2019**
Discount rate(s)		
0.25% increase	$ (4,072)	$ (4,614)
0.25% decrease	$ 4,212	$ 4,776
Expected rate(s) of salary increase		
0.25% increase	$ 4,058	$ 4,618
0.25% decrease	$ (3,945)	$ (4,486)

The sensitivity analysis presented above may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2020	**2019**
Expected contributions to the plans for the next year	$ 2,404	$ 2,661
Average duration of the defined benefit obligation	9.6 years	9.4 years

27. OTHER LIABILITIES

	December 31	
	2020	2019
Guarantee deposits received	$ 7,596	$ 6,587
Advance revenue	47,460	28,659
Others	6,780	9,942
	$ 61,836	$ 45,188

28. EQUITY

a. Capital stock

	December 31	
	2020	2019
Number of stock authorized (in thousands)	3,500,000	3,500,000
Amount of capital stock authorized	$ 35,000,000	$ 35,000,000
Number of stocks issued and fully paid (in thousands)		
Common stock	2,733,006	2,413,006
Preferred stock	300,000	300,000
Amount of stocks issued	$ 30,330,063	$ 27,130,063

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

On June 27, 2018, the Bank's board of directors resolved to issue 300,000 thousand Series A preferred stock, with a par value of $10. The subscription date was November 29, 2018. The Bank finished the registration on December 21, 2018. The rights and obligations of Series A preferred stockholders are as follows:

1) The interest rate of Series A preferred stock shall be based on the 5-year Interest Rate Swap (IRS) rate on the pricing date and the interest shall be calculated on the issue price per share; the interest rate is initially set at 0.94375% plus 3.30625% (total 4.25%) per annum. The interest Rate Swap issued price per share. Interest rate per annum will be reset on the day after the 5.5-year anniversary of the issue date and the day after each subsequent period of 5.5 years thereafter. Dividends for the Series A preferred stock shall be declared once every year in cash. After the stockholders' approval of the Bank's financial statements at its annual stockholders' meeting, the board of directors may set a record date for the distribution of dividends declared from the previous year. Dividend distribution for the years of issuance and redemption shall be calculated pursuant to actual issued days of the given year.

2) The Bank has sole discretion on dividend issuance of Series A preferred stock including, but not limited to, its discretion to not declare dividends when no profit is recorded, or insufficient profit is recorded for preferred stock dividends, or preferred stock dividend declaration would render the Bank of International Settlement (BIS) ratio below the level required by the law or relevant authorities, or due other necessary consideration. The Series A preferred stockholders shall not have any objection towards the Bank's cancellation of preferred stock dividend declaration. Undeclared or under declared dividends are not cumulative and are not paid in subsequent years with profit.

3) Unless the authorities take over the Bank, order the Bank to suspend, terminate or liquidate its business in accordance with the "Regulations Governing the Capital Adequacy and Capital Category of Banks", Series A preferred stockholders shall have the same priority as the common stockholders in the event of liquidation, both second to tier 2 capital instrument holder, depositor, and common creditor, but will be capped at the value of issuance.

4) Series A preferred stockholders have no voting rights at the annual stockholders' meeting and cannot elect directors. However, the preferred stockholders should have voting rights at the preferred stockholders' meeting and also at the stockholders' meeting when it involves the rights and obligations of the preferred stockholders, and the aforesaid stockholders are eligible for director candidacy. Series A preferred stockholders have voting rights at Series A stockholders' meeting.

5) The preferred stock issued by the Bank shall not be converted within one year from the date of issuance. Starting from the day after the expiration of one year, stockholders of convertible preferred stock may apply for the conversion of part or all of the preferred stock held, from preferred stock to common stock during the conversion period (conversion ratio 1:1). After the convertible preferred stock are converted into common stock, their rights and obligations are the same as the common stock. The issuance of annual dividends for the convertible preferred stock is based on the ratio of the actual number of issued days in the current year to the number of days within the whole year. However, stockholders who converted their preferred stock into common stock before the date of distribution of dividends (interests) in each year shall not participate in the distribution in that year but may participate in the distribution of common stock surplus and additional paid in capital.

6) When the Bank issues new shares for cash, Series A preferred stockholders have the same subscription rights as the common stockholders.

On July 7, 2020, the Bank's board of directors resolved to issue 320,000 thousand common shares with a par value of $10 and plans to issued at $6.35 per share, which increased the share capital issued and fully paid increased to 30,330,063 thousand. The above transaction was approved by the FSC.

b. Capital surplus

	December 31	
	2020	**2019**
May be used to offset a deficit, distributed as dividends, or transferred to capital stock (Note)		
Treasury share transactions	$ 3,193	$ 3,193
Share-based payments	-	4,537
Must be used to offset a deficit		
Unclaimed dividends	978	649
May not be used for any purpose		
Share of changes in capital surplus of subsidiaries, associates or joint ventures	1,795	1,371
	$ 5,966	$ 9,750

Note: Such capital surplus may be used to offset a deficit; in addition, when the Bank has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital stock (limited to a certain percentage of the Bank's capital surplus and once a year).

c. Special reserves

	December 31	
	2020	2019
Trading loss and default loss reserve	$ 133,955	$ 133,955
Employee transfer or placement expenditure related to financial technology development	17,181	18,353
Other equity deductions special reserves	67,477	159,981
According to the Bank's policy	1,177,740	1,319,046
	$ 1,396,353	$ 1,631,335

The Bank reclassified reserve for trading loss and default losses as of December 31, 2010 to a special reserve account, which is part of equity, in accordance with Order No. 10010000440 issued by the FSC.

In addition, according to Rule No. 10510001510 issued by the FSC on May 25, 2016, a public bank shall appropriate to special reserve an amount in the range of 0.5% to 1% of net profit after tax from 2016 to 2018; from 2017, the same amount of employee transfer or placement expenditure arising from financial technology development shall be reversed from the balance of the special reserve. The above order was repealed by the FSC Rule No. 10802714560 on May 15, 2019, which stipulates that in 2019, a public bank shall no longer continue to provide a special reserve for the purpose of protecting the interests of domestic bank practitioners in the development of financial technology. The Bank is allowed to reverse the special reserve appropriated in 2016 to 2018 at the amounts of the following expenses.

1) Expenses for staff transfer or placement, including the related expenses for assisting employees to transfer between departments or groups, and the payment of retirement and severance benefits to employees that are superior to labor-related laws and regulations.

2) Expenses for financial technology or banking business development, i.e., expenditure for education and training to enhance or develop employee functions.

The Bank shall make or reverse appropriations for the items referred to under Rule No. 1010012865, Rule No. 1010047490, and Rule No. 1030006415 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs".

d. Retained earnings and dividend policy

1) The Bank's dividend policy approved by the stockholders' meeting of the Bank on June 19, 2020 is as follows:

   Under the dividends policy as set forth in the amended Articles, where the Bank made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 30% of the remaining profit until the accumulated legal reserve equals the Bank's paid-in capital, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the board of directors as the basis for proposing a distribution plan, which should be resolved in the stockholders' meeting for distribution of dividends and bonus to stockholders.

   In principle, common stock dividends shall not be less than 20% of the available for distribution retained earnings minus the amount for preferred stock dividends. Cash dividend shall not be less than 20% of the total dividend for the current year. When the amount of legal reserve has not reached the Bank's total capital, the amount of cash dividends cannot exceed 15% of the Bank's paid-in capital.

The Bank shall consider its future capital budget plan, financial needs for various businesses, and financial structure in the adoption of a stable and balanced dividend policy. The board of directors may, according to the actual needs, propose adjustments to the dividend distribution, and submit the proposal for approval in the stockholders' meeting.

2) The dividend policy before June 19, 2020 is as follows:

Under the dividends policy as set forth in the amended Articles, where the Bank made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 30% of the remaining profit until the accumulated legal reserve equals the Bank's paid-in capital, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the board of directors as the basis for proposing a distribution plan, which should be resolved in the stockholders' meeting for distribution of dividends and bonus to stockholders. When the amount of legal reserve has not reached the Bank's total capital, the amount of cash dividends cannot exceed 15% of the Bank's paid-in capital.

In addition, according to the provisions of the Bank's articles of incorporation, the Bank shall consider its future capital budget plan, financial needs for various businesses, and financial structure in the adoption of a stable and balanced dividend policy. In principle, cash dividend shall not be less than 20% of the total dividend for the current year. The board of directors may, according to the actual needs, propose adjustments to the dividend distribution, and submit the proposal for approval in the shareholders' meeting.

For the policies on distribution of employees' compensation and remuneration of directors, please refer to Note 33.

The appropriations of earnings for 2019 and 2018 have been proposed by the Bank's board of directors and approved in the stockholders' meetings on June 19, 2020 and June 14, 2019, respectively. The appropriations and dividends per share were as follows:

	2019	2018
	Appropriation of Earnings	**Appropriation of Earnings**
Legal reserve	$ 330,130	$ 183,014
Special reserve appropriated (reversed)	(234,982)	415,504
Cash dividends - common stock	965,203	-
Preferred stock dividends	127,500	11,527

The appropriation of earnings for 2020 had been proposed by the Board on March 22, 2021. The appropriation were as follows:

	Appropriation of Earnings
Legal reserve	$ 31,879
Special reserve reversed	(598,570)
Cash dividends - common stock	545,454
Cash dividends - preferred stock	127,500

The appropriation of earnings for 2020 are subject to the resolution of the shareholders' meeting to be held on June 25, 2021.

e. Other equity items

1) Exchange differences on the translating the financial statements of foreign operations

	For the Year Ended December 31	
	2020	2019
Balance at January 1	$ (307,473)	$ (92,806)
Exchange differences arising on the translating the financial statements of foreign operations	(446,246)	(237,382)
Income tax related to gains arising on the translating the financial statements of foreign operations	56,165	22,715
Balance at December 31	$ (697,554)	$ (307,473)

2) Unrealized valuation gain (loss) on financial assets at FVTOCI

	For the Year Ended December 31	
	2020	2019
Balance at January 1	$ 239,996	$ (67,175)
Recognized during the period		
Unrealized gain - debt instruments	284,191	223,138
Unrealized gain - equity instruments	339,439	169,681
Loss allowance of debt instruments	3,887	2,075
Other comprehensive income recognized in the period	627,517	394,894
Cumulative unrealized loss of equity instruments transferred to retained earnings due to disposal	(112,215)	(87,723)
Balance at December 31	$ 755,298	$ 239,996

f. Treasury stock

Unit: In Thousands of Shares

	For the Year Ended December 31, 2020
Number of shares at January 1, 2020	-
Increase during the period	5,737
Number of shares at December 31, 2020	5,737

On March 19, 2020, the Bank's board of directors proposed to acquire treasury stocks transfer to employees. The acquiring period is from March 20, 2020 to May 19, 2020. As of May 19, 2020, the Bank had acquired 5,737 thousand shares of treasury stocks for $38,304 thousand.

Under the Securities and Exchange Act, the Bank shall neither pledge treasury shares nor exercise stockholders' rights on these shares, such as the rights to receive dividends or to vote.

29. NET INTEREST

	For the Year Ended December 31	
	2020	2019
Interest revenue		
Discounts and loans	$ 3,750,380	$ 4,710,269
Investments in securities	478,355	717,321
Due from the Central Bank and call loans to banks	80,579	259,590
Factoring	19,631	30,228
Others	30,882	46,177
	4,359,827	5,763,585
Interest expense		
Deposits	1,921,978	2,921,856
Bills and bonds sold under repurchase agreements	7,238	20,569
Bank debentures	349,741	378,507
Deposits from Central Bank and other banks	154,311	460,969
Others	11,976	24,233
	2,445,244	3,806,134
	$ 1,914,583	$ 1,957,451

30. NET SERVICE FEE INCOME

	For the Year Ended December 31	
	2020	2019
Service fee income		
Import and export business	$ 11,705	$ 23,219
Loan business	106,417	238,243
Guarantee business	264,224	186,444
Credit examining business	149,797	275,176
Acceptance business	1,023	1,174
Factoring business	16,066	41,461
Trust business	32,751	20,188
Insurance agent business	70,527	116,583
Others	39,041	41,053
	691,551	943,541
Service charge		
Remittance	1,838	1,628
Custody	3,795	2,318
Interbank	16,005	15,956
Reward program	27,594	44,102
Others	58,372	70,744
	107,604	134,748
	$ 583,947	$ 808,793

(Concluded)

31. REALIZED GAINS (LOSSES) ON FINANCIAL ASSETS OR LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	For the Year Ended December 31	
	2020	2019
Realized gains or losses		
Stocks	$ 109,501	$ 98,100
Bonds	(6,669)	831
Derivatives	(1,325,132)	731,366
Others	20	-
	(1,222,280)	830,297
Gains (losses) on valuation		
Stocks	52,754	7,606
Bonds	1,482	10,075
Derivatives	(173)	(353,949)
Others	(7,994)	555
	46,069	(335,713)
Interest revenue	335,229	413,801
	$ (840,982)	$ 908,385

32. REALIZED GAINS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	For the Year Ended December 31	
	2020	2019
Realized income - debt instruments	$ 123,041	$ 107,879
Dividend revenue	134,398	25,572
	$ 257,439	$ 133,451

33. EMPLOYEE BENEFITS EXPENSES

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits		
Salaries and wages	$ 1,387,761	$ 1,455,597
Remuneration of directors	65,658	84,824
Labor insurance and national health insurance	78,183	79,219
Others	24,465	26,527
Post-employment benefits		
Pension expenses	54,304	55,555
Pension benefits	1,352	5
	$ 1,611,723	$ 1,701,727

The Bank accrued employees' compensation and remuneration of directors at the rates of 1%-2.5% and no higher than 2.5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors.

The amounts and accrual rates of employees' compensation and remuneration of directors for the years ended December 31, 2020 and 2019 were as follows:

Accrual rate

	For the Year Ended December 31	
	2020	2019
Employees' compensation	1.25%	1.25%
Remuneration of directors	2.50%	2.50%

Amount

	For the Year Ended December 31	
	2020	2019
Employees' compensation	$ 16,056	$ 15,715
Remuneration of directors	32,111	31,430

If there is a change in the amounts after the annual financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate by next year.

The employees' compensation and remuneration of directors for 2019 and 2018, which were approved by the Board on March 25, 2020 and February 27, 2019, respectively, were as follows:

	For the Year Ended December 31			
	2019		2018	
	Cash	Stock	Cash	Stock
Employees' compensation	$ 15,715	$ -	$ 14,632	$ -
Remuneration of directors	31,430	-	29,265	-

There are no differences between the 2019 and 2018 actual amounts of employees' compensation and remuneration of directors paid and the 2019 and 2018 amount recognized in the annual financial statements.

The Board approved employees' compensation and remuneration of directors for the years ended December 31, 2020 on March 22, 2021, were as follows:

	For the Year Ended December 31, 2020
Employees' compensation - cash	$ 16,056
Remuneration of directors	$ 32,111

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

34. DEPRECIATION AND AMORTIZATION EXPENSES

	For the Year Ended December 31	
	2020	2019
Property and equipment	$ 167,308	$ 167,080
Intangible assets	265,135	243,995
Right-of-use assets	94,219	101,856
	$ 526,662	$ 512,931

35. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	For the Year Ended December 31	
	2020	2019
Rental fees	$ 4,016	$ 4,284
Taxation	172,641	195,200
Computer operating and consulting fees	276,542	260,671
Management fees	36,519	35,780
Entertainment fees	34,768	47,209
Advertisement fees	47,486	131,346
Service fees	63,877	57,923
Others	210,991	227,036
	$ 846,840	$ 959,449

36. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Year Ended December 31	
	2020	2019
Current tax		
In respect of the current year	$ 96,266	$ 139,469
Income tax on unappropriated earning	-	12,537
In respect of prior years	(18,827)	(7,826)
	77,439	144,180
Deferred tax		
In respect of the current year	11,449	(34,521)
Income tax expense recognized in profit or loss	$ 88,888	$ 109,659

A reconciliation of accounting profit and income tax expense for the years ended December 31, 2020 and 2019 were as follows:

	For the Year Ended December 31	
	2020	**2019**
Profit before tax from continuing operations	$ 1,236,291	$ 1,210,092
Income tax expense calculated at the statutory rate	$ 247,258	$ 242,018
Realized gain on investment in equity instruments measured at fair value through other comprehensive income	20,420	12,118
Nondeductible expenses and tax-exempt income in determining taxable income	(277,342)	(211,389)
Deductible tax amount of overseas income tax	-	(77,388)
Additional income tax under the Alternative Minimum Tax Act	24,824	6,289
Income tax on unappropriated earnings	-	12,537
Unrecognized deductible temporary differences	21,114	120
Overseas income taxes	71,441	133,180
Adjustments for prior years' tax	(18,827)	(7,826)
Income tax expense recognized in profit or loss	$ 88,888	$ 109,659

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2020	**2019**
Deferred tax		
Translation of foreign operations	$ 56,165	$ 22,715
Income tax expense recognized in other comprehensive income	$ 56,165	$ 22,715

c. Deferred tax assets and liabilities

For the year ended December 31, 2020

	Opening Balance	**Recognized in Profit or Loss**	**Recognized in Other Compre-hensive Income**	**Closing Balance**
Deferred tax assets				
Temporary differences				
FVTPL financial instrument	$ 51,061	$ 19	$ -	$ 51,080
Allowance for bad debts	223,036	23,346	-	246,382
Loss reserve	2,015	-	-	2,015
Translation of foreign operations	11,975	-	56,165	68,140
	$ 288,087	$ 23,365	$ 56,165	$ 367,617

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Closing Balance
Deferred tax liabilities				
Temporary differences				
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	$ 400,449	$ 34,814	$ -	$ 435,263

(Concluded)

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
FVTPL instrument assets	$ 50,173	$ 888	$ -	$ 51,061
Allowance for bad debts	112,204	110,832	-	223,036
Loss reserve	2,015	-	-	2,015
Translation of foreign operations	-	-	11,975	11,975
	$ 164,392	$ 111,720	$ 11,975	$ 288,087
Deferred tax liabilities				
Temporary differences				
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	$ 323,250	$ 77,199	$ -	$ 400,449
Translations of foreign operations	10,740	-	(10,740)	-
	$ 333,990	$ 77,199	$ (10,740)	$ 400,449

d. Assessment of the income tax returns

The income tax returns of the Bank through before 2018 have been assessed by the tax authorities (except 2017). The Bank disagreed with the tax authorities’ assessment of its 2016 tax return and apply to re-examine. The result of the re-examination was consistent with the Bank.

37. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2020	**2019**
Basic earnings per share	$ 0.41	$ 0.45
Diluted earnings per share	$ 0.37	$ 0.45

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

Net Profit for the Year

	For the Year Ended December 31	
	2020	**2019**
Net profit	$ 1,147,403	$ 1,100,433
Less: Declared preferred stock dividend	127,500	11,527
Earnings used in the computation of basic and diluted earnings per share	$ 1,019,903	$ 1,088,906

Stock (In Thousand Shares)

	For the Year Ended December 31	
	2020	**2019**
Weighted average number of common stocks in computation of basic earnings per share	2,471,797	2,413,006
Effect of potentially dilutive common stocks:		
Employees' compensation issued to employees	2,886	2,302
Convertible preferred stock	300,000	27,123
	302,886	29,425
Weighted average number of common stocks used in the computation of diluted earnings per share	2,774,683	2,442,431

If the Bank offered to settle compensation or bonuses paid to employees in cash or stocks, then the Bank will assume the entire amount of the compensation or bonuses will be settled in stocks and the dilutive effect of the resulting potential stocks will be included in the weighted average number of stocks outstanding used in the computation of diluted earnings per share. Such dilutive effect of the potential stocks will be included in the computation of diluted earnings per share until the number of stocks to be distributed to employees is resolved in the following year.

38. RELATED PARTY TRANSACTIONS

a. The related parties and their relationships with the Bank

Related Party	Relationship with the Bank
Chun Teng New Century Co., Ltd. (Original IBT Securities Co., Ltd.) (Chun Teng New Century) (Company in liquidation)	Subsidiary of Bank
IBT Management Corp. (IBTM)	Subsidiary of Bank
IBT Holdings Corp. (IBTH)	Subsidiary of Bank
China Bills finance Corp. (CBF)	Subsidiary of Bank
IBT Leasing Co., Ltd. (IBTL)	Subsidiary of Bank
IBT II Venture Capital Co., Ltd. (IBT II Venture) (liquidation)	Associates
Beijing Sunshine Consumer Finance Co., Ltd.	Associates
IBTS Holdings (B.V.I.) Limited (IBTSH)	Subsidiary of Chun Teng New Century
IBT international Leasing Corp.	Subsidiary of IBTL
IBT VII Venture Capital Co., Ltd. (IBTVC7)	Subsidiary of IBTL
IBTS Financial (HK) Limited (IBTS HK)	Subsidiary of IBTSH
IBTS Asia (HK) Limited (IBTS Asia)	Subsidiary of IBTSH
IBT Education Foundation (IBTEF)	The Bank is the major donor of the foundation
Taiwan Cement Corporation	The Bank’s legal director
Yi Chang Investment Co., Ltd.	The Bank’s legal director
Ming Shan Investment Co., Ltd.	The Bank’s legal director
TCC Energy Co., Ltd.	Other related party
Others	The Bank’s management and their other related parties

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

1) Deposits (part of deposits and remittance)

	Ending Balance	Interest Expense	Rate (%)
For the year ended December 31, 2020			
Subsidiaries	$ 279,290	$ 1,231	0.00-2.70
Associates	1,977	1	0.03
Others	4,809,246	48,140	0.00-6.315
	$ 5,090,513	$ 49,372	
For the year ended December 31, 2019			
Subsidiaries	$ 272,148	$ 3,121	0.00-2.70
Associates	2,298	33	0.00-0.33
Others	3,670,509	63,622	0.00-6.56
	$ 3,944,955	$ 66,776	

2) Loans

	Maximum Balance	Ending Balance	Interest Income	Rate (%)
For the year ended December 31, 2020				
Others	$ 430,000	$ 430,000	$ 5,317	1.179
For the year ended December 31, 2019				
Others	$ 430,000	$ 430,000	$ 6,204	1.443

December 31, 2020

Category	Name	Maximum Balance (Note)	Ending Balance	Normal Loans	Non-performing Loans	Collateral	Difference of Terms of the Trans-actions with Unrelated Parties
Others	TCC	$ 430,000	$ 430,000	$ 430,000	$ -	Real estate	None

December 31, 2019

Category	Name	Maximum Balance (Note)	Ending Balance	Normal Loans	Non-performing Loans	Collateral	Difference of Terms of the Trans-actions with Unrelated Parties
Others	TCC	$ 430,000	$ 430,000	$ 430,000	$ -	Real estate	None

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

3) Purchases and sales of securities

	For the Year Ended December 31, 2019			
Related Party	Purchases	Sales	Sales Under Repurchase Agreements	Purchases Under Resell Agreements
Subsidiaries	$ 99,598	$ 49,787	$ -	$ -

4) Service fee (part of net service fee income)

	For the Year Ended December 31	
	2020	2019
Others	$ 33	$ 21

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

5) Other expenses (part of other general and administrative expense)

	For the Year Ended December 31	
	2020	2019
Others	$ 5,720	$ 4,800

Other expenses are donations.

6) Rental income and others

	For the Year Ended December 31	
	2020	2019
Subsidiaries	$ 21,632	$ 17,256
Others	552	552
	$ 22,184	$ 17,808

Rental income received by the department is revenue from leasing contract of providing part of the office and equipment and management service contract.

c. Compensation of key management personnel

The remuneration of directors and other members of key management personnel for the years ended December 31, 2020 and 2019 were as follows:

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits	$ 187,931	$ 280,592
Post-employment benefits	3,577	3,898
Share-based payments	761	335
	$ 192,269	$ 284,825

The remuneration of directors and other key management personnel is determined by the remuneration committee.

The terms of the transactions with related parties are similar to those for third parties, except for the preferential interest rates given to employees for savings and loans. These rates should be within certain limits.

Under the Banking Law Article 32 and 33, except for consumer loans and government loans, credits extended by the Bank to any related party should be 100% secured, and the terms of credits extended to related parties should be similar to those for third parties.

39. PLEDGED ASSETS

	December 31	
	2020	2019
Pledged time deposits	$ 219,108	$ 216,091
Financial assets at FVTPL	5,099,275	15,059,495
Financial assets at FVTOCI	8,088,141	182,854
	$ 13,406,524	$ 15,458,440

Under the requirement for joining the Central Bank's Real-time Gross Settlement (RTGS) clearing system, the Bank provided time deposits (part of other financial assets) and negotiable certificates of deposits (part of financial assets at FVTPL and financial assets at FVOCI) as collateral for day-term overdrafts. The pledged amount is adjustable based on the respective overdraft amount, and at the end of the day, the unused part can be used for liquidity reserve. Besides, the Bank contracted for foreign currency call-loan to provide the negotiable certificates of deposits to the Department of Foreign Exchange of Central Bank.

40. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. Except for other disclosures, as of December 31, 2020 and 2019, the Bank had commitments as follows:

	December 31	
	2020	2019
Office decorating and contracts of computer software		
Amount of contracts	$ 28,631	$ 110,327
Payments for construction in progress and prepayments for equipment	19,335	80,739

b. HIGHLITE INDUSTRIES, Inc. allegedly applied to the Bank for loan receivables factoring through false transactions, causing damage to the Bank. The Bank filed a criminal complaint against HIGHLITE INDUSTRIES, Inc. and the relevant persons. The prosecutor prosecuted in January 2020, and the case pronounced sentence in the criminal court of Taiwan Taipei District Court in December 2020. The Bank also filed a lawsuit in the civil court of the Taiwan Taipei District Court in January 2020 in accordance with the law, and the case is under trial in the civil court.

41. TRUST BUSINESS UNDER THE TRUST LAW

Balance Sheet of Trust Accounts

	December 31	
	2020	2019
Trust assets		
Petty cash	$ 100	$ 100
Bank deposits	2,404,446	1,665,135
Financial assets	3,285,615	2,875,818
Receivable	18	35
Prepayments	1,374	1,578
Real estate	8,544,916	8,238,959
Other assets	21,329	26,705
Total trust assets	$ 14,257,798	$ 12,808,330

(Continued)

	December 31	
	2020	2019
Trust capital and liability		
Payables	$ 1,188	$ 2,204
Unearned receipts	1,201	1,266
Taxes payable	4,256	4,297
Guarantee deposits received	51,530	64,658
Other liabilities	955	1,024
Trust capital	14,022,448	12,572,930
Provisions and accumulated profit and loss	176,220	161,951
Trust capital and liability	$ 14,257,798	$ 12,808,330

(Concluded)

Income Statements of Trust Accounts

	For the Year Ended December 31	
	2020	2019
Trust revenue		
Interest revenue	$ 3,182	$ 15,513
Rent revenue	113,034	115,855
Other revenue	1,427	1,798
	117,643	133,166
Trust expenses		
Management fees	(3,340)	(1,164)
Service charge	(5,169)	(106)
Tax	(14,347)	(14,433)
Other expenses	(13,263)	(13,015)
Income tax expense	(210)	(1,456)
	(36,329)	(30,174)
	$ 81,314	$ 102,992

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

Trust Property List

	December 31	
	2020	2019
Petty cash	$ 100	$ 100
Bank deposits	2,404,446	1,665,135
Stocks	228,378	228,378
Funds	2,839,148	2,647,440
Bonds	218,089	-
Land	7,704,221	7,398,368
Buildings	840,695	840,591
Receivables	18	35
Prepayments	1,374	1,578
Other	21,329	26,705
	$ 14,257,798	$ 12,808,330

42. FINANCIAL INSTRUMENTS

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

1) Financial instruments significant difference between carrying amount and fair value

Except as detailed in the following table, the management considers that the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values.

	December 31			
	2020		2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities				
Bank debentures payable	$ 16,400,000	$ 16,574,644	$ 18,700,000	$ 18,808,992

2) The fair value hierarchy

Financial Instrument Items at Fair Value	December 31, 2020			
	Total	Level 1	Level 2	Level 3
Financial liabilities				
Bank debentures payable	$ 16,574,644	$ -	$ 16,574,644	$ -

Financial Instrument Items at Fair Value	December 31, 2019			
	Total	Level 1	Level 2	Level 3
Financial liabilities				
Bank debentures payable	$ 18,808,992	$ -	$ 18,808,992	$ -

Refer to quoted market prices for fair value if there are public quotation on bank debentures payable with active market. If quoted market prices are not available, the fair value is determined by using a valuation technique or counterparty quotation.

b. Fair value information - financial instruments measured at fair value on a recurring basis

1) The fair value hierarchy of the financial instruments as of December 31, 2020 and 2019 were as follows:

Item	December 31, 2020 Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets				
Financial assets at FVTPL				
Stocks and beneficial certificates	$ 369,505	$ 369,505	$ -	$ -
Bills	25,395,953	-	25,395,953	-
Hybrid financial assets	1,097,692	-	1,097,692	-
Negotiable certificates of deposit	28,880,450	-	28,880,450	-
Financial assets at FVTOCI				
Equity instruments	3,428,978	3,369,470	-	59,508
Debt instruments	31,965,889	-	31,965,889	-
Negotiable certificates of deposit	29,783,988	-	29,783,988	-
Derivative financial instruments				
Assets				
Financial assets at FVTPL	298,694	-	298,694	-
Liabilities				
Financial liabilities at FVTPL	637,659	-	637,659	-

Item	December 31, 2019 Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets				
Financial assets at FVTPL				
Stocks and beneficial certificates	$ 336,829	$ 336,829	$ -	$ -
Bills	24,192,589	-	24,192,589	-
Hybrid financial assets	1,334,798	-	1,334,798	-
Negotiable certificates of deposit	54,581,688	-	54,581,688	-
Financial assets at FVTOCI				
Equity instruments	947,038	624,633	-	322,405
Debt instruments	34,297,703	-	34,297,703	-
Derivative financial instruments				
Assets				
Financial assets at FVTPL	177,922	-	177,922	-
Liabilities				
Financial liabilities at FVTPL	519,880	-	519,880	-

2) Valuation techniques and assumptions applied for the purpose of measuring the fair values

In a fair deal, the transaction is fully understood and there is willingness to trade by the two sides in exchange of assets or settle of liabilities, and fair value is the amount settled. Financial instruments at fair value through profit or loss, available-for-sale financial assets and financial assets at fair value through other comprehensive income refer to quoted market prices for fair value. If quoted market prices are not available, then fair value is determined by using a valuation technique.

a) Marking-to-market

This measurement should be used first. Following are the factors that should be considered when using marking-to-market:

i. Ensure the consistency and completeness of market data.

ii. The source of market data should be transparent, easy to access, and should come from independent resources.

iii. Listed securities with high liquidity and representative closing prices should be valued at closing prices.

iv. Unlisted securities which lack tradable closing prices should use quoted middle prices from independent brokers and follow the guidelines required by regulatory authorities.

b) Marking-to-model

The marking-to-model is used if marking-to-market is infeasible. This valuation methodology is based upon the market parameters to derive the value of the positions and incorporate estimates, as well as assumptions consistent with acquirable information generally used by other market participants to price financial instruments.

Fair values of forward contracts used by the Bank is estimated based on the forward rates provided by Reuters. Fair values of interest rate swap and cross-currency swap contracts are based on counterparties' quotation, using the Murex$^+$ information system to capture market data from Reuters for calculating the fair value assessment of individual contracts. Option trading instruments use option pricing model commonly used in the market (ex: Black-Scholes model) to calculate the fair value.

a) Level 1 - quoted prices in active markets for identical assets or liabilities. Active markets are markets with all of the following conditions: (i) the products traded in the market are homogeneous, (ii) willing parties are available anytime in the market, and (iii) price information is available to the public.

b) Level 2 - inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e., prices) or indirectly (i.e., derived from prices).

c) Level 3 - inputs not based on observable market data (unobservable inputs. i.e., option pricing model of historical volatility, due to historical volatility could not represent the overall market participants' volatility expectations of the future).

3) Reconciliation of the financial instruments classified in Level 3

For the year ended December 31, 2020

Financial Assets	Financial Assets at Fair Value through Profit or Loss - Equity Instruments	Financial Assets at Fair Value through Other Comprehensive Income - Equity Instruments	Total
Beginning balance	$ -	$ 322,405	$ 322,405
Recognition in other comprehensive income - unrealized gains (losses) on financial assets at fair value through other comprehensive income	-	(35,369)	(35,369)
Disposals	-	(227,528)	(227,528)
Ending balance	$ -	$ 59,508	$ 59,508

For the year ended December 31, 2019

Financial Assets	Financial Assets at Fair Value through Profit or Loss - Equity Instruments	Financial Assets at Fair Value through Other Comprehensive Income - Equity Instruments	Total
Beginning balance	$ 39,870	$ 524,820	$ 564,690
Recognition in profit or loss - gains (losses) on financial assets or liabilities measured at fair value through profit or loss	(1,083)	-	(1,083)
Recognition in other comprehensive income - unrealized gains (losses) on financial assets at fair value through other comprehensive income	-	131,342	131,342
Transfer to Level 3	-	86,281	86,281
Disposals	(38,787)	(420,038)	(458,825)
Ending balance	$ -	$ 322,405	$ 322,405

The assets held at the balance sheet date, which were included in the profit and loss and the unrealized gains and losses for the years ended December 31, 2020 and 2019, were consisted of $0 thousand.

Some of the Bank's investment targets were withdrawn for the year ended December 31, 2019. After evaluation, there is no fair market price for reference, so they have been transferred from Level 1 to Level 3. The Bank had no significant transfers for December 31 2020.

4) Transfers between Level 1 and Level 2

The Bank has no significant transfers between Level 1 and Level 2 for years ended December 31, 2020 and 2019.

5) Sensitivity to using reasonable alternative in assumption against Level 3 fair value

The fair value measurement of financial instruments is reasonable, although the use of different valuation models or parameters may lead to different evaluation results. For the fair value measurements of structured bonds which fall under Level 3 of the fair value hierarchy, they are evaluated according to counterparty quotes; for bonds and convertible bonds for asset swaps which have no quoted market prices, they are evaluated using the future cash flows discounted model. Were there to be a 10% or 1 basis point change in either direction of the quotes from respective counterparties or in discount rates and all other conditions remained the same, the effects on the income and other comprehensive income for the years ended December 31, 2020 and 2019 periods would be as follows:

For the year ended December 31, 2020

Item	**Movement: Upward/ Downward**	**Effect on Profit and Loss**		**Effect on Other Comprehensive Income**	
		Favorable	**Unfavorable**	**Favorable**	**Unfavorable**
Equity instruments	10%	$ -	$ -	$ 5,951	$ (5,951)

For the year ended December 31, 2019

Item	**Movement: Upward/ Downward**	**Effect on Profit and Loss**		**Effect on Other Comprehensive Income**	
		Favorable	**Unfavorable**	**Favorable**	**Unfavorable**
Equity instruments	10%	$ -	$ -	$ 32,241	$ (32,241)

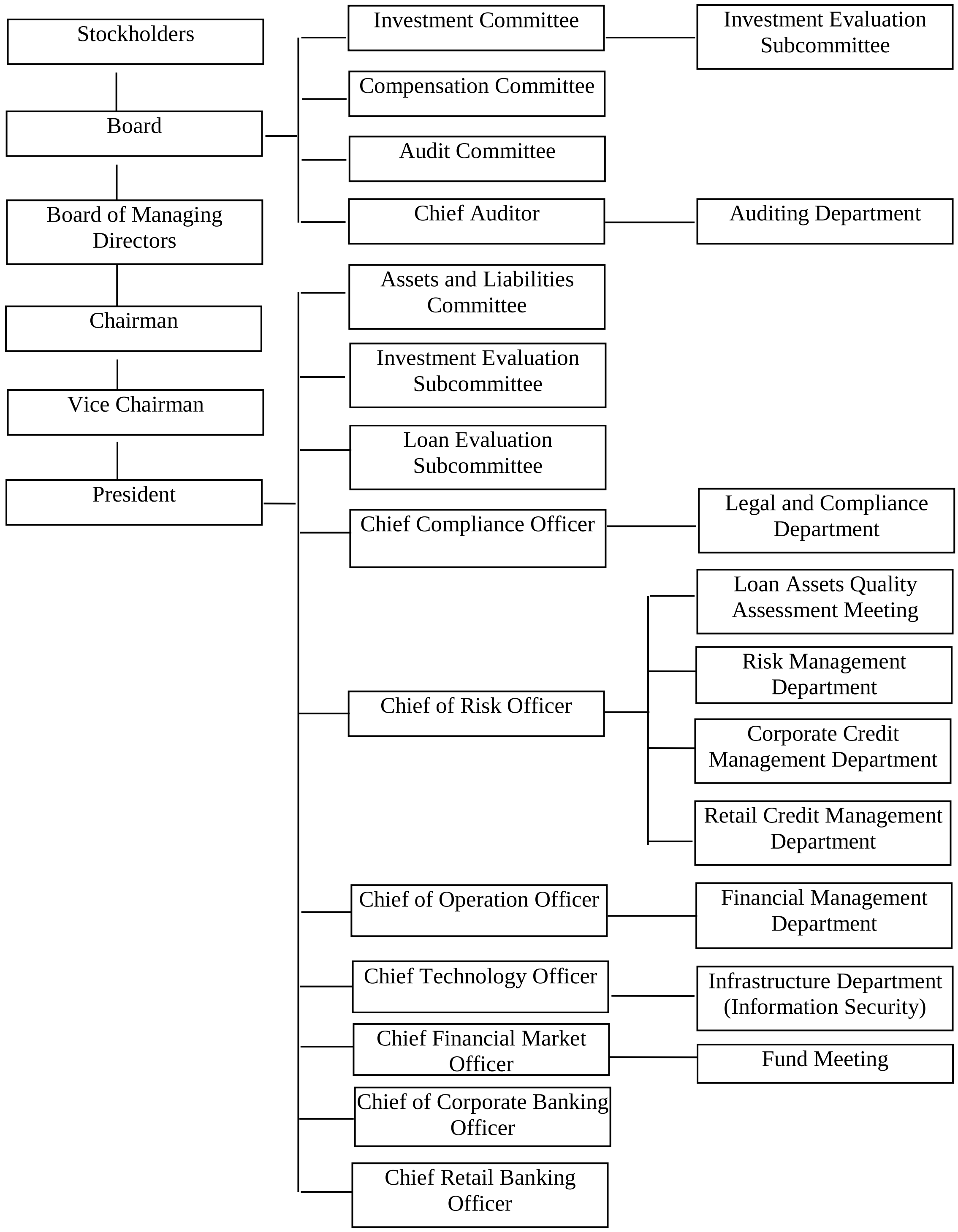
43. FINANCIAL RISK MANAGEMENT

a. Overview

For anticipating the potential expected and unexpected risk, the Bank establishes a comprehensive risk management system to distribute resource effectively and enhance competitiveness by ensuring that all operating risks are controlled to an acceptable extent. The Bank continues to engage actively in the capital adequacy ratio with in the accordance to the regulator’s requirements and monitors regulations to meet the international requirement of the Basel Commission.

b. Risk management framework

Ultimate responsibility for setting the Bank’s risk appetite rests with the board of directors. The Auditing Department, Audit Committee, Investment Committee, and Compensation Committee report to the board of directors. Assets and Liabilities Committee, Investment Evaluation Subcommittee, and Loan Evaluation Subcommittee, which are under the president of the Bank, hold Capital Asset meetings and Quality Evaluation of Assets meetings for discussing and considering risk management proposals regularly. The Risk Management Department is responsible for establishing a total scheme of risk management and monitoring the execution of such management scheme.


Stockholders
Board
Board of Managing Directors
Chairman
Vice Chairman
President
Investment Committee
Compensation Committee
Audit Committee
Chief Auditor
Assets and Liabilities Committee
Investment Evaluation Subcommittee
Loan Evaluation Subcommittee
Chief Compliance Officer
Chief of Risk Officer
Chief of Operation Officer
Chief Technology Officer
Chief Financial Market Officer
Chief of Corporate Banking Officer
Chief Retail Banking Officer
Investment Evaluation Subcommittee
Auditing Department
Legal and Compliance Department
Loan Assets Quality Assessment Meeting
Risk Management Department
Corporate Credit Management Department
Retail Credit Management Department
Financial Management Department
Infrastructure Department (Information Security)
Fund Meeting

1) Assets and Liabilities Committee: Responsible for overseeing and reviewing of significant issues and policies relating to management of assets and liabilities, liquidity risk, interest rate sensitivity, market risk, as well as review the allocation of asset and liability and capital adequacy. It holds assets and liabilities management meeting once a month.

2) Loan Evaluation Subcommittee: The subcommittee reviews the loan cases rendered by the Corporate Credit Management Department and Retail Credit Management Department. After passing, the provisions should still be submitted to the level of competence review.

3) Investment Evaluation Subcommittee: Assessing and reviewing the investment cases transferred by the ministry of investment, they shall still be submitted to the "Investment Review Committee" as required and submitted to the standing committee for consideration and approval.

4) Loan and investment assets held for various businesses:

   a) Loan assets quality assessment meeting

      i. Assess the status of credit asset quality and decide/review the strategy and course of action to be taken.

      ii. Assess the probable loss of loan assets and discuss the adequacy of allowance for credit losses, assurance of responsibility to prepare and its recognition.

      iii. Pass cases of credit assets which should be recognize loss, and mark the proposal to the board.

   b) Investment assets quality assessment meeting

      i. Access the status of investment asset quality from Rank 5 to 8, and choose the action to be taken.

      ii. Authorized the investment assess result provide by evaluation staff. The composition of evaluation result is consisted with period, industries, economic recycle and evaluation method suggested by accounting principal.

      iii. Access the probable loss of investment assets, pass cases of investment loss recognition, and make the proposal to the board of director.

      iv. Track the status of customers still in operating which were full recognized as loss.

c. Credit risk

1) Sources and definition of credit risk

   Credit risk is the potential loss due to the failure of counterparty to meet its obligations to pay the Bank in accordance with agreed terms. The source of credit risks includes the items in balance sheet and off-balance sheet item.

2) Strategy/objectives/policies and procedures

   a) Credit risk management strategy: The Bank implements the relevant provisions of the principles of credit risk management requirement and establish the Bank's credit risk management mechanism to ensure that credit risk control is within effective but affordable range, and maintain adequate capital, and execute sound management of the Bank credit risk, and achieve operational and management objectives.

b) Credit risk management objectives: Through appropriate risk management strategies, policies and procedures, application of the principle of risk diversification, implementation of the Bank's credit risk management, to minimize potential financial losses and pursue optimal rewards.

   Sound risk management systems and control processes, strengthened information integration, analysis and early warning validation, make credit management and monitoring to ensure compliance with laws and regulations, the Bank's standards, as serve to maintaining high credit standards and asset quality.

c) Credit risk management policy: To establish risk management system and to ensure the integrity of business risk management and compliance, the Bank stipulated its "Risk Management Policy" which is in accordance with the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" issued by the FSC. The Bank keeps its capital adequately, achieves the goal of credit risk strategy and creates risk adjusted return maximization plan under the Bank's acceptable range of credit risk.

d) Credit risk management process:

   i. Risk identification

      Credit risk management process begins with the identification of existing and potential risks, including all the transactions in banking book and trading book, balance sheet and off-balance sheet transactions. With financial innovation, as new credit businesses become increasingly complex; business executives in order do existing and new credit businesses, should be fully aware of the complexity involved in the business of re-order business and other cases or transactions to be able to identify any possibility of having an event of default.

   ii. Risk measurement

      i) The Bank manages asset portfolios by the risk rating scale.

         The risk rating scale qualifies the default possibilities of debtors and operation difficulty possibilities of investees in the next year. Risk ratings must actually be scaled when the individual credit and investment accounts are approved. The continual change of the market gives rise to the change in credit or investment household. Therefore, risk ratings must be reevaluated and updated often to adjust the risk rating scale when it is verified.

      ii) Portfolio management:

         - It is used to ensure the risk of loan is within the tolerable scope.

         - "Concentrative risks" are concentration-limited, avoiding the risks to be overly centralized to sufficiently diversify the risk.

         - It achieves the optimal profits.

   iii. Risk communication

      i) Internal reporting: Risk management position shall establish appropriate credit risk reporting mechanism for regular statistical reporting and the preparation of a variety of business risk management reports which contain correct, consistent, and real-time credit risk reporting information to ensure any exceptions can be acted on immediately, and as a reference for decision-making. The above communication may include asset quality, portfolio rating classification status, and all kinds of exception reports.

ii) External disclosure: To comply with the requirements for capital adequacy supervisory review and market discipline principles, the business director of credit risk level should prepare reports in the format specified by the competent authority showing contents, methods and frequency to provide information on the credit risk of the Bank's quantitative, qualitative indicators to illustrate the self-assessment and credit risk management system and disclose information about capital and other capital adequacy matters.

iv. Risk monitoring

i) The Bank shall establish monitoring system to assess the changes in credit risk of borrower or counterparty or issuer (e.g., bonds issuer and guarantor of issuers of equity related products, derivatives counterparties' credit rating information and credit information), to serve timely detection of problems on assets or transactions, and take immediate action to cope with the possible breach.

ii) Besides monitoring the individual credit risk, the Bank also deal with credit portfolio monitoring and management.

iii) Establish stringent credit processes, credit standards and loan management; the project includes the credit factors that should be considered for new credit and credit transfer period, commitment to the periodic review of credit, maintenance of credit records and the proportion of various types of loans in the credit portfolio.

iv) Establish quota management system to avoid excessive concentration of credit risk to nationality, industry types, same group, same relations, etc.

v) Establish collateral management system to ensure that collaterals can be effectively managed.

3) Credit risk management and framework

a) Board of Directors: Responsible for authorizing and reviewing the credit risk management strategies and approving the credit risk management framework. The strategy reflects the level of risk that the Bank can tolerate and the level of profitability that the Bank expects to achieve under various credit risks.

b) Audit Committee: Responsible for the stipulation and amendment on issues relating to internal control framework, effectiveness of internal control framework, acquisition or disposal of assets or derivatives, monitoring of directors' self-interest issues, appointment or dismissal of the CPA and internal auditors, and other important issues ruled by the FSC.

c) Risk Management Committee: Responsible for the risk management policies, various risk management regulations, annual risk appetites, limits, risk management proposals for the board of directors' approval levels and various risk management mechanisms, supervise and review credit, market, operations, liquidity, information security, AML, personal data protection, emergencies and other risk management, improve the Bank's risk management mechanism to ensure the effective implementation of the Bank's risk management procedures.

d) Assets and Liabilities Committee: Holds asset/liability management meeting to inspect asset/liability management, liquidity risk, interest rate sensitivity risk management, market risk, BIS management and in charge of making decisions on policies.

e) Loan Evaluation Subcommittee: Reviews the loan cases rendered by the corporate credit management department and retail credit management department. After passing the provisions, they are still need to be submitted to the competent level for review.

f) Loan Assets Quality Evaluation Meeting: In charge of making policies and strategies for identifying the possibilities of loss on credit assets. The Bank evaluates the adequacy of the allowance for credit assets.

g) The Risk Management Department: Independent risk management unit which is in charge of risk management and responsible for the related operations of credit risks. It also makes sure the Bank follows the BASEL regulations. It is also responsible for the preparation of risk management reports presented to appropriate management, and plans to establish monitoring tools for credit risk measurement.

h) Corporate Credit Department: Supervises the establishment of corporate finance risk identification, measurement, monitoring and management, preparation of regulatory review of credit grading, devising and enhancement of deed lists, deed for credit and guarantee amount control, proper release and other release matters.

i) Retail Credit Management Department: Manages personal financial risk, identifies, measures, monitors the allowance for bad debts, and prepares for bad debts presentation, loss assessment and post-loan management.

4) The scope and characteristics of credit risk reports and measurement system

For the credit risks implicated in all products and business activities, new products and business, the Bank regularly monitors the credit risk management and is authorized by the board of directors or appropriate committee.

Credit risk measurement and control procedures include credit review, rating scoring, credit control, post-loan management and collection operations. The risk management units regularly provide analysis reports of various types of credit risk and asset quality in addition to the above operational procedures for management indicators. In addition, the Bank also actively controls and periodically reports the monitoring results to the board of directors to grasp the risk situations faced by the state, the group, the industry, the same related parties and the related enterprise risks.

In order to understand the risk appetite and its changes in the financial environment and the impact on capital adequacy, the Bank handles its credit according to the “Regulation on Stress Test Operation for Banks” and “Bank Credit Risk Stress Test Guidelines” issued by the FSC, as an important basis for credit risk management, and continues to adjust the direction of business development, credit policy and credit evaluation procedures.

5) Mitigation of risks or hedging of credit risk and monitoring the risk avoidance

The Bank primarily applies the following risk mitigation tools to reduce extent of credit risk exposures: (1) by requiring the counterparty or third parties to provide collateral, (2) the balance sheet netting: Credit is backed by the counterparty’s bank deposits (on-balance sheet netting), (3) third party guarantees.

Credit risk mitigation tools can reduce or transfer credit risk, but may give rise to other residual risks, including: Legal risk, operational risk, liquidity risk and market risk. The Bank adopted stringent procedures necessary to control these risks, such as policy formulation, development of operating procedures to conduct credit checks and evaluation, system implementation, contract control and so on.

The Bank has developed collateral management policies and operating procedures, including recognition of collateral data, and building of collateral management system. The Bank uses a computing platform for mitigation of complex risk and completes the required collateral to offset data field collection and analysis, and links credit systems and collateral management system information to build up capital provision.

6) Maximum exposure to credit risk

The maximum credit risk exposure amount of financial assets is the book value of the specific asset on the balance sheet date. The analysis of the maximum credit exposure amount (excluding the fair value of collateral) of each off-balance sheet financial instrument held by the Bank is as follows:

Off-balance Sheet Item	**Maximum Exposure Amount**	
	December 31, 2020	**December 31, 2019**
Financial guarantees and irrevocable documentary letter of credit		
Contract amounts	$ 36,447,322	$ 21,501,289
Maximum exposure amounts	36,447,322	21,501,289
Loan commitments	42,770,934	52,430,535

7) Concentrations of credit risk exposure

Concentrations of credit risk exist when the counterparty includes only one specific person or include many people who engage in similar business which are similar in economic property to. The emergence of concentrations of credit risk includes the operating activities property of the debtor. The Bank does not concentrate on single customer or counterparty in trading but have similar counterparty, industry and geographic region on the loan business (including loan commitments and guarantees and commercial bond issuing commitments).

On December 31, 2020 and 2019, the Bank’s significant concentration of credit risk were summarized as follows (only the top three are shown below):

a) By industry

Credit Risk Profile by Industry Sector	**December 31, 2020**		**December 31, 2019**	
	Amount	**%**	**Amount**	**%**
Manufacturing	$ 39,738,714	24	$ 42,597,881	24
Financial intermediary	39,539,115	24	41,283,654	23
Private	35,461,638	21	28,502,648	16

b) By counterparty

Credit Risk Profile by Counterparty Sector	**December 31, 2020**		**December 31, 2019**	
	Amount	**%**	**Amount**	**%**
Private sector	$ 130,638,655	79	$ 147,904,104	84
Natural person	35,461,639	21	28,502,648	16

c) By geographical area

Credit Risk Profile by Geographical Area Sector	**December 31, 2020**		**December 31, 2019**	
	Amount	**%**	**Amount**	**%**
Domestic	$ 122,417,279	74	$ 123,721,500	70
Other Asia area	25,203,739	15	27,253,098	15
America	11,781,416	7	16,491,642	9

8) Credit quality and impairment assessment of financial assets

Some financial assets such as cash and cash equivalents, due from Central Bank and call loan to other banks, financial asset at fair value through profit or loss, bills and bonds purchased under resell agreements, refundable deposits, operating deposits and settlement fund are regarded as very low credit risk owing to the good credit rating of counterparties.

The related financial asset impairment valuation is as follows:

a) Credit business (including loan commitments and guarantees)

On each reporting date, the Bank assesses the change in the default risk of financial assets and considers reasonable and corroborative information that shows the credit risk has increased significantly since initial recognition, including the overdue status of credit assets from clients, actual repayment situations, credit investigation results, announcements of dishonored checks and negotiations of the debts from other financial institutions, or information that the debtor has reorganized or is likely to reorganize, to determine whether the credit risk has increased significantly.

The Bank adopts the 12-month ECLs for the evaluation of the loss allowance of financial instruments whose credit risk has not increased significantly since initial recognition and adopts the lifetime ECLs for the evaluation of the loss allowance of financial instruments whose credit risk has increased significantly since initial recognition or which are credit-impaired.

The Bank considers both the 12-month and lifetime probability of default (“PD”) of the borrower together with the loss given default (“LGD”), multiplied by the exposure at default (“EAD”), and considers the impact of the time value of money in order to calculate the 12-month ECLs and lifetime ECLs, respectively.

The PD refers to the borrower’s probability to default, and the LGD refers to losses caused by such default. The Bank applies the PD and LGD for the impairment assessment of the credit business according to each group entity’s historical information (such as credit loss experience) from internal statistical data and adjusts such historical data based on the current observable and forward-looking macroeconomic information. It then calculates the respective impairment by applying the progressive one factor model.

Considering the impact of COVID-19 to the overall economy, the Bank has adjusted the weights of the assessment factors to reflect the estimated influence of the economic indicator changes on the default rate.

The Bank estimates the balance of each account based on the method of amortization and considers the possible survival rate in order to calculate the EAD. In addition, the Bank estimates the 12-month ECLs and lifetime ECLs of loan commitments based on the guidelines issued by the Bank’s Association and Basel Accords. The Bank calculates the EAD of expected credit losses by considering the portion of the loan commitments expected to be used within 12 months after the reporting date as compared with the expected lifetime of the loan commitments.

The Bank uses the same definitions for default and credit impairment of financial assets. If one or more of the conditions are met, for instance, the financial assets are overdue for more than 90 days or the credit investigation appears to be abnormal, then the Bank determines that the financial assets have defaulted and are credit-impaired.

Credit assets are classified into five categories. In addition to the first category of credit assets, which are normal credit assets that are classified as sound assets, the remaining credit assets are classified as unsound assets and assessed according to the respective collateral and the length of time in which the respective payments become overdue. Such unsound credit assets are then categorized within the second category if they should only be noted; within the third category if they have substandard expected recovery; within the fourth category if their collectability is highly doubtful; and within the fifth category if they are considered uncollectable. The Bank also sets up policies for the management of provisions for doubtful credit assets and the collection and settlement of overdue debts in order to deal with collection problems.

b) Credit risk management for investments in debt instruments

The Bank only invests in debt instruments that are rated the equivalent of investment grade or higher and have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies. The Bank and its subsidiaries' exposure and the external credit ratings are continuously monitored. The Bank and its subsidiaries review changes in bond yields and other public information and make an assessment as to whether there has been a significant increase in credit risk since the last period to the current reporting date.

In order to minimize credit risk, the Bank has tasked its credit management committee with developing and maintaining a credit risk grading framework for categorizing exposures according to the degree of risk of default. The credit rating information may be obtained from independent rating agencies where available, and if not available, the credit management committee uses other publicly available financial information to rate the debtors.

The Bank considers the historical default rates of each credit rating supplied by external rating agencies, the current financial condition of debtors, and industry forecasts to estimate 12-month or lifetime expected credit losses.

The Bank's current credit risk grading mechanism is as follows:

Category	**Description**	**Basis for Recognizing Expected Credit Losses (ECLs)**
Performing	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12m ECLs
Doubtful	There has been a significant increase in credit risk since initial recognition	Lifetime ECLs - not credit-impaired
In default	There is evidence indicating the asset is credit-impaired	Lifetime ECLs - credit-impaired

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

	December 31	
Category	**2020**	**2019**
Performing	$ 61,463,292	$ 34,040,029
Doubtful	-	-
In default	-	-

The allowance for impairment loss of investments in debt instruments at FVTOCI and at amortized cost for the years ended December 31,2020 and 2019, grouped by credit rating, is reconciled as follows:

Allowance for Impairment Loss	**Credit Rating** **Performing (12-month ECLs)**
Balance at January 1, 2020	$ 9,655
Changes in credit rating	
Normal to abnormal	-
Abnormal to default	-
Default to write off	-
New financial assets purchased	7,730
Derecognition of financial assets	(3,772)
Change in model or risk parameters	(254)
Exchange rate or other changes	(242)
Balance at December 31, 2020	$ 13,117

Allowance for Impairment Loss	**Credit Rating** **Performing (12-month ECLs)**
Balance at January 1, 2019	$ 11,026
Changes in credit rating	
Normal to abnormal	-
Abnormal to default	-
Default to write off	-
New financial assets purchased	2,756
Derecognition of financial assets	(3,167)
Change in model or risk parameters	(873)
Exchange rate or other changes	(87)
Balance at December 31, 2019	$ 9,655

a) Credit analysis for receivables and discounts and loans

	December 31, 2020				
	Stage 1 12-month ECLs	**Stage 2 Lifetime ECLs**	**Stage 3 Lifetime ECLs**	**Difference Between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans**	**Total**
Receivables	$ 1,388,906	$ 25,392	$ 34,166	$ -	$ 1,448,464
Allowance for credit losses	(3,249)	(106)	(23,009)	-	(26,364)
Difference Between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	-	-	-	(8,995)	(8,995)
Net total	$ 1,385,657	$ 25,286	$ 11,157	$ (8,995)	$ 1,413,105

	December 31, 2020				
	Stage 1 12-month ECLs	**Stage 2 Lifetime ECLs**	**Stage 3 Lifetime ECLs**	**Difference Between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans**	**Total**
Discounts and loans	$ 148,426,945	$ 15,978,902	$ 1,694,446	$ -	$ 166,100,293
Allowance for credit losses	(429,794)	(167,177)	(351,352)	-	(948,323)
Difference Between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	-	-	-	(1,235,106)	(1,235,106)
Net total	$ 147,997,151	$ 15,811,725	$ 1,343,094	$ (1,235,106)	$ 163,916,864

	December 31, 2019				
	Stage 1 12-month ECLs	**Stage 2 Lifetime ECLs**	**Stage 3 Lifetime ECLs**	**Difference Between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans**	**Total**
Receivables	$ 3,129,203	$ 106,462	$ 45,782	$ -	$ 3,281,447
Allowance for credit losses	(2,242)	(140)	(24,403)	-	(26,785)
Difference Between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	-	-	-	(21,314)	(21,314)
Net total	$ 3,126,961	$ 106,322	$ 21,379	$ (21,314)	$ 3,233,348

	December 31, 2019				
	Stage 1 12-month ECLs	**Stage 2 Lifetime ECLs**	**Stage 3 Lifetime ECLs**	**Difference Between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans**	**Total**
Discounts and loans	$ 158,371,378	$ 15,043,738	$ 2,991,636	$ -	$ 176,406,752
Allowance for credit losses	(224,015)	(61,680)	(372,894)	-	(658,589)
Difference Between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	-	-	-	(1,766,985)	(1,766,985)
Net total	$ 158,147,363	$ 14,982,058	$ 2,618,742	$ (1,766,985)	$ 173,981,178

b) Credit analysis for marketable securities

	December 31, 2020
	At FVTOCI
Gross carrying amount	$ 61,463,292
Allowance for impairment loss	(13,117)
Amortized cost	61,450,175
Fair value adjustment	299,702
	$ 61,749,877

	December 31, 2019
	At FVTOCI
Gross carrying amount	$ 34,040,029
Allowance for impairment loss	(9,655)
Amortized cost	34,030,374
Fair value adjustment	267,329
	$ 34,297,703

9) Aging analysis for overdue but not yet impaired financial assets

Delays in processing payments by borrowers and other administrative reasons could result in financial assets which are overdue but not yet impaired.

As of December 31, 2020 and 2019, the Bank had no financial assets which were overdue but not impaired.

d. Liquidity risk

1) Source and definition of liquidity risk

Liquidity is the Bank’s capacity to realize assets, obtain financing or funds to meet obligations at maturity, including deposits and off-balance sheet guarantees.

Liquidity risk is the risk that the Bank is unable to meet its payment obligation and to operate normally.

2) Management strategy and principles of liquidity risk

a) Liquidity risk management process should be able to adequately identify, measure effectively, monitor continuously, and properly control of the Bank’s liquidity risk, to ensure that banks both in normal operating environments or under pressure, have sufficient funds to cope assets or settle liabilities when due.

b) Manage current assets to ensure that the Bank have enough instantly-realized assets to deal with currency risks.

c) Capital management should include regular review of the asset and liability structure, and proper configuration of assets and liabilities, and should take into account the realization of assets and the stability of financing sources to plan combinations of funding sources to ensure that the Bank’s liquidity.

d) To establish an appropriate information system to measure, monitor and report liquidity risk.

e) The setting of the measurement systems or models should include important factors which affect the currency risks of the Bank's fund (including the introduction of new products or services) for managing current risks to help the Bank to evaluate and monitor the fund currency risks in the regular condition and under pressure.

f) To use early warning tools and continuously monitor and report liquidity risk profile, and set liquidity risk limits, with due consideration of business strategy, operational characteristics and risk preference factors.

g) In addition to the monitoring of the capital requirements, under normal business conditions, the Bank should regularly conduct stress tests to evaluate the assumptions in the liquidity position and ensure that banks have sufficient liquidity to withstand stress scenarios; assessment should be made to view liquidity risk management indicators and reasonableness of limits.

h) Develop appropriate action plans to respond to possible occurrence of liquidity crisis, and regularly review such plans to ensure that the action plans are in line with the banking operating environment and conditions, and can continue to play its role effectively.

As of December 31, 2020 and 2019, the liquidity reserve ratio was 46.39% and 45.89%, respectively.

3) The analysis of cash inflow and outflow of non-derivative financial liabilities held was prepared according to the remaining periods from reporting date to contractual maturity date. The maturity analysis of non-derivative financial liabilities was as follows:

December 31, 2020	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Deposits from the Central Bank and banks	$ 15,339,755	$ -	$ -	$ -	$ 7,000,000	$ 22,339,755
Bills and bonds sold under repurchase agreements	1,036,430	403,255	-	-	-	1,439,685
Payables	931,973	88,178	122,691	679,902	102,341	1,925,085
Deposits and remittances	47,221,101	81,468,024	26,882,824	50,379,624	40,469,250	246,420,823
Bank debentures payable	-	1,300,000	1,000,000	600,000	13,500,000	16,400,000
Lease liabilities	7,918	16,882	23,481	44,436	169,337	262,054
Other financial liabilities	96,772	-	37,975	139,110	2,574,151	2,848,008
	$ 64,633,949	$ 83,276,339	$ 28,066,971	$ 51,843,072	$ 63,815,079	$ 291,635,410

December 31, 2019	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Deposits from the Central Bank and banks	$ 18,735,242	$ 3,203,287	$ -	$ -	$ 7,000,000	$ 28,938,529
Bills and bonds sold under repurchase agreements	2,864,192	-	-	-	-	2,864,192
Payables	1,098,815	207,640	546,657	789,987	38,225	2,681,324
Deposits and remittances	55,308,120	81,785,638	27,045,841	51,156,436	28,349,045	243,645,080
Bank debentures payable	-	-	2,300,000	-	16,400,000	18,700,000
Lease liabilities	7,902	16,310	23,088	45,978	234,721	327,999
Other financial liabilities	517,749	28,545	27,385	229,487	2,665,483	3,468,649
	$ 78,532,020	$ 85,241,420	$ 29,942,971	$ 52,221,888	$ 54,687,474	$ 300,625,773

4) The Bank assessed based contractual maturities at the balance sheet to understand all the basic elements of derivative financial instruments. The maturity analysis of derivative financial liabilities was as follows:

December 31, 2020	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Deliverable						
Forward contracts	$ 12,252	$ 21,126	$ 5,384	$ 3,957	$ -	$ 42,719
Currency swap contracts	201,106	259,317	51,569	56,584	-	568,576
Currency option contracts - put	3,658	2,511	342	1,519	-	8,030
	217,016	282,954	57,295	62,060	-	619,325
Non-deliverable						
Interest rate swap contracts	-	-	2,992	1,158	14,184	18,334
	$ 217,016	$ 282,954	$ 60,287	$ 63,218	$ 14,184	$ 637,659

December 31, 2019	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Deliverable						
Forward contracts	$ 6,694	$ 5,392	$ 2,743	$ 1,001	$ -	$ 15,830
Currency swap contracts	134,011	220,821	59,724	14,804	-	429,360
Currency option contracts - put	1,531	78	972	106	-	2,687
	142,236	226,291	63,439	15,911	-	447,877
Non-deliverable						
Interest rate swap contracts	-	-	-	16,182	55,821	72,003
	$ 142,236	$ 226,291	$ 63,439	$ 32,093	$ 55,821	$ 519,880

5) The maturity analysis of off-balance sheet items shows the remaining balance from the balance sheet date to the maturity date. For the sent financial guarantee contracts, the maximum amounts are possibly asked for settlement in the earliest period. The amounts in the table below were on cash flow basis; therefore, some disclosed amounts will not match with the balance sheet.

December 31, 2020	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Unused letters of credit	$ 225,238	$ 309,705	$ 99,347	$ -	$ -	$ 634,290
Other guarantees	22,080,214	10,381,167	1,606,604	1,715,749	29,298	35,813,032
Loan commitments	3,614,999	7,229,999	10,844,998	21,080,938	-	42,770,934
	$ 25,920,451	$ 17,920,871	$ 12,550,949	$ 22,796,687	$ 29,298	$ 79,218,256

December 31, 2019	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Unused letters of credit	$ 282,739	$ 826,879	$ 132,284	$ -	$ -	$ 1,241,902
Other guarantees	11,475,900	6,778,683	103,692	1,851,722	49,390	20,259,387
Loan commitments	1,379,509	2,759,017	4,138,525	8,277,050	35,876,434	52,430,535
	$ 13,138,148	$ 10,364,579	$ 4,374,501	$ 10,128,772	$ 35,925,824	$ 73,931,824

e. Market risk

1) Source and definition of market risk

Market risk is defined as an unfavorable change in market prices (such as interest rates, exchange rates, stock prices and commodity prices) which may cause financial instruments classified in trading book a potential loss on or off the balance sheet.

2) Market risk management strategy and process

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

The Bank makes the profit majorly by doing trading business through knowing well correctly how market risk of factors fluctuate. (e.g., market price, exchange rate, interest rate). More violent the market risk factors fluctuate, the bigger the opportunity of the implicit profit is. When preparing the Annual Trading Budget Report of the trading business, the Bank will refer to the overall economic and industrial analysis of the Bank itself and also the other similar business. After discussed to the full and stipulated by the president, the trading department and the market risk management department, it is submitted to the Risk Management Committee and the Board with the plan of stop-loss quotas and product parts quotas to avoid setting up the goal in an impracticable way that leads the dealer to take more risk on operating.

The Bank sets up definite management rules and risk management indicators for different trading business and its risk attribute, and stipulates exposure amount, submission of expiration, authorizing management and ways of disposure. Implement certainly and ensure the trading department to abide by the discipline to control the market risk exposure extent in a safe range.

3) Market risk management organization and framework

a) The Board of Directors: It is the top market risk supervising organization. The product part quotas and total annual stop-loss quotas of the trading business market risk monitored and managed by the Bank, approved by the Board, are the top stipulation in market risk management.

b) Risk Management Committee: In charge of stipulating risk management policy and monitoring the operating of market risk management. The Bank hold a risk management meeting per month to review the market risk limits and regulations, report various market risk limit control situations and market risk related matters.

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

4) Market risk report and evaluation system

The Bank setup the risk index, exposure amount and authority levels by products' type (e.g. equity, interest rate, currency exchange rate).

The Bank setup the limit amount of trading and loss, and other index including VaR, MAT, 20-Day average liquidity and FS sensitivity limit to enhance the risk control system.

The Bank calculates the risk exposure amount of the trade department and traders based on authorized amount, and submits risk report, monitors the limits and executes the following measures.

The Bank sets up the index of stop loss to control the risk of transaction including bonds, Forex, securities and derivative by building the risk evaluation module, and monitor the loss caused by the fluctuation of stock market, exchange rate and interest rates.

5) Value at risk

The Bank adopts Value at Risk to evaluate trading book products such as rate financial instruments, TWD interest products and market risks of trading assets IPO stocks. When market factors happen negative changes, Value at Risk reveals the potential losses of holding financial instruments during a certain period and in a confidence interval. The bank adopts Monte Carlo method to estimate Value at Risk, the confidence interval is 99%, the sample interval of rate and stock products is the past year, the sample interval of interest products is the past three years, simulation times is 5,000 times, simulation path is GBM.

The following table illustrates the Value at Risk of the bank, this risk value is based on confidence interval, estimated in one day potential losses and assumed unfavorable interest rate and stock price change can cover all possible fluctuation in one day. Based on this assumption, the Value at Risk of financial assets and liabilities in the table have one in hundred days possibility more than the amount in the table due to the fluctuation of interest, rate and stock prices. Annual average value, maximum value and minimum value are calculated based on daily Value at Risk. The total market risk value of the bank is less than the sum of the fair value risk value, rate risk value and price risk value of interest changes.

O-Bank

	December 31					
	2020			2019		
	Average	High	Low	Average	High	Low
Currency exchange rate risk	$ 2,701	$ 5,282	$ 352	$ 1,507	$ 4,271	$ 20
Fair value risk resulting from interest rate	4,043	6,925	1,243	1,421	5,410	121
Fair value resulting from stock price	9,019	16,652	1,526	5,999	14,831	812

6) Foreign currency rate risk information

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

Unit: Foreign Currencies (Thousands)/NT$ (Thousands)

	December 31, 2020		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary item			
USD	$ 1,573,471	28.5083	$ 44,856,987
JPY	1,535,129	0.2763	424,210
HKD	6,379,301	3.6774	23,459,116
EUR	20,541	35.0416	719,802
AUD	204,922	21.9686	4,501,838
RMB	343,609	4.3665/4.3822	1,505,737
Investments accounted for using the equity method			
USD	183,689	28.5083	5,236,669
RMB	180,891	4.3665	789,863
Financial liabilities			
Monetary item			
USD	2,201,609	28.5083	62,764,163
JPY	2,569,136	0.2763	709,943
HKD	4,719,183	3.6774	17,354,229
EUR	9,831	35.0416	344,494
AUD	8,597	21.9686	188,874
RMB	517,461	4.3822	2,267,592

	December 31, 2019		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial assets			
Monetary item			
USD	$ 1,504,313	30.1107	$ 45,295,960
JPY	2,524,038	0.2770	699,260
HKD	7,776,680	3.8680	30,080,198
EUR	25,306	33.7536	854,152
AUD	1,652	21.0967	34,842
RMB	294,229	4.3218/4.3231	1,271,606
Investments accounted for using the equity method			
USD	168,634	30.1107	5,077,693
Financial liabilities			
Monetary item			
USD	2,304,962	30.1107	69,404,090
JPY	1,483,011	0.2770	410,853
HKD	4,926,752	3.8680	19,056,676
EUR	14,796	33.7536	499,413
AUD	7,009	21.0967	147,871
RMB	457,306	4.3218	1,976,395

f. Banking book interest rate risk

1) Source and definition of interest rate risk of banking book

Banking book's interest rate risk means the probably loss of non-trading book's position within balance sheet and off-balance sheet arise from interest change.

2) Management strategy and process of interest rate risk of banking book

The Bank controls this interest rate risk with a positive and strict attitude. The Bank hopes to pursue the stability and growth of surplus without liquidity flaws.

The Bank set the clear management methods and risk management indicators with different trading, investment and risk, and set the report of risk amount and over limit, approved level and reaction plan. The Bank executes the procedures clearly, establishes a trading discipline that upholds the discipline of investment, and controls the interest rate risk of banking book within the limit.

3) Management organization and framework of interest rate risk of banking book

a) The Board of Directors: It is the top organization to supervise interest rate risk of banking book. The product part quotas and total annual stop-loss quotas of the trading business market risk monitored and managed by the Bank and approved by the board of director are the top stipulation in bank book interest risk.

b) Risk Management Committee: In charge of stipulating risk management policy of interest rate risk of banking book and monitoring the risk management operating of interest rate risk of banking book. The Bank assembles related departments to hold an risk management assessment meeting to review the risk management conditions of interest rate risk of banking book and the result of interest rate pressure test once a month.

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

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

The Risk Management Department set the regulation with banking book interest risk as follow, limit of position, Annual stop buying maximum loss limit, FS Sensitivity limit, duration/maturity limit, Individual Investment Target Warning Limits, Individual Investment Target stop buying limit, Earnings View Interest Rate Sensitivity Warning Limit-Rising/falling interest rates by 1bp, First Class Capital Interest Rate Sensitivity Warning Limit: Interest rate rise/fall 25bps, 50bps, 75bps, 100bps.

In summary, it is intended to enhance the risk control framework of interest rate risk of banking book.

Besides, the Risk Management Department executes the following tests to assess the impact to the Bank's net income in each quarter, including the interest rate pressure test and special situation pressure test, and reports the result to the Assets and Liabilities Committee.

The Risk Management Department calculates the exposure amount of each trading departments and traders, and it also reports the risk reports, monitors over-limits, and performs follow-up actions under the regulations.

g. Average amount and average interest rate of interest-earning assets and interest-bearing liabilities

Interest rate fluctuations affect the earning assets and interest-bearing liabilities, and current average interest rates are as follows:

O-Bank

	For the Year Ended December 31			
	2020		2019	
	Average Balance	**Average Rate (%)**	**Average Balance**	**Average Rate (%)**
Interest-earning assets				
Due from banks (part of cash and cash equivalents and other financial assets)	$ 963,688	1.19	$ 1,083,859	2.69
Call loans to other banks	9,081,872	0.76	14,720,683	1.56
Due from the Central Bank	5,315,272	0.46	5,087,055	0.63
Financial assets at FVTPL	66,571,088	0.52	66,204,070	0.64
Bills and bonds purchased under resell agreements	13,156	0.13	34,904	0.16
Discounts and loans	172,849,123	2.17	178,218,274	2.65
Financial assets at FVTOCI	51,321,095	0.93	37,853,046	1.89

(Continued)

	For the Year Ended December 31			
	2020		2019	
	Average Balance	**Average Rate (%)**	**Average Balance**	**Average Rate (%)**
Investment in debt instruments at amortized costs	$ -	-	$ 271,215	1.15
Receivables	1,218,615	1.61	1,232,168	2.45
Interest-bearing liabilities				
Deposits from the Central Bank and other banks	32,330,827	0.68	25,504,367	1.94
Demand deposits	50,459,872	0.33	46,431,809	0.48
Time deposits	192,091,535	0.88	193,697,613	1.37
Bill and bonds sold under repurchase agreements	2,256,438	0.32	4,082,774	0.50
Bank debentures payable	17,355,191	2.02	18,671,233	2.03

(Concluded)

44. CAPITAL MANAGEMENT

a. Strategies to maintain capital adequacy

The Bank’s common equity ratio of Tier I capital ratio and capital adequacy ratio required by the competent authority shall comply with the minimum capital ratio for each year; leverage ratio measurement basis subject to the competent authorities. The calculation of the ratio mentioned above by the competent authority regulations.

b. Capital assessment program

Measures are taken when capital ratio and leverage ratio deteriorates such as regular calculation, analysis, monitoring and reporting, the annual allocation of each business’s capital adequacy ratio targets and regularly tracking the target achievement rate in the capital in order to take effective measures when capital ratio and leverage ratio are getting worse.

c. Capital adequacy ratio

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Items / Year			December 31, 2020 Standalone Capital Adequacy Ratio	December 31, 2020 Consolidated Capital Adequacy Ratio
Eligible capital	Common equity		$ 26,668,441	$ 26,668,441
	Other Tier 1 capital		300,001	300,001
	Tier 2 capital		2,843,868	2,843,868
	Eligible capital		29,812,310	29,812,310
Risk-weighted assets	Credit risk	Standardized approach	204,697,317	204,697,317
		Internal rating based approach	-	-
		Securitization	-	-
	Operational risk	Basic indicator approach	9,020,363	9,020,363
		Standardized/alternative standardized approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standardized approach	21,536,500	21,536,500
		Internal model approach	-	-
	Total risk-weighted assets		235,254,180	235,254,180
Capital adequacy ratio			12.67%	12.67%
Ratio of common equity to risk-weighted assets			11.34%	11.34%
Ratio of Tier 1 capital to risk-weighted assets			11.46%	11.46%
Leverage ratio			7.49%	7.49%

Items / Year			December 31, 2019 Standalone Capital Adequacy Ratio	December 31, 2019 Consolidated Capital Adequacy Ratio
Eligible capital	Common equity		$ 25,023,843	$ 43,690,516
	Other Tier 1 capital		639,356	2,223,697
	Tier 2 capital		4,212,975	7,492,885
	Eligible capital		29,876,174	53,407,098
Risk-weighted assets	Credit risk	Standardized approach	188,883,844	305,810,019
		Internal rating based approach	-	-
		Securitization	-	-
	Operational risk	Basic indicator approach	8,785,450	9,966,550
		Standardized/alternative standardized approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standardized approach	15,774,738	86,130,688
		Internal model approach	-	-
	Total risk-weighted assets		213,444,032	401,907,257
Capital adequacy ratio			14.00%	13.29%
Ratio of common equity to risk-weighted assets			11.72%	10.87%
Ratio of Tier 1 capital to risk-weighted assets			12.02%	11.42%
Leverage ratio			7.31%	7.07%

Note 1: Eligible capital, risk-weighted assets total exposure are calculated under the “Regulations Governing the Capital Adequacy Ratio of Banks” and “Explanation of Methods for Calculating the Eligible Capital and Risk-weighted Assets of Banks.”

Note 2: Formulas used were as follows:

1) Eligible capital = Common equity + Other Tier 1 capital + Tier 2 capital.

2) Risk-weighted assets = Risk-weighted asset for credit risk + Capital requirements for operational risk and market risk x 12.5.

3) Capital adequacy ratio = Eligible capital ÷ Risk-weighted assets.

4) Ratio of common equity to risk-weighted assets = Common equity ÷ Risk-weighted assets.

5) Ratio of Tier 1 capital to risk-weighted assets = (Common equity + Other Tier 1 capital) ÷ Risk-weighted assets.

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

According to the Banking Law and other related regulations, in order to improve the financial foundation of banks, the Bank's standalone and consolidated capital adequacy ratio shall not be lower than 10.5%. The ratio of Tier 1 capital shall not be lower than 8.5%. The ratio of common equity shall not be lower than 7.0%. Should any actual ratios be lower than the requirements, the central competent authority has the right to constrain the earnings distribution.

45. ASSET QUALITY, CONCENTRATION OF CREDIT EXTENSIONS, INTEREST RATE SENSITIVITY, PROFITABILITY AND DISCLOSURE OF RELATED INFORMATION OF INDUSTRY REGULATIONS OF MATURITY ANALYSIS OF ASSETS AND LIABILITIES

O-Bank

a. Credit risk

1) Asset quality of loans: See Table 6.

2) Concentration of credit extensions

December 31, 2020

Rank	Company Name	Credit Extensions Balance	% of Net Asset Value
1	A Group (real estate development)	$ 6,070,402	17.07
2	B Group (unclassified other financial service)	5,000,000	14.06
3	C Group (real estate development)	3,948,600	11.11
4	D Group (real estate development)	3,463,866	9.74
5	E Group (glass and glass made product manufacturing)	2,867,564	8.06
6	F Group (retail sale of other food, beverages and tobacco in specialized stores)	2,694,711	7.58
7	G Group (non-hazardous waste treatment industry)	2,565,020	7.21
8	H Group (short-term accommodation activities)	2,506,680	7.05
9	I Group (mixed concrete development)	2,378,896	6.69
10	J Group (ocean transportation)	2,288,233	6.44

December 31, 2019

Rank	Company Name	Credit Extensions Balance	% of Net Asset Value
1	A Group (real estate development)	$ 5,753,105	17.30
2	B Group (unclassified other financial service)	5,000,000	15.03
3	C Group (short-term accommodation activities)	3,216,788	9.67
4	D Group (glass and glass made product manufacturing)	3,184,329	9.57
5	E Group (real estate development)	2,855,678	8.59
6	F Group (ocean transportation)	2,817,127	8.47
7	G Group (non-hazardous waste treatment industry)	2,740,563	8.24
8	H Group (retail sale of other food, beverages and tobacco in specialized stores)	2,361,262	7.10
9	I Group (real estate development)	2,275,244	6.84
10	J Group (unclassified other financial service)	2,200,000	6.61

Note 1: The list shows top 10 rankings by total amount of credit, endorsement or other transactions but excludes government-owned or state-run enterprises. If the borrower is a member of a group enterprise, the total amount of credit, endorsement or other transactions of the entire group enterprise must be listed and disclosed by code and line of industry. The industry of the group enterprise should be presented as the industry of the member firm with the highest risk exposure. The lines of industry should be described in accordance with the Standard Industrial Classification System of the Republic of China published by the Directorate-General of Budget, Accounting and Statistics under the Executive Yuan.

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

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

b. Market risk

Interest Rate Sensitivity Balance Sheet (New Taiwan Dollars)
December 31, 2020

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	$ 166,617,648	$ 27,109,896	$ 19,442,085	$ 13,240,863	$ 226,410,492
Interest rate-sensitive liabilities	86,971,113	53,710,041	46,607,835	31,028,330	218,317,319
Interest rate-sensitive gap	79,646,535	(26,600,145)	(27,165,750)	(17,787,467)	8,093,173
Net worth					31,587,200
Ratio of interest rate-sensitive assets to liabilities					103.71%
Ratio of interest rate sensitivity gap to net worth					25.62%

December 31, 2019

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	$ 176,652,492	$ 16,509,588	$ 22,630,970	$ 17,618,963	$ 233,412,013
Interest rate-sensitive liabilities	84,975,570	55,369,472	45,670,081	38,253,295	224,268,418
Interest rate-sensitive gap	91,676,922	(38,859,884)	(23,039,111)	(20,634,332)	9,143,595
Net worth					29,743,152
Ratio of interest rate-sensitive assets to liabilities					104.08%
Ratio of interest rate sensitivity gap to net worth					30.74%

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

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

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

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

Interest Rate Sensitivity Balance Sheet (U.S. Dollars)
December 31, 2020

(In Thousands of U.S. Dollars)

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	$ 1,386,743	$ 45,633	$ 14,858	$ 838,439	$ 2,285,673
Interest rate-sensitive liabilities	1,142,565	874,559	148,455	40	2,165,619
Interest rate-sensitive gap	244,178	(828,926)	(133,597)	838,399	120,054
Net worth					120,088
Ratio of interest rate-sensitive assets to liabilities					105.54%
Ratio of interest rate sensitivity gap to net worth					99.97%

December 31, 2019

(In Thousands of U.S. Dollars)

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	$ 1,395,585	$ 3,927	$ 28,169	$ 926,845	$ 2,354,526
Interest rate-sensitive liabilities	1,587,278	566,081	116,022	-	2,269,381
Interest rate-sensitive gap	(191,693)	(562,154)	(87,853)	926,845	85,145
Net worth					90,510
Ratio of interest rate-sensitive assets to liabilities					103.75%
Ratio of interest rate sensitivity gap to net worth					94.07%

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

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

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

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

c. Liquidity risk

1) Profitability

(In %)

Items		For the Year Ended December 31, 2020	For the Year Ended December 31, 2019
Return on total assets	Before income tax	0.37	0.36
	After income tax	0.35	0.33
Return on equity	Before income tax	3.59	3.71
	After income tax	3.33	3.37
Net income ratio		24.67	20.74

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

Note 2: Return on equity = Income before (after) income tax ÷ Average equity.

Note 3: Net income ratio = Income after income tax ÷ Total net revenue.

Note 4: Income before (after) income tax represents income for the year ended December 31, 2020 and 2019.

2) Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities (New Taiwan Dollars)
December 31, 2020

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	$ 262,332,096	$ 64,095,871	$ 20,700,615	$ 22,974,910	$ 23,836,815	$ 30,968,773	$ 99,755,112
Main capital outflow on maturity	295,589,959	18,721,529	26,002,566	72,207,928	33,181,228	67,024,836	78,451,872
Gap	(33,257,863)	45,374,342	(5,301,951)	(49,233,018)	(9,344,413)	(36,056,063)	21,303,240

December 31, 2019

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	$ 263,936,011	$ 86,414,796	$ 17,965,942	$ 19,571,792	$ 14,933,468	$ 20,455,947	$ 104,594,066
Main capital outflow on maturity	300,088,366	26,069,687	23,807,444	63,323,723	28,391,885	55,193,251	103,302,376
Gap	(36,152,355)	60,345,109	(5,841,502)	(43,751,931)	(13,458,417)	(34,737,304)	1,291,690

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

Maturity Analysis of Assets and Liabilities (U.S. Dollars)
December 31, 2020

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	$ 3,300,572	$ 989,563	$ 742,797	$ 349,232	$ 248,629	$ 970,351
Main capital outflow on maturity	3,381,571	1,122,743	933,356	429,820	268,086	627,566
Gap	(80,999)	(133,180)	(190,559)	(80,588)	(19,457)	342,785

December 31, 2019

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	$ 3,260,012	$ 866,871	$ 911,524	$ 325,670	$ 161,334	$ 994,613
Main capital outflow on maturity	3,480,736	1,236,624	1,128,140	349,850	214,910	551,212
Gap	(220,724)	(369,753)	(216,616)	(24,180)	(53,576)	443,401

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

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

Maturity Analysis of Overseas Assets and Liabilities (U.S. Dollars)
December 31, 2020

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	$ 1,189,456	$ 646,460	$ 127,635	$ 52,502	$ 45,992	$ 316,867
Main capital outflow on maturity	1,169,148	328,887	276,564	143,306	114,680	305,711
Gap	20,308	317,573	(148,929)	(90,804)	(68,688)	11,156

December 31, 2019

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	$ 1,103,727	$ 384,098	$ 305,702	$ 28,774	$ 25,942	$ 359,211
Main capital outflow on maturity	1,092,355	305,634	412,616	151,193	46,871	176,041
Gap	11,372	78,464	(106,914)	(122,419)	(20,929)	183,170

46. CASH FLOWS INFORMATION

Changes in Liabilities from Financing Activities

For the year ended December 31, 2020

	January 1, 2020	Cash Inflow (Outflow)	None Cash		December 31, 2020
			Add Leasing	Other	
Bank debentures payable	$ 18,700,000	$ (2,300,000)	$ -	$ -	$ 16,400,000
Lease liabilities	313,446	(98,007)	35,240	2,582	253,261
Other financial liabilities	3,468,649	(620,641)	-	-	2,848,008
Other liabilities	45,188	16,648	-	-	61,836
	$ 22,527,283	$ (3,002,000)	$ 35,240	$ 2,582	$ 19,563,105

For the year ended December 31, 2019

	January 1, 2019	Cash Inflow (Outflow)	None Cash		December 31, 2019
			Add Leasing	Other	
Bank debentures payable	$ 17,850,000	$ 850,000	$ -	$ -	$ 18,700,000
Lease liabilities	296,144	(104,852)	126,564	(4,410)	313,446
Other financial liabilities	4,321,291	(852,642)	-	-	3,468,649
Other liabilities	56,233	(11,045)	-	-	45,188
	$ 22,523,668	$ (118,539)	$ 126,564	$ (4,410)	$ 22,527,283

47. OTHERS

The Bank has evaluated the economic impact of the COVID-19. Until the issue date of the financial statements, the Bank found no significant impact on its financial condition and operations through its relevant risk management and control procedures.

48. ADDITIONAL DISCLOSURES

a. Related information of significant transactions and investees and

b. Names, locations, and other information of investees over which the Bank exercises significant influence

1) Financing provided: The Bank - not applicable; investees - Table 1 (attached)

2) Endorsement/guarantee provided: The Bank - not applicable; investees - Table 2 (attached)

3) Marketable securities held: The Bank - not applicable; investees - Table 3 (attached)

4) Marketable securities acquired and disposed of at costs or prices of at least NT $300 million or 10% of the paid-in capital - Table 4 (attached)

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

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

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

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

9) Sale of non-performing loans - Table 5 (attached)

10) Information of applying for authorization of securitized product type according to the “Regulations of Financial Assets Securitization or Regulations of Real Estate Securitization”: None

11) Other significant transactions which may affect the decisions of users of individual financial reports: None

12) Related information and total stockholding circumstances of “Name, locations and other information of investees on which the Bank exercises significant influence.” - Table 7 (attached)

13) Derivative instrument transactions: Note 8

c. Investment in mainland China: Table 8 (attached)

d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: Table 9 (attached)

O-BANK CO., LTD.

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing (Note 2)	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 3)	Aggregate Financing Limits (Note 4)	Note
													Item	Value			
1	IBT Leasing	Lei Xin Construction	Account receivable - short-term accommodations	No	$ 54,380	$ -	$ -	2-8	2	$ -	Working capital turnover	$ -	Real estate	$ -	$ 278,418	$ 1,113,674	
		Kuang Ming shipping Corp.	Account receivable - short-term accommodations	No	120,000	-	-	2-8	2	-	Working capital turnover	-	-	-	278,418	1,113,674	
		Inhon Communication Co., Ltd.	Account receivable - short-term accommodations	No	64,912	29,904	29,904	2-8	2	-	Working capital turnover	358	Margin	12,982	278,418	1,113,674	
		Huimin Environmental Tech. Corp.	Account receivable - short-term accommodations	No	2,882	-	-	2-8	2	-	Working capital turnover	-	-	-	278,418	1,113,674	
		Power Home Construction	Account receivable - short-term accommodations	No	58,644	-	-	2-8	2	-	Working capital turnover	-	-	-	278,418	1,113,674	
		United Renewable Energy Co.	Account receivable - short-term accommodations	No	15,089	-	-	2-8	1	77,159	-	-	-	-	278,418	2,784,184	
		An Chieh Bao Corp.	Account receivable - short-term accommodations	No	53,745	29,679	29,679	2-8	2	-	Working capital turnover	308	Margin	6,000	278,418	1,113,674	
		Advanced Wireless and Antenna Inc.	Account receivable - short-term accommodations	No	7,403	-	-	2-8	2	-	Working capital turnover	-	-	-	278,418	1,113,674	
		Yuan Mao Construction Co., Ltd.	Account receivable - short-term accommodations	No	130,000	106,600	106,600	2-8	2	-	Working capital turnover	1,386	Stock	61,600	278,418	1,113,674	
		Taroko Entertainment Co., Ltd.	Account receivable - short-term accommodations	No	64,205	38,907	38,907	2-8	2	-	Working capital turnover	700	Stock	-	278,418	1,113,674	
		Dingyang Industrial Co., Ltd.	Account receivable - short-term accommodations	No	30,000	-	-	2-8	2	-	Working capital turnover	-	-	-	278,418	1,113,674	
		Priority International Finance	Account receivable - short-term accommodations	No	24,000	24,000	2,499	2-8	2	-	Working capital turnover	45	Certificate of deposit	2,400	278,418	1,113,674	
		TRK Corporation	Account receivable - short-term accommodations	No	70,000	-	-	2-8	2	-	Working capital turnover	-	-	-	278,418	1,113,674	
		Qiaoding Investment Co., Ltd.	Account receivable - short-term accommodations	No	100,000	96,000	96,000	2-8	2	-	Working capital turnover	1,728	Stock/real estate	51,830	278,418	1,113,674	
		Taiwan Star Telecom Corporation Limited	Account receivable - short-term accommodations	No	150,000	150,000	150,000	2-8	1	150,000	-	750	Equipment	33,152	278,418	2,784,184	
2	IBT International Leasing Corp.	Zhangjiajie Zhongjun Real Estate Co., Ltd.	Entrusted loans	No	33,622	-	-	6-16	2	-	Working capital turnover	-	Real estate	39,243	270,183	1,080,733	
		Suzhou Dong Sheng Machine Co., Ltd.	Entrusted loans	No	19,468	-	-	6-16	2	-	Working capital turnover	-	Real estate	34,522	270,183	1,080,733	
		Suzhou Leading Car Service Co., Ltd.	Entrusted loans	No	40,132	15,128	15,128	6-16	2	-	Working capital turnover	34	Margin	6,550	270,183	1,080,733	
		Nanjing Forland automobile leasing Co., Ltd.	Entrusted loans	No	40,132	15,128	15,128	6-16	2	-	Working capital turnover	34	Margin	6,550	270,183	1,080,733	

Note 1: Explanation:

a. Issuing entity: 0.
b. Invested companies were sequentially numbered from No. 1.

Note 2: Loan type: Business “1”; short-term financial intermediation “2”.

Note 3: IBT Leasing and IBT International Leasing Corp. loaned to individual company were limited by 10% net assets.

Note 4: Each issuing entity’s total amount of loans was limited to 40% of IBT Leasing Corp.’s, IBT International Leasing Corp.’s and IBT Tianjin International Leasing Corp.’s net assets. The loan mentioned formerly which belongs to business transactions is limited to 100%.of the corporation’s net assets.

TABLE 2

O-BANK CO., LTD.

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 3)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries (Note 4)	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship (Note 2)										
1	IBT Leasing	IBT International Leasing Corp.	b	$ 22,273,474	$ 12,084,350	$ 6,393,987	$ 4,307,577	$ -	229.65	$ 33,410,211	No	No	Yes
		IBT VII Venture Capital Co., Ltd.	b	22,273,474	80,000	80,000	80,000	-	2.87	33,410,211	No	No	No

Note 1: Explanation:

a. Issuing entity: 0.
b. Invested companies were sequentially numbered from 1.

Note 2: Relationships between the endorsement/guarantee provider and the guaranteed party:

a. Trading partner.
b. Directly and indirectly owns over 50% of the common stocks of the subsidiary.
c. Companies that directly and indirectly hold more than 50% of the voting rights of the company.
d. The company directly or indirectly holds more than 90% of the voting shares.
e. Guaranteed by the Bank according to the construction contract.
f. An investee company, for which the guarantees were provided based on the Bank’s proportionate share in the investee company.
g. The inter-industry is engaged in joint and several guarantees for the performance of the pre-sale house sales contract in accordance with the Consumer Protection Law.

Note 3: Based on the Bank’s guidelines, the maximum amount of guarantee to IBT International Leasing Corp. is up to eight times of the Bank’s net value under direct and indirect holding voting right of stockholders; the maximum amount of guarantee to the Bank is up to twelve times of the Bank’s net value.

Note 4: The endorsement belongs to the grandson company from IBT International Leasing Corp.

O-BANK CO., LTD.

MARKETABLE SECURITIES HELD
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2020				Note
				Stocks/Units (Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
IBT Holdings	Stocks							
	EverTrust Bank	Subsidiaries	Investments accounted for using the equity method	10,714	US$ 183,689	91.78	US$ 183,689	
IBT Management Corp.	Closed type beneficiary certificate							
	O-Bank Real Estate Investment Trust "Successful One"	-	Financial asset at FVTOCI	3,059	29,672	1.02	29,672	
	Stocks							
	Thunder Tiger Biotechnology Co., Ltd	-	Financial asset at FVTPL	1,773	38,567	7.38	38,567	Note 2
	TaiRx Co., Ltd	-	Financial asset at FVTPL	511	14,794	0.57	14,794	Note 2
	Beauty Essentials International Ltd. (Samoa)	-	Financial asset at FVTPL	25,974	13,303	2.41	13,303	Note 2
	Houdou Pinshan (Cayman) Co., Ltd.	-	Financial asset at FVTPL	500	13,446	2.17	13,446	Note 2
	Shihlien China Holding Corp.	-	Financial asset at FVTPL	19,682	100,055	0.46	100,055	Notes 1, 2
	Ta Chen Stainless Pipe Co. Ltd.	-	Financial asset at FVTPL	1,150	35,995	0.07	35,995	
	Shin Kong Financial Holding Co., Ltd. preferred shares B	-	Financial asset at FVTOCI	400	16,940	0.18	16,940	
IBT Leasing Co., Ltd.	Closed type beneficiary certificate							
	O-Bank Real Estate Investment Trust "Successful One"	-	Financial asset at FVTOCI	12,260	118,922	4.09	118,922	
	Stocks							
	IBT International Leasing Corp.	Subsidiaries	Investments accounted for using the equity method	-	2,566,740	95.00	2,566,740	
	IBT VII Venture Capital Co., Ltd.	Subsidiaries	Investments accounted for using the equity method	65,000	531,982	100.00	531,982	
	Shihlien China Holding Corp.	-	Financial asset at FVTOCI	32,500	165,216	0.75	165,216	Note 1
	Shin Kong Financial Holding Co., Ltd. preferred shares B	-	Financial asset at FVTOCI	1,700	71,995	0.77	71,995	
IBT VII Venture Capital Co., Ltd.	Closed type beneficiary certificate							
	O-Bank Real Estate Investment Trust "Successful One"	-	Financial asset at FVTOCI	14,000	135,800	4.67	135,800	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2020				Note
				Stocks/Units (Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	Stocks							
	IBT International Leasing Corp.	Subsidiaries	Investments accounted for using the equity method	-	$ 135,092	5.00	$ 135,092	
	TAIRX Corp.	-	Financial asset at FVTPL	3,800	110,054	6.22	110,054	Note 2
	Meridigen Corp.	-	Financial asset at FVTPL	500	11,334	0.55	11,334	
	Femcosteel Tech Co., Ltd.	-	Financial asset at FVTPL	1,298	38,330	3.10	38,330	
	Shihlian China Holdings Corp.	-	Financial asset at FVTPL	9,135	46,441	0.21	46,441	Notes 1, 2
	New Applied Materials Co., Ltd.	-	Financial asset at FVTPL	610	15,775	0.83	15,775	Note 2
	Polaris Co., Ltd.	-	Financial asset at FVTPL	140	2,304	0.02	2,304	
	BioResource International, Inc.	-	Financial asset at FVTPL	1,105	82,530	5.91	82,530	Note 2
	Chipwell tech corporation	-	Financial asset at FVTPL	391	2,994	2.61	2,994	Note 2
	Biocontrol Gene Vaccine Co., Ltd.	-	Financial asset at FVTPL	1,008	1,019	0.98	1,019	Note 2
	Reber Genetics Co., Ltd.	-	Financial asset at FVTPL	461	6,179	2.20	6,179	Note 2
	Kaohsiung Rapid Transit Corporation All Rights Reserved.	-	Financial asset at FVTPL	3,845	42,806	1.38	42,806	
	Ta Chen Stainless Pipe Co. Ltd.	-	Financial asset at FVTPL	1,350	42,255	0.08	42,255	
	Shin Kong Financial Holding Co., Ltd. preferred shares B	-	Financial asset at FVTOCI	125	5,294	0.06	5,294	

Note 1: The holding company is registered in Hong Kong. The registered capital stock and number of stocks are in Hong Kong dollars and Hong Kong stocks.

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

(Concluded)

TABLE 4

O-BANK CO., LTD.

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 10% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities (Note 1)	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Units (In Thousands)	Amount	Shares/Units (In Thousands)	Amount	Shares/Units (In Thousands)	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares/Units (In Thousands)	Amount
The Bank	Stock Beijing Sunshine Consumer Finance Co., Ltd.	Investments accounted for using the equity method	Beijing Sunshine Consumer Finance Co., Ltd.	-	-	$ -	200,000	$ 863,564 (Note 1)	-	$ -	$ 91,831 (Note 2)	$ -	200,000	$ 789,863

Note 1: It is the original investment cost.

Note 2: Exchange differences on translating the financial statements of foreign operations were $9,065 thousand and investment loss were $82,766 thousand.

TABLE 5

O-BANK CO., LTD.

SALES OF NONPERFORMING LOANS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

1. Sales of nonperforming loans

Trade Date	Trade Name	Creditor Composition Content	Book Value	Price	Dispose of Profit and Loss	With Agreed Conditions	The Relationship Between the Transaction Object and The Bank
December 14, 2020	Bridging Wealth Capital Management Limited	Residential mortgage	$ 52,780 (Note)	$ 75,898	$ 23,118	None	None

Note: Book value equals the amount of the original loan minus the allowance for bad debts.

2. The sale of a batch of nonperforming loans totaling over NT$1 billion (excluding those sold to related parties): None

O-BANK CO., LTD.

NON-PERFORMING LOANS AND ACCOUNTS RECEIVABLE
DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars or in %)

Period			December 31, 2020					December 31, 2019				
Items			Nonperforming Loans (Note 1)	Outstanding Loan Balance	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)	Nonperforming Loans (Note 1)	Outstanding Loan Balance	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Corporate banking	Secured		$ 418,641	$ 74,359,778	0.56%	$ 910,746	217.55%	$ 934,247	$ 82,539,697	1.13%	$ 1,035,910	110.88%
	Unsecured		268,279	64,041,050	0.42%	860,294	320.67%	379,818	71,471,813	0.53%	1,078,036	283.83%
Consumer banking	Housing mortgage (Note 4)		7,544	15,334,873	0.05%	230,205	3,051.50%	-	13,266,726	-	199,076	-
	Cash card		-	-	-	-	-	-	-	-	-	-
	Small-scale credit loans (Note 5)		310	1,537,037	0.02%	19,537	6,302.26%	2,221	1,072,040	0.21%	11,016	495.99%
	Other (Note 6)	Secured	999	5,941,536	0.02%	59,492	5,955.16%	-	4,199,768	-	41,998	-
		Unsecured	9,246	4,886,019	0.19%	103,155	1,115.67%	9,113	3,856,708	0.24%	59,538	653.33%
Total lending business			705,019	166,100,293	0.42%	2,183,429	309.70%	1,325,399	176,406,752	0.75%	2,425,574	183.01%
			Nonperforming Receivables	Outstanding Receivable Balance	Ratio of Nonperforming Receivables	Allowance for Possible Losses	Coverage Ratio	Nonperforming Receivables	Outstanding Receivable Balance	Ratio of Nonperforming Receivables	Allowance for Possible Losses	Coverage Ratio
Credit cards			-	-	-	-	-	-	-	-	-	-
Factored accounts receivable without recourse (Note 7)			-	869,297	-	9,380	-	-	1,585,725	-	17,004	-
			Exempt from Reporting the Total Balance of Overdue Loans			Exempt from Reporting the Total Balance of Overdue 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 8)			$ -			$ -		$ -			$ -	
Debt settlement plan and rehabilitative program (Note 9)			79,994			-		734			-	
Total			79,994			-		734			-	

Note 1: Nonperforming loans are reported to the authorities and disclosed to the public, as required by the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Non-accrued Loans." Nonperforming credit card receivables are reported to the authorities and disclosed to the public, as required by the Banking Bureau's letter dated July 6, 2005 (Ref. No. 0944000378).

Note 2: Ratio of Nonperforming loans: Nonperforming loans ÷ Outstanding loan balance.
Ratio of Nonperforming credit card receivables: Nonperforming credit card receivables ÷ Outstanding credit card receivables balance.

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

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

Note 5: Small-amount pure credit loans that must be governed by the Bank of China Ref. No. 09440010950 dated December 19, 2005 and are not credit cards or cash cards.

Note 6: "Others" in consumer finance refers to other secured or unsecured consumer loans that are not "residential property mortgage", "cash cards", "small amount pure credit loans", excluding credit cards.

Note 7: As required by the Banking Bureau in its letter dated July 19, 2005 (Ref. No. 0945000494), factored accounts receivable without recourse are reported as Nonperforming receivables within three months after the factoring or insurance companies refuse to indemnify banks for any liabilities on these accounts.

Note 8: According to the letter of the Bank of China Ref. No. 09510001270 dated April 25, 2006, the letters of credit and the information disclosure requirements as required by the "Unsecured Debt Negotiation Mechanism for Consumer Financial Cases of the Republic of China Banking Association" should include supplemental disclosures of related matters.

Note 9: According to the letter of the Bank of China Ref. No. 09700318940 dated September 15, 2008 and the letter of the Bank of China Ref. No. 10500134790 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

O-BANK CO., LTD.

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES OVER WHICH THE BANK EXERCISES SIGNIFICANT INFLUENCE
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Investee Company	Location	Main Business	Percentage of Ownership (%)	Carrying Amount	Investment Gain (Loss)	Consolidated Investment				Note
						Stocks (Thousands)	Pro-forma Share of Ownership	Total		
								Stocks (Thousands)	Percentage of Ownership (%)	
Financial institution										
Investments accounted for using the equity method										
Beijing Sunshine Consumer Finance Co., Ltd.	Beijing City, China	Financing business	20.00	$ 789,863	$ (82,766)	200,000	-	200,000	20.00	
China Bills Finance Corp.	Taipei City, Taiwan	Bonds underwriting, dealing and brokerage of securities	28.37	7,152,692	447,728	382,532	-	382,532	28.48	
IBT Holdings Corp.	California, America	Holding company	100.00	5,269,068	256,838	10,869	-	10,869	100.00	
IBT Leasing Co., Ltd.	Taipei City, Taiwan	Leasing company	100.00	2,784,548	364,120	264,300	-	264,300	100.00	
IBT Management Corp.	Taipei City, Taiwan	Investment consulting	100.00	231,911	16,248	13,400	-	13,400	100.00	
Non-financial institution										
Investments accounted for using the equity method										
Chun Teng New Century Co., Ltd.	Taipei City, Taiwan	Securities investment consulting	99.75	314,026	(12,010)	318,281	-	318,281	99.75	
Financial assets at FVTOCI										
Taiwan Mobile Payment Co., Ltd.	Taipei City, Taiwan	Information Software Services Industry	0.50	1,622	-	300	-	300	0.50	
Dio Investment Ltd.	Cayman Island	Coffee retail	8.82	44,812	-	6,997	-	6,997	8.82	
Shengzhuang Holdings Limited	Cayman Island	Chemical material manufacturing	2.18	13,074	-	244	-	244	2.18	

O-BANK CO., LTD.

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2020
(New Taiwan Dollars and U.S. Dollars in Thousands, Unless Stated Otherwise)

O-Bank

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital (Note 1)	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2020 (Note 1)	Investment Flows (Note 1)		Accumulated Outflow of Investment from Taiwan as of December 31, 2020 (Note 1)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 1)	Carrying Amount as of December 31, 2020 (Note 1)	Accumulated Inward Remittance of Earnings as of December 31, 2020
					Outflow	Inflow					
Shihlien Chemical Industrial Jiangsu Co.	Production of glass materials	$ 22,806,648 (US$ 800,000)	Note 2 c.	$ 196,650 (US$ 6,898)	$ -	$ 196,650 (US$ 6,898)	$ -	-	$ -	$ -	$ -
Shihlien Brine Huaian Co.	Production of glass materials	912,266 (US$ 32,000)	Note 2 c.	9,493 (US$ 333)	-	9,493 (US$ 333)	-	-	-	-	-
Suzhou Dio F&B Management Co., Ltd.	Coffee retailing	438,999 (US$ 15,399)	Note 2 c.	57,017 (US$ 2,000)	-	-	57,017 (US$ 2,000)	2.60	-	57,017 (US$ 2,000)	-
Ou Suomiluo Food Co., Ltd.	Coffee retailing	43,822 (RMB 10,000)	Note 2 c.	14,254 (US$ 500)	-	-	14,254 (US$ 500)	2.09	-	14,254 (US$ 500)	-
Beijing Shengzhuang Co., Ltd.	Cosmetic OEM	237,951 (RMB 54,300)	Note 2 c.	57,017 (US$ 2,000)	-	-	57,017 (US$ 2,000)	2.175	-	57,017 (US$ 2,000)	-
Beijing Sunshine Consumer Finance Co., Ltd.	Financing business	4,382,150 (RMB 1,000,000)	Note 2 d.	-	876,430 (US$ 200,000)	-	876,430 (RMB 200,000)	20.00	(82,766)	789,863	-

Accumulated Investment in Mainland China as of December 31, 2020 (Note 1)	Investment Amounts Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on Investment
$128,288 (US$4,500) $876,430 (RMB200,000)	$128,288 (US$4,500) $876,430 (RMB200,000)	Note 4

(Continued)

IBT Leasing Co., Ltd.

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital (Note 1)	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2020 (Note 1)	Investment Flows (Note 1)		Accumulated Outflow of Investment from Taiwan as of December 31, 2020 (Note 1)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 1)	Carrying Amount as of December 31, 2020 (Note 1)	Accumulated Inward Remittance of Earnings as of December 31, 2020
					Outflow	Inflow					
IBT International Leasing Corp.	Leasing	$ 1,853,040 (US$ 65,000)	Note 2 d.	$ 1,505,239 (US$ 52,800)	$ -	$ -	$ 1,505,239 (US$ 52,800)	100.00 (Note 6)	$ 326,688 (Notes 3 and 7)	$ 2,566,740 (Note 7)	$ -
Shihlien Chemical Industrial Jiangsu Co.	Production of glass materials	22,806,648 (US$ 800,000)	Note 2 c.	-	127,062 (US$ 4,457)	-	127,062 (US$ 4,457)	0.75	-	127,062 (US$ 4,457)	-
Shihlien Brine Huaian Co.	Production of glass materials	912,266 (US$ 32,000)	Note 2 c.	-	10,805 (US$ 379)	-	10,805 (US$ 379)	0.75	-	10,805 (US$ 379)	-

Accumulated Investment in Mainland China as of December 31, 2020 (Note 1)	Investment Amounts Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on Investment
$1,643,106 (US$57,636)	$1,643,106 (US$57,636)	Note 5

IBT Management Corp.

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital (Note 1)	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2020 (Notes 1 and 9)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2020 (Note 1)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 1)	Carrying Amount as of December 31, 2020 (Note 1)	Accumulated Inward Remittance of Earnings as of December 31, 2020
					Outflow	Inflow					
Shanghai Douniushi F&B Management Co., Ltd.	Restaurant retailing	$ 123,441 (US$ 4,330)	Note 2 c.	$ 2,053 (US$ 72)	$ -	$ -	$ 2,053 (US$ 72)	2.17	$ -	$ 2,053 (US$ 72)	$ -
Topping Cuisine International Holding, Ltd.	Food retailing	148,243 (US$ 5,200)	Note 2 c.	12,088 (US$ 424)	-	-	12,088 (US$ 424)	2.17	-	12,088 (US$ 424)	-
Shanghai Dou Mao Food Management Co., Ltd.	Trading	5,702 (US$ 200)	Note 2 c.	200 (US$ 7)	-	-	200 (US$ 7)	2.17	-	200 (US$ 7)	-
Beauty Essential International, Ltd.	Cosmetic retailing	85,525 (US$ 3,000)	Note 2 c.	19,614 (US$ 688)	-	-	19,614 (US$ 688)	2.41	-	19,614 (US$ 688)	-
Meike information technology	Cosmetic retailing information technology	48,464 (US$ 1,700)	Note 2 c.	827 (US$ 29)	-	-	827 (US$ 29)	2.41	-	827 (US$ 29)	-
Shihlien Chemical Industrial Jiangsu Co.	Production of glass materials	22,806,648 (US$ 800,000)	Note 2 c.	-	76,944 (US$ 2,699)	-	76,944 (US$ 2,699)	0.46	-	76,944 (US$ 2,699)	-
Shihlien Brine Huaian Co.	Production of glass materials	912,266 (US$ 32,000)	Note 2 c.	-	6,528 (US$ 229)	-	6,528 (US$ 229)	0.46	-	6,528 (US$ 229)	-

(Continued)

Accumulated Investment in Mainland China as of December 31, 2020 (Note 1)	Investment Amounts Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on Investment
$118,254 (US$4,148)	$118,254 (US$4,148)	$139,136 (Note 8)

IBT VII Venture Capital Co., Ltd.

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital (Note 1)	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2020 (Note 1)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2020 (Note 1)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 1)	Carrying Amount as of December 31, 2020 (Note 1)	Accumulated Inward Remittance of Earnings as of December 31, 2020
					Outflow	Inflow					
IBT International Leasing Corp.	Leasing	$ 1,853,040 (US$ 65,000)	Note 2 d.	$ 347,801 (US$ 12,200)	$ -	$ -	$ 347,801 (US$ 12,200)	5.00	$ 17,194 (Notes 3 and 7)	$ 135,092 (Note 7)	$ -

Accumulated Investment in Mainland China as of December 31, 2020 (Note 1)	Investment Amounts Authorized by Investment Commission, MOEA (Note 1)	Upper Limit on Investment
$347,801 (US$12,200)	$347,801 (US$12,200)	$319,189 (Note 8)

Note 1: The amount is after the exchange rate adjustment for the year ended December 31, 2020.

Note 2: There were five investment approaches stated as follows.

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 3: From financial statements audited by other CPA.

Note 4: The Bank got the recognition from the Industrial Development Bureau, Industry of Economic Affairs in April 2020, so the Bank is not under “the regulation of investing or technology-cooperation in China”.

Note 5: IBT Leasing Co., Ltd. obtained the documents issued by the Industrial Development 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 6: IBT Tianjin International Leasing Corp. was merged by IBT Leasing Co., Ltd. on January 1, 2019. IBT Leasing Co., Ltd. holds 95% stock of IBT International Leasing Corp. directly and 5% indirectly through IBT VII Venture Capital Co., Ltd.

Note 7: The accumulated investment amount of IBT Tianjin International Leasing Corp., which included the investment profit and loss and the book value of the investment at the end of the period, is composed of 95% directly held by IBT Leasing Co., Ltd. and 5% indirectly through IBT VII Venture Capital Co., Ltd.

Note 8: The original investment is within the limit.

Note 9: IBT Management Corp. has obtained the verification letter of part of investment from the Investment Review Committee of the Ministry of Economic Affairs, and the remittance amount is mainly based on the verification letter.

(Concluded)

TABLE 9

O-BANK

INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2020

Name of Major Shareholders	Shares	
	Number of Shares	Percentage of Ownership (%)
Ming Shan Investment Co., Ltd.	386,271,554	12.74
Yi Chang Investment Co., Ltd.	289,007,997	9.53
Taixuan Investment Co., Ltd.	287,135,501	9.47

Note 1: The major shareholder’s information on this table is on the last business day at the end of the quarter from the Taiwan Central Depository and Clearing Co., Ltd. The shareholding included shares that the company has completed the delivery of the common stock and preferred stock without physical registration (including treasury shares) of more than 5%. The share capital recorded in the Bank’s financial report and the actual number of shares has been actually delivered without physical registration. Differences, if any, may be due to the basis of preparation and calculation.

Note 2: If shareholders transfer the shareholding to a trust, the trustee will open the trust account to separate the account. Shareholders' handling of insider shareholdings with more than 10% of their shares shall be in accordance with the Securities Exchange Act. However, their shareholdings include their own shares plus their delivery to the trust and the use of decision-making shares in the trust property. Information on insider equity declaration refers to the Public Information Observatory.

Note 3: The number of shares are the total number of common stocks and preferred stocks.

Note 4: Shareholding ratio (%) = The total number of shares held by the shareholder ÷ The total number of shares that have been delivered without physical registration. It is calculated to the second decimal place and rounded off after the third decimal place.

O-BANK CO., LTD.

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

O-BANK CO., LTD.

STATEMENT OF FINANCIAL ASSETS AT FVTPL
DECEMBER 31, 2020
(Amounts in Thousands of USD and NTD, Expect Unit Price)

Item	Remark	Shares/Units (In Thousands)	Total Face Value (In Thousands)	Rate (%)	Acquisition Cost	Fair Value		Changes in Fair Value Attributable to Credit Risk
						Unit Price	Total Amount	
Financial assets mandatorily classified as at FVTPL								
Convertible bonds - domestic	January 30, 2021 - February 13, 2023		$ 515,700	1.100-1.200	$ 515,700		$ 520,456	$ -
Structured debt	Expired on September 1, 2021		570,166	1.0700	570,166		577,236	-
					1,085,866		1,097,692	
Financial assets at fair value through profit or loss								
Negotiable certificate of deposit	January 4, 2021 - December 3, 2021		28,890,000	0.1800-0.6250	28,890,000		28,880,450	-
Commercial papers	January 4, 2021 - May 7, 2021		25,409,246	-	25,409,246		25,395,953	-
Stock of listed company		6,616			304,929		369,505	-
Currency swap contracts					-		251,526	-
Forward contracts					-		30,816	-
Currency option contracts - call					-		8,028	-
Interest rate swap contracts					-		8,324	-
					54,604,175		54,944,602	
					$ 55,690,041		$ 56,042,294	

Note: The Bank pledges the negotiable certificates of deposit amount of $13,000,000 thousand as the collateral for the trust compensation reserve, bond settlement reserve and interest rate swap contracts for the year ended December 31, 2020.

O-BANK CO., LTD.

STATEMENT OF DISCOUNTS AND LOANS
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Item	Amount
Short-term	
Loan	$ 18,376,066
Secured loan	33,540,116
	51,916,182
Medium-term	
Loan	50,127,196
Secured loan	37,576,569
	87,703,765
Long-term	
Loan	1,579,390
Secured loan	23,949,347
	25,528,737
Accounts receivable financing	102,706
Guaranteed overdrafts	142,971
Export bill negotiated	1,222
Overdue loans	704,710
	166,100,293
Less: Allowance for credit losses	2,183,429
Discounts and loans, net	$ 163,916,864

O-BANK CO., LTD.

STATEMENT OF FINANCIAL ASSETS AT FVTOCI
DECEMBER 31, 2020
(Amounts in Thousands of USD, HKD and NTD, Except Unit Price)

Item	Remark	Shares/Units (In Thousands)	Total Face Value	Percentage of Ownership (%)	Acquisition Cost	Allowance for Losses	Fair Value Unit Price	Fair Value Total Amount	Note
Stock of listed company - domestic		28,561			$ 3,112,829	$ -		$ 3,369,470	
Stock of unlisted company - domestic		300			3,000	-		1,622	
Stock of unlisted company - foreign		7,241			134,717	-		57,886	
Government bonds	March 7, 2022 - February 18, 2023		$ 2,750,000	0.7500-2.500	2,754,010	-		2,784,308	
Overseas government bonds	January 13, 2021 - November 15, 2030		510,280	0.8800	509,254	-		509,692	
Bank debentures	March 28, 2021 - August 18, 2025		16,220,484	0.6300-3.600	16,229,136	5,077		16,475,294	
Corporate bonds	May 14, 2021 - November 24, 2030		12,128,494	0.4200-3.800	12,175,892	8,040		12,196,595	
Negotiable certificate of deposit	January 1, 2021 - April 16, 2022		29,750,000	0.1100-0.3950	29,795,000	-		29,783,988	
					$ 64,713,838	$ 13,117		$ 65,178,855	

Note 1: The Bank pledges the amount of $193,000 thousand of government bonds as the collateral for the trust compensation reserve, bond settlement reserve and interest rate swap for contracts the year ended December 31, 2020.

Note 2: The book value of the transaction with conditions for repurchase is the amount of $1,486,464 thousand.

O-BANK CO., LTD.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2020
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

	Balance, January 1, 2020		Additions in Investment		Decrease in Investment		Balance, December 31, 2020			Net Assets Value			
Investees	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Shares (In Thousands)	%	Amount	Unit Price (NT$)	Total Amount	Collateral	Note
China Bills finance Corp	380,982	$ 6,700,500	-	$ 726,938	-	$ 274,746	380,982	28.37	$ 7,152,692	14.90	$ 5,676,632	$ -	Note 1
Chun Teng New Century Co., Ltd.	318,281	338,027	-	-	-	24,001	318,281	99.75	314,026	0.99	314,026	-	Note 2
IBT Holdings Corp.	10,869	5,294,014	-	264,944	-	289,890	10,869	100.00	5,269,068	484.78	5,269,068	-	Note 3
IBT Leasing Co., Ltd.	264,300	2,361,173	-	423,375	-	-	264,300	100.00	2,784,548	10.54	2,784,548	-	Note 4
IBT Management Corp.	13,400	226,457	-	16,248	-	10,794	13,400	100.00	231,911	17.31	231,911	-	Note 5
Beijing Sunshine Consumer Finance Co., Ltd.	-	-	200,000	872,629	-	82,766	200,000	20.00	789,863	3.95	789,863	-	Note 6
		$ 14,920,171		$ 2,304,134		$ 682,197			$ 16,542,108		$ 15,066,048	$ -	

Note 1: In the current period, investment income, capital surplus, unrealized gains on financial assets and disposal of financial assets were $447,728 thousand, $424 thousand, $256,193 thousand, $22,593 thousand, and respectively; declared cash dividend and actuarial losses of defined benefit plan were $274,307 thousand and$439 thousand.

Note 2: In the current period, investment loss and exchange differences on translating the financial statements of foreign operations were $12,010 thousand and $11,991 thousand, respectively.

Note 3: In the current period, increase in investment income and unrealized gains on financial assets were $256,838 thousand and $8,106 thousand, respectively; decrease in exchange differences on translating the financial statements of foreign operations was $289,980 thousand.

Note 4: In the current period, increase in investment income and unrealized gains on financial assets were $364,120 thousand and $35,545 thousand, respectively; exchange differences on translating the financial statements of foreign operations was $23,710 thousand.

Note 5: In the current period, investment income were $16,248 thousand, respectively; decrease in unrealized losses on financial assets were $7,135 thousand and $3,659 thousand.

Note 6: In the current period, increase in shares was $863,564 thousand and exchange differences on translating the financial statements of foreign operations were $9,065 thousand, respectively; decrease in investment loss was $82,766 thousand.

O-BANK CO., LTD.

STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Item	Balance at January 1, 2020	Increase	Decrease	Balance at December 31, 2020
Cost				
Buildings	$ 411,373	$ 35,240	$ (14,779)	$ 431,834
Accumulated depreciation				
Buildings	101,856	94,219	(10,388)	185,687
	$ 309,517	$ (58,979)	$ (4,391)	$ 246,147

O-BANK CO., LTD.

STATEMENT OF LEASE LIABILITIES
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Item	Period	Discount Rate (%)	Balance at December 31, 2020
Buildings	January 1, 2019 to July 31, 2026	1.381-5.125	$ 253,261

O-BANK CO., LTD.

STATEMENT OF INTEREST REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Item	Amount
Discounts and loans	
Short-term	$ 1,224,615
Medium-term	2,144,993
Long-term	380,772
	3,750,380
Investments in marketable securities	
Financial assets at fair value through comprehensive income	478,355
Due from the Central Bank and call loans to banks	
Call loans to banks	68,690
Due from the Central Bank	11,889
	80,579
Others (Note)	50,513
	$ 4,359,827

Note: The amount of each item in others does not exceed 5% of the account balance.

O-BANK CO., LTD.

STATEMENT OF INTEREST EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Item	Amount
Deposits	
Time deposits	$ 1,609,724
Demand deposits	168,951
Time savings deposits	78,709
Demand savings deposits	48,240
Demand savings deposits of employee	16,354
	1,921,978
Bank debenture	349,741
Due to the Central Bank and other banks	154,311
Others (Note)	19,214
	$ 2,445,244

Note: The amount of each item in others does not exceed 5% of the account balance.

O-BANK CO., LTD.

STATEMENT OF GAINS ON FINANCIAL ASSETS OR LIABILITIES MEASURED AT FVTPL
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Item	Amount
Realized gain or loss	
Stocks	
Stocks and beneficiary certificates	$ 109,501
Bonds	
Government bonds	(6,669)
Derivatives	
Forward contracts	11,069
Currency swap contracts	(1,281,471)
Currency Option contracts	11,004
Interest rate swap contracts	(69,460)
Option	(9,154)
Asset swap contracts	12,880
Other	20
	(1,325,112)
	(1,222,280)
Gains (losses) on valuation	
Stocks	
Stocks and beneficiary certificates	52,754
Bonds	
Convertible bonds	1,482
Derivatives	
Forward contracts	(3,422)
Currency swap contracts	(48,563)
Currency Option contracts	(510)
Interest rate swap contracts	54,247
Asset swap contracts	(1,925)
	(173)
Others	
Negotiable certificates of deposit	3,762
Financing commercial papers	(11,756)
	(7,994)
	46,069
Interest revenue	335,229
	$ (840,982)

O-BANK CO., LTD.

STATEMENT OF OTHER NET REVENUE OTHER THAN INTEREST REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Item	Amount
Rental	$ 22,273
Remuneration of directors and supervisors	13,428
Agency business	44,962
Others (Note)	27,299
	$ 107,962

Note: The amount of each item in others does not exceed 5% of the account balance.

O-BANK CO., LTD.

STATEMENT OF EMPLOYEE BENEFITS EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Item	Employee Benefits Expenses	Net revenue Other Than Interest	Other General and Administrative Expense	Total
Salaries and wages	$ 1,387,761	$ -	$ -	$ 1,387,761
Labor insurance and national health insurance	78,183	-	-	78,183
Directors' remuneration and fees	65,658	-	-	65,658
Pension	55,656	-	-	55,656
Others (Note 1)	24,465	-	9,176	33,641
	$ 1,611,723	$ -	$ 9,176	$ 1,620,899

Note 1: The amount of each item in "others" does not exceed 5% of the account balance.

Note 2: As of December 31, 2020 and 2019, the Bank had 947 and 967 employees, respectively; of which there were 13 and 12 non-employee directors, respectively.

Note 3: The average employee benefit expense for the year was $1,665 thousand calculated as [(Total employee benefit expenses - Directors' remuneration) ÷ (Number of employees - Number of directors who are not concurrently employed)]. The average employee benefit expense for the previous year was $1,705 calculated as [(Total employee benefit expenses for the previous year - Directors' remuneration for the previous year) ÷ (Number of employees - Number of directors who are not concurrently employed for the previous year)].

Note 4: The average salaries and wages of employees for the year was $1,486 thousand calculated as [Total salary costs ÷ (Number of employees - Number of directors who are not concurrent employees)]. The average salaries and wages of employees for the previous year was $1,524 thousand calculated as [Total salary costs for the previous year ÷ (Number of employees for the previous year - Number of directors who are not concurrent employees for the previous year)].

Note 5: Change in the average salary adjustment of employees: 2.49% calculated as [(Average salary costs - Average salary costs for the previous year) ÷ Average salary costs for the previous year].

Note 6: The bank's salary and remuneration policies (including directors, managers and employees) are as follows:

The director's remuneration policy of the Bank is a comprehensive consideration of the Bank's operating results, director's contribution, responsibilities, and board performance evaluation results (important evaluation items such as: grasp of company goals and tasks, awareness of directors' responsibilities, degree of participation in company operations, internal relations management and communication, professional and continuous education of directors, internal control, etc.), with reference to industry standards.

(Continued)

In addition, the remuneration paid to managers and employees includes fixed salary and variable bonus. The fixed salary is based on comprehensive considerations such as the responsibilities of the position, work ability performance, and professional skills required for the position, and is assessed with reference to the industry standard; variable salary based on the company's overall operating performance, future risks, and personal performance, it will be allocated reasonably. Personal performance evaluation includes financial indicators (such as net profit before tax, achievement rate of long-term and short-term business goals, etc.) and non-financial indicators (such as company core values, innovation, leadership and management, legal compliance, internal control and risk control, etc.) are oriented to comprehensive considerations.

In addition to providing market-competitive incentive rewards, the overall remuneration system also takes into account the connection of future risk factors, so that the remuneration of managers is closely linked to company performance, so as to establish the company's good reputation and sustainable business foundation, and to make employees, customers and shareholders proud of their work and the company and to maximize their benefits.

(Concluded)