

Stock code: 2897
Published Date: April 21, 2020
<https://mops.twse.com.tw>
<https://www.o-bank.com>



2019 Annual Report



Head office, Domestic and Overseas Branches

Head Office

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

Telephone: 886-2-8752-7000

Zhongxiao Dunhua Branch (Digital Experience Center)

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

Telephone: 080-080-1010

Taoyuan Branch

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

Telephone: 886-3-341-5539

Hsinchu Branch (Digital Experience Center)

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

Telephone: 080-080-1010

Taichung Branch

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

Telephone: 886-4-2326-5500

Kaohsiung Branch

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

Telephone: 886-7-225-0212

Hong Kong Branch

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

Telephone: 852-3165-8899

CPAs for the Financial Statements in the Last Few Years

Names: Yin-Chou Chen and Wang-Sheng Lin

Accounting Firm: Deloitte & Touche

Address: 20F, No. 100, Songren Rd., Xinyi Dist., Taipei,
11073, Taiwan, R.O.C.

Telephone: 886-2-2725-9988

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

Credit Rating Institution

Taiwan Rating Corp.,

Address: 49F, No. 7, Sec. 5, Xinyi Rd., Xinyi Dist., Taipei City
110, Taiwan, R.O.C.

Telephone: 886-2-8722-5800

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

Stock Transfer Agency

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

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

Telephone: 886-2-6636-5566

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

Spokesperson

Name: Chang, David C.C.

Position: Deputy President

Telephone: 886-2-8752-7000 Ext 13799

E-mail: davidchang@o-bank.com

Deputy /Acting Spokesperson

Name: Chang, Ophelia L.W.

Position: Vice President

Telephone: 886-2-8752-7000 Ext 13301

E-mail: opheliachang@o-bank.com

Corporate Website

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

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

[Summary Translation]

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

Contents

I.	Letter to Shareholders	2
II.	Company Profile	5
III.	Corporate Governance Report	8
	1. Organization	8
	2. Directors, Supervisors and Management Team	12
	3. Remuneration of Directors, President, Deputy Presidents, Vice Presidents and Consultants, and Remuneration of employees in the Most Recent Fiscal Year	25
	4. Implementation of Corporate Governance	30
	5. Information Regarding the Company's Audit Fee	79
	6. Replacement of CPA	80
	7. Audit Independence	81
	8. Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders	81
	9. Relationship among the Top Ten Shareholders	84
	10. Ownership of Shares in Affiliated Enterprises	84
IV.	Capital Overview	85
	1. Capital and Shares	85
	2. Issuance of Bank Debenture	91
	3. Preferred shares	97
	4. Global Depository Receipts, Issuance of New Restricted Employee Shares and Merger and Acquisitions or Transfers of other Financial Institutions Financing Plans and Implementation	100
	5. Financing Plans and Implementation	100
V.	Operational Highlights	101
	1. Business Activities	101
	2. Human Resources	120
	3. Corporate Social Responsibilities and Code of Ethical Conduct	121
	4. Number, Average Salary, and Median Salary of Fulltime and Non-executive Employees; Their Differences from the Previous Year	124
	5. Information Equipment	124
	6. Labor Relations	127
	7. Material Contracts	130
	8. Securitization	130
VI.	Financial Information	131
	1. Five-Year Financial Summary	131
	2. Five-Year Financial Analysis	136
	3. Any Financial Distress Experienced by the Company or Its affiliated Enterprises and Impact on the Company's Financial Status, in the Latest Year Up Till the Publication Date of This Annual Report	140
	4. Report of 2019 Financial Statements by the Audit Committee	141
	5. Consolidated Financial Statements for the Years Ended December 31, 2019 and 2018, and Independent Auditors' Report	141
	6. Financial Statements for the Years Ended December 31, 2019 and 2018, and Independent Auditors' Report	141
VII.	Review of Financial Conditions, Operation Results, and Risk Management	142
	1. Analysis of Financial Status	142
	2. Analysis of Operation Results	144
	3. Analysis of Cash Flow	145
	4. Major Capital Expenditure Items	145
	5. Investment Policy in Last Year, Main Causes for Profits or Losses, Improvement Plans and the Investment Plans for the Coming Year	145
	6. Risk Management	146
	7. Crisis Management and Response Mechanism	162
	8. Other Major Items	162
VIII.	Special Disclosure	163
	1. Summary of Affiliated Companies	163
	2. Private Placement Securities and Financial Bonds	168
	3. The Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years	168
	4. Other Important Supplementary Information	168
	5. Events Occurred in the Previous Year or Up to the Publication of This Annual Report, Which Significantly Affect Shareholders' Equity or Price of Shares Pursuant to Item 2, Paragraph 3 of Article 36 of the Securities and Act	168
	Appendix 1: Consolidated Financial Statements for the Years Ended December 31, 2019 and 2018, and Independent Auditors' Report	169
	Appendix 2: Financial Statements for the Years Ended December 31, 2019 and 2018, and Independent Auditors' Report	290

I. Letter to Shareholders

In 2019, the world economy lost steam as global trade declined amid a protracted trade war between the U.S. and China, resulting in global growth slower than a year earlier. Taiwan, however, benefitted from the U.S.-China trade war as some Taiwan businesses were prompted to relocate home from mainland China. Also contributing to greater investment momentum was the increased equipment procurement by the country's semiconductor industry. According to the Directorate General of Budget, Accounting and Statistics of the Executive Yuan, Taiwan recorded 2019 GDP growth of 2.71%, an increase compared with the year before. As a whole, Taiwan's financial services industry generated pretax profit of NT\$634.1 billion, growing a substantial 21.66% from 2018. Of these numbers, the banking, insurance, and securities sectors all posted record earnings. In particular, the banking saw its pretax profit grew 8% from the year before to NT\$407.1 billion.

As Taiwan's first Native Digital Bank geared toward virtual channels, O-Bank came into being through restructuring from Industrial Bank of Taiwan in January 2017. It aims to draw on financial technology (Fintech) for making real the vision of financial inclusion. In 2019, the Bank's outstanding balance of loans came in at NT\$198.5 billion. Net interest income grew 12.16% to NT\$5.305 billion. Pretax profit grew 7.37% from a year earlier to NT\$1.21 billion. Net income grew 15.18 % from the year before and came in at NT\$1.1 billion, or NT\$0.45 per share from NT\$0.4. Separately, the bank recorded an increase in total assets to NT\$335.3 billion.

In July 2019, Taiwan Ratings granted the bank long- and short-term ratings of “twA” and “twA-1” respectively with a “stable” outlook. A summary of the major strategic objectives the bank achieved in 2019 is as follows:

1. Persisting with the development of an innovative model for digital banking

After restructuring into a commercial bank and crafting a digitally focused bank, O-Bank aims to provide customers with secure, simple, convenient, and interesting innovative services. Highlights for 2019 included Dividend Robot, online outward remittances of foreign currency, QR Code payment and tiered interest rate unsecured loans. As of the end of 2019, O-Bank has seen the opening of more than 320,000 digital retail banking accounts. The Bank's bold move in going digital did not go unnoticed. O-Bank was not only recognized by the Asian Banker, a leading provider of strategic intelligence and builder of platforms on the financial services industry, as the Best Digital Bank in Taiwan in 2019, but also awarded for Best Cloud Based Initiative, Application or Program in Taiwan in 2020. For its part, Global Views handed O-Bank an Excellence Award for Best Fintech Bank for the second consecutive year.

2. Growing returns from direct investments

Under the equity method, the Bank registered a 2019 profit of NT\$1.098 billion from its direct investment portfolio, a substantial increase of 24.77% from a year earlier. Of the major subsidiaries, China Bills Finance Corp. managed net income of NT\$1.245 billion despite a cost increase. U.S.-based EverTrust Bank saw its net income jump 9.07% to a new high of NT\$421 million. The Bank's leasing units also registered further growth. IBT International Leasing Corp. had its net income increased 17.02% year-on-year to NT\$330 million. Furthermore, IBT Leasing Co., Ltd. had IBT International Leasing Corp. absorb IBT Tianjin International Leasing Co., Ltd. in January 2019. This was meant to enhance management efficiency and brand competitiveness and concentrate on a unified brand name to better vie for China's leasing market in the days ahead.

3. Retaining recognition as a responsible corporate citizen

Committed to fulfilling corporate social responsibility, the Bank has striven to achieve corporate sustainability. After being certified as a B Corporation at the end of 2017, the Bank made it to CommonWealth Magazine's Excellence in Corporate Social Responsibility selection in 2019 for the second consecutive year. For its part, the Taiwan Institute for Sustainable Energy (TAISE) handed O-Bank various awards for Taiwan Corporate Sustainability Awards in the corporate comprehensive performance category; Gender Equality Award, People Development Award and Creativity in Communication Award in the best performance of specific categories; Gold Award in the corporate sustainability report awards category. All these accolades attest to the Bank's achievement in honoring CSR and reflect its commitment to employees, customers, shareholders, and members of the general public.

As 2020 unfolds, uncertainties overshadow the world and Taiwan economy caused by the coronavirus outbreak. The Bank has thus prudently devised the following key strategies for this year:

1. Continue to optimize retail banking products and services

Since its launch into retail banking in 2017 as the first digitally focused bank in Taiwan, the Bank has accumulated ample experiences in business operations and an extensive customer base. In the coming year, the Bank is ready to further consolidate its customer base and focus on managing customer lifetime value (CLV), through strengthening product development capability and customer relationship management, thereby increasing product penetration and customer loyalty. Meanwhile, the Bank will introduce a new platform for overseas bonds and offshore structured products with the objective of convincing existing customers to subscribe to the Bank's comprehensive and fully flexible wealth management products. Separately, the Bank will also strive for cross-sector strategic alliances to create a digital banking service framework that brings convenience, fun, and benefits and thus provides customers with a more satisfying banking experience.

2. Uphold corporate banking quality and create earnings

In the face of economic environment and regulatory tightening, the Bank will devote itself to making a "boutique bank" capable of keeping up balance sheet quality and ensuring momentum for sustainable growth. To comply with the NSRF and LCR requirements, the Bank is also set to adjust its lending structure, strengthen solicitation of deposits, establish a credit-checking and lending system, keep down IT maintenance costs, and enhance risk management efficiency. Separately, the Bank is ready to build on its existing customer base and expand into the mid-market enterprise (MME) sector, thereby further increasing the earnings capacity of corporate banking services.

3. Create synergies for corporate and retail banking

The Bank will build on its existing corporate banking clientele to make further forays into retail banking. Thus, there will be joint promotion of online payroll services and mortgage and unsecured loans among key customers. Priority will be given to boosting business by facilitating cooperation between treasury marketing unit (TMU), treasury marketing officer (TMO), and corporate banking personnel (RM), and even across O-Bank affiliates. We expect to combine our innovations in both corporate and retail banking to develop customized financial services and provide tailor-made total solutions, in turn meeting the wealth management needs of both business owners and corporate clients.

4. Take stakes in China's consumer banking businesses

O-Bank, with the approval of Financial Supervisory Commission, teamed up with China Everbright Bank and China CYTS Tours Holding Co., Ltd. to form Beijing Sunshine Consumer Finance Co., Ltd., and is due to become operational in the second half of 2020. By taking a stake in such a consumer finance venture, the Bank will be able to draw on its experience in digital banking to capitalize on China's fast-growing consumer finance market, thereby taking a stride forward in its bid for the Greater China market.

5. Fulfill corporate social responsibility and attain sustainability

Alongside its aspiration for following the benevolent way of “benefiting others to fulfill oneself,” the Bank has long been committed to honoring corporate social responsibility and attaining sustainable development. In the days ahead, the Bank is ready to persist with corporate social responsibility initiatives and strive for excellence across corporate governance, customer relations, employee care, environment friendliness, and social engagement. The Bank will also abide by its core values of “Trust, Outstanding, Unity, Creativity, and Honor” as it works toward sustainability to be shared by shareholders and stakeholders alike.

It is my belief that with the concerted efforts of each and every one at O-Bank, we will be able to reach higher ground in the future. We look forward to continued support and guidance from all shareholders.

Kenneth C.M. Lo/Chairman & CEO

II. Company Profile

Industrial Bank of Taiwan (IBT), precursor of O-Bank, was jointly founded by veteran financiers Samuel C. Shieh and Kenneth C. M. Lo in collaboration with a number of private businesses on July 12, 1999. As the first newly established industrial bank in Taiwan, IBT took on the mission to support national economic development, participate in key infrastructure projects, provide investment banking services, and foster strategic emerging industries, thereby accelerating the transformation and restructuring of Taiwan's industrial base. Given the tremendous transformation that Taiwan's industrial structure has undergone over the years, IBT considered it a justifiable statement that it had accomplished its mission to help the government support the manufacturing sector. To better cater to the current financial market, the Bank launched into retail banking in January 2017. Taking on the new name of O-Bank, it aims to provide consumers with simple, convenient, and secure digital banking services and, as Taiwan's first Native Digital Bank, draw on financial technology (Fintech) to make real the vision of financial inclusion. In May 2017, O-Bank was listed on the Taiwan Stock Exchange, no less than a milestone on its path toward moving to higher ground of corporate governance and attaining sustainable development. This was followed by the listing of its first batch of Preferred Stock A in January 2019, an even more solid foundation for the Bank's ceaseless pursuit of business expansion over the long term.

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

In terms of retail banking, O-Bank took the forward-looking step of crafting the first digitally focused bank in Taiwan that combines cloud systems and big data analytics to offer the best possible consumer experience: fully online account opening application, unsecured loan applications, foreign exchange, 24-hour video customer service, and robot advisory services. The latest technology is adopted to create a real-time inclusive financial environment that is easily accessible and knows no boundary. As far as physical outlets are concerned, the Bank operates its head office and main business department in the Taipei NeiHu Technology Park as well as Taipei Zhongxiao-Dunhua Branch and Hsinchu Branch as digital experience centers; the branches in Taoyuan, Taichung, and Kaohsiung. To promote cross-border banking, the Bank set up its offshore banking unit (OBU) in September 2003. This was

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

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

In June 2011, the Bank's wholly owned subsidiary IBT Leasing Co., Ltd. set up IBT International Leasing Corp. in Suzhou, making it the Group's first subsidiary in mainland China. Branches were soon established in Dongguan, Nanjing and Zhongshan, with Foshan Branch newly established in 2020 as part of the Group's efforts to accelerate expansion with multiple business locations in mainland China and consolidate its market standing there. In April 2012, the Bank established a representative office in Tianjin, marking the first such entity set up by any Taiwanese bank in this northern coastal metropolis. With the establishment of Hong Kong Branch, IBT International Leasing Corp., and Tianjin representative office, O-Bank Group now operates a well-rounded service network across southern, eastern, and northern China. A cross-border platform that spans Taiwan, Hong Kong, mainland China, and the U.S. is fittingly placed to provide customers with all-encompassing financial services.

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

Even as the Bank strives aggressively for expansion, it is equally earnest to assert itself beyond the business sphere. The Corporate Culture Promotion Committee initiated at the end of 2013 was followed by the Corporate Social Responsibility Committee at the beginning of 2015. To make real the vision of sustainable development, the Bank commits itself to the following five key areas: corporate governance, employee care, customer relations, social engagement, and environmental protection. Clearly defined objectives are set and specific departments are charged with the responsibility of tracking endeavors undertaken to achieve them, as part of its systematic implementation of corporate social responsibility initiatives. Last year has even seen the Bank undertake nearly 100 upgrade and restructuring plans. In 2016 the Bank published its first corporate social responsibility report. In October 2017 the Bank's methodical undertaking of various CSR endeavors persuaded B Lab of the U.S. to certify it as a B Corporation. O-Bank is not only the first listed company and financial services provider in Taiwan but also the first listed bank worldwide to be thus certified. In 2019 the Bank made it to CommonWealth Magazine's "Excellence

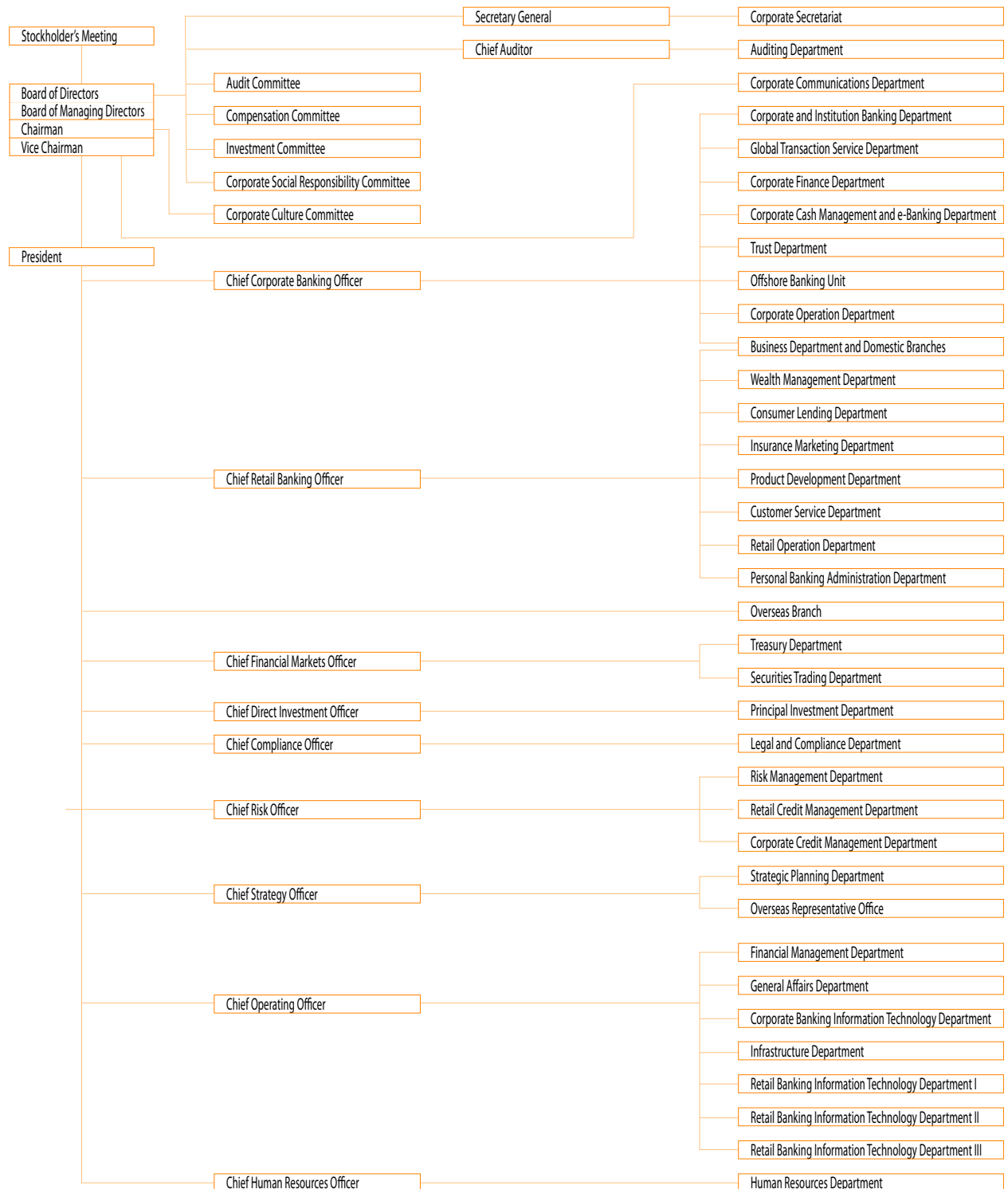
in Corporate Social Responsibility” selection for the second consecutive year. For its part, the Taiwan Institute for Sustainable Energy (TAISE) also handed O-Bank up to five awards for Taiwan Corporate Sustainability Awards in the corporate comprehensive performance category; Gender Equality Award, People Development Award, and Creativity in Communication Award in the best performance of specific categories; Gold Award in the corporate sustainability report awards category under finance and insurance. Among these awards, the Bank has been recognized as worthy of Corporate Sustainability Report Awards for the 4 years in a row and even awarded Gold for the second consecutive year. In the days ahead, O-Bank is set to stand by its corporate culture characterized by sincerity and support as it faithfully fulfills its corporate social responsibility on the path toward the ultimate objective of corporate sustainability.

III. Corporate Governance Report

1 Organization

A. Organizational System

Record Date: April 21, 2020



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

1. Audit Committee: Composed of the entire number of independent directors, the committee is intended to assist the Board of Directors in performing the duty of oversight. It is supposed to undertake the following: (1) Enact or amend the internal control system, (2) evaluate the effectiveness of the internal control system, (3) enact or amend the SOP of major financial activities such as acquisition or disposal of assets as well as derivatives transactions, (4) review matters in which directors have personal interests, (5) review major asset or derivatives transactions, (6) review major instances of lending funds or providing endorsements or guarantees, (7) review the offering, issuance, or private placement of equity securities, (8) review the appointment, dismissal, or compensation of CPAs, (9) review the appointment and dismissal of financial, accounting, or internal audit managerial officers, (10) review annual and semi-annual financial statements, and (11) review other major items stipulated by the Bank or the competent authority.
2. Compensation Committee: Composed of the entire number of independent directors, the committee is intended to assist the Board of Directors in assessing and supervising the Bank's compensation policy and remunerations for directors and managerial officers.
3. Investment Committee: Open to all directors, the committee is intended to assist the Board of Directors in evaluating and supervising the quality of investment activities and conducting review of investment proposals.
4. Corporate Social Responsibility Committee: Comprising the chairman, vice chairman, and a number of members, the committee is responsible for devising the Bank's corporate social responsibility system and policy as well as implementation plans. It is supposed to meet on a regular basis for tracking the implementation of relevant projects and submit a report on implementation results to the Board of Directors each year.

C. Duties of various departments:

1. Corporate Secretariat: Convocation of shareholders' meetings and meetings of the Board of Directors; amendment of the Articles of Incorporation; compilation of annual reports; undertaking of archival, confidential, and other office affairs of the Board of Directors.
2. Auditing Department: Examination and supervision of operations at the Bank's various departments and subsidiaries.
3. Corporate Communications Department: Establishment, maintenance, and development of the Bank's corporate image and relations with the media, the public, and investors; overall planning with regard to making public the Bank's material information and the communication thereof; undertaking of promotion and communication; monitoring of media reports and handling of media crises; establishment and management of brand image; management and promotion of corporate social responsibility and corporate culture initiatives.
4. Corporate and Institution Banking Department: Planning, implementation, and management of development strategies for corporate banking services.
5. Global Transaction Service Department: Development, sales, and management of accounts receivable, trade financing, and supply chain financing services.
6. Corporate Finance Department: Operations with regard to syndicated lending as well as structured, project, M&A, and cross-border loans; provision of project finance consulting; development, sales, and management of such products as NT dollar and foreign currency NCDs.
7. Corporate Cash Management and e-Banking Department: Cash management for corporate banking clients; planning, promotion, and upkeep of electronic banking, online banking, and integrated collection and payment services.
8. Trust Department: Development, planning, promotion, and management of trust services; provision

of services for arranging securitized products and advisory services for asset management or realty development.

9. Offshore Banking Unit: Upkeep and amendment of OBU management regulations and contracts; handling of matters in relation to OBU services.
10. Corporate Operation Department: Procedural planning for clearing, settlement, account administration, and other operations with respect to NT dollar and foreign currency corporate lending, deposits and remitted funds, accounts receivable, securitization, import and export foreign exchange, syndicated loans, and money and foreign exchange market, securities, and investment-related products.
11. Business Department and Domestic Branches: Promotion of deposit, lending, and wealth management services; management and upkeep of customer relations.
12. Product Development Department: Strategy development, service planning, and marketing management with regard to personal deposit accounts, Taiwan dollar and foreign currency deposit and remittance operations, card and payment operations, and personal loans.
13. Consumer Lending Department: Operations Management of personal loans; Strategy planning and implementation management of sales promotion.
14. Wealth Management Department: Drafting of business policy, service content, and marketing strategies and plans that target wealth management customers.
15. Insurance Marketing Department: Planning of development strategies and marketing campaigns for insurance services; internal control and risk management of insurance agents; handling and signing of new contracts; handling of quality control and customer complaints with regard to insurance sales; procedural design for insurance-related products; collection, research, and analysis of market information.
16. Customer Service Department: Planning of retail banking customer service strategies and procedures; upkeep of customer relations; management and implementation of service marketing.
17. Retail Operation Department: Procedural planning for retail banking products and services such as deposits, payments, loans, and wealth management; procedural planning for retail channels; drafting of provisions for deposit and loan products; management of centralized retail banking operations.
18. Personal Banking Administration Department: Planning of retail banking organization and development strategies; management and implementation of performance targets; data planning and analytics; planning and implementation of social media marketing strategy.
19. Retail Banking Information Technology Department I: Planning, development, and upkeep of the Bank's retail banking core system as well as system structure and application systems for branches, wealth management, etc.; implementation of system-related special projects.
20. Retail Banking Information Technology Department II: Planning, development, and upkeep of the Bank's ESB platform and data warehousing system; planning, development, and upkeep of credit checking and review/ debt collection/eLoan, customer service, online sales, and cloud service systems; implementation of related and specially designed projects.
21. Retail Banking Information Technology Department III: Planning, development, and upkeep of the system structure for the Bank's retail banking payment platform as well as application systems; implementation of system-related special projects; special project management with regard to retail banking material information as well as system testing and management; operation of the Bank's problem-reporting center and follow-up management.
22. Overseas Branches: Promotion of corporate banking services outside Taiwan; upkeep of customer relations; handling of financial products trading, account affairs, and administrative management.

23. Treasury Department: Overall allocation of the Bank's funds; handling of transactions of such financial products as bonds and bills, commodities linked to exchange and interest rates, and other derivatives.
24. Securities Trading Department: Investment in securities and securities-linked derivatives; undertaking of hedging; compilation of analytical reports for securities investment.
25. Principal Investment Department: Evaluation of investment in domestic and foreign manufacturing and venture capital businesses; follow-up management and disposal of investees.
26. Legal and Compliance Department: Overall administration with regard to contract review and legal counseling; planning, management, and implementation of the Bank's chief compliance officer mechanism.
27. Risk Management Department: Planning of credit/market/operational risk management policy; planning and drafting of the Bank's lending policy; control of the Bank's risk-weighted assets portfolio and follow-up management of unsound loans; litigations or compulsory enforcement with regard to overdue loans and bad-loan write-offs.
28. Retail Credit Management Department: Undertaking of retail banking credit-checking and credit-reviewing procedures; establishment of the Bank's risk management mechanism for retail banking; management of the Bank's risk-weighted assets portfolio; assessment and management of retail banking NPL provisions and losses; management and tracking of retail banking accounts flagged for early warning; appraisal of realty collateral for the Bank.
29. Corporate Credit Management Department: Review of corporate lending applications; introduction and upkeep of the Bank's default probability calculating model and rating system for corporate banking; proposal of annual facility on corporate lending; implementation and control of credit review operations; review of corporate lending contracts and collateral; release of lending facility; identification, measurement, monitoring, management, disclosure, and reporting of corporate banking credit risk.
30. Strategic Planning Department: Planning, analysis, and implementation of the Bank's business guidelines and strategies; planning and drafting of development strategies for the Bank's global business; planning and implementation of cross-border strategic alliances; planning, designing, and development of product portfolios; management of and liaison with the Bank's investees.
31. Overseas Representative Offices: Undertaking of overseas market surveys and analysis and research thereof.
32. Financial Management Department: Taking charge of accounting and taxation and the assessment of performance of all departments.
33. General Affairs Department: Procurement and management of construction and renovation items as well as other properties; handling of stock affairs, document dispatch and receipt, and other administrative duties.
34. Corporate Banking Information Technology Department: Planning and development of the Bank's corporate banking information systems as well as related systems applicable throughout the Bank; upkeep of application systems and implementation of special projects in relation to corporate banking.
35. Infrastructure Department: Planning, installation, management, and upkeep of various information systems and platforms, networking communications, information security, and computer setups.
36. Human Resources Department: Drafting of human resources policy and regulations governing the administration of personnel; handling of matters in relation to appointment, attendance, compensation, benefits, rewards and penalties, and training.

2. Directors, Supervisors and Management Team

(1) Directors and Supervisors

A. Directors

Apr. 21, 2020
Unit: Share/%

Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience	Education	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remarks (Note 2)
							Shares	%	Shares	%	Shares	%	Shares	%				Title	Name	Relation	
Chairman	Republic of China	Yi Chang Investment Co., Ltd. (Rep.: Lo, Kenneth C.M.)	Male	2017.6.14	Three years	1999.7.12 1999.7.12	238,644,084 1,296,443	9.98 0.05	240,254,084 *23,786,204 1,296,443 *128,945	9.96 *7.93 0.05 *0.04	-	-	-	-	President, O-Bank President, Chinatrust Commercial Bank M.A.in Finance, The University of Alabama	Note 3	Director	Chen,Shih-Tze	Spouse	-	
Vice Chairman	Republic of China	Ming Shan Investment Co., Ltd. (Rep.:Lo, Tina Y.)	Female	2017.6.14	Three years	2011.6.13 2002.5.30	238,697,967 108,018	9.99 0.004	250,769,967 *23,972,980 108,018 *10,743	10.39 *7.99 0.004 *0.004	-	-	-	- Chief Strategy Officer & Deputy President, O-Bank & Chief Executive, O-Bank Hong Kong Branch & President, IBT Management Corporation MBA, MIT (Massachusetts Institute of Technology) Sloan School of Management, USA	Note 4	Chairman	Lo, Kenneth C.M.	1st Degree	-		
																Director	Chen,Shih-Tze	1st Degree	-		
																Director	Lo, Nina Y.C.	1st Degree	2nd Degree		
Managing Director	Republic of China	Taiwan Cement Corporation (Rep.:Chang, Nelson An- Ping)	Male	2017.6.14	Three years	1999.7.12 2017.2.22	30,000,000 -	1.25 -	29,719,000 *2,955,881 -	1.23 *0.99 -	-	-	-	-	Chairman, China Synthetic Rubber Corporation Chairman, Taiwan Prosperity Chemical Corporation M.B.A., School of Business Administration, New York University	Note 5	-	-	-	-	
Independent Managing Director	Republic of China	Chan, Hou- Sheng	Male	2017.6.14	Three years	2010.6.18	-	-	-	-	-	-	-	-	Minister of State, Executive Yuan, Chairman, Council of Labour Affairs, Executive Yuan, Ph.D. University of Wales	Note 6	-	-	-	-	
Managing Director	Republic of China	Yi Chang Investment Co., Ltd. (Rep.: Yang, Tony C.Y.)	Male	2017.6.14	Three years	1999.7.12 2012.4.25	238,644,084 2,008,000	9.98 0.08	240,254,084 *23,786,204 2,026,104	9.96 *7.93 0.08	-	-	-	*3,000,000 *1.00	President, O-Bank Managing Director, DBS Bank(China) MBA, State University of New York at Albany	-	-	-	-	-	
Director	Republic of China	Tai'Ya Investment Co., Ltd. (Rep.:Chen, Shih-Tze)	Female	2017.6.14	Three years	2002.5.30 1999.7.12	77,091,768 -	3.22 -	75,307,768 *7,490,185 -	3.12 *2.50 -	-	-	-	1,296,443 *128,945 0.05 *0.04	Director, O-Bank Department of Foreign Languages & Literatures, National Taiwan University	Note 7	Chairman	Lo, Kenneth C.M.	Spouse	-	
Director	Republic of China	Yi Chang Investment Co., Ltd. (Rep.: Lin, Gordon W.C.)	Male	2017.6.14	Three years	1999.7.12 1999.7.12	238,644,084 187,090	9.98 0.008	240,254,084 *23,786,204 187,090 *18,608	9.96 *7.93 0.008 *0.01	-	-	-	-	Chairman, IBT Securities Co., Ltd. MBA, National Taiwan University	Note 8	-	-	-	-	
Director	Republic of China	Abag Investment Holdings Co., Ltd. (Rep.: Cheng, George C.J.)	Male	2017.6.14	Three years	2017.6.14 2015.11.11	50,000 -	0.002 -	50,000 -	0.002 -	-	-	-	-	President, San Ho Plastics Fabrication Co., Ltd. MBA, St. John's University	Note 9	-	-	-	-	

Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remarks (Note 2)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director	Republic of China	Lee, Mark J.C.	Male	2017.6.14	Three years	2011.6.13	100,390	0.004	100,390	0.004	-	-	-	-	President, Heng Tong Machinery Co., Ltd. President, Heng Kuo Co., Ltd. Department of Accounting, Feng Chia University	Note 10	-	-	-	-
Director	Republic of China	Pioneer Chemical Corp. (Rep.: Sheng, Bobby P.S.)	Male	2017.6.14	Three years	2002.5.30 2013.6.7	10,167,384	0.43	9,980,384	0.41	-	-	-	-	CEO, Bora Pharmaceuticals BS degree in Business and Economics, University of California at Berkeley	Note 11	-	-	-	-
Independent Director	Republic of China	Yue, Thomas C.T.	Male	2017.6.14	Three years	2011.6.13	-	-	-	-	-	-	-	-	Chairman, Ernst & Young CPA Firm Master of Accounting, National Chengchi University	Note 12	-	-	-	-
Independent Director	Republic of China	Liu, Richard R.C.	Male	2017.6.14	Three years	2014.6.6	-	-	-	-	-	-	-	-	Director, Taishin Bank Independent Director, First Commercial Bank Secretary General of Ministry of Finance Master of Economics, University of San Francisco; Master of Public Administration, National Chengchi University	-	-	-	-	-
Director	Republic of China	Ming Shan Investment Co., Ltd. (Rep.: Lo, Nina Y.C.)	Female	2017.6.14	Three years	2011.6.13 2011.6.13	238,697,967	-	250,769,967	10.39	-	-	-	-	Project Manager, Management Department of O-Bank M.A. in Education Psychology, University of Southern California	Note 13	Chairman	Lo, Kenneth C.M.	1st Degree	-
							-	-	*23,972,980	*7.99	-	-	-	-			Vice Chairman	Lo, Tina Y.	2nd Degree	
									-	-							Director	Chen, Shih-Tze	1st Degree	
Director	Republic of China	Wang Hsiang Co., Ltd. (Rep.: Tung, Ta-Nien)	Male	2017.6.14	Three years	2002.5.30 2016.10.26	5,884,631	0.25	5,697,631	0.24	-	-	-	-	Assistant manager, Capital Securities Corporation Department of Accounting, Fu Jen Catholic University	Note 14	-	-	-	-
Director	Republic of China	Tai Ya Investment Co., Ltd. (Rep.: Lee, Elton F.X.)	Male	2017.6.14	Note 15	2002.5.30 2020.3.25	77,091,768	3.22	75,307,768	3.12	-	-	-	-	Deputy President, O-Bank MBA, Manchester Business School	Note 16	-	-	-	-
							237,000	0.009	*7,490,185	*2.50										
									237,000	0.009										

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

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

Note 3: Positions concurrently assumed by representative Kenneth C.M. Lo : Chairman, O-Bank Education Foundation 、 Director, National Taiwan University Economic Research Foundation 、 Director, C.F. Koo Foundation 、 Director, Taiwan Cement Corporation 、 Director, Cross-Strait Common market Foundation 、 Director, Institute for National Policy Research 、 Director, Andrew T. Huang Medical Education Promotion Fund 、 Executive Director, Cross-Strait CEO Summit 、 Director, Taipei Municipal Jianguo High School Alumni Association 、 Supervisor, NTU Alumni Association 、 Supervisor, NTU Alumni Association of Taipei 、 Honorary Chairman, Chinese National Association of Industry and Commerce.

Note 4: Positions concurrently assumed by representative Tina Y. Lo : Vice Chairman, EverTrust Bank 、 Director, The Eisenhower Fellows Association in the Republic of China 、 Director, Ming Shan Investment Co., Ltd., 、 Director, Yi Chang Investment Co., Ltd. 、 Director, Tai Hsuan Investment Co., Ltd. 、 Director, Tai Ya Investment Co., Ltd. 、 Director, IBT Holdings Corp. 、 Director, KC Investments Corp. 、 Managing Supervisor, Friends of the Police Association 、 Director, Chinese National Association of Industry and Commerce 、 Director, Taiwan Venture Capital Association 、 Director, Bankers Association of the Republic of China 、 Director, Taiwan Women on Boards Association 、 Director, Criminal Investigate Association of Republic of China.

Note 5: Positions concurrently assumed by representative Nelson An-ping Chang : Chairman, Taiwan Cement Corporation 、 Chairman, Ho-Ping Power Company 、 Chairman, E-One Moli Energy Corp. 、 Chairman, TCC Investment Corporation 、 Chairman, UNION CEMENT TRADERS, INC. 、 Chairman, TCC RECYCLE ENERGY TECHNOLOGY COMPANY 、 Chairman, TCC Chemical Corp 、 Chairman, HKC Investment Corp. 、 Chairman, TCC International Holdings Ltd. 、 Chairman, TCC (Hangzhou) Environment Co., Ltd. 、 Chairman, Chia Hsin Foundation 、

Director, Taiwan Stock Exchange Corporation ▽ Chairman, Taiwan Transportation and Storage Corp ▽ Director, Chai Hsin R.M.C Corp. ▽ Chairman, Ta-Ho Maritime Corp ▽ Director, CTCI Corp ▽ Director, Chinatrust Investment Co., Ltd. ▽ Director, TCC Information Systems Corp. ▽ Director, Cheng Hsin Hospital ▽ Director, Hoping Industrial Port Corporation ▽ Director, Hong Kong Cement Manufacturing Co., Ltd. ▽ Director, TCC International Holdings Ltd. ▽ Director, TCC International Ltd. (TCCI) ▽ Director, TCC Hong Kong Cement (BVI) Holdings Ltd. ▽ Director, TCC Hong Kong Cement International Ltd. ▽ Director, Upper Value Investments Ltd. ▽ Independent Director, Synnex Technology International Corp.

Note 6: Concurrently assumed by independent director Hou-sheng Chan: Chairman, Cross-Straits Common Market Foundation. ▽ Director, CTCI Foundation ▽ Director, CTCI Advanced Systems Inc.

Note 7: Positions concurrently assumed by representative Shih-Tze Chen : Chairman, Ming Shan Investment Co., Ltd. ▽ Chairman, Yi Chang Investment Co., Ltd. ▽ Chairman, Tai Hsuan Investment Co., Ltd. ▽ Chairman, Tai Ya Investment Co., Ltd. ▽ Director, Kogyoku Foods Co., Ltd. ▽ Director, O-Bank Education Foundation ▽ Director, Paradise Palms Ltd ▽ Director, KC Park Co. ▽ Director, SKY Capital International Group Inc.(BVI) ▽ Director, Triple Ace Management Co., Ltd.(BVI) ▽ Director, Crystal Lake Global Limited ▽ Director, Eagle Base Holdings Limited ▽ Director, Eagle Dynasty Investments Limited ▽ Director, Global Sail Holdings Limited(BVI) ▽ Director, KC Investments Corp.(BVI) ▽ Director, Star International Pacific Ltd. ▽ Supervisor, IBT II Venture Capital Co., Ltd.

Note 8: Positions concurrently assumed by representative Gordon W.C. Lin : Chairman, IBT Leasing Co., Ltd. ▽ Chairman, IBT International Leasing Corp. ▽ Director, IBTS Holdings (BVI) Limited ▽ Supervisor, Gamma Paradigm Capital/Research ▽ Liquidator, Chun Teng New Century Co., Ltd.

Note 9: Positions concurrently assumed by representative George Tcheng: Chairman, San Ho Development Co., Ltd. ▽ Chairman, A BAG Enterprise Co., Ltd. ▽ Chairman, Abag Investment Holdings Co., Ltd. ▽ Director, San Ho Plastics Fabrication Co., Ltd.

Note 10: Positions concurrently assumed by Mark Lee : Director, Sung Yuan Development Co., Ltd. ▽ Director, Chia Wheel Enterprises Co., Ltd. ▽ Director, Heng Jih Song Accurate Industries Co., Ltd. ▽ Director, Heng Tin Feng Invest Development Co., Ltd. ▽ Director, Tong Chuan Invest Development Co., Ltd. ▽ Director, Bai Tong Investment Co., Ltd. ▽ Director, Heng Ying Mahinery Co., Ltd. ▽ Director, Heng Tong Assets Management Co., Ltd. ▽ Director, Heng Tong Machinery Co., Ltd. ▽ Director, Heng Gi Lie Investment Ltd. Company ▽ Director, Chang Yan Investment Co., Ltd. ▽ Director, Hong Fu Investment Co., Ltd. ▽ Director, Siang Tai Investment Co., Ltd. ▽ Director, Hong Da Investment Co., Ltd. ▽ Director, Heng Kuo Co., Ltd.

Note 11: Positions concurrently assumed by representative Bobby Sheng : Chairman, Bora Pharmaceutical Laboratories Inc. ▽ Chairman, Bora Pharmaceuti- cals Co., Ltd. ▽ Chairman, Union Chemical & Pharmaceutical Co., Ltd. ▽ Chairman, Yuta Health Co., Ltd. ▽ Chairman, Bao En International Corp. ▽ Chairman, JiaXi International Corp. ▽ Director, Wellpool Co., Ltd. ▽ Director, Baolei Co. Ltd. ▽ Director, Ruei Bao Sing Investment Ltd. Company ▽ Independent Director, BIONET Corp. ▽ Independent Director, Gamania Digital Entertainment Co., Ltd.

Note 12: Concurrently assumed by independent director representative Thomas Yue : Independent Director, Johnson Health Tec. ▽ Independent Director, Feng Hsin Steel Co. ▽ Independent Director, Uni-President Enterprise Co ▽ Independent Non-executive Director, Stella International Holdings Limited ▽ Director, Yong Chang International Co., Ltd. ▽ Supervisor, Yuban & Co. ▽ Supervisor, An-Shin Food Services Co., Ltd. ▽ Supervisor, Great Eastern Resins Industrial Co. Ltd. ▽ Supervisor, Century Development Corporation.

Note 13: Positions concurrently assumed by representative Nina Lo : Director, Yi Chang Investment Co., Ltd. ▽ Director, O-Bank Education Foundation ▽ Director, Taiwan Art & Business interdisciplinary Foundation ▽ Director, Tai Ya Investment Co., Ltd. ▽ Supervisor, Ming Shan Investment Co., Ltd.

Note 14: Positions concurrently assumed by representative Ta-nien Tung : Chairman, Yu Bau Enterprise Co., Ltd. ▽ Chairman, Tzeng Maw Investment Co., Ltd. ▽ Chairman, Hung Yeh Investment Co., Ltd. ▽ Chairman, Reng Hsing Co., Ltd. ▽ Chairman, Ruey Jin Co.,Ltd. ▽ Chairman, Tai He Investment Co., Ltd. ▽ Chairman, Hsi Chao Investment Co.,Ltd. ▽ Director, Chung Yi Investment Co., Ltd. ▽ Director, Hui Yang Venture Capital Corp. ▽ Director, Hong TSE Venture Capital Co., Ltd. ▽ Director, Ying Tai Construction Development Co., Ltd. ▽ Director, Wei Wang Investment Co., Ltd. ▽ Supervisor, Ming Huei Co., Ltd. ▽ Supervisor, Hung Shan Lin Construction Co.,Ltd.

Note 15: With its three-year term of office as a juristic person-director, Tai Ya Investment Co., Ltd. replaced its representative David C.C. Chang with Elton F.Y. Lee on March 25, 2020; Lee's term of office is due to expire on June 13, 2020.

Note 16: Positions concurrently assumed by representative Elton F.Y. Lee : President, O-Bank ▽ Director, EverTrust Bank.

B. Board Membership Diversification Policy and Implementation Results

The Bank, abiding by the Articles of Incorporation, adopts the candidate nomination system for elections of directors. The Bank's selection of board members is not dictated by gender, age, race, or nationality. Furthermore, in accordance with Article 35 of the Bank's Corporate Governance Principles, the Board of Directors shall take diversity into account while selecting members, consider the capacity for business judgment, accounting and financial analysis, business administration, risk management, crisis management, leadership, decision-making, industry knowledge and a sound perspective of the global market, and lay down an appropriate set of guidelines on diversity based on the Bank's operations, business mode, and developmental needs.

Of the Bank's 15 incumbent directors, three are independent directors (accounting for 20%). Two independent directors recorded not more than 9 years of service and one recorded more than 9 years. In terms of age distribution, five directors are aged under 60, seven between 61-70, and three over 71, attesting to a thorough mix of experience and innovation. Moreover, the Bank also values gender equality in its Board of Directors: currently three directors are female, or 20%. The Bank aims at 25% or more; therefore, it will first approach to female directors in the future election of Board of Directors so as to achieve its target. Separately, there are two directors (13%) who are employees (including employees of the Bank's affiliates) in a concurrent capacity.

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

Apr. 21, 2020

Core Measures of Diversity Name	Basic Composition									Industry Experience			
	Nationality	Gender	Serving concurrently as employee of the Bank	Age			Years of service as independent director			Banking	Securities	Insurance	Asset Management
				< 60	61-70	> 71	< 3	3-9	> 9				
Lo, Kenneth C.M.	R.O.C	Male				✓				✓	✓	✓	✓
Lo, Tina Y.	R.O.C	Female		✓						✓	✓	✓	✓
Chang, Nelson An-Ping	R.O.C	Male			✓					✓	✓		✓
Chan, Hou-Sheng	R.O.C	Male			✓				✓			✓	✓
Yang, Tony C.Y.	R.O.C	Male			✓					✓			
Chen, Shih-Tze	R.O.C	Female				✓				✓			
Lin, Gordon W.C.	R.O.C	Male			✓					✓	✓		✓
Cheng, George C.J.	R.O.C	Male			✓						✓		✓
Lee, Mark J.C.	R.O.C	Male			✓					✓	✓		✓
Sheng, Bobby P.S.	R.O.C	Male		✓									✓
Yue, Thomas C.T.	R.O.C	Male			✓			✓		✓	✓		✓
Liu, Richard R.C.	R.O.C	Male				✓		✓		✓			✓
Lo, Nina Y.C.	R.O.C	Female	✓	✓						✓			✓
Tung, Ta-Nien	R.O.C	Male		✓							✓		✓
Lee, Elton F.Y.	R.O.C	Male	✓	✓						✓			

Core Measures of Diversity Name	Diversification										
	Capacity for business judgment	Capacity for accounting and financial analysis	Capacity for business administration	Capacity for crisis management	Industry knowledge	A sound perspective of the global market	Capacity for leadership	Capacity for decision-making	Legal Knowledge	IT	Risk Management
Lo, Kenneth C.M.	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓
Lo, Tina Y.	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓
Chang, Nelson An-Ping	✓		✓	✓		✓	✓	✓		✓	✓
Chan, Hou-Sheng			✓		✓	✓	✓	✓	✓		✓
Yang, Tony C.Y.		✓	✓	✓	✓		✓	✓			✓
Chen, Shih-Tze	✓	✓			✓	✓	✓	✓			
Lin, Gordon W.C.	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓
Cheng, George C.J.	✓		✓	✓	✓	✓	✓				✓
Lee, Mark J.C.	✓	✓	✓	✓			✓	✓		✓	✓
Sheng, Bobby P.S.	✓		✓		✓	✓	✓	✓			✓
Yue, Thomas C.T.		✓	✓		✓	✓	✓		✓		✓
Liu, Richard R.C.	✓		✓	✓	✓	✓			✓		✓
Lo, Nina Y.C.	✓			✓	✓	✓	✓	✓			✓
Tung, Ta-Nien	✓	✓	✓	✓			✓		✓		✓
Lee, Elton F.Y.	✓	✓	✓	✓	✓	✓	✓	✓			✓

C. Major shareholders of the institutional shareholders

Apr. 21, 2020

Name of Institutional Shareholders	Major Shareholders
Yi Chang Investment Co., Ltd.	Triple Ace Management Co., Ltd. (42.8%) 、Chen, Shih-Tze(31.72%) 、Lo, Kenneth C.M.(22.63%) 、Lo, Tina Y.(0.95%) 、Lo, Nina Y.C.(0.95%) 、Lo, I-Ru(0.95%)
Ming Shan Investment Co., Ltd.	KC Investments Corp.(86.11%) 、Lo, Kenneth C.M.(3.73%) 、Chen, Shih-Tze(3.62%) 、Lo, Tina Y.(2.91%) 、Lo, Nina Y.C.(2.04%) 、Lo, I-Ru(1.59%)
Taiwan Cement Corp.	Chinatrust Investment Co., Ltd.(4.22%) 、Chia Hsin Cement Corporation(3.8%) 、China Life Insurance Co., Ltd.(2.53%) 、Shin Kong Life Insurance Co., Ltd.(2.46%) 、Taiwan Life Insurance Co., Ltd.(2.24%) 、Chia Hsin International Co.(1.85%) 、China Synthetic Rubber Corporation(1.8%) 、Heng Qiang Investment Co., Ltd.(1.78%) 、Fubon Life Insurance Co., Ltd.(1.67%) 、Qia Tai Investment Co., Ltd.(1.58%)
Abag Investment Holdings Co., Ltd.	Cheng, George C.J.(40%) 、Lin Huei-Chen(20%) 、Cheng, Po Yun(20%) 、Cheng, Po Wen(20%)
Tai Ya Investment Co., Ltd.	Crystal Lake Global Limited (65.91%) 、Chen, Shih-Tze(34.09%)
Pioneer Chemical Corp.	The Great Taipei Gas Corp. (26.55%) 、Chien Dou Investment Co., Ltd. (8.73%) 、Mian Hao Enterprise Co., Ltd (6.33%) 、Pai Xun Investment Co., Ltd (5.64%) 、Ho Ruei Enterprise Co., Ltd (5.03%) 、Lin, Han Dong (4.07%) 、Tai Hong Investment Co., Ltd (3.34%) 、Taiwan Glass Investment Co., Ltd (3.30%) 、Hong Xin Industrial Co., Ltd (2.28%) 、Lin, Hui Wen (1.93%)
Wang Hsiang Co., Ltd.	Tai Chuan Investment Co., Ltd.(15.42%) 、Hung Yeh Investment Co., Ltd.(13.06%) 、Cheng Ta Investment Co., Ltd.(13.01%) 、Tai Lian Investment Co., Ltd.(11.67%) 、Tai Chien Investment Co., Ltd.(11.15%) 、Bau Ching Investment Co., Ltd.(9.99%) 、Chung Yi Investment Co., Ltd.(7.18%) 、Full Young Investment Co., Ltd.(5.71%) 、Lien Mao Investment Co., Ltd.(4.4%) 、Wei Wang Investment Co., Ltd.(4.4%)

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

Apr. 21, 2020

Name of Institutional Shareholders	Major Shareholders
Triple Ace Management Co., Ltd.	Global Sail Holdings Limited (100%)
KC Investments Corp.	Paradise Palms Ltd.(100%)
Chinatrust Investment Co., Ltd.	Heng Qiang Investment Co., Ltd.(23.38%) 、Fu Pin Investment Co., Ltd.(23.33%) 、Taiwan Cement Corp.(9.36%) 、China Synthetic Rubber Corporation (4.48%) 、TCC Investment Corporation(3.45%) 、Hoping Industrial Port Corporation(3.31%) 、Kung Ching International Development Co., Ltd.(2.97%) 、Qiao Tai Investment Co., Ltd.(2.77%) 、Chung Ho Spinning Co., Ltd.(2.31%) 、Ta-Ho Maritime Corporation(2.09%)
Chia Hsin Cement Corporation	Chia Hsin International Co.(16.44%) 、Sung Ju Investment Corp.(8.88%) 、Chang ,Yung-Ping (5.56%) 、Taiwan Cement Corp.(3.54%) 、Ta-Ho Maritime Corporation(3.32%) 、Nutri Vita Inc. (2.48%) 、Huang, Chun-Hua (2.07%) 、Chia Hsin Foundation(1.92%) 、Zuo Yao Investment Co., Ltd. (1.89%) 、Ku, Kuo-Hui (1.81%)
China Life Insurance Co., Ltd.	China Development Financial Holding Corp.(26.16%) 、KGI Securities Co. LTD. (8.66%) 、Cathay Life Insurance Co., Ltd.(3.04%) 、Videoland Inc.(2.42%) 、New Labor Pension Fund (1.61%) 、Chan, Ling-Lang (1.24%) 、The investment account of the Vanguard Group's Vanguard Emerging Markets Stock Index Fund in the custody of JPMorgan Chase Bank, N.A., Taipei Branch (1.21%) 、The Singaporean government's investment account in the custody of Citibank Taiwan (1.17%) 、Norges Bank's investment account in the custody of Citibank Taiwan(1.12%) 、Labor Insurance Fund(1.03%)
Shin Kong Life Insurance Co., Ltd.	Shin Kong Financial Holding Co., Ltd.(100%)
Taiwan Life Insurance Co., Ltd.	CTBC Financial Holding Co., Ltd.(100%)
Chia Hsin International Co.	Chia Hsin Cement Corporation(87.18%) 、Chia Hsin Construction & Development Corp.(10.41%) 、Chang, Kang-Lung(0.52%) 、Sung Ju Investment Corp.(0.42%) 、Chang, Ju-Ping(0.25%) 、Chang, Yung-Ping(0.22%) 、Chung, Chung-Lien(0.19%) 、Zuo Yao Investment Co., Ltd.(0.16%) 、Chang, Nelson An-Ping (0.12%) 、Wang, Robert C. K.(0.11%)
China Synthetic Rubber Corporation	Taiwan Cement Corp.(15.59%) 、Chinatrust Investment Co., Ltd.(7.92%) 、TCC Investment Corporation(2.23%) 、Fu Pin Investment Co., Ltd.(1.72%) 、JPMorgan Chase Bank N.A. Taipei Branch in custody for Vanguard Total International Stock Index Fund a series of Vanguard Star Funds (1.64%) 、Taiwan Life Insurance Co., Ltd.(1.52%) 、CS Development & Investment Co., Ltd. (1.5%) 、Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds (1.3%) 、Union Cement Traders Inc.(1.16%) 、Polunin Developing Countries Fund, LLC(1.05%)
Heng Qiang Investment Co., Ltd.	Koo, Gung-Kai(49.4%) 、Hou, Tian Yi(25%) 、Koo, Hsuan-Hui(25%) 、Fu Pin Investment Co., Ltd. (0.6%)
Fubon Life Insurance Co., Ltd.	Fubon Financial Holdings Co., Ltd.(100%)
Qia Tai Investment Co., Ltd.(1.58%)	Koo, Gung-Kai(37.5%) 、Hou, Tian Yi(37.4995%) 、Koo, Hsuan-Hui(25%) 、Fu Pin Investment Co., Ltd.(0.0005%)
Crystal Lake Global Limited	Chen, Shih-Tze(100%)
The Great Taipei Gas Corp.	Shin Kong Life Insurance Co., Ltd.(6.78%) 、Wu, Dong Jin (6.06%) 、Shin Kong Memorial Wu Ho-Su Hospital(5.54%) 、Yue Xing Hua Investment Ltd.(5.18%) 、ShinKong Synthetic Fibers Corp. (3.91%) 、Shin-hu Natural Gas Co., Ltd.(3.38%) 、Pioneer Chemical Corp. (3%) 、Ru Ying Industrial Co., Ltd.(2.7%) 、Shin Kong Life Real Estate Service Co., Ltd. (2.36%) 、Tai Sing Investment Co., Ltd. (2.36%) 、Shin Kong Textile Co., Ltd.(2.08%)
Chien Dou Investment Co., Ltd.	The Great Taipei Gas Corp. (99.72%) 、Shin Kong Wu Ho-Su Memorial Hospital (0.23%) 、Shin Kong Wu Foundation (0.05%)
Mian Hao Enterprise Co., Ltd.	Wu, Dong Jin (26.58%) 、Dong Yue Enterprise Co., Ltd. (19.8%) 、Sin Yun Enterprise Co., Ltd. (19.8%) 、Sin Long Chemical Co., Ltd.(19.8%) 、Peng Lai Co., Ltd.(11.67%) 、Ying Ying Investment Co., Ltd.(2.35%)
Pai Xun Investment Co., Ltd.	The Great Taipei Gas Corp. (99.97%) 、Shin Kong Wu Foundation (0.03%)
Ho Ruei Enterprise Co., Ltd.	Wu Dong Jin (93.32%) 、Peng Lai Co., Ltd.(6.68%)
Tai Hong Investment Co., Ltd.	Ho Ho Investment Co., Ltd.(29.4%) 、Lin Po Feng (14%) 、Lin, Po Shih (14%) 、Lin, Po Chun (14%) 、Tai Cheng Investment Co., Ltd.(11.4%) 、Tai Chien Investment Co., Ltd.(7.6%) 、Tai Chia Investment Co., Ltd.(4.2%) 、Tai Yu Investment Co., Ltd.(3.4%) 、Lim Ken Seng Kah Kih Co., Ltd.(2%)

Name of Institutional Shareholders	Major Shareholders
Taiwan Glass Investment Co., Ltd.	Tai Hong Investment Co., Ltd.(14.45%)、Ho Ho Investment Co., Ltd.(13.85%)、Tai Chien Investment Co., Ltd.(8.56%)、Tai Yu Investment Co., Ltd.(8.44%)、Tai Cheng Investment Co., Ltd.(7.85%)、Tai Chia Investment Co., Ltd.(5.43%)、Fubon Life Insurance Co., Ltd.(4.89%)、Lim Ken Seng Kah Kih Co., Ltd.(4.71%)、TG Pension Fund Management (1.35%)、Norges Bank's investment account in the custody of Citibank Taiwan (0.99%)
Hong Xin Industrial Co., Ltd.	Wu, Ru Ying (75.96%)、Hong Xin Construction Co., Ltd.(20.02%)、Xu, Xian Xian (1.98%)、Wu, Dong Jin (1.96%)、Konig Foods Co., Ltd.(0.02%)、Wu, Dong Liang (0.02%)、Wu, Dong Xian (0.02%)、Wu, Dong Sheng (0.02%)
Tai Chuan Investment Co., Ltd.	Tai Fa Investment Co., Ltd.(30.63%)、Chao Long Investment Co., Ltd.(19.71%)、Tai Siang Investment Co., Ltd.(18.91%)、Tai He Investment Co., Ltd.(15.98%)、Tai Chuan Co., Ltd.(2.91%)、Hann Bau Co., Ltd.(2.88%)、Ein Feng Co., Ltd.(2.74%)、Kai Ta Co., Ltd.(2.49%)、Reng Hsing Co., Ltd.(1.89%)、Hong Shen Co., Ltd.(1.85%)
Hung Yeh Investment Co., Ltd.	Chao Long Investment Co., Ltd.(41.25%)、Tai Fa Investment Co., Ltd.(18.58%)、Tai Siang Investment Co., Ltd.(18.54%)、Tai He Investment Co., Ltd.(9.73%)、Hung Gia Investment Co., Ltd.(3.28%)、Tai He Real Estate Management Co., Ltd.(1.74%)、Tai Lian Investment Co., Ltd.(1.72%)、Bau Tzuoh Investment Co., Ltd.(1.52%)、Fu Ding Investment Co., Ltd.(1.52%)、Tai Chuan Investment Co., Ltd.(0.93%)
Cheng Ta Investment Co., Ltd.	Tai Fa Investment Co., Ltd.(39.58%)、Tai Siang Investment Co., Ltd.(32.56%)、Chao Long Investment Co., Ltd.(19.07%)、Tai He Investment Co., Ltd.(4.65%)、Tai Chien Investment Co., Ltd.(1.81%)、Hong Long Co., Ltd.(0.92%)、Rui Cheng Construction Co., Ltd.(0.49%)、Bau Sheng Investment Co., Ltd.(0.46%)、Full Young Investment Co., Ltd.(0.46%)
Tai Lian Investment Co., Ltd.	Tai Siang Investment Co., Ltd.(43.02%)、Chao Long Investment Co., Ltd.(16.66%)、Tai Fa Investment Co., Ltd.(15.28%)、Tai He Investment Co., Ltd.(11.59%)、Ein Feng Co., Ltd.(3.26%)、Hann Bau Co., Ltd.(3.26%)、Hong Shen Co., Ltd.(3.26%)、Fu Tai Construction Co., Ltd.(3.23%)、Hung Tai Construction Co., Ltd.(0.44%)
Tai Chien Investment Co., Ltd.	Chao Long Investment Co., Ltd.(42.92%)、Tai Fa Investment Co., Ltd.(18.07%)、Tai Siang Investment Co., Ltd.(18.07%)、Tai He Investment Co., Ltd.(14.78%)、Tai Chuan Co., Ltd.(1.93%)、Ming Huei Co., Ltd.(1.55%)、Hong Shen Co., Ltd.(1.80%)、Kai Ta Co., Ltd.(1.68%)、Jenn Huei Co., Ltd.(1.34%)、Reng Hsing Co., Ltd.(1.34%)
Bau Ching Investment Co., Ltd.	Tai Fa Investment Co., Ltd.(19.72%)、Tai Siang Investment Co., Ltd.(19.43%)、Chao Long Investment Co., Ltd.(19.43%)、Chung Yi Construction Co., Ltd.(6.93%)、Fu Tai Construction Co., Ltd.(6.93%)、Hong Long Co., Ltd.(5.51%)、Reng Hsing Co., Ltd.(5.51%)、Tai He Investment Co., Ltd.(4.93%)、Bau Tzuoh Investment Co., Ltd.(4.35%)、Tai Sheng Investment Co., Ltd.(4.35%)
Chung Yi Investment Co., Ltd.	Chao Long Investment Co., Ltd.(28.62%)、Tai Siang Investment Co., Ltd.(21.74%)、Tai Fa Investment Co., Ltd.(11.76%)、Tai He Investment Co., Ltd.(11.59%)、Wang Hsiang Co., Ltd.(6.33%)、Chung Yi Construction Co., Ltd.(5.98%)、Yu Chung Enterprise Co., Ltd.(4.57%)、Jenn Huei Co., Ltd.(3.44%)、Hong Long Co., Ltd.(3.35%)、Hann Bau Co., Ltd.(2.6%)
Full Young Investment Co., Ltd.	Tai Fa Investment Co., Ltd.(38.73%)、Tai Siang Investment Co., Ltd.(18.23%)、Chao Long Investment Co., Ltd.(18.23%)、Tai He Investment Co., Ltd.(9.19%)、Hung Tai Construction Co., Ltd.(2.44%)、Bau Tzuoh Investment Co., Ltd.(2.28%)、Tai Sheng Investment Co., Ltd.(2.28%)、Fu Tai Construction Co., Ltd.(2.22%)、Tai Chuan Co., Ltd.(2.19%)、Wang Hsiang Co., Ltd.(2.15%)
Lien Mao Investment Co., Ltd.	Tai He Investment Co., Ltd.(45.16%)、Chao Long Investment Co., Ltd.(23.23%)、Tai Fa Investment Co., Ltd.(9.03%)、Tai Siang Investment Co., Ltd.(8.39%)、Tai Lian Investment Co., Ltd.(3.55%)、Hong Wei Construction Co., Ltd.(2.15%)、Tai Sheng Investment Co., Ltd.(1.84%)、Tai Chien Investment Co., Ltd.(1.45%)、Full Young Investment Co., Ltd.(1.45%)、Tai Chuan Co., Ltd.(1.35%)
Wei Wang Investment Co., Ltd.	Tai He Investment Co., Ltd.(36.76%)、Chao Long Investment Co., Ltd.(26.10%)、Tai Fa Investment Co., Ltd.(12.87%)、Tai Siang Investment Co., Ltd.(8.20%)、Tzeng Maw Investment Co., Ltd.(4.26%)、Bau Ching Investment Co., Ltd.(2.24%)、Hong Sheng Construction Co., Ltd.(2.05%)、Tai Chuan Investment Co., Ltd.(1.86%)、Chung Yi Investment Co., Ltd.(1.83%)、Hann Bau Co., Ltd.(1.53%)

Note: The book closure date for Chia Hsin Cement Corp.'s 2020 shareholders' meeting fell on April 24, 2020. As a timely update could not be made as of the date of publication of this annual report, relevant information announced for its 2019 shareholders' meeting was thus disclosed herein.

E. Professional qualifications and independence analysis of directors

Apr. 21, 2020

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

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

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

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

(2) Management Team

Apr. 21, 2020
Unit: Shares/%

Title	Nationality	Name	Gender	Effective Date	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remarks (Note 2)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
President	Republic of China	Lee, Elton F.Y.	Male	2020.02.01	237,000	0.01	-	-	-	-	Deputy President, O-Bank MBA, Manchester Business School	Director, EverTrust Bank	-	-	-	
Deputy President	Republic of China	Chang, David C.C.	Male	2012.03.01	656,965 *200,000	0.03 *0.07	35,191	0.00	-	-	Senior Executive Vice President, O-Bank EMBA, National Chengchi University	Director, China Bills Finance Corp. Supervisor, IBT Leasing Co., Ltd. Supervisor, IBT International Leasing Corp.	Senior Vice President	Yang, Becky	2nd Degree	
Deputy President	Republic of China	Lin, Roger Y. F.	Male	2017.03.01	492,091 *300,000	0.02 *0.10	-	-	-	-	Senior Executive Vice President, O-Bank Master of Science in Finance, Tamkang University	Director, EverTrust Bank	-	-	-	
Senior Executive Vice President	Republic of China	Chang, Niel W.F.	Male	2018.09.17	-	-	-	-	-	-	Senior Executive Vice President, Head of financial Markets Division, TC Bank MBA, National Taiwan University	Director, China Bills Finance Corp.	-	-	-	
Senior Executive Vice President	Republic of China	Liu, Nancy S.F.	Female	2013.03.01	217,137 *300,000	0.01 *0.10	-	-	-	-	Executive Vice President, O-Bank Bachelor of Laws, National Chengchi University	Supervisor, IBT Management Corporation Supervisor, IBT VII Venture Capital Co., Ltd.	-	-	-	
Senior Executive Vice President	Republic of China	Huang, Indra Y.C.	Male	2016.04.20	6,000 *596	0.00 *0.00	-	-	*3,000,000	*1.0	Executive Vice President, Head of Consumer Banking Division, TC Bank Bachelor of Business Administration, National Cheng Kung University	Director, China Bills Finance Corp.	-	-	-	
Senior Executive Vice President	Republic of China	Chen, Yi Fen	Female	2019.07.30	-	-	-	-	-	-	Executive Vice President, Head Office of SK Bank MBA, University of California	Chairman, Homewin Co., Ltd. Director, Claco Music Co., Ltd.	-	-	-	
Executive Vice President	Republic of China	Wang, Angela T.C.	Female	2013.12.02	265,000 *150,000	0.01 *0.05	-	-	-	-	Senior Vice President, Human Resources Department, En Tie Bank Ph.D. of Economics, Shanghai University of Finance and Economics, China	-	-	-	-	
Executive Vice President	Republic of China	Fan, Vivian H.J.	Female	2017.04.17	131,393 *300,000	0.01 *0.10	-	-	-	-	Senior Vice President, O-Bank Bachelor of Science in Information Management, Fu Jen Catholic University	-	-	-	-	
Executive Vice President	Republic of China	Wang, John Y.C.	Male	2018.01.15	*25,000	*0.01	-	-	-	-	Executive Vice President, Corporate Banking Division 1, TC Bank Bachelor of Business Administration, National Cheng Kung University	-	-	-	-	

Title	Nationality	Name	Gender	Effective Date	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remarks (Note 2)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Executive Vice President	Republic of China	Chin, Teddy Y.T.	Male	2016.03.01	125,917 *30,000	0.01 *0.01	-	-	-	-	Senior Vice President, O-Bank Master of Science in Economics, National Taiwan University	-	-	-	-	
Executive Vice President	Republic of China	Lai, Joseph L.J.	Male	2014.03.01	275,000 *100,000	0.01 *0.03	-	-	-	-	Senior Vice President, O-Bank MBA, University of Birmingham	-	-	-	-	
Executive Vice President	Republic of China	Fang, Stanley H.W.	Male	2018.03.15	-	-	-	-	-	-	Executive Vice President, Taishin International Bank Master of Science in International Business, Tamkang University	-	-	-	-	
Executive Vice President	Republic of China	Lin, Tom A.K.	Male	2017.01.01	50,000	0.00	-	-	-	-	Senior Vice President, O-Bank Master of Science in Computer Science, Ohio University	-	-	-	-	
Executive Vice President	Republic of China	Tsai, Joseph T.S.	Male	2018.06.28	-	-	-	-	-	-	Senior Vice President, Taiwan Life Insurance EMBA, National Taiwan University	-	-	-	-	
Executive Vice President	Republic of China	Chen, Paul H.J.	Male	2020.03.01	4,097 *50,000	0.00 *0.02	-	-	-	-	Senior Vice President, O-Bank Master of Accountancy, Soochow University	-	-	-	-	
Executive Vice President	Republic of China	Tyane, Edward F.C.	Male	2018.02.01	*120,000	*0.04	-	-	-	-	Executive Vice President, Financial Accounting Division, TC Bank Master of Accountancy, National Cheng Kung University	-	-	-	-	
Executive Vice President	Republic of China	Shao, Wen W.C.	Male	2016.02.01	19,412 *100,000	0.00 *0.03	-	-	-	-	Executive Vice President, IBT International Leasing Corp. MBA, Case Western Reserve University	Director, IBT International Leasing Corp.	-	-	-	
Executive Vice President	Hong Kong	Wu, Simon W.H.	Male	2019.12.10	-	-	-	-	-	-	Senior Vice President, O-Bank Bachelor of Social Science, Hong Kong University	-	-	-	-	
Senior Vice President	Republic of China	Siew, Joy C.Y.	Female	2018.03.01	76,000 *300,000	0.00 *0.10	-	-	-	-	Vice President, O-Bank Master of Arts in International Relations, Johns Hopkins University	Director, IBT Management Corporation Director, IBT VII Venture Capital Co., Ltd.	-	-	-	
Senior Vice President	Republic of China	Lin, Daisy C.I.	Female	2018.03.12	*50,000	*0.02	-	-	-	-	Senior Vice President, Corporate Banking Division 4, TC Bank Bachelor of Arts in Library and Information Science, National Taiwan University	-	-	-	-	
Senior Vice President	Republic of China	Fang, Andy C.P.	Male	2017.03.01	45,000	0.00	-	-	-	-	Vice President, O-Bank Master of Science in Information Resource Management, Syracuse University	-	-	-	-	

Title	Nationality	Name	Gender	Effective Date	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remarks (Note 2)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Senior Vice President	Republic of China	Soong, Grace L.H.	Female	2014.04.23	55,000	0.00	-	-	-	-	Vice President, O-Bank MBA, University of California	-	-	-	-	
Senior Vice President	Republic of China	Tsou, Landy H.C.	Female	2019.08.26	-	-	-	-	-	-	Vice President, Wealth Management Department, SK Bank MBA, National Cheng Chi University	-	-	-	-	
Senior Vice President	Republic of China	Hsu, Pei Ling	Female	2019.08.26	29,000	0.00	-	-	-	-	Vice President, Corporate Development Division, Fubon Financial Holding Co. Ltd. MBA, Massachusetts Institute of Technology, Sloan School of Management	-	-	-	-	
Senior Vice President	Republic of China	Cheng, Tina W.H.	Female	2017.09.14	-	-	-	-	-	-	Vice President, PCA Life Assurance Co., Ltd. Associate of Banking and Insurance, Ming Chuan Women's Business School	-	-	-	-	
Senior Vice President	Republic of China	Yang, Becky Y.W.	Female	2016.05.16	4,000	0.00	-	-	-	-	Vice President, Strategic Planning & Cards Change Management Head, CitiPhone, Citibank(Taiwan) MBA, Golden Gate University	-	Deputy President	Chang, David C.C.	2nd Degree	
Senior Vice President	Republic of China	Yan, Eugene W.C.	Male	2016.04.20	5,000	0.00	-	-	-	-	Vice President, Retail Operation Department, CTBC Bank MBA, Tamkang University	-	-	-	-	
Senior Vice President	Republic of China	Jung, John Y.C.	Male	2019.08.01	-	-	-	-	-	-	Vice President, International Finance Dept., Yuanta Securities Co. Ltd. MBA, Rotterdam School of Management, Erasmus University	-	-	-	-	
Senior Vice President	Republic of China	Chen, Gaven Y.	Male	2019.08.26	*30,000	0.01	-	-	-	-	Vice President, O-Bank Bachelor of Finance and Economic, Tamsui Oxford University College	-	-	-	-	
Senior Vice President	Republic of China	Tan, Kevin H.C.	Male	2018.03.01	75,199 *50,000	0.00 *0.02	10,383	0.00	-	-	Vice President, O-Bank EMBA, National Chengchi University	-	-	-	-	
Senior Vice President	Republic of China	Chiu, Jean Y.C.	Female	2018.03.01	5,000	0.00	-	-	-	-	Vice President, O-Bank Bachelor of Science in Information Management, Tamkang University	-	-	-	-	
Senior Vice President	Republic of China	Chen, C.Y.	Male	2020.03.01	69,599	0.00	10,383	0.00	-	-	Vice President, O-Bank EMBA, National Tsing Hua University	-	-	-	-	

Title	Nationality	Name	Gender	Effective Date	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remarks (Note 2)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Vice President	Republic of China	Chang, Wesley S.C.	Male	2015.11.01	26,000 *12,585	0.00 *0.00	-	-	-	-	Assistant Vice President, O-Bank Master of Law in International and European Business law, University of Leeds	-	-	-	-	
Vice President	Republic of China	Chang, Ophelia L.W.	Female	2019.02.28	5,000 *300,000	0.00 *0.10	-	-	-	-	Vice President, O-Bank Bachelor of International Business, National Taiwan University	-	-	-	-	
Vice President	Republic of China	Hung, Ida K.Y.	Female	2019.11.01	4,000 *10,397	0.00 *0.00	-	-	-	-	Vice President, O-Bank Master of Statistics, National Cheng Chi University	-	-	-	-	
Vice President	Republic of China	Lee, Daisy T.H.	Female	2017.04.17	26,000	0.00	-	-	-	-	Assistant Vice President, O-Bank MBA, Cornell University	-	-	-	-	
Vice President	Republic of China	Liu, David C.C.	Male	2011.07.01	10,000	0.00	-	-	-	-	Assistant Vice President, O-Bank MBA, National Cheng Kung University	-	-	-	-	
Assistant Vice President	Republic of China	Chang, Michael C.C.	Male	2014.08.27	66,732	0.00	-	-	-	-	Manager, O-Bank Executive Master of Business Administration in International Finance, National Taipei University	-	-	-	-	
Assistant Vice President	Republic of China	Chen, Judy S.F.	Female	2020.03.02	-	-	-	-	-	-	Sales Manager, Wealth Management Dept., Taichung Bank Master of Finance, National Central University	-	-	-	-	
Manager	Republic of China	Chen, Linzy Y.C.	Female	2018.01.10	-	-	-	-	-	-	Manager, O-Bank Bachelor of Business Administration, National Taipei University	-	-	-	-	

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

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

(3) Return to consultant

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

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

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

Unit: NT\$ thousands/% : December 31, 2019

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary or from the Company
		Base Compensation (A)		Severance Pay (B)		Directors Compensation(C)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Employee Compensation (G)						
		The company	All companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
Chairman	Lo, Kenneth C.M.	19,260	19,260	319	319	-	-	1,760	1,760	1.9	1.9	-	-	-	-	-	-	-	-	1.9	1.9	-
Vice Chairman	Lo, Tina Y.	16,392	17,195	374	374	-	-	1,263	1,603	1.6	1.7	-	-	-	-	-	-	-	-	1.6	1.7	-
Chairman	Yi Chang Investment Co., Ltd. (Rep.: Lo, Kenneth C.M.)	9,600	15,976	-	-	31,430	31,430	486	1,400	3.8	4.4	61,518	61,518	299	299	237	-	237	-	9.4	10.1	-
Vice Chairman	Ming Shan Investment Co., Ltd. (Rep.: Lo, Tina Y.)																					
Managing Director	Taiwan Cement Corporation (Rep.: Chang, Nelson An-Ping)																					
Managing Director	Yi Chang Investment Co., Ltd. (Rep.: Yang, Tony C.Y.)																					
Director	Tai Ya Investment Co., Ltd. (Rep.: Chen, Shih-Tze)																					
Director	Yi Chang Investment Co., Ltd. (Rep.: Lin, Gordon W.C.)																					
Director	Abag Investment Holdings Co., Ltd. (Rep.: Cheng, George C.J.)																					
Director	Lee, Mark J.C.																					
Director	Pioneer Chemical Corp. (Rep.: Sheng, Bobby P.S.)																					
Director	Ming Shan Investment Co., Ltd. (Rep.: Lo, Nina Y.C.)																					
Director	Wang Hsiang Co., Ltd. (Rep.: Tung, Ta-Nien)																					
Director	Tai Ya Investment Co., Ltd. (Rep.: Chang, David C.C.)																					
Independent Managing Director	Chan, Hou-Sheng	6,000	6,000	-	-	-	-	480	480	0.6	0.6	-	-	-	-	-	-	-	0.6	0.6	-	
Independent Director	Yue, Thomas C.T.																					
Independent Director	Liu, Richard R.C.																					

Note 1: Compensation for chauffeurs assigned to directors amounted to NT\$2,079 thousand and that for those assigned to employees charged with concurrent posts, NT\$1,571 thousand.

Note 2: As of the date of publication of this annual report, the Bank had yet to finalize details with regard to distributing employee remunerations for 2019. The amount given here is an estimate based on the actual distribution for 2018.

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

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

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

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
Under NT\$ 1,000,000	Chang, Nelson An-Ping 、 Yang, Tony C. Y. 、 Chen, Shih-Tze 、 Lin, Gordon W.C. 、 Cheng, George C.J. 、 Sheng, Bobby P.S. 、 Lo, Nina Y.C. 、 Chang, David C.C.	Chang, Nelson An-Ping 、 Yang, Tony C. Y. 、 Chen, Shih-Tze 、 Cheng, George C.J. 、 Sheng, Bobby P.S. 、 Lo, Nina Y.C. 、 Chang, David C.C.	Chang, Nelson An-Ping 、 Chen, Shih-Tze 、 Lin, Gordon W.C. 、 Cheng, George C.J. 、 Sheng, Bobby P.S. 、 Lo, Nina Y.C.	Chang, Nelson An-Ping 、 Chen, Shih-Tze 、 Cheng, George C.J. 、 Sheng, Bobby P.S. 、 Lo, Nina Y.C.
NT\$ 1,000,000 (inclusive) ~ NT\$2,000,000 (exclusive)	Abag Investment Holdings Co., Ltd. 、 Pioneer Chemical Corp. 、 Yue, Thomas C.T. 、 Liu, Richard R.C.	Abag Investment Holdings Co., Ltd. 、 Pioneer Chemical Corp. 、 Yue, Thomas C.T. 、 Liu, Richard R.C.	Abag Investment Holdings Co., Ltd. 、 Pioneer Chemical Corp. 、 Yue, Thomas C.T. 、 Liu, Richard R.C.	Abag Investment Holdings Co., Ltd. 、 Pioneer Chemical Corp. 、 Yue, Thomas C.T. 、 Liu, Richard R.C.
NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive)	Taiwan Cement Corporation 、 Chan, Hou-Sheng 、 Lee, Mark J.C. 、 Wang Hsiang Co., Ltd.	Taiwan Cement Corporation 、 Chan, Hou-Sheng 、 Lee, Mark J.C. 、 Wang Hsiang Co., Ltd.	Taiwan Cement Corporation 、 Chan, Hou-Sheng 、 Lee, Mark J.C. 、 Wang Hsiang Co., Ltd.	Taiwan Cement Corporation 、 Chan, Hou-Sheng 、 Lee, Mark J.C. 、 Wang Hsiang Co., Ltd.
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)	-	-	-	-
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)	Ming Shan Investment Co., Ltd. 、 Tai Ya Investment Co., Ltd	Ming Shan Investment Co., Ltd. 、 Tai Ya Investment Co., Ltd 、 Lin, Gordon W.C.	Ming Shan Investment Co., Ltd. 、 Tai Ya Investment Co., Ltd	Ming Shan Investment Co., Ltd. 、 Tai Ya Investment Co., Ltd 、 Lin, Gordon W.C.
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)	Yi Chang Investment Co., Ltd.	Yi Chang Investment Co., Ltd.	Yi Chang Investment Co., Ltd. 、 Chang, David C.C.	Yi Chang Investment Co., Ltd. 、 Chang, David C.C.
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive)	Lo, Kenneth C.M. 、 Lo, Tina Y.	Lo, Kenneth C.M. 、 Lo, Tina Y.	Lo, Kenneth C.M. 、 Lo, Tina Y.	Lo, Kenneth C.M. 、 Lo, Tina Y.
NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (exclusive)	-	-	Yang, Tony C. Y.	Yang, Tony C. Y.
NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (exclusive)	-	-	-	-
Over NT\$100,000,000 (inclusive)	-	-	-	-
Total	21	21	21	21

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

(2) Remuneration of President and Vice Presidents

Unit: NT\$ thousands/% : December 31, 2019

Title	Name	Remuneration										Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Compensation Paid to President and Vice Presidents from an Invested Company Other than the Company's Subsidiary or from the Company
		Base Compensation (A)		Severance Pay (B)		Bonus to Supervisors (C) [note1]		Allowances (D) [note2]						
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
President	Yang, Tony C.Y.	94,025	95,211	3,250	3,205	97,748	99,261	1,979	—	1,979	—	17.9	18.1	—
Deputy President	Lee, Elton F.Y.													
Deputy President	Chang, David C.C.													
Deputy President	Lin, Roger Y.F.													
Senior Executive Vice President	Liu, Nancy S.F.													
Senior Executive Vice President	Huang, Indra Y.C.													
Senior Executive Vice President	Wei, Jonathan C.H.													
Senior Executive Vice President	Chang, Niel W.F.													
Senior Executive Vice President	Chen Yi Fen [note3]													
Senior Executive Vice President	Sung, Jerry C.J. [note3]													
Executive Vice President	Wang, Angela T.C.													
Executive Vice President	Fan, Vivian H.J.													
Executive Vice President	Wang, John Y.C.													
Executive Vice President	Chin, Teddy Y.T.													
Executive Vice President	Lai, Joseph L.J.													
Executive Vice President	Yeh, Sherry H.Y.													
Executive Vice President	Fang, Stanley H.W.													
Executive Vice President	Chu, Chris T.H.													
Executive Vice President	Lin, Tom A.K.													
Executive Vice President	Tsai, Joseph T.S.													
Executive Vice President	Shao, Wen W.C.													
Executive Vice President	Tyane, Edward F.C.													
Executive Vice President	Wu, Simon W.H. [note3]													
Executive Vice President	Hsu, Celine M.C. [note3]													
Executive Vice President	Mo, Michelle C.W. [note3]													

Note 1: Compensation for chauffeurs amounted to NT\$1,912 thousand.

Note 2: As of the date of publication of this annual report, the Bank had yet to finalize details with regard to distributing employee remunerations for 2019. The amount given here is an estimate based on the actual distribution for 2018.

Note 3: 2019 tenure of managerial officers: Chen Yi Fen (7.30~12.31) 、Sung, Jerry C.J. (1.1~3.17) 、Wu, Simon W.H (12.10~12.31) 、Hsu, Celine M.C. (1.1~2.13) 、Mo, Michelle C.W. (1.1~8.31).

Range of Remuneration	Name of President and Vice Presidents	
	The company	Companies in the consolidated financial statements
Under NT\$ 1,000,000	Wu, Simon W.H. 、Hsu, Celine M.C.	Wu, Simon W.H. 、Hsu, Celine M.C.
NT\$1,000,000 (inclusive) ~ NT\$2,000,000 (exclusive)	Sung, Jerry C.J.	Sung, Jerry C.J.
NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive)	Chen Yi Fen 、Mo, Michelle	Chen Yi Fen 、Mo, Michelle
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)	Chin, Teddy Y.T. 、Chu, Chris 、Tyane, Edward F.C. 、Tsai, Joseph T.S.	Chin, Teddy Y.T. 、Chu, Chris 、Tyane, Edward F.C. 、Tsai, Joseph T.S.
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)	Liu, Nancy S.F. 、Wei, Jonathan 、Huang, Indra Y.C. 、Fan, Vivian H.J. 、Wang, Angela T.C. 、Wang, John Y.C. 、Lai, Joseph L.J. 、Yeh, Sherry 、Fang, Stanley H.W. 、Lin, Tom A.K. 、Shao, Wen W.C.	Liu, Nancy S.F. 、Wei, Jonathan 、Huang, Indra Y.C. 、Fan, Vivian H.J. 、Wang, Angela T.C. 、Wang, John Y.C. 、Lai, Joseph L.J. 、Yeh, Sherry H.Y. 、Fang, Stanley H.W. 、Lin, Tom A.K. 、Shao, Wen W.C.
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)	Chang, David C. C. 、Chang, Niel W.F. 、Lin, Roger Y.F.	Chang, David C. C. 、Chang, Niel W.F. 、Lin, Roger Y.F.
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive)	Lee, Elton F.Y.	Lee, Elton F.Y.
NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (exclusive)	Yang, Tony C. Y.	Yang, Tony C. Y.
NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (exclusive)	-	-
Over NT\$100,000,000 (inclusive)	-	-
Total	25	25

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

(3) Remuneration of Employees

Unit: NT\$ thousands : December 31, 2019

	Title	Name	Employee Compensation - in Stock (Fair Market Value)	Employee Compensation - in Cash	Total	Ratio of Total Amount to Net Income (%)
Executive officers	President	Yang, Tony C.Y.	-	1,979 (Note 1)	1,979	0.2
	Deputy President	Lee, Elton F.Y.				
	Deputy President	Chang, David C.C.				
	Deputy President	Lin, Roger Y.F.				
	Senior Executive Vice President	Liu, Nancy S.F.				
	Senior Executive Vice President	Huang, Indra Y.C.				
	Senior Executive Vice President	Wei, Jonathan C.H.				
	Senior Executive Vice President	Chang, Niel W.F.				
	Senior Executive Vice President	Chen Yi Fen 【note2】				
	Executive Vice President	Wang, Angela T.C.				
	Executive Vice President	Fan, Vivian H.J.				
	Executive Vice President	Wang, John Y.C.				
	Executive Vice President	Chin, Teddy Y.T.				
	Executive Vice President	Lai, Joseph L.J.				
	Executive Vice President	Yeh, Sherry H.Y.				
	Executive Vice President	Fang, Stanley H.W.				
	Executive Vice President	Lin, Tom A.K.				
	Executive Vice President	Tsai, Joseph T.S.				
	Executive Vice President	Shao, Wen W.C.				
	Executive Vice President	Tyane, Edward F.C.				
	Executive Vice President	Chu, Chris				
	Executive Vice President	Wu, Simon W.H. 【note2】				

Note 1: As of the date of publication of this annual report, the Bank had yet to finalize details with regard to distributing employee remunerations for 2019. The amount given here is an estimate based on the actual distribution for 2018.

Note 2: 2019 tenure of managerial officers: Chen Yi Fen (7.30~12.31) 、Wu, Simon W.H (12.10~12.31)

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

- A. The Bank and all the companies covered by its consolidated financial statements paid remunerations of NT\$308,400 thousand and NT\$295,449 thousand to directors, the president, and vice presidents in 2018 and 2019 respectively. The two sums accounted for 32.3% and 26.8% of the Bank's consolidated net income recorded in 2018 and 2019. The higher weighting of 2018 reflects a decline in the year's consolidated net income due to the Bank's persistent investment in the retail banking business.
- B. Article 22 and 32 of the Bank's Articles of Incorporation prescribe respectively distribution of director remunerations and employee remunerations. If the Bank records a profit in a year, the Bank shall appropriate not more than 2.5% of the profit for director remunerations and 1-2.5% for employees. If the Bank has accumulated losses, however, the profit shall be used to offset the aforesaid accumulated losses first.
- C. The Bank's Board of Directors has set up the Compensation Committee. Composed of the entire number of independent directors, the committee is intended to assist the board in drafting and periodically reviewing performance evaluation for directors and managerial officers as well as the policy, system, criteria, and structure of compensation-setting, the committee also assesses remunerations for directors and managerial officers on a regular basis.
- D. With remuneration granted by industry peers also considered for reference, the Bank's director remuneration policy takes account of its own business performance, director contributions and responsibilities, and the result of performance evaluation of Board of Directors (key appraisal items include attainment of the Bank's goals and missions, director's understanding of their duties and responsibilities, participation in the company's operation, internal relation maintenance and communications, professional qualifications and continued knowledge development of directors, and internal control). Compensation for senior executives such as the president and vice presidents comprises fixed pay and variable pay. The Bank basically takes into consideration what is being paid in the industry when deciding on fixed pay that is commensurate with the responsibilities and specialized skills required of their respective positions as well as their on-the-job performance. Variable pay, on the other hand, is subject to the Bank's business performance and future risks as well as the personal performance of the managerial officers in question, based on which reasonable distribution is to be achieved. The performance of managerial officers is appraised against both financial indicators (pretax profit, attainment of short- and long-term business objectives, etc.) and nonfinancial indicators (the Bank's core value, innovation, leadership and management, legal compliance, internal control, risk management, etc.). The Bank's remuneration mechanism not only offers competitive incentives but also takes account of future risks to ensure that managerial remuneration is closely aligned with the Bank's business performance, thereby creating a respectable corporate image, laying a solid foundation for sustainable development, and maximizing employee, customer, and shareholder interests.

4. Implementation of Corporate Governance

(1) Board of Directors

A. Board of Managing Directors

A total of 19 (A) meetings of the 7th Board of Managing Directors were held in 2019. The attendance of managing directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) [B / A]	Remarks
Chairman	Yi Chang Investment Co., Ltd. (Rep.: Lo, Kenneth C. M.)	17	2	89	
Vice Chairman	Ming Shan Investment Co., Ltd. (Rep.: Lo, Tina Y.)	18	1	95	
Managing Director	Taiwan Cement Corporation (Rep. : Chang, Nelson An-Ping)	5	14	26	
Independent Managing Director	Chan, Hou-Sheng	18	0	95	Note
Managing Director	Yi Chang Investment Co., Ltd. (Rep.: Yang, Tony C.Y.)	18	1	95	

Note: To uphold corporate governance standards in the lending business, the Board of Managing Directors shall have at least one independent director attend its discussion of any lending application. When the meeting of Board of Managing Directors held on April 26, 2019, independent director Richard R.C. Liu attended as proxy of independent managing director Chan Hou-Sheng, who asked for leave.

B. Board of Directors

A total of 7 (A) meetings of the 7th Board of Directors were held in 2019. The attendance of directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) [B / A]	Remarks
Chairman	Yi Chang Investment Co., Ltd. (Rep. : Lo, Kenneth C. M.)	6	1	86	
Vice Chairman	Ming Shan Investment Co., Ltd. (Rep. : Lo, Tina Y.)	6	1	86	
Managing Director	Taiwan Cement Corporation (Rep. : Chang, Nelson An-Ping)	2	5	29	
Independent Managing Director	Chan, Hou-Sheng	6	0	86	
Managing Director	Yi Chang Investment Co., Ltd. (Rep. : Yang, Tony C.Y.)	7	0	100	
Director	Tai Ya Investment Co., Ltd. (Rep.:Chen, Shih-Tze)	6	1	86	
Director	Yi Chang Investment Co., Ltd. (Rep. : Lin, Gordon W.C.)	7	0	100	
Director	Abag Investment Holdings Co., Ltd. (Rep.: Cheng, George C.J.)	7	0	100	
Director	Lee, Mark J.C.	7	0	100	
Director	Pioneer Chemical Corp. (Rep.: Sheng, Bobby P.S.)	3	4	43	
Independent Director	Yue, Thomas C.T.	7	0	100	
Independent Director	Liu, Richard R.C.	7	0	100	
Director	Ming Shan Investment Co., Ltd. (Rep.: Lo, Nina Y.C.)	6	1	86	
Director	Wang Hsiang Co., Ltd. (Rep.:Tung, Ta-Nien)	6	1	86	
Director	Tai Ya Investment Co., Ltd. (Rep.: Chang, David C.C.)	7	0	100	

Other mentionable items:

1. If any of the following circumstances occur, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the company's response should be specified:
 - (1) Matters referred to in Article 14-3 of the Securities and Exchange Act: Not applicable because, as required by law, the Bank has established the Audit Committee.
 - (2) Other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that require a resolution by the board of directors: None.
2. If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified:

Date	Content of Motion	Director	Cause for Avoidance	Participation in Voting
2019.2.27 The 7th Board of Directors in its 15th meeting	Proposal for making a donation to the O-Bank Education Foundation	Kenneth C.M. Lo, Shih-Tze Chen, Nina Y.C. Lo	In compliance with Article 14 of the Procedural Rules Governing Board Meetings (Interested Parties)	The Bank's directors stand by the principle of recusal and refrain from participating in the discussion of and voting on motions that may cause conflicts of interest.
	Proposal for making a donation to the Chinese National Association of Industry and Commerce	Kenneth C.M. Lo, Tina Y. Lo, An-Ping Chang (abstention)		
	Proposal for making a donation to the Criminal Investigation and Prevention Association	Tina Y. Lo		
	Proposal for director remunerations and employee remunerations for 2018	Directors recusing themselves from motion on director remunerations: the entire number of non-independent directors—Kenneth C.M. Lo, Tina Y. Lo, Nelson An-Ping Chang (abstention), Tony C. Y. Yang, Shih-Tze Chen, Gordon W.C. Lin, George C.J. Cheng, Mark J.C. Lee, Bobby P.S. Sheng, Nina Y.C. Lo, Ta-Nien Tung (abstention), David C.C. Chang Directors recusing themselves from motion on employee remunerations: Tony C. Y. Yang, David C.C. Chang		
2019.3.22 The 7th Board of Directors in its 16th meeting	Amendment to the Bank's Rules for Allocating and Granting Year-End Bonuses	Kenneth C.M. Lo (abstention), Tina Y. Lo, Tony C. Y. Yang, David C.C. Chang, Shih-Tze Chen, Nina Y.C. Lo (abstention)	In compliance with Article 14 of the Procedural Rules Governing Board Meetings (Interested Parties)	The Bank's directors stand by the principle of recusal and refrain from participating in the discussion of and voting on motions that may cause conflicts of interest.
2019.4.26 The 7th Board of Directors in its 17th meeting	Release of non-competition restrictions on directors	Kenneth C.M. Lo, Tina Y. Lo, Shih-Tze Chen, Bobby P.S. Sheng (abstention), Ta-Nien Tung, Nina Y.C. Lo (abstention)		
	Proposal for making a donation to the Eisenhower Fellows Association in the R.O.C.	Kenneth C.M. Lo, Tina Y. Lo, Shih-Tze Chen, Nina Y.C. Lo (abstention)		
	Proposal for renting some office space at the Bank's headquarter building to affiliates	Gordon W.C. Lin		
2019.8.23 The 7th Board of Directors in its 19th meeting	Proposal for making a donation to the Chinese National Association of Industry and Commerce	Kenneth C.M. Lo, Tina Y. Lo, Nelson An-Ping Chang, Shih-Tze Chen, Nina Y.C. Lo		

Date	Content of Motion	Director	Cause for Avoidance	Participation in Voting
2019.10.24 The 7th Board of Directors in its 20th meeting	Proposal for making a donation to the National Taiwan University Economic Research Foundation	Kenneth C.M. Lo, Tina Y. Lo, Shih-Tze Chen, Nina Y.C. Lo	In compliance with Article 14 of the Procedural Rules Governing Board Meetings (Interested Parties)	The Bank's directors stand by the principle of recusal and refrain from participating in the discussion of and voting on motions that may cause conflicts of interest.
	Proposal for change in the Bank's President	Tony C. Y. Yang		
2019.12.25 The 7th Board of Directors in its 21th meeting	2020 audit plan	Tony C. Y. Yang, David C.C. Chang		
	2020 Internal Auditing Plan for the Concurrent Conducting of Insurance Agent Business	Tony C. Y. Yang, David C.C. Chang		
	Amendment to the Rules for Managing Employee Remuneration and Rules for Allocating and Granting Year-End Bonuses	Tony C. Y. Yang, David C.C. Chang		

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

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

- To ensure effective corporate governance, the Bank introduced the Audit Committee to its 5th Board of Directors in accordance with the Securities and Exchange Act on June 13, 2011. Three independent directors were called upon to make up the Audit Committee, and the Bank's Audit Committee Organizational Rules were enacted accordingly. Also put in place were the Bank's Regulations Governing the Scope of Duties of Independent Directors. On October 31, 2017, the Board of Directors approved amendments to the Regulations Governing the Scope of Duties of Independent Directors; on February 26, 2020 the Board of Directors approved amendments to Audit Committee Organizational Rules.
- To accommodate statutory revisions by the competent authority, the Board approved amendments to the Bank's Procedural Rules Governing Board Meetings with regard to defining matters to be resolved at a board meeting that may make directors interested parties on February 26, 2020.
- To build a sound corporate governance system and promote sound business development, the Board of Directors approved O-Bank Co., Ltd. Corporate Governance Principles on December 27, 2017. The Principles were amended in tandem with the norms set by the competent authority on April 26, 2019.
- In line with compensation management trends, the Bank established the Compensation Committee and adopted the Compensation Committee Organizational Rules in 2009. It was followed by the board's changing the Chinese name of the foregoing organizational rules on December 28, 2011. The committee is composed of the entire number of independent directors. In accordance with statutory revisions, the Board of Directors approved amendments to the Compensation Committee Organizational Rules on February 26, 2020.
- To fulfill corporate social responsibility, the Bank established the Corporate Social Responsibility Committee under the Board of Directors in 2015. On the front of CSR, the Bank commits itself to the following five key areas: corporate governance, customer relations, employee care, environmental protection, and social engagement. The Corporate Social Responsibility Committee Organizational Rules and Corporate Social Responsibility Principles are put in place to help track implementation status and results, thereby attaining the ultimate goal of sustainable development. On December 28, 2016,

the Board of Directors approved a proposal to rename the Corporate Social Responsibility Committee Organizational Rules and Corporate Social Responsibility Principles. On March 25, 2020, some articles of the Corporate Social Responsibility Principles were amended in accordance with statutory changes.

- To bolster corporate governance and assist directors in performing their duties, thereby strengthening board functions, the Board of Directors approved adopting O-Bank's Standard Operating Procedures for Handling Director Requests on April 26, 2019.
- To enhance the bank's board functions and implement corporate governance, the Bank approved O-Bank's Regulations Governing the Performance Evaluation of the Board of Directors on June 26, 2019. The Board of Directors and functional committees should conduct an internal board performance evaluation at least once a year. Also, the evaluation should be conducted at least once every 3 years by external evaluation institutions or panel of external experts and scholars. 2019 Performance Evaluation of Board of Directors was completed and thus approved by the Board of Directors on February 26, 2020.
- In addition to further promoting its functions and enhance the Bank's corporate governance throughout, the Board of Directors has endorsed the competent authority's guideline over getting aligned with international practices and, through keeping close communication with the Bank's management, helped promote and implement policies with regard to corporate social responsibility, fair treatment of clients, AML/CFT, personal information protection, and information security management.

(2) Audit Committee

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

The Audit Committee is charged with supervising and reviewing the following:

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

The Audit Committee is supposed to perform the following duties:

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

Audit Committee

A total of 7 (A) meetings of the 3rd Audit Committee meetings were held in 2019. The attendance of independent directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) [B/A]	Remarks
Independent Managing Director	Chan, Hou-Sheng	6	0	86	
Independent Director	Yue, Thomas C.T.	7	0	100	
Independent Director	Liu, Richard R.C.	7	0	100	

- Examine financial statements

The Board of Directors has compiled and submitted the Bank's consolidated and parent balance sheets, income statements, statements of changes in shareholders' equity, and cash flow statements for 2018 audited by CPAs Chen, Yin-Chou and Lin, Wang-Sheng of Deloitte & Touche, business report, and statement of distribution of earnings to the Audit Committee. After reviewing the abovementioned statements and reports, the Audit Committee has found them to meet the requirements of applicable laws and regulations.

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

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

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

- Engage CPAs

In accordance with the Corporate Governance Best-Practice Principles for Banking Industries, the Bank is supposed to evaluate the independence and suitability of CPAs. Before hiring the CPAs of Deloitte Taiwan to audit and certify the Bank's financial and tax statements for 2020 and thereafter, therefore, it was of necessity to evaluate the independence and suitability of the appointed CPAs. The Bank evaluated the independence of its CPAs and presented the result to the Audit Committee and the Board of Directors on December 25, 2019 for review, and both gave their approval.

In accordance with the internal rotation of the Bank's CPA firm Deloitte Taiwan, the Bank's CPAs Charles Yang and Dian Chen would be replaced with Chen, Yin-Chou and Lin, Wang-Sheng from the first quarter of 2019. The Bank evaluated the new appointments and presented the result to the Audit Committee and the Board of Directors on December 27, 2018 for review, and both gave their approval.

A summary of the major proposals reviewed by the Audit Committee in 2019 and the results thereof is as follows:

Board meeting	Proposal and subsequent measures	Item listed in Article 14-5 of the Securities and Exchange Act	Item rejected by the Audit Committee but approved by the Board of Directors in a not less than 2/3 majority vote
2019.2.27 The 7th Board of Directors in its 15th meeting	2018 parent financial statements	✓	-
	Proposal for 2018 earnings distribution	✓	-
	Amendment to the Regulations for the Delegation of Responsibility for Extending Loans and Making Investment and for the Use of Rewards and Discipline and annulment of the Establishment Standards for the Rewards and Discipline Review Committee on Extending Loans and Making Investment	✓	-
	Proposal to write off a bad loan to "XX Huang" and 18 other borrowers	✓	-
	Proposal to sell the NPL incurred by corporate borrower "XX Kao Estate"	✓	-
	Application for a loan by "Hsin X Investment Co., Ltd.	✓	-
	Proposal for making a donation to the O-Bank Education Foundation	✓	-
	Proposal for making a donation to the Chinese National Association of Industry and Commerce	✓	-
	Proposal for making a donation to the Criminal Investigation and Prevention Association	✓	-
	Amendment to the Bank's Regulations Governing the Sale of Structured Products	✓	-
	Amendment to the Bank's Organizational Rules	✓	-
	Outcome of the Audit Committee's deliberations: (2019.2.27) Unanimous approval by all members		
	The Bank's handling of the Audit Committee's opinion: Unanimous approval by all directors present		
2019.3.22 The 7th Board of Directors in its 16th meeting	The Bank's 2018 business report and consolidated financial statements	✓	-
	Adoption of the Bank's Rules for Internal Management of Taking Concurrent Positions by Its Responsible Persons	✓	-
	The Bank's 2018 Internal Control System Statement and the Internal Control System Statement for the Concurrent Conducting of Insurance Agent Business	✓	-
	The Bank's 2018 Report on Across-the-Board Evaluation of Money Laundering and Terrorism Financing Risks	✓	-
	The Bank's 2019 Plan on Across-the-Board Evaluation of Money Laundering and Terrorism Financing Risks	✓	-
	The Bank's 2018 Statement on the Design and Implementation of its AML/CFT Internal Control System as well as the AML/CFT Internal Control Statement	✓	-
	The Bank's 2018 report on Evaluation of Money Laundering and Terrorism Financing Risks on the Bank's Insurance Agent Business	✓	-
	Adjustment in the Bank's industry risk exposure limits on agriculture, forestry, fishery, and animal husbandry	✓	-
	Proposal to write off a bad loan to "XX Lee" and 13 other borrowers	✓	-
	Amendment to the Bank's Regulations Governing Real Estate Transactions with Interested Parties	✓	-
	Outcome of the Audit Committee's deliberations: (2019.3.22) Unanimous approval by all members		
	The Bank's handling of the Audit Committee's opinion: Unanimous approval by all directors present		

Board meeting	Proposal and subsequent measures	Item listed in Article 14-5 of the Securities and Exchange Act	Item rejected by the Audit Committee but approved by the Board of Directors in a not less than 2/3 majority vote
2019.4.26 The 7th Board of Directors in its 17th meeting	Proposal for releasing non-competition restrictions on directors	✓	-
	Adoption of the Bank's Standard Operating Procedures for Handling Director Requests	✓	-
	Amendment to the Bank's Corporate Governance Principles	✓	-
	Appointment and compensation of the Bank's CPAs for 2019 and 2020	✓	-
	Amendment to the Bank's Rules for Applying and Paying for Property Procurement	✓	-
	Amendment to the Bank's 2019 audit plan	✓	-
	Amendment to the Bank's AML/CFT Policy, O-Bank Group Policy for Sharing AML/CFT Information, Policy for Evaluating ML/FT Risks and Implementing Control Measures, and AML/CFT Guidelines	✓	-
	Amendment to the Bank's Policy for Evaluating ML/FT Risks and Implementing Control Measures for Insurance Agent Operations and AML/CFT Guidelines for Insurance Agent Operations	✓	-
	Self-assessment of the Bank's implementation of "Fair Treatment of Customers" in 2018	✓	-
	Amendment to the Bank's Regulations for Managing the Risk in Trading Equities and Their Derivatives	✓	-
	Amendment to the Bank's Regulations for Managing the Risk in Trading Foreign Exchange and Its Derivatives	✓	-
	Amendment to the Bank's Regulations Governing the Acquisition or Disposal of Assets and annulment of Procedures for Conducting the Transaction of Financial Derivatives	✓	-
	Adjustment in the ceiling on bills trading by the Bank's headquarters	✓	-
	Application for a loan by "Hsin X Investment Co., Ltd."	✓	-
	Proposal for reviewing the loan application by "XX International Limited"	✓	-
	Proposal to write off bad loans to "XXX Ltd.," "XX limited," "XX Hsu" and 11 other borrowers	✓	-
	Amendment to the Bank's Information Security Policy and Information Security Guidelines	✓	-
	Proposal for making a donation to the Eisenhower Fellows Association in the R.O.C.	✓	-
	Amendment to the Bank's Procedures for the Acquisition or Disposal of Assets	✓	-
	Proposal for renting some office space at the Bank's headquarters building to affiliates	✓	-
	Guidelines for the Hong Kong Branch's implementation of annual training on financial laws and regulations	✓	-
	Outcome of the Audit Committee's deliberations: (2019.4.26) Unanimous approval by all members		
	The Bank's handling of the Audit Committee's opinion: Unanimous approval by all directors present		

Board meeting	Proposal and subsequent measures	Item listed in Article 14-5 of the Securities and Exchange Act	Item rejected by the Audit Committee but approved by the Board of Directors in a not less than 2/3 majority vote
2019.6.26 The 7th Board of Directors in its 18th meeting	Adoption of the Bank's Regulations Governing the Performance Evaluation of the Board of Directors	✓	-
	Amendment to the Bank's Shareholding Management Regulations	✓	-
	Amendment to the Bank's Policy for Evaluating ML/FT Risks and Implementing Control Measures and AML/CFT Guidelines	✓	-
	Application for a loan by "San X Investment Co., Ltd."	✓	-
	Proposal to write off a bad loan to corporate borrower "XX Kao Estate"	✓	-
	Proposal to write off bad loans to "XX Yang" and 11 other borrowers	✓	-
	Amendment to the Bank's Regulations for Managing the Risk in Trading Equities and Their Derivatives	✓	-
	Amendment to the Bank's Regulations for Managing the Risk in Trading Foreign Exchange and Its Derivatives	✓	-
	Amendment to the Bank's Regulations for Managing the Risk in Trading Bonds/Bills, Interest Rates, and Credit Derivatives	✓	-
	Amendment to the Bank's Manual for Hong Kong Branch's Market Risk, Interest Rate Risk in the Banking Book, and Assets and Liabilities Management	✓	-
	Amendments to the Bank's Recovery Plan for the Hong Kong Branch	✓	-
	Amendment to the Bank's Regulations for Managing Insurance Business Solicitation Mechanisms and Procedures	✓	-
	Amendments to the Bank's Regulations Governing the Management of Invested Companies	✓	-
	The Bank's handling of the Audit Committee's opinion: (2019.6.26) Unanimous approval by all directors present		
	The Bank's handling of the Audit Committee's opinion: Unanimous approval by all directors present		

Board meeting	Proposal and subsequent measures	Item listed in Article 14-5 of the Securities and Exchange Act	Item rejected by the Audit Committee but approved by the Board of Directors in a not less than 2/3 majority vote
2019.8.23 The 7th Board of Directors in its 19th meeting	Adoption of the Bank's Product Suitability Policy on Concurrent Conducting of Securities Business	✓	-
	Proposal for the Hong Kong Branch to resume its US\$500 million unsecured lending facility	✓	-
	The Bank's consolidated and parent financial statements for first half of 2019	✓	-
	Deficiencies listed by the Financial Supervisory Commission after its routine examination in 2018 and the Bank's report on improvements thus undertaken (Table A)	✓	-
	2018 Report on Across-the-Board Evaluation of Money Laundering and Terrorism Financing Risks (bankwide version)	✓	-
	2019 Plan on Control of Money Laundering and Terrorism Financing Risks (updated version)	✓	-
	Amendment to the Bank's AML/CFT Guidelines for Insurance Agent Operations and Policy for Evaluating ML/FT Risks and Implementing Control Measures for Insurance Agent Operations	✓	-
	Amendment to the Bank's Ethical Corporate Management Best Practice Principles	✓	-
	Amendment to the Bank's Regulations Governing the Assigning of Representatives as Directors/Supervisors to invested Companies	✓	-
	Amendment to the Bank's Organizational Rules	✓	-
	Amendment to the Delegation of Authority and Responsibility Chart for the Board of Directors and the President as well as the Delegation of Responsibility Chart under the Bank's Regulations Governing the Delegation of Authority and Responsibility	✓	-
	Proposal for making a donation to the Chinese National Association of Industry and Commerce	✓	-
	Amendment to the Bank's Regulations Governing the Transfer and Sale of Credit Assets, which were renamed the Regulations for the Sale of Credit Assets	✓	-
	Adoption of the Bank's Rules for Investing in Real Estate	✓	-
	Application for a change in the terms of an existing loan by "GoldXX Co., Ltd."	✓	-
	Proposal to write off bad loans to "New XX Inc.," "XX Lai," and 12 other borrowers	✓	-
	Proposal to transfer the Bank's damages claim on "New XX Inc."	✓	-
	Adoption of the Bank's Liquidity Risk Emergency Response Plan	✓	-
	Amendment to the Bank's Regulations for Managing Liquidity and Interest Rate Sensitivity Risks	✓	-
	Outcome of the Audit Committee's deliberations: (2019.8.23) Unanimous approval by all members		
	The Bank's handling of the Audit Committee's opinion: Unanimous approval by all directors present		

Board meeting	Proposal and subsequent measures	Item listed in Article 14-5 of the Securities and Exchange Act	Item rejected by the Audit Committee but approved by the Board of Directors in a not less than 2/3 majority vote
2019.10.24 The 7th Board of Directors in its 20th meeting	Examination opinions presented by the Financial Supervisory Commission in its 2019 routine examination of the conducting of business at the Hong Kong Branch and the status of the improvements thereof	✓	-
	Report on improvements based on major examination opinions presented by the Financial Supervisory Commission in its 2018 routine examination of the Bank's conducting of business	✓	-
	Adoption of the O-Bank Group's AML/CFT Plan for 2019	✓	-
	Amendment to the Bank's Lending Policy	✓	-
	Amendment to the Bank's Regulations Governing the Control of Sectoral Concentration Risk	✓	-
	Amendment to the Bank's Regulations for the Control of Lending Limits on Individual Financial Institutions	✓	-
	Amendment to the Bank's Regulations for the Control of Aggregate Credit Risk Assumed on Any Single Business/Conglomerate	✓	-
	Proposal to write off bad loans to "XX Lu" and 26 other borrowers	✓	-
	Proposal for making a donation to the National Taiwan University Economic Research Foundation	✓	-
	Amendment to the Bank's Internal Guidelines for Outsourcing	✓	-
	Amendment to the Bank's Financial Transaction Business Management Policy and annulment of the Bank's Trading Regulations for the Treasury Department	✓	-
	The statement of compliance of the Bank's Institutional Investor Responsible Governance Principles	✓	-
	Adoption of the Bank's Rules for the Establishment of a Commodities Review Panel and for Its Conducting Review	✓	-
	Amendment to the Delegation of Responsibility Chart for the units under the the Bank's Chief Retail Banking officer and Chief Digital Officer	✓	-
	Outcome of the Audit Committee's deliberations: (2019.10.24) Unanimous approval by all members		
	The Bank's handling of the Audit Committee's opinion: Unanimous approval by all directors present		

Board meeting	Proposal and subsequent measures	Item listed in Article 14-5 of the Securities and Exchange Act	Item rejected by the Audit Committee but approved by the Board of Directors in a not less than 2/3 majority vote
2019.12.25 The 7th Board of Directors in its 21th meeting	Evaluation of CPA independence and suitability as well as appointment of Deloitte & Touche's CPAs for auditing and certifying the Bank's financial and tax reports from 2020	✓	-
	Proposal to set aside 2018's unappropriated/ retained earnings for investment in hardware and software meant for business purposes and in building construction and renovation	✓	-
	Amendment to the Bank's Regulations for Liquidity Management at the Hong Kong Branch	✓	-
	Amendment to the Bank's Regulations for Managing Renminbi Liquidity at the Hong Kong Branch	✓	-
	Amendment to the Bank's Assets and Liabilities Management Committee Organizational Rules	✓	-
	Amendment to the Bank's Regulations for Managing the Risk in Trading Equities and Their Derivatives	✓	-
	Adoption of the 2020 guidelines for the management of market risk	✓	-
	Adoption of the Bank's 2020 guidelines for the management of liquidity and interest rate sensitivity risks	✓	-
	Proposal to write off bad loans to "New XX Inc.," "XX Tsai," and 24 other borrowers	✓	-
	The Bank's 2019 report on self-evaluation of personal information protection	✓	-
	Major examination opinions presented by the Financial Supervisory Commission in its 2019 routine examination of the conducting of business at the Hong Kong Branch and the status of the improvements thereof	✓	-
	Report on improvements based on major examination opinions presented by the Financial Supervisory Commission in its 2018 routine examination of the Bank's conducting of business	✓	-
	Result of the Bank's evaluation of subsidiaries done by audits in 2019	✓	-
	The Bank's 2020 audit plan	✓	-
	The Bank's 2020 Internal Audit Plan for Concurrent Conducting of Insurance Agent Business	✓	-
	Amendment to the Bank's Regulations for Handling Whistleblower Reports	✓	-
	Review report on the Bank's derivatives business strategy, operating guidelines, and performance in 2019	✓	-
	Amendment to the Bank's Retail Banking Data Governance Policy	✓	-
	Proposal for reapplying to the competent authority for investing in Beijing Sunshine Consumer Finance Co., Ltd.	✓	-
	Proposal for extending the rental of the Bank's headquarters building to affiliate China Bills Finance Corp.	✓	-
	Amendment to the Delegation of Responsibility Chart for the Bank's Data Intelligence Department	✓	-
	Outcome of the Audit Committee's deliberations: (2019.12.25) Unanimous approval by all members		
	The Bank's handling of the Audit Committee's opinion: Unanimous approval by all directors present		

Other mentionable items:

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

An extract with respect to the aforesaid communication in 2019 is as follows:

Date	Means	Counterparty	Subject	Outcome
2019.2.27	The 3 rd Audit Committee in its 15 th meeting	The Bank's Chief Auditor	The Bank's conducting audit operations in 2018	Approved for reference
			Deficiencies listed by the central bank after its special examination in 2018 of the Bank's information disclosure in the conducting of mortgage business and the Bank's report on improvements thus undertaken	Approved for reference
			The Report on Improvements Based on Examination Opinions (Table B) with respect to the 2017 special examination undertaken by the Financial Supervisory Commission of the conducting and management of lending business at the Bank's subsidiaries (follow-up)	Approved for reference
	A seminar on audit affairs	The Bank's Chief Auditor And Auditing Department personnel	Review of the Bank's internal control system deficiencies and compliance with "Fair Treatment of Customers"	1. Implemented as proposed 2. Approved by the 7 th Board of Directors in its 16 th meeting on March 22, 2019

Date	Means	Counterparty	Subject	Outcome
2019.3.22	The 3 rd Audit Committee in its 16 th meeting	The Bank's Chief Auditor	CPA report on the Bank's implementation of negotiations with regard to its internal control system in 2018 (including the Bank's concurrent conducting of insurance agent business))	Approved for reference
			Presentation of the Bank's Internal Control System Statement for 2018 (including the Bank's concurrent conducting of insurance agent business)	No objection; submitted to the Board of Directors for examination
2019.4.26	The 3 rd Audit Committee in its 17 th meeting	The Bank's Chief Auditor	Report on Improvements Based on Examination Opinions (Table B) with respect to the 2017 special examination undertaken by the Financial Supervisory Commission of the conducting and management of lending business at the Bank's subsidiaries (follow-up)	Approved for reference
			The Bank's conducting audit operations in the first quarter of 2019	Approved for reference
			Amendment to the Bank's 2019 audit plan	No objection; submitted to the Board of Directors for examination
			Self-Assessment on the Bank's Implementation of "Fair Treatment of Customers" in 2018	No objection; submitted to the Board of Directors for examination
2019.6.26	The 3 rd Audit Committee in its 18 th meeting	The Bank's Chief Auditor	The Bank's enhanced special examination report on implementation of its assessment and control mechanism for financial derivatives as well as its internal control mechanism in 2019	Approved for reference
2019.8.23	The 3 rd Audit Committee in its 19 th meeting	The Bank's Chief Auditor	Report on Improvements Based on Examination Opinions (Table B) with respect to the 2017 special examination undertaken by the Financial Supervisory Commission of the Bank's rendering of digital financial services (follow-up)	Approved for reference
			The Report on Improvements Based on Examination Opinions (Table B) with respect to the 2018 routine examination undertaken by the Financial Supervisory Commission of the Bank's conducting of business	Approved for reference
			The Bank's conducting of audit operations in the first half of 2019	Approved for reference
			Results of the Auditing Department's enhanced special audit of the Bank's risk control mechanisms created for leasing subsidiaries and sub-subsidiaries	Approved for reference
			Special audit report on the Bank's outsourcing of its SFDC cloud services in 2019	Approved for reference
			Analytical report on the repeated deficiencies of the Bank's internal units detected in audits over the past five years	Approved for reference
			Report on Improvements Based on Examination Opinions (Table A) with respect to the 2018 routine examination undertaken by the Financial Supervisory Commission of the Bank's conducting of business	No objection; submitted to the Board of Directors for examination
	A seminar on audit affairs	The Bank's Chief Auditor and Auditing Department personnel	Review of the Bank's internal control system deficiencies and supervision of auditing operations at overseas branches in the first half of 2019	1. Implemented as proposed 2. Approved by the 7 th Board of Directors in its 20 th meeting on October 24, 2019

Date	Means	Counterparty	Subject	Outcome
2019.10.24	The 3 rd Audit Committee in its 20 th meeting	The Bank's Chief Auditor	Examination opinions presented by the Central Bank in its 2019 special examination of the Bank's handling of foreign exchange transfer telegrams or messages and the status of the improvements thereof	Approved for reference
			Report on Improvements Based on Examination Opinions (Table B) with respect to the 2019 routine examination undertaken by the Financial Supervisory Commission of the Hong Kong's conducting of business	Approved for reference
			The Bank's conducting of audit operations in the third quarter of 2019	Approved for reference
			Report on Improvements Based on Examination Opinions (Table B) with respect to the 2019 special examination undertaken by the Financial Supervisory Commission of the Bank's extending loans to the New Site Industries Group	Approved for reference
			Report on Improvements Based on Examination Opinions (Table A) with respect to the 2019 routine examination undertaken by the Financial Supervisory Commission of the Hong Kong's conducting of business	No objection; submitted to the Board of Directors for examination
			Report on Improvements Based on Examination Opinions (Table A) with respect to the 2018 routine examination undertaken by the Financial Supervisory Commission of the Bank's conducting of business (follow-up)	No objection; submitted to the Board of Directors for examination
2019.12.25	The 3 rd Audit Committee in its 21 st meeting	The Bank's Chief Auditor	Report on Improvements Based on Examination Opinions (Table B) with respect to the 2017 special examination undertaken by the Financial Supervisory Commission of the conducting and management of lending business at the Bank's subsidiaries (follow-up)	Approved for reference
			Results of the Bank's evaluation of internal units done by audits in 2019	Approved for reference
			Report on the Bank's routine audit of outsourcing its SFDC cloud service platform in 2019	Approved for reference
			Report on Improvements Based on Examination Opinions (Table B) with respect to the 2019 routine examination undertaken by the Financial Supervisory Commission of the Hong Kong's conducting of business (follow-up)	Approved for reference
			Report on Improvements Based on Examination Opinions (Table A) with respect to the 2019 routine examination undertaken by the Financial Supervisory Commission of the Hong Kong's conducting of business (follow-up)	No objection; submitted to the Board of Directors for examination
			Report on Improvements Based on Examination Opinions (Table A) with respect to the 2018 routine examination undertaken by the Financial Supervisory Commission of the Bank's conducting of business (follow-up)	No objection; submitted to the Board of Directors for examination
			Results of the Bank's evaluation of subsidiaries done by audits in 2019	No objection; submitted to the Board of Directors for examination
			The Bank's audit plan for 2020	No objection; submitted to the Board of Directors for examination
			The Bank's 2020 Internal Audit Plan for Concurrent Conducting of Insurance Agent Business	No objection; submitted to the Board of Directors for examination

(2) Communication between CPAs and independent directors:

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

A summary of the communication between CPAs and independent directors as well as the reports presented therein in 2019 is as follows:

Date	Means	Counterparty	Subject	Outcome
2019.2.27	The 3 rd Audit Committee in its 15 th meeting	CPA	Auditing of 2018 parent financial statements and key audit items	No objection; submitted to the Board of Directors for examination
2019.3.22	The 3 rd Audit Committee in its 16 th meeting	CPA	Auditing of 2018 consolidated financial statements and key audit items	No objection; submitted to the Board of Directors for examination
2019.4.26	The 3 rd Audit Committee in its 17 th meeting	CPA	Reviewing of consolidated financial statements for the first quarter of 2019	No objection; submitted to the Board of Directors for examination
2019.8.23	The 3 rd Audit Committee in its 19 th meeting	CPA	Auditing of consolidated and parent financial statements for the first half of 2019 and key audit items	No objection; submitted to the Board of Directors for examination
2019.10.24	The 3 rd Audit Committee in its 20 th meeting	CPA	Reviewing of consolidated financial statements for the third quarter of 2019	No objection; submitted to the Board of Directors for examination

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

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

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

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

Item Evaluated	Status			Deviations (if any) from the Corporate Governance Best-Practice Principles for Banks and reasons for such discrepancies
	Yes	No	Brief Explanation	
2. Composition and Duties of the Board of Directors				None
(1) Besides setting up the Compensation Committee and Audit Committee, as required by law, does the Bank voluntarily establish other functional committees?	✓		(1) In addition to setting up the Compensation Committee and Audit Committee, as required by law, the Bank has established the Investment Committee and Corporate Social Responsibility Committee.	
(2) Does the TSEC/TPEX listed Bank enact regulations and methods for evaluating Board of Directors performance, conduct such evaluation on an annual basis, present evaluation results to the Board of Directors, and use these as reference for considering the remuneration and reelection nomination of each director?	✓		(2) To further improve corporate governance, bolster the Board of Directors, and establish goals for strengthening its operations, the 7th Board of Directors enacts the Bank's Regulations Governing the Performance Evaluation of the Board of Directors in its 18th meeting on June 26, 2019. The Board of Directors and functional committees should conduct an internal performance evaluation at least once a year. Also, the evaluation should be conducted at least once every 3 years by external evaluation institutions or panel of external experts and scholars. In the first quarter of 2020, the Bank completed evaluating the 2019 performance of the Board of Directors, the result of which was presented to the 22nd meeting of the 7th Board of Directors on February 26, 2020. All in all, the Board of Directors and functional committees have operated smoothly and fulfilled the responsibility of guiding and supervising the Bank's strategy implementation, major operations, and risk management. Fully aware of their duties, directors actively engage in corporate operations and deliver fitting decisions, thereby helping enhance governance quality. The result of the aforesaid evaluation is not only intended for the reference of the Board of Directors and functional committees in striving for improvement but also taken into account alongside the Bank's business performance, director involvement in corporate operations, and director contributions and responsibilities as the basis for setting director remuneration. Meanwhile, the Bank is ready to undertake timely review, whenever this is warranted by the state of business and applicable laws and regulations, to ensure that the Bank's business guidelines remain compatible with its commitment to corporate governance.	
(3) Does the Bank evaluate the independence of its CPAs on a regular basis?	✓		(3) The Bank evaluates the independence of its CPAs on an annual basis and presents the result to the Audit Committee and the Board of Directors for review and approval. In accordance with the internal rotation of the Bank's CPA firm Deloitte Taiwan, the Bank's CPAs Charles Yang and Dian Chen would be replaced with Yin-Chou Chen and Wang-Sheng Lin from the first quarter of 2019. The Bank evaluated the new appointments and presented the result to the Audit Committee and the Board of Directors on December 25, 2019 for review, and both gave their approval. CPAs Yin-Chou Chen and Wang-Sheng Lin of Deloitte Taiwan were found to meet the Bank's criteria of independence and thus qualify as the Bank's CPAs. The Bank also secured the required statements from both CPAs.	

Item Evaluated	Status			Deviations (if any) from the Corporate Governance Best-Practice Principles for Banks and reasons for such discrepancies
	Yes	No	Brief Explanation	
3. Does the Bank appoint a reasonable number of eligible corporate governance personnel and place a managerial officer in charge of corporate governance affairs (including but not limited to preparation of materials for directors and supervisors to perform their duties, assistance to directors and supervisors for legal compliance, undertaking of matters related to board meetings and shareholders' meetings, and compilation of board and shareholders' meeting minutes)?	✓		<p>The Bank set up the Corporate Social Responsibility Committee in January 2015. The undertaking of relevant matters is assigned to the corporate governance team. Composed of the Auditing Department, Corporate Secretariat, Legal and Compliance Department, Risk Management Department, Strategic Planning Department, and Human Resources Department, the team is charged with enacting the Bank's guiding principles for business development and risk management, as well as handling other corporate governance affairs related to ethical management and risk management. These include legal compliance, transparency of information disclosure, information protection, and preservation of shareholder rights and interests.</p> <p>On December 27, 2017, the Board of Directors enacted the O-Bank Co., Ltd. Corporate Governance Principles to further bolster the Bank's corporate governance system. The said principles spell out endeavors to ensure legal compliance and upgrade internal management, protect shareholder rights and interests, strengthen the functions of the Board of Directors, maximize the functions of the Audit Committee, honor the rights and interests of interested parties, and increase the transparency of information disclosure. It was also made clear that the corporate governance team under the Corporate Social Responsibility Committee is charged with the responsibility of implementing the Bank's corporate governance operations.</p> <p>Separately, the Board of Directors approved the appointment of Vice President Chang, Wesley S.C. as the Bank's head of corporate governance on February 27, 2019; he had previously accumulated a managerial experience with respect to legal, stock, or meeting affairs at a public company for more than three years. The Bank's head of corporate governance is charged with providing information needed for directors to perform their duties; helping directors comply with applicable laws and regulations, assume office, and continue to undergo training; undertaking matters in relation to Board of Directors and shareholders' meetings and produce the minutes thereof; and conducting other duties prescribed in the Articles of Incorporation and relevant contracts.</p> <p>A summary of the duties performed in 2019 is as follows:</p> <ol style="list-style-type: none"> 1. Assist directors and independent directors in performing their duties and providing the information needed as well as make arrangements for their training. : <ol style="list-style-type: none"> (1) Bring members of the Board of Directors up to date with the latest statutory developments in the areas of corporate management and governance on a regular basis. (2) Determine the classification levels of relevant information based on which to provide directors with such and help facilitate communication between directors and heads of various business departments. (3) Assist directors and independent directors in setting annual training programs and scheduling courses based on the Bank's business characteristics and their educational and occupational backgrounds. 2. Help ensure the compliance of procedures and resolutions of Board of Directors and shareholders' meetings : <ol style="list-style-type: none"> (1) File reports on the Bank's implementation of corporate governance to the Board of Directors, independent directors, or the Audit Committee as well as ascertain if Board of Directors and shareholders' meetings comply with applicable laws and corporate governance principles. (2) Remind directors of applicable laws and regulations they are supposed to comply with over the course of performing duties or before the Board of Directors adopts any resolution; speak up when the Board of Directors adopts any illegal resolution. (3) Handle publication of major resolutions adopted by the Board of Directors, a process in which priority shall be given to ensuring information legality and accuracy so as not to result in information asymmetry for investors. 3. Draft the agenda of a scheduled Board of Directors meeting and present it to directors by the statutory deadline; convene the said meeting and provide the materials thereof. 4. Register the date of a scheduled shareholders' meeting in advance, as required by law, and compile the meeting notice, agenda handbook, and meeting minutes by the statutory deadlines; register any amendment to the Articles of Incorporation or reelection of directors. 	None

Item Evaluated	Status			Deviations (if any) from the Corporate Governance Best-Practice Principles for Banks and reasons for such discrepancies																												
	Yes	No	Brief Explanation																													
			<p>5. Formulate and implement the Bank's ethical management policy and preventive measures thereof as well as report to the Board of Directors on a regular basis.</p> <p>A summary of the Bank's implementation of ethical management in 2019 is as follows :</p> <p>(1) Implement quantitative indicators for ethical management.</p> <p>(2) Establish a mechanism for assessing the risk of unethical conduct.</p> <p>(3) Stand by the Bank's ethical management policy.</p> <p>(4) Complete ethical management promotion and training.</p> <p>(5) Implement the Bank's reporting system faithfully.</p> <p>(6) Conduct audits of ethical management and evaluation of the effectiveness thereof.</p> <p>A summary of the Bank's training for the head of corporate governance in 2019 is as follows:</p> <table><tr><th>Date</th><th>Organizer</th><th>Course</th><th>Hour</th></tr><tr><td>1/11</td><td>Taiwan Corporate Governance Association</td><td>Practitioners of Corporate Governance: Corporate Governance Personnel at Work</td><td>3</td></tr><tr><td>5/20</td><td>Corporate Operation Association</td><td>Corporate Governance and the Operations of AGMs</td><td>3</td></tr><tr><td>6/25</td><td>Taiwan Corporate Governance Association</td><td>Changes to and Future of Companies Limited by Shares After Amendment to the Company Act</td><td>3</td></tr><tr><td>7/12</td><td>Taiwan Corporate Governance Association</td><td>How to Read Financial Statements—a Lesson for Directors and Supervisors Without Financial Training</td><td>3</td></tr><tr><td>7/18</td><td>Corporate Operation Association</td><td>Mounting and Blocking Unsolicited Takeover Bids and the Responsibility of the Companies' Responsible Persons</td><td>3</td></tr><tr><td>8/2</td><td>Taiwan Corporate Governance Association</td><td>Move Corporate Governance Up Another Rung—The Chief Governance Officer's Role and Responsibility</td><td>3</td></tr></table>	Date	Organizer	Course	Hour	1/11	Taiwan Corporate Governance Association	Practitioners of Corporate Governance: Corporate Governance Personnel at Work	3	5/20	Corporate Operation Association	Corporate Governance and the Operations of AGMs	3	6/25	Taiwan Corporate Governance Association	Changes to and Future of Companies Limited by Shares After Amendment to the Company Act	3	7/12	Taiwan Corporate Governance Association	How to Read Financial Statements—a Lesson for Directors and Supervisors Without Financial Training	3	7/18	Corporate Operation Association	Mounting and Blocking Unsolicited Takeover Bids and the Responsibility of the Companies' Responsible Persons	3	8/2	Taiwan Corporate Governance Association	Move Corporate Governance Up Another Rung—The Chief Governance Officer's Role and Responsibility	3	
Date	Organizer	Course	Hour																													
1/11	Taiwan Corporate Governance Association	Practitioners of Corporate Governance: Corporate Governance Personnel at Work	3																													
5/20	Corporate Operation Association	Corporate Governance and the Operations of AGMs	3																													
6/25	Taiwan Corporate Governance Association	Changes to and Future of Companies Limited by Shares After Amendment to the Company Act	3																													
7/12	Taiwan Corporate Governance Association	How to Read Financial Statements—a Lesson for Directors and Supervisors Without Financial Training	3																													
7/18	Corporate Operation Association	Mounting and Blocking Unsolicited Takeover Bids and the Responsibility of the Companies' Responsible Persons	3																													
8/2	Taiwan Corporate Governance Association	Move Corporate Governance Up Another Rung—The Chief Governance Officer's Role and Responsibility	3																													
4. Has the Bank established channels for communicating with stakeholders (including but not limited to shareholders, employees, customers, and suppliers), assigned a stakeholder section on its website, and addressed major corporate social responsibility issues that stakeholders are concerned about in a proper manner?	✓		The Bank's website has a section meant specifically for stakeholders with a view to providing customers, shareholders, employees, suppliers, the media, and government agencies with comprehensive information, reflecting the Bank's commitment to taking their rights and interests seriously and ensuring smooth communication with them.	None																												

Item Evaluated	Status			Deviations (if any) from the Corporate Governance Best-Practice Principles for Banks and reasons for such discrepancies
	Yes	No	Brief Explanation	
5. Information Disclosure				None
(1) Does the Bank install a website for disclosing information on finances, operations, and corporate governance?	✓		(1) The Bank has installed a corporate website to disclose information with regard to financial operations, corporate governance, and other material matters. The Bank also conducts information publication and disclosure on the Market Observation Post System in accordance with applicable regulations.	
(2) Does the Bank adopt other means of information disclosure (such as installing an English website, designating personnel to collect and disclose material information, appointing a spokesperson to communicate with the general public, and making public the recordings of investor briefings on its website)?	✓		(2) The Bank's corporate website is presented in both Chinese and English for the reference of overseas investors. A dedicated department is charged with the collection and disclosure of information. The Bank has also appointed a spokesperson and an acting spokesperson who are responsible for announcing information with regard to corporate operations in a timely fashion. Meanwhile, information with regard to presentations at the Bank's investor briefings is made public and disclosed on both its website and the Market Observation Post System in accordance with applicable regulations.	
(3) Does the Bank, in accordance with applicable provisions of the Banking Act and the Securities and Exchange Act, publish and report its annual financial statements by the specified deadline after the end of a fiscal year, and publish and report, by the respective specified deadlines, its financial statements for the first, second, and third quarters of the current year as well as its operating results of each month before the specified deadline?	✓		(3) The Bank, in accordance with applicable provisions of the Banking Act and the Securities and Exchange Act, publishes and reports its financial statements for the most recent fiscal year and for the first, second, and third quarters of the current year as well as its operating results of each month before the respective specified deadlines.	

Item Evaluated	Status			Deviations (if any) from the Corporate Governance Best-Practice Principles for Banks and reasons for such discrepancies
	Yes	No	Brief Explanation	
6. Is there other important information that can facilitate better understanding of the Bank's corporate governance practices (including but not limited to employee rights and interests, employee care, investor relations, rights and interests of interested parties, records of training for directors and supervisors, implementation of risk management policy and risk evaluation criteria, implementation of customer relations policy, purchases of professional indemnity insurance for directors and supervisors, and donations to political parties, stakeholders, and charitable groups)?	✓		<p>(1) Employee rights and interests and employee care: The Bank gives priority to employee rights and interests and devotes itself toward employee care. In addition to having employees covered by labor and national health insurance, as dictated by law, the Bank also provides employees with group insurance and periodic health examinations. The Bank also appropriates funds, as stipulated by law, for the establishment of an employee welfare committee that offers information regarding cultural and artistic activities and sponsors various group activities to promote employee wellbeing and facilitate their holistic development.</p> <p>(2) Investor relations: The Bank's website comes with an investor section that provides investors with real-time information concerning corporate updates, finances, stock affairs, investor activities and services, etc.</p> <p>(3) Rights and interests of interested parties: The rights and interests of the Bank's stakeholders are protected under applicable laws and regulations as well as the Bank's internal rules. Stakeholders can find various means of communication with the Bank on its website.</p> <p>(4) Training for directors: The Bank offers information with regard to the training of directors in corporate governance, securities statutes, ethical management, AML, fair treatment of customers, information technology, international industrial and economic trends, etc. A summary of the Bank's training for directors in 2019 has been made public and disclosed in the corporate governance section of the Market Observation Post System in accordance with applicable regulations.</p> <p>(5) Implementation of risk management policy and risk evaluation criteria: The Board of Directors has enacted the Bank's risk management policy, capital adequacy and risk management information disclosure policy, credit risk management guidelines, regulations for managing liquidity and interest rate sensitiveness risks, regulations for managing investment and transaction risks, regulations for managing operational risks, lending business risk management mechanism, evaluation mechanism for asset quality and classification, and mechanism for safeguarding information security as the bedrock of the Bank's risk management. The control of various risks (including the control of loan portfolio, market, interest rate, liquidity, and operational risks; the operations and risk exposure of leasing subsidiaries; and risk control at EverTrust Bank) is submitted to the Board of Directors for approval and reference. The Bank has also assigned a section on its website exclusively for capital adequacy and risk management. Information disclosed therein includes the Bank's capital adequacy management, credit risk management system, market risk management system, operational risk management system, IRRBB management system, and liquidity risk management system.</p> <p>(6) Implementation of customer relations policy: To provide customers with comprehensive financial services, the Bank enacts and implements a customer relations policy that takes account of both business characteristics and customer needs.</p> <p>(7) Purchases of professional indemnity insurance for directors: The Bank began purchasing professional indemnity insurance for directors in June 2009 with a view to offering directors and managerial officers buffers against the risk and liability they assume. Renewal of the said professional indemnity insurance in 2019 was already reported to the Board of Directors and disclosed in the corporate governance section of the Market Observation Post System (https://mops.twse.com.tw).</p>	None

Item Evaluated	Status			Deviations (if any) from the Corporate Governance Best-Practice Principles for Banks and reasons for such discrepancies
	Yes	No	Brief Explanation	
			(8) Donations to political parties, stakeholders, and charitable groups: In 2019, the Bank donated NT\$4.8 million to the O-Bank Education Foundation, NT\$300,000 to the Criminal Investigation and Prevention Association, NT\$300,000 to the Chinese National Association of Industry and Commerce, NT\$74,000 to the National Taiwan University Economic Research Foundation, NT\$30,000 to the Eisenhower Fellows Association in the R.O.C., NT\$4,250 to New Taipei Municipal JiChin Elementary School in Ruifang District, and NT\$4,250 to New Taipei Municipal PingLin Elementary School in Pinglin District, totaling NT\$5,512,500.	
<p>7. Please describe the status of improvement already made based on the results of the Corporate Governance Evaluation System released by the Taiwan Stock Exchange Corporate Governance Center in the most recent year, as well as priority matters and measures in areas where improvement has yet to be made:</p> <p>In the 6th corporate governance evaluation conducted by the Taiwan Stock Exchange in 2019, the Bank ranked among the top 6~20%. Taking its lead from the competent authority's Corporate Governance Roadmap (2018-2020), the Bank is set to usher in all warranted measures to further improve the effectiveness of its corporate governance endeavors.</p> <p>The Company's improvement in corporate governance in 2019:</p> <ol style="list-style-type: none"> 1. The Bank already adopts a policy of diversity for its Board of Directors and discloses information with regard to implementation of this policy on its website and in its annual report. 2. The Bank already discloses the Audit Committee's annual agenda and the implementation thereof. 3. The Bank already establishes a set of regulations for assessing Board of Directors performance and conducts self-assessment accordingly. 4. The Bank already installs an English-language website and discloses material information thereon. 5. The Bank already discloses information with regard to employee benefits and retirement as well as status of its implementation. 6. The Bank already secures an ISO 14064-1 greenhouse gas emissions verification statement. <p>Items in need of improvement going forward:</p> <ol style="list-style-type: none"> 1. Bolster the independence of the 8th Board of Directors (at least two independent directors with not more than 3 consecutive terms of office). 2. Disclose the deliberations and decisions of the Compensation Committee as well as the Bank's responses to opinions of committee members. 3. Establish the Corporate Governance Committee. 4. Strengthen operations of the internal control system to reduce the risk of being penalized. 5. Disclose the linkage between evaluating the performance of directors and managerial officers and setting their remuneration. 6. Convene at least two investor conferences. 7. Disclose adjustment in the average employee remuneration on the Market Observation Post System. 8. Assess the immediate and potential risks and opportunities that climate change may bring about for the Bank and implement countermeasures accordingly. <p>8. Others</p> <p>(1) Deviations (if any) from the Corporate Governance Best Practice Principles for TSEC/TPEX Listed Companies and reasons for such discrepancies</p>				

Item Evaluated	Status			Deviations (if any) from the Corporate Governance Best-Practice Principles for TSEC/TPEX Listed Companies and reasons for such discrepancies
	Yes	No	Brief Explanation	
1. Has the Bank enacted and disclosed its corporate governance principles based on the Corporate Governance Best-Practice Principles for TSEC/TPEX Listed Companies?	✓		The Bank's 7 th Board of Directors enacted the Bank's Corporate Governance Principles at its 5 th meeting on December 27, 2017. The said principles were then disclosed on the Bank's website and the Market Observation Post System.	None
2. Does the Bank adopt internal rules that prohibit insiders from trading securities based on information not yet disclosed to the market?	✓		The Bank has in place the Shareholding Management Regulations and Code of Ethical Conduct that apply to directors, managerial officers, and employees separately.	None
3. Does the Bank adopt a policy of diversity with regard to composition of the Board of Directors and implement it faithfully?	✓		<p>At its 5th meeting on December 27, 2017, the Bank's 7th Board of Directors enacted the Bank's Corporate Governance Principles, in which Chapter 4 "Strengthen Board of Directors Functions" spells out a guideline for the diversity of its composition. The Bank abides by the Articles of Incorporation when it comes to nominating and selecting members of the Board of Directors. In addition to cautiously reviewing the qualifications of nominees, the Bank makes it a point to comply with the Regulations for Board Election and the Corporate Governance Principles in order to ensure the diversity and independence of board members.</p> <p>Diversity is given priority in making up the Bank's 7th Board of Directors. Members are elites from finance, industry, and academia. Of the directors, one holds a PhD and 10 hold MAs, covering such fields of study as economics, commerce, business administration, management, accounting, public administration, social welfare, and languages. All of them have the knowledge, skills, and capacity needed for performing their duties. Their specialties include financial services, finance, commerce, law, and industry.</p> <p>Of the Bank's 15 incumbent directors, three are independent directors (accounting for 20%). Two independent directors recorded not more than 9 years of service and one recorded more than 9 years. In terms of age distribution, five directors are aged under 60, seven between 61-70, and three over 71, attesting to a thorough mix of experience and innovation. Moreover, the Bank also values gender equality in its Board of Directors: currently three directors are female, or 20%. The Bank aims at 25% or more; therefore, it will first approach to female directors in the future election of Board of Directors so as to achieve its target. Separately, there are two directors (also 13%) who are employees (including employees of the Bank's affiliates) in a concurrent capacity.</p> <p>The Board of Directors discloses the policy on the diversity of its composition and implementation thereof in the Bank's annual report as well as on the Bank's website and the Market Observation Post System.</p>	None
4. Does the Bank entrust a specialized stock agency to handle affairs related to shareholders' meetings?	✓		The Bank's affairs related to shareholders' meetings are handled by CTBC Bank's Corporate Trust Operation and Service Department.	None

(Note) Criteria for Evaluating the Independence of CPAs

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

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

Based on a resolution adopted by the Board of Directors, the Compensation Committee was established on April 22, 2009. It was followed by the board's adopting the Compensation Committee Organizational Rules on August 26 of the same year and changing the committee's Chinese name on December 28, 2011. Composed of the entire number of independent directors, the committee is intended to assist the Board of Directors in drafting and periodically reviewing performance evaluation for directors and managerial officers as well as the policy, system, criteria, and structure of compensation-setting; assessing remunerations for directors and managerial officers on a regular basis; and setting down the criteria for evaluating the performance of service personnel and standards for deciding on their compensation. The committee shall convene at least twice a year and may convene at any time when necessary. In 2019, the committee met on January 25, February 27, March 22, June 26, August 23, October 24, and December 25.

A. Professional Qualifications and Independence Analysis of Compensation Committee Members

Title	Criteria Name	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independence Criteria (Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as a Compensation Committee Member	Note
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10		
Independent Managing Director	Chan, Hou-Sheng	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	Yue, Thomas C.T.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	4	
Independent Director	Liu, Richard R.C.	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

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

1. Not an employee of the Bank or any of its affiliates.
2. Not a director or supervisor of the Bank or any of its affiliates (not applicable in cases where the person is an independent director of the Bank and concurrently serving as such at, its parent company, a subsidiary, or a fellow subsidiary of the same parent company as appointed in accordance with the Securities and Exchange Act or with the laws or regulations of the applicable host country).
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Bank or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the managerial officers in the previous subparagraph 1, and of any of the persons in the previous subparagraph 2 and 3.
5. Not a director, supervisor, or employee of a juristic-person shareholder that directly holds 5% or more of the outstanding shares of the Bank, whose shareholding ranks among the top five, or that is entitled to assign a representative to serve as a director or supervisor of the Bank pursuant to paragraph 1 or 2, Article 27 of the Company Act (not applicable in cases where the person is an independent director of the Bank and concurrently serving as such at, its parent company, a subsidiary, or a fellow subsidiary of the same parent company as appointed in accordance with the Securities and Exchange Act or with the laws or regulations of the applicable host country).
6. Not a director, supervisor, or employee of any other company if a majority of the Bank's director seats or voting shares and those of this other company are controlled by the same person (not applicable in cases where the person is an independent director of the Bank and concurrently serving as such at, its parent company, a subsidiary, or a fellow subsidiary of the same parent company as appointed in accordance with the Securities and Exchange Act or with the laws or regulations of the applicable host country).
7. Not a director, supervisor, or employee of any other company if the chairperson, president, or person holding an equivalent position of the Bank and a person in any of the said positions at another company or institution are the same person or are spouses (not applicable in cases where the person is an independent director of the Bank and concurrently serving as such at, its parent company, a subsidiary, or a fellow subsidiary of the same parent company as appointed in accordance with the Securities and Exchange Act or with the laws or regulations of the applicable host country).
8. Not a director, supervisor, managerial officer or shareholder holding 5% or more of the outstanding shares of a specific company or institution, with which the Bank has financial or business relationship (not applicable in cases where the said specific company or institution holds 20% or more and not more than 50% of the outstanding shares of the Bank and where the person is an independent director of the Bank and concurrently serving as such at, its parent company, a subsidiary, or a fellow subsidiary of the same parent company as appointed in accordance with the Securities and Exchange Act or with the laws or regulations of the applicable host country).
9. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Bank or any affiliate of the Bank, or that provides commercial, legal, financial, accounting or related services to the Bank or any affiliate of the Bank for which the provider in the past two years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof (not applicable to a member of the remuneration committee, public tender offer review committee, or special committee for mergers and acquisitions, who exercises powers pursuant to the Securities and Exchange Act or the Business Mergers and Acquisitions Act and other applicable laws or regulations).
10. Not been a person of any conditions defined in Article 30 of the Company Law.

B. Attendance of Members at Compensation Committee Meetings

1. There are three members in the Compensation Committee.
2. The members of the 4th Compensation Committee shall serve a three-year term from June 14, 2017 through June 13, 2020. In the most recent year, the Compensation Committee convened eight meetings: :

A total of 7(A) meetings of the 4th Compensation Committee were held in 2018. The attendance record of the Compensation Committee members was as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) 【 B/A 】	Remarks
Convener	Chan, Hou-Sheng	7	0	100	
Committee Member	Yue, Thomas C.T.	7	0	100	
Committee Member	Liu, Richard R.C.	7	0	100	

Other mentionable items:

- a. If the board of directors declines to adopt or modifies a recommendation of the compensation committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the compensation committee's opinion (eg., the compensation passed by the Board of Directors exceeds the recommendation of the compensation committee, the circumstances and cause for the difference shall be specified): None.
- b. Resolutions of the compensation committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.
- c. The Compensation Committee's Scope of Duties:

The Committee shall exercise the duty of care to faithfully perform the following duties and present its recommendations to the Board of Directors for discussion:

- (1) Establish and periodically review the policies, systems, standards, and structures with regard to evaluating the performance of directors and managerial officers and setting their remuneration.
- (2) Assess the remuneration of directors and managerial officers on a regular basis.
- (3) Establish the performance evaluation and remuneration standards for salespeople, that is, employees whose remuneration or performance evaluation derives from the sale of financial products and services.

4. A Summary of the major proposals reviewed by the Compensation Committee in 2019 and the results thereof is as follows :

Date and Meetings of the Compensation Committee	Proposal	Outcome of the deliberations
2019.1.25 The 4 th Compensation Committee in its 13 th meeting	Proposal for granting 2018 year-end bonuses to the Bank's chairman, vice chairman, and managerial officers and allocating talent retention bonuses	Approved upon the chair's putting it before all committee members present at the meeting
2019.2.27 The 4 th Compensation Committee in its 14 th meeting	Distribution of remunerations to directors and employees for 2018 Proposal for pay adjustment for specific managerial officers and for remuneration of newly appointed managerial officers	
2019.3.22 The 4 th Compensation Committee in its 15 th meeting	Proposal for pay adjustment in 2019 Amendment to the Bank's Rules for Allocating and Granting Year-End Bonuses Proposal for pay adjustment for the Bank's chairman, vice chairman, and managerial officers in 2019	
2019.6.26 The 4 th Compensation Committee in its 16 th meeting	Proposal for remuneration of the Bank's newly appointed managerial officers Adoption of O-Bank Co., Ltd. Regulations Governing the Performance Evaluation of the Board of Directors Proposal for the distribution of 2018 employee remuneration among managerial officers	
2019.8.23 The 4 th Compensation Committee in its 17 th meeting	Proposal for remuneration of the Bank's newly appointed managerial officers	
2019.10.24 The 4 th Compensation Committee in its 18 th meeting	Proposal for remuneration of the Bank's newly appointed managerial officers	
2019.12.25 The 4 th Compensation Committee in its 19 th meeting	Amendments to the Bank's Regulations Governing Employee Compensation and Rules for Allocating and Granting Year-End Bonuses Proposal for remuneration of the Bank's newly appointed managerial officers	

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

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
1. Does the Bank, based on the materiality principle, undertake risk assessment of environmental, social, and corporate governance issues in relation to its business operations and adopt a risk management policy or strategy accordingly?	✓		In 2015, the Bank established its Corporate Social Responsibility Committee to take charge of reviewing and assessing how various material issues may impact its operations and how much stakeholders are concerned about them on an annual basis. The aforesaid material issues cover such areas as corporate governance, environmental protection, employee care, customer relations, and social inclusion. The 5 subcommittees under Corporate Social Responsibility Committee addresses the potential risks posed by these material issues by implementing management policies and guidelines and convenes quarterly meetings for tracking implementation progress and effectiveness. Refer to Item 7 of this table for a detailed account of the importance of each material issue to the Bank as well as the risk involved, the Bank's management policy, and the scope of impact thereof.	None
2. Does the Bank establish an exclusive (concurrent) unit to promote corporate social responsibility, with the Board of Directors authorizing senior executives to take charge and report on its operations?	✓		In accordance with the Corporate Social Responsibility Committee Organizational Regulations approved by the Board of Directors, the committee comprises a chairman, a vice chairman, and a number of members, all of whom shall be appointed or assigned by the Chairman of the Board. The committee is to report to the Board of Directors on the result of the Bank's implementation of its corporate social responsibility plan at least once a year.	None
3. Environmental Concerns				None
(1) Does the company establish proper environmental management systems based on the characteristics of their industries?	✓		(1) The Bank is committed to taking environmental concerns into account over the course of daily operations. In 2018, the Bank ushered in an ISO14001-compliant environmental management system and systematically adopted various environment-friendly measures. The Bank went on to secure ISO14001 certification in December of the same year. In 2019, the Bank acquired an ISO 14064-1 greenhouse gas emissions verification statement, another significant token of the Bank's commitment to striving for co-existence and mutual prosperity with the environment.	None
(2) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	✓		(2) The Bank's purchasing prioritizes and emphasizes environmental protection and suppliers that comply with green energy requirements, and we strive to engage in green purchasing. We emphasize water management in office buildings, including bathrooms and outdoor vegetation, and we have strengthened control of water usage. Furthermore, we are continuing to implement an electronic approval system for official document, and promote the frequent use of e-forms and e-mail, and have installed bank-wide videoconferencing equipment in order to reduce the use of paper. We also purchase recycled paper and recyclable and reusable ink cartridges.	None
(3) Does the company evaluate the potential risk and opportunities in climate change with regard to the present and future of its business, and take appropriate action to counter climate change issues?	✓		(3) Confronted with the risks and opportunities that climate change may bring, the Bank has opted for energy conservation and carbon reduction and phased in renewable energy to mitigate the impact that its operations may have on the environment. As Taiwan's first digitally focused bank, the Bank takes pride in its business model of digital banking that makes a lesser impact on the environment and climate. For instance, digital banking contributes to massive energy savings thanks to doing away with brick-and-mortar branches, reductions in transportation and energy costs incurred by customer visits thereto, and a mitigated impact on the environment from sparing the need for physical documents. This environmentally friendly business model benefits the Bank not only in mitigating the risk that climate change may impose higher operating costs on brick-and-mortar outlets but also in attaining the co-existence of technology and the environment.	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(4) Does the company take inventory of their greenhouse gas emissions, water consumption, and total waste produced over the last two years, and implement policies on energy efficiency and carbon reduction, greenhouse gas reduction, water reduction, or waste management?	✓		<p>(4) In 2019, the Bank's headquarters building saw its CO2 emissions caused by power and water consumption decrease to 1,510 tons from 1,875 tons a year earlier; water consumption, to 12,911 tons from 15,104 tons; and total waste, to 79.5 tons from 126.7 tons.</p> <p>The Bank's environmental management policy spells out goals for energy conservation and carbon reduction. With 2017 as the base year, these include a 2% reduction per capita in carbon emissions, water use, and waste output in the medium term, or by 2020, and a 3% reduction thereof in the long term, or by 2030. To effectively conserve energy and reduce carbon emissions, O-Bank has adopted a multifaceted environmental protection policy: phasing in LED lighting across office buildings; finding new use for old lighting equipment; promoting the habit of turning off lights whenever warranted and keeping all lights off during the one-hour lunch break; keeping air-conditioned temperature at not lower than 26 degrees Celsius; enforcing lift allocations to enhance efficiency; promoting repeated use of waste paper and enforcing garbage separation for recycling; equipping washstands with water supply facilities controlled by infrared sensors; and encouraging male employees to wear short-sleeved shirts and do without ties during summer days.</p>	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
4. Social Concerns				None
(1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights??	✓		<p>(1) Committed to protecting human rights, the Bank supports and observes the UN Universal Declaration of Human Rights and other international human rights conventions. The O-Bank Co., Ltd. Human Rights Policy has been enacted with a view to putting an end to any conduct that infringes or violates human rights. At the same time, we strictly uphold the labor laws and regulations of the places where we conduct business; prohibit forced labor in any form, the use of child labor, and sexual harassment; refrain from discrimination; and provide employees with an equitable, safe, and healthy working environment. The human rights issues that the Bank follows with interest and its implementation guidelines thus adopted:</p> <p>Honor human rights at the workplace: Attain workplace diversity and refrain from any form of differential treatment or discrimination on the grounds of gender, sex orientation, race, skin color, class, age, marital status, language, thought, religion, political affiliation, native place, physical appearance, or physical or mental disability.</p> <p>Ensure safety at the workplace: Promote workplace diversity and equality, comply with applicable labor and gender equality laws and regulations, and provide employees with an equitable, safe, and healthy working environment. Priority is given to protecting the safety and physical and mental health of employees, banning forced and child labor, and prohibiting discrimination, harassment, or any other unfair treatment.</p> <p>Protect personal privacy: Stand committed to protecting the privacy of customers and all stakeholders. Priority is given to creating a personal information management framework that covers the Bank’s information and networking systems as well as the information stored, processed, transmitted, or disclosed therein and to implementing all safeguarding and control measures warranted so as to prevent such incidents as damage, theft, leakage, alteration, abuse, and infringement. Emphasis is also placed on conforming to the requirements of specialized information security management systems, bolstering information security awareness, and ensuring the security of personal information.</p> <p>Offer multiple communication channels: To create a working environment conducive to harmonious labor-management relations, the Bank has installed a mailbox specifically for employees to file complaints and grievances. Working regulations also clearly specify matters for communication between labor and management, including a quarterly meeting for employees to speak up. A reporting mechanism is also established to effectively protect the labor rights of employees. Meanwhile, the Bank puts in place a platform for communicating with stakeholders, that is, listening to what they have to say and responding accordingly.</p> <p>In terms of employee training on human rights protection, new hires are required to undergo training in such areas as legal compliance, gender equality, sexual harassment prevention, and care for the disadvantaged. The Bank also offers comprehensive training on occupational safety and health designed for responsible supervisors, and fire protection personnel as well as the average employee.</p>	

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
(2) Does the Company set out and implement reasonable employee benefits (including pay, leave, and other benefits), and reasonably reflect operating performance or results in its employee compensation policy?	✓		(2) In the Bank's Regulations for Managing Employee Compensation, it is clearly stipulated that salaries and bonuses are to be granted on the basis of the Bank's business performance so that employees will have an incentive to bring out their potential and strive for excellence. Moreover, on top of menstrual leave, parental leave, paternity leave, and family care leave as required by law, the Bank goes a step further to offer paid leave for family occasions or charity events and for male employees to keep their wives company for pregnancy checkups, thereby helping employees balance work and life.	
(3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	✓		(3) We strive to provide a safe, healthy, and comfortable working environment. Measures toward this end include a test of indoor air quality every two years, a building safety test every two years, a self-defense and firefighting drill every six months, cleaning of water tanks on a semiannual basis, quarterly random testing of drinking water, and two elevator maintenance checks each month. In addition, we assist in organizing occupational safety and health courses at least once a year. Implemented to protect employees from occupational accidents, the Bank's Occupational Safety and Health Operational Rules clearly spell out matters worthy of attention and health standards at the workplace and give detailed accounts of the basics with regard to emergency measures and equipment as well as reporting in the event of an accident. The Rules also spare employees from penalties if they leave their post out of a judgment call to avoid being trapped in an occupational incident or being endangered otherwise. Based on the procedures for tackling occupational accidents prescribed in the aforesaid working regulations, supervisors of the relevant departments shall report to the Bank's head of occupational safety and health and take all necessary emergency measures in the event of an occupational accident. To encourage employees to adopt healthy lifestyles, the Bank also offers body management courses, establishes "health stations," and offer grants to sports club. The Bank has thus secured both healthy workplace certification and the Exercise Enterprise Certification Mark. In addition to having all employees covered by labor insurance, national health insurance, and group insurance, the Bank also provides them with health checkups on a regular basis, holds health lectures, and delivers health-related consulting services.	
(4) Does the company provide its employees with career development and training sessions?	✓		(4) Based on annual interviews with employees and their needs for career development, the Bank devises training programs that take account of its core competence requirements each year. These courses cover such categories as work skills, management skills, financial expertise, and general knowledge. In 2019, the Bank recorded an average of over 36.6 training hours per person. To accommodate the Bank's recent shifting toward digital banking, we also invite outside experts to give talks or offer training and asked in-house experts to devise online courses so that employees could strengthen their expertise in financial technology and related issues. To help in-house talent move up another rung as next-generation managerial officers, the Bank implements the "O-Star" initiative, under which outperforming employees are given across-the-board training that offers extra allowances for a full year.	

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
(5) Does the Company comply with applicable laws and regulations and international guidelines on customer health, safety, and privacy in marketing and labeling its products and services, as well as implement a consumer protection policy and reporting procedures for consumers to file complaints?	✓		(5) To ensure customer privacy, the Bank not only complies with all external regulations governing personal information but also implements its own Regulations for Safeguarding the Security of Personal Information and other information security management mechanisms. Separately, the Bank offers comprehensive explanations of its products and discloses information concerning fees charged for mutual fund and trust services on its official website. That is, the Bank implements a well-rounded explanatory mechanism for its products so that customers can fully understand product characteristics, risks, and fees before engaging in any transaction. In terms of protecting consumer rights and interests and creating channels for consumer complaints, the Bank has enacted the Procedures for Accepting and Handling Disputes in the Trust Business, Regulations on Handling Customer Complaints and Financial Consumer Disputes, and Guidelines for Reporting and Handling Customer Complaints and Dispute Incidents, thereby formulating a well-rounded mechanism for consumers to file complaints and effectively protecting their rights and interests.	
(6) Does the Company implement supplier management policies to require suppliers observe certain regulations and implementation status on environmental protection, occupational health and safety, or labor human rights?	✓		(6) The Bank's Guidelines for Inducing Suppliers to Fulfill Corporate Social Responsibility encourage suppliers to adopt corporate, ethical, labor, and environmental standards. The Bank also resorts to a "Supplier CSR Self-Assessment Form" to assess supplier performance on this front, including employment equality, employees' human rights, safety and health, and environmental protection. Transactions can proceed only if suppliers are confirmed to have committed no violations thereof. If suppliers are found to have broken their pledge in terms of ethical management and corporate social responsibility or have otherwise incurred a conspicuous impact on the environment and society, the Bank may blacklist and block them from bidding for procurement, maintenance, and installation projects. In accordance with the Taiwan Stock Exchange Corporation Rules Governing Information Reporting by Companies with TWSE Listed Securities and Offshore Fund Institutions with TWSE Listed Offshore Exchange-Traded Funds, we regularly disclose relevant information on the Bank's website and the Market Observation Post System. We have also established a CSR section on our website to disclose CSR-related information on a regular basis.	
5. Does the Company refer to internationally accepted guidelines or guidance for compiling a corporate social responsibility report and the like for disclosing nonfinancial information? Has the aforesaid report been verified or certified by a third party?	✓		The Bank's corporate social responsibility report is compiled and structured in accordance with the GRI Sustainability Reporting Standards (GRI Standards) and the AA1000 Accountability Principles, with reference also taken from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies, ISO 26000 Guidance on Social Responsibility, the UN Global Compact, and the Sustainable Development Goals. The report is subsequently assured by the British Standards Institution pursuant to the 2016 GRI Standards (Core option) and the AA1000's Type 1—Accountability Principles.	None
6. If the Company has established the corporate social responsibility principles based on "the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies," please describe any discrepancy between the Principles and their implementation: None.				

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	

7. Other important information to facilitate better understanding of the company's corporate social responsibility practices:

- Based on discussions among internal CSR representatives from various departments and considering relevance to the duties of the said departments as well as the frequency of contact therewith, the Bank has identified the following six major stakeholders: employees, shareholders, government agencies, customers, suppliers, and the general public. After conducting surveys of the six major stakeholders and internal departments, we have identified issues that the stakeholders are most concerned about. In turn, we have established exclusive contact channels for the respective stakeholders and made such a public announcement on the Bank's website.
- In accordance with relevant guidelines of the competent authority and the models and self-discipline principles promulgated by industry associations, the Bank already completed the following: formulation/amendment and publication of first-, second-, and third-stage AML/CFT documents (a total of 14); consistent provision of AML/CFT training (including that of directors and supervisors); optimization of the mechanism for monitoring suspicious money laundering or terrorism financing transactions; and due diligence and routine examination of customers of different risk grades.
- The Bank's lending policy has incorporated the spirit of the Equator Principles. The Bank shall expand the applicability of the Equator Principles from project financing to corporate loans. If any customer is found to come under a negative light in areas such as the environment, society, law, and ML/TF over the course of credit checking and post-lending management, the responsible unit, after assessing the impact thereof, shall make full disclosure, ask for appropriate collateral and corrective action by a deadline, present the case to a higher checking authority, and keep track of the subsequent impact. For instance, the Bank is proactive to make sure if borrowers' operating factories in mainland China conform to environmental protection regulations there. When reexamining loan applications from such borrowers or local businesses that rely on mainland China for more than 50% of their production capacity, the Bank will, when it sees fit, ask them to produce documents that certify successful completion of environmental impact assessment and final acceptance as well as permits for waste discharge for the reference of loan approval.
- The Bank mails to a borrowing customer's joint and several guarantor(s), on a regular basis, guaranteed liability notifications that fully disclose the rights and obligations as well as scope of guaranteed liability assumed by the aforesaid guarantor(s) for the customer in question: the maximum guaranteed amount at the Bank and the amount of guaranteed liability as of the record date of a given notification.
- To strengthen employees' risk alertness and environmental consciousness, we have implemented the Clean Desk Initiative. This initiative proves effective in safeguarding the security of internal data, conserving paper resources, and reducing the risk entailed by preservation of paper copies.
- The Bank has adopted its Regulations for Handling Whistleblower Reports and made public its whistleblower system on its website. Anyone who finds reason to implicate any director, supervisor, managerial officer, employee, mandatory, and individual with substantive control of the Bank or any of its affiliated enterprises or organizations in criminal acts, frauds, or violations of laws and regulations may file a report to the Bank by email or mail. To uphold corporate governance and ethical management, the Bank shall keep confidential both the identity of the whistleblower and the contents of the aforesaid report.
- Jointly enacted by the Bank's three internal control departments (Legal and Compliance Department, Auditing Department, and Risk Management Department), the Principles for Three Lines of Defense for Internal Control secured approval from the 6th Board of Directors during its 25th meeting on February 22nd, 2017. Pursuant to relevant regulations, the Human Resources Department is charged with the responsibility of overseeing all departments in performing risk management duties and conducting monitoring required of their respective line of defense in accordance with the scope of duties and powers specified in the foregoing principles.
- The Bank's Ethical Corporate Management Best Practice Principles, Procedures for Ethical Management and Guidelines for Conduct, and Criteria Governing Codes of Ethical Conduct all unequivocally prohibit unethical conduct by employees and specify matters for their attention in the course of performing duties. Upon the discovery of any violation of ethical corporate management and conduct regulations, a report shall be made immediately to an independent director or managerial officer, the chief internal auditor, or another suitable managerial officer. Upon verification of any such allegations, the violator shall be dealt with in accordance with applicable laws and regulations or the Bank's internal regulations on employee rewards and penalties.
- Personal Information Security Management
 1. To comply with regulatory requirements for protection of personal information, the Bank engaged external experts to offer counseling on ushering in a personal information management system (PIMS) and securing BS 10012 certification thereof in 2017. The aforesaid PIMS became operational in 2019, enabling the Bank to better protect and manage personal information and create a mechanism for corporate sustainability and institutionalized operations.
 2. The Bank adopts the PDCA (Plan-Do-Check-Act) approach toward building its personal information protection system. Its personal information management policy is faithfully implemented by analyzing operational procedures, information systems, and third-party management and keeping stringent control over the acquisition, handling, use, transmission, storage, and sealing and destruction of personal information.
 3. Based on the composition and functions required of such a personal information management entity, the Bank has established its Personal Information Management Committee (PIMC) in order to ensure the sustained and effective operations of this personal information security management system. With the president of the Bank as convener, the committee is charged with the oversight of personal information protection and management across the Bank. On November 22, 2019, the committee convened its annual meeting to review and decide on matters related to personal information as well as present a personal information self-evaluation report to the Board of Directors.
 4. To strengthen the personal information protection awareness and responsiveness to emergencies of its employees, the Bank continued to offer a series of training courses on personal information protection in 2019. Combining this initiative with its promotion of legal awareness and training on legal compliance, the Bank was proactive to incorporate personal information protection awareness into its corporate culture in a bid to honor its commitment to personal information protection.

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	

- To create a corporate culture committed to protecting financial consumers and thus enhancing their confidence therein, the Bank reviews internal implementation of equitable and fair treatment of consumers in accordance with applicable laws and regulations on a regular basis. Taking its lead from the Financial Supervisory Commission's assessment mechanism, the Bank also reports to the Board of Directors on its mechanism and implementation in this regard each year. Meanwhile, senior executives take upon themselves the responsibility of promoting equitable and fair treatment of consumers and ensuring legal compliance and protection of financial consumers across the Bank. In 2018, the Bank promoted employee awareness and understanding of the Financial Consumer Protection Act and the Principles for Financial Service Industries to Treat Clients Fairly by offering online training for self-evaluation of compliance and a 3-hour online session for getting familiar with the Financial Consumer Protection Act.
- The Bank provides directors with multiple channels for continuing education. Taking its lead from the Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE/TPEx Listed Companies, the Bank helped directors who were re-elected in 2019 to complete six hours of continuing education. We also occasionally provide directors with information on other continuing education opportunities.
- To implement corporate governance, enhance the bank's board functions, and to set forth performance objectives so as to improve the operation efficiency of the board of the directors, the Bank established "O-Bank's Regulations Governing the Performance Evaluation of the Board of Directors", on June 26, 2019, the bank's 18th board meeting of the 7th Board of Directors. The board of directors and functional committees should conduct an internal board performance evaluation at least once a year. Also, the evaluation should be conducted at least once every 3 years by external evaluation institutions or panel of external experts and scholars. The Bank has completed 2019 Performance Evaluation of Board of Directors by the first quarter of year 2020 and disclosed the results on the company website.
- The importance of the Bank's material issues and the risks, internal management policy, and scope of impact thereof:

Material Issue	Importance and Risk	Internal Management Policy	Scope of Impact
Business Performance	Securing profit and growth is the fundamental goal of businesses, and keeping up a solid business performance over the long term is crucial for sustainable development.	<ul style="list-style-type: none"> Articles of Incorporation Regulations for Implementing Management by Objectives 	Employees, shareholders
Shareholder Interests	Taking good care of shareholder interests properly goes a long way toward enhancing investor confidence and underpinning the Bank's share price and shareholding structure.	<ul style="list-style-type: none"> Procedural Rules Governing Shareholders' Meetings Shareholding Management Regulations 	Shareholders
Ethical Management	The financial services industry is charged with the safekeeping of people's properties. The Bank stands by ethical management as one of its core values in order to secure customer trust and support.	<ul style="list-style-type: none"> Ethical Corporate Management Best Practice Principles Procedures for Ethical Management and Guidelines for Conduct Criteria Governing Codes of Ethical Conduct Corporate Governance Principles Regulations for Handling Whistleblower Reports Insider Trading Prevention Principles 	Employees, shareholders, customers, the general public, government agencies
Disclosure Transparency	Establish a system for effective two-way communication and strengthen information transparency so that stakeholders can learn more about and place greater trust in the Bank.	<ul style="list-style-type: none"> Policy for Disclosing Information on Capital Adequacy and Risk Management Procedures for Filing External Reports and Disclosures 	Employees, shareholders, customers, the general public, government agencies
Independence and Professional Competence of Directors	Directors who come with independence and professional competence and from diverse backgrounds can best perform their decision-making and supervisory duties.	<ul style="list-style-type: none"> Procedural Rules Governing Board Meetings Election Procedures for Directors Regulations Governing the Scope of Duties of Independent Directors Regulations Governing the Performance Evaluation of the Board of Directors 	Employees, shareholders, government agencies
Legal Compliance and Internal Audit	Complying with applicable laws and regulations and the internal audit system can help the Bank establish a line of defense and mitigate operational risk.	<ul style="list-style-type: none"> Principles for Three Lines of Defense for Internal Control Regulations Governing the Bank's Legal Compliance System Regulations Governing the Examination of Bank Operations Self-Inspection and Self-Evaluation Regulations 	Employees, shareholders, customers, government agencies
Risk Management	Enforcing risk management faithfully can prevent or mitigate various risks that may have a negative impact on the Bank.	<ul style="list-style-type: none"> Risk Management Policy Credit Extension Policy Regulations for Managing Operational Risk Guidelines for Managing Credit Risk 	Employees, shareholders, customers, government agencies

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
Material Issue	Importance and Risk		Internal Management Policy	Scope of Impact
Strategies for Corporate Development	Mapping out clearly defined short-, medium-, and long-term development strategies can help allocate resources more efficiently, thereby attaining the Bank's business goals.		<ul style="list-style-type: none"> Articles of Incorporation Regulations for Implementing Management by Objectives 	Employees, shareholders, customers
Personal Information Protection	Stringent protection of personal information is prerequisite to safeguarding stakeholder rights and interests and building trust accordingly.		<ul style="list-style-type: none"> Organizational Guidelines for the Personal Information Management Committee Regulations for Preserving the Security of Personal Information Files Personal Information Management Policy Management Guidelines for Personal Information Protection 	Customers, government agencies
Reporting Channels	Offer well-rounded reporting channels to obtain the opinions of all stakeholders, thereby improving deficiencies or rectifying errors.		<ul style="list-style-type: none"> Regulations for Handling Whistleblower Reports Regulations for Handling Customer Complaints and Financial Consumer Disputes Guidelines for Reporting and Handling Customer Complaints and Dispute Incidents 	Employees, shareholders, customers, government agencies
Crisis Management	Keep risks to a minimum in the event of a major contingency and ensure that it is business as usual.		<ul style="list-style-type: none"> Regulations for Handling Major Contingencies Major Accident Emergency Response and Recovery Plan Implementation Guidelines Organizational Guidelines for Emergency Response Committee Procedures for Emergency Response in the Event of Natural Disasters 	Employees, shareholders, customers, the general public, government agencies, suppliers
AML/CFT	Banks are called upon to help prevent money laundering and counter the financing of terrorism and so need to exercise caution in order not to become complicit in the perpetration of crime.		<ul style="list-style-type: none"> AML/CFT Policy O-Bank Group Policy for Sharing AML/CFT Information 	Employees, general public, government agencies
Talent Cultivation and Training	Corporate growth hinges on talent; well-rounded talent cultivation is crucial for the Bank to stay on long-term growth track in an increasingly competitive environment.		<ul style="list-style-type: none"> Guidelines for Implementing Employee Training Performance Management Regulations Regulations Governing Employee Promotions 	Employees
Compensation and Benefits	Offering competitive compensation and benefits is prerequisite to attracting talent and in turn driving corporate growth.		<ul style="list-style-type: none"> Compensation Committee Organizational Charter Regulations Governing Employee Compensation Employee Stock Ownership Trust Management Regulations Regulations for Managing Employee Loans Employee Attendance Management Guidelines 	Employees,
Occupational Safety and Health	Creating a comfortable and healthy working environment can help employees work more efficiently.		<ul style="list-style-type: none"> Occupational Safety and Health Rules Employee Health Examination Guidelines Employee Retirement Regulations 	Employees, government agencies
Employee Communication	Effective communication between labor and management is conducive to the Bank's adjusting policies and creating an environment that truly meets employee needs, thereby making possible talent retention and cultivation going forward.		<ul style="list-style-type: none"> WeCare Mailbox Mailbox for Employee Complaints Mailbox for Sexual Harassment Complaints Facebook Corner for O-Bank Employees Survey on Employee Satisfaction and Survey on Employee Needs 	Employees
Human Rights and Equality	Creating a working environment of diversity and equality can help with talent retention as well as project the positive image of the Bank's always treating customers in an equitable and fair manner.		<ul style="list-style-type: none"> Human Rights Policy Recruitment and Selection Guidelines Guidelines for Sexual Harassment Prevention, Complaints, and Discipline Guidelines for Promoting Suppliers' Corporate Social Responsibility Management 	Employees, the general public, suppliers, government agencies

Evaluation Item		Implementation Status		Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
		Yes	No	
Material Issue	Importance and Risk	Abstract Explanation		Scope of Impact
Disclosure of Product Risk	Clearly disclosing product risk can increase customer understanding of a given product and in turn bolster the Bank's customer relations.	<ul style="list-style-type: none"> Regulations Governing Suitability of Financial Derivatives Guidelines for Advertisement Solicitation and Sales Campaigns Guidelines for Wealth Management Product Applicability Principles for Fair Treatment of Customers 		Customers, government agencies
Information and Transaction Security	Transaction security is surely a primary responsibility of the financial services industry. Ensuring the security of online transactions is all the more important for digital banking.	<ul style="list-style-type: none"> Information Security Policy Guidelines for Implementation of Information Security Organizations Guidelines for Information Security Management Mechanism Guidelines for Managing Online Corporate Banking Operations Guidelines for Managing Online/Mobile Retail Banking Operations 		Customers, government agencies
Financial Innovation	Financial innovation is key to digital banking. The Bank is committed to introducing products that cater to consumer needs and crafting services that are in step with the times.	<ul style="list-style-type: none"> Articles of Incorporation Regulations for Implementing Management by Objectives 		Customers
Customer Satisfaction and Service Quality	Delivering a premium financial services experience holds the key to the Bank's rising above a fiercely contested market.	<ul style="list-style-type: none"> Principles for Fair Treatment of Customers Regulations for Handling Customer Complaints and Financial Consumer Disputes Guidelines for Reporting and Handling Customer Complaints and Dispute Incidents 		Customers
Corporate Image	A positive corporate image weighs heavily on swaying customers' choice of banking services and enhancing employees' organizational identification.	<ul style="list-style-type: none"> Corporate Social Responsibility Best Practice Principles Regulations Governing the Review of Making Donations 		Employees, shareholders, customers, the general public

(7) Ethical Corporate Management

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

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Abstract Illustration	
(3) Does the Bank spell out operating procedures, guidelines for conduct, punishment for violation, and rules of appeal in the aforesaid program for preventing unethical conduct, implement it faithfully, and review and amend it on a regular basis?	✓		(3) The Bank's Ethical Corporate Management Best Practice Principles, Procedures for Ethical Management and Guidelines for Conduct, and Criteria Governing Codes of Ethical Conduct all unequivocally prohibit unethical conduct by employees and specify matters for their attention in the course of performing duties. Upon the discovery of any violation of ethical corporate management and conduct regulations, a report shall be made immediately to an independent director or managerial officer, the chief internal auditor, or another suitable managerial officer. Upon verification of any such allegations, the violator shall be dealt with in accordance with applicable laws and regulations or the Bank's internal regulations on employee rewards and penalties. Separately, while offering training to newly recruited employees and to all employees with regard to legal compliance, the Bank makes it a point to exhort them to stay honest and fair and conform to applicable laws and regulations in the course of performing their duties. As such, training on regulations related to ethical management is undertaken to ensure that all employees always keep good-faith management in mind and act accordingly.	
2. Fulfill operations integrity policy (1) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	✓		(1) In accordance with applicable laws and regulations, the Bank has in place specific regulations governing lending, investment, trust, financial transactions, or other business dealings that involve interested parties. Also adopted are clearly defined regulations that specify the following: there shall be no preference for any specific party over the course of conducting procurement or issuing invitations for bids, and internal audit personnel shall be involved in the price negotiation process; personnel engaging in investment or lending shall conform to applicable internal regulations and honor the obligation of reporting when warranted, thereby preventing conflicts of interest. Given that the banking industry is required to secure sanctioning of the competent authority and thus subject to stringent supervision, the Bank is obligated to ensure that its business activities, donations, accounting system, and business secrets conform to the Company Act, Securities and Exchange Act, and Business Entity Accounting Act. In accordance with applicable laws and regulations, the Bank has also established an internal control and audit system and a self-audit system. Internal auditors and CPAs conduct random checks on the undertaking of business activities and submit reports to the Audit Committee and Board of Directors at least on a quarterly basis, thereby promoting sound management and ensuring the efficiency of business operations, reliability of financial reporting, and compliance with applicable laws and regulations.	None

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Abstract Illustration	
(2) Does the Bank establish a unit under the Board of Directors that is devoted exclusively to promoting ethical management and reports on a regular basis (at least once a year) to the Board of Directors on its supervision of the Bank's implementation of its ethical management policy and program for preventing unethical conduct?	✓		(2) To attain ethical corporate management, the corporate governance team under the Corporate Social Responsibility Committee is charged with the responsibility of enacting and implementing the Bank's ethical corporate management policy and related plans. It is also responsible for submitting reports on implementation results to the Board of Directors each year. Such reports are to contain results of promotion and training of ethical corporate management, accomplishment of the "informant's mailbox," and measures taken to prevent unethical conduct and the results thereof, which are all intended to ensure the Bank's ethical corporate management.	
(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	✓		(3) When the Board of Directors or Audit Committee meets, the Bank's highly self-disciplined directors refrain from participating in the discussion and voting process in relation to any matters that involve their personal interests and do not exercise the voting rights of other directors by proxy. Directors also exercise self-discipline and refrain from extending one another improper support otherwise. Meanwhile, corporate governance courses are made available to directors to enhance their capacity for supervision and governance, in turn strengthening the Bank's corporate governance and attaining ethical corporate management. Separately, the Bank has installed its whistleblower system in the corporate governance section of its website. Available therein are the Bank's Regulations for Handling Whistleblower Reports and the means by which to file such reports. Anyone who finds reason to implicate any person of the Bank in criminal acts, frauds, or violations of laws and regulations may file a report to the Bank by email or mail. To uphold corporate governance and ethical management, the Bank shall keep confidential both the identity of the whistleblower and the contents of the aforesaid report and take action to verify allegations therein.	
(4) Does the Bank, in order to ensure ethical management, establish effective accounting and internal control systems and have its internal audit department take account of the result of its assessment of unethical conduct risk while mapping out an audit plan to examine the Bank's compliance with its program for preventing unethical conduct or engage CPAs for conducting such audits?	✓		(4) To faithfully conduct ethical management, the Bank has established effective internal control and accounting systems in accordance with the Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries. In addition to conducting audits of domestic business, financial, asset custody, information, and other management units on a regular basis, the Bank engages CPAs for routine audits in order to ensure effective operations of the said systems. Separately, the Bank's Auditing Department has incorporated the result of its assessment of unethical conduct risk into its auditing plan to ensure the Bank's ethical management.	
(5) Does the company regularly hold internal and external educational trainings on operational integrity?	✓		(5) As prescribed by applicable regulations, the Bank organizes sessions to promote employee awareness of ethical management and offers training thereof each year. Highlights include the Principles for Ethical Management and the Procedures for Ethical Management and Guidelines for Conduct as well as instances of unethical conduct. Separately, the Bank undertakes sessions on a regular basis to familiarize all employees with the latest statutory developments and important instances of domestic banks or financial holding companies being penalized, thereby helping employees enhance ethical standards and strengthen compliance awareness. Meanwhile, training of self-audit personnel is also conducted on a regular basis to ensure effective implementation of self-audits, strengthen internal control of business units, and prevent unethical conduct.	

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Abstract Illustration	
3. Operation of the integrity channel (1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up? (2) Does the Bank establish standard operating procedures for investigating whistleblower allegations, follow-up measures in the wake of such an investigation, and the confidentiality mechanism thereof? (3) Does the company provide proper whistleblower protection?	✓		(1) The Bank has, in accordance with law, established a whistleblower system, including the Regulations for Handling Whistleblower Reports and a whistleblower mailbox. Employees are encouraged to report on unlawful and unethical conduct and any other act in violation of ethical management. Meanwhile, a unit with the capacity for performing duties independently is charged with the acceptance and investigations of whistleblower reports. Anyone found to have violated applicable laws and regulations shall be dealt with in accordance with the Bank's Regulations Governing the Rewards and Penalties for Employees and other applicable regulations. (2) The Bank has adopted stringent operating procedures for conducting investigations on allegations in whistleblower reports. The contents of these reports and the handling thereof as well as other related information are all kept confidential to protect both the whistleblower and personnel involved in such investigations. After such an investigation is completed, the Bank follows up with courses of action and other pertinent measures it deems proper. (3) The Bank keeps confidential all whistleblower reports—internal and external—so as to make sure that the whistleblower is not subject to any improper treatment accordingly.	None
4. Strengthening information disclosure Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?	✓		In addition to adopting its Principles for Ethical Conduct and Principles for Ethical Management, the Bank discloses its implementation of ethical management both in its annual report and on its website and the Market Observation Post System. Separately, the Bank's website also fully discloses other information with regard to its business operations, interest rates, and assessment of economic conditions for the reference of the general public. In accordance with applicable laws and regulations, the Bank also discloses material financial and operational information on the Market Observation Post System in a timely fashion. Meanwhile, the Bank's fulfillment of corporate social responsibility is disclosed in its annual report.	None
5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation. There have been no differences.				
6. Other important information to facilitate a better understanding of the company's ethical corporate management policies. To effectively implement its ethical management policy and promote sound business, the Bank has established a whistleblower system and relevant regulations. Strategic management is conducted to secure quantitative data for the evaluation of the Bank's effectiveness in implementing its ethical management policy: <ol style="list-style-type: none"> Success rate of training on ethical management: To effectively establish measures to promote ethical management and prevent unethical conduct, the Bank organized a lecture on corporate governance and ethical management for directors in 2019. A lecturer from the Taiwan Corporate Governance Association helped the Bank's directors enhance awareness of corporate ethics and strengthen their capacity for corporate governance by speaking on the ethics principles for companies listed on the Taiwan Stock Exchange and Taipei Exchange. Separately, training on ethical management was also conducted across the Bank. Covered were such topics as the Principles for Ethical Management, the Procedures for Ethical Management and Guidelines for Conduct, instances of unethical conduct, and preventive measures for business activities vulnerable to the risk of unethical conduct. A total of 881 employees participated in the training, translating into a 100% success rate. Establishment of a whistleblower system: To effectively implement corporate governance and ethical management, the Bank amended its Regulations for Handling Whistleblower Reports in 2019. A dedicated mailbox (whistleblower@o-bank.com) and an address are made public on the Bank's website to solicit whistleblower reports, by email or mail, to the chief auditor on any unlawful and criminal acts, frauds, or other acts in violation of applicable laws and regulations. In 2019, the Bank received a total of four whistleblower reports, all of which were subsequently kept on file for reference after being properly tackled by the Auditing Department. Ratio of imposing penalties against reports being presented on conduct in violation of ethical management principles in 2018: No report was recorded on any conduct in violation of ethical management principles in 2019 and, therefore, no penalty was imposed. 				

(8) Corporate Governance Guidelines and Regulations

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

(9) Other Important Information Regarding Corporate Governance

A. Succession Planning of the Board of Directors

(A) Board of Directors

O-Bank's Board of Directors is formed based on its core values of "Trust, Outstanding, Unity, Creativity, and Honor." With evaluations of its business development and operation needs, the bank establishes the appropriate composition of the board of directors and carries out the board membership diversification policy. In accordance with the principle of the equitable treatment to shareholders, the bank adopts the candidate nomination system for elections of directors.

The candidates of the board of directors are nominated by major shareholders and are elected by the shareholder's meeting. The overall board should be equipped with the capacity for business judgment, accounting and financial analysis, crisis management, leadership, and decision making. Meanwhile, the board should possess the industry knowledge and a sound perspective of the global market.

The qualification of the board members should comply with Company Act, Regulations Governing Qualification Requirements and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of Banks, Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies, and the bank's Regulations Governing Concurrent Serving Act by the Responsible Persons. Meanwhile, the board members should routinely enhance professional competence and consistently enrich new knowledge, in order to strengthen the functions of the Board of Directors.

(B) Senior Management

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

This training program for next-generation managers centers on a number of core concepts. That is, would-be managers are to be imbued with core competences that are defined by Trust, Outstanding, Unity, Creativity, and Honor. In addition to an excellent working capacity, they are supposed to hold personal values compatible with the Bank's corporate culture and possess such traits as honesty, passion, and leadership.

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

- a. Management Competency: Domestic and foreign experts are engaged to lecture on leadership to different levels of managerial employees.

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

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

(10) Internal Control Systems

A. Statement on Internal Control System

O-Bank Co., Ltd.

Statement on Internal Control System

1. On behalf of O-Bank Co., Ltd., we hereby certify that in the period from January 1, 2019 to December 31, 2019, the Bank duly complied with the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" in establishing its internal control system, conducting risk management, designating an independent audit department to conduct audits, and presenting reports to the Board of Directors and Audit Committee on a regular basis. With regard to the securities business, the Bank assessed the effectiveness of the design and implementation of its internal control system based on the evaluation criteria set forth in the "Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets" promulgated by the Securities and Futures Bureau, Financial Supervisory Commission. After prudent evaluation, we hereby certify that except items listed in the attachments, the internal control and legal compliance systems of all departments were effectively implemented during the year.
2. With regard to the Bank's concurrent conducting of insurance agent business
 - (1) The Bank evaluates the effectiveness of the design and implementation of its internal control system based on the criteria provided in the "Regulations Governing the Implementation of Internal Control and Audit System and Business Solicitation System of Insurance Agent Companies and Insurance Broker Companies" (hereafter the "Regulations"). According to the criteria set forth in the Regulations, there are five absolutely essential items: (1) controlled environment, (2) risk assessment, (3) controlled operations, (4) information and communication, and (5) supervision operations.
 - (2) The Bank already evaluated the effectiveness of the design and implementation of its internal control system based on the aforesaid criteria.
 - (3) Based on the results of the foregoing evaluation, the Bank regards the design and implementation of its internal control system (including affirmation of the soundness of business operations, reliability of reporting, and compliance with applicable laws and regulations) during the aforesaid period as effective, thereby providing reasonable assurance for achieving the goals cited above.
3. This Statement will be included as a major component of the Bank's annual report and other prospectuses and disclosed to the public. Any information contained in this Statement that is found to involve falsification, concealment, or other illegalities shall be subject to legal liabilities prescribed in Articles 20, 32, 171, and 174 of the Securities and Exchange Act or other applicable regulations listed above.
4. This Statement was approved by the Board of Directors on March 25, 2020.

The Statement is submitted to the Financial Supervisory Commission

Declarant

Chairman: Lo, Kenneth C. M.

President: Lee, Elton F.Y.

Chief Auditor: Fan, Vivian H.J.

Chief Compliance Officer: Liu, Nancy S.F.

March 25, 2020

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

Record Date: December 31, 2019

Items in Need of Improvement	Corrective Measure	Time Expected for Completion of Improvement
The Financial Supervisory Commission imposed a NT\$2 million fine on the Bank for failing to effectively establish or faithfully implement its internal control system in reviewing, approving, and allocating loans to the New Site Industries Group.	The Bank has amended internal regulations on factoring and lending operations, strengthened procedures for reviewing, approving, and allocating loans, and undertaken an across-the-board examination of accounts receivable financing (factoring) cases already concluded as of the record date.	Improvement completed
The Financial Supervisory Commission found fault with the Bank's design and implementation of its identity verification mechanism for opening the third category of digital deposit accounts and demanded rectification thereof.	The Bank has amended internal regulations on opening personal deposit accounts, strengthened the identity verification mechanism for opening digital accounts, and adjusted the procedures thereof.	Improvement completed
While the Bank did use encryption keys when uploading customer information to SFDC, it did not handle safekeeping of these keys on its own and change them on a regular basis. Meanwhile, the Bank's outsourcing contract with SFDC did not restrict the site of storage and processing for the aforesaid information or give the Bank the right of consent thereto. All of this proved unfavorable for keeping customer information confidential and protecting customer rights and interests.	<ol style="list-style-type: none"> 1. The Bank has amended relevant operating guidelines and made encryption key changes on a regular basis and will also modify the relevant systematic structure and operating procedures. 2. The contract renewed in 2019 between the Bank and SFDC specifies restrictions over the site of storage and processing for the Bank's information and stipulates that any proposal for changing this site shall be implemented only after it has secured prior consent of the Bank and been presented to the Financial Supervisory Commission for reference. 	<ol style="list-style-type: none"> 1. Encryption key changes are now made on a regular basis; improvement of the systematic structure and operating procedures is due to be completed in October 2020. 2. Improvement completed
The Hong Kong Branch's lending operations proved of unsatisfactory quality and was thus in need of strengthening credit appraisal and credit operations in order to enhance such quality.	To enhance the quality of lending operations at the Hong Kong Branch, the Bank has amended its regulations for lending operation and imposed ceilings on its loans to mainland Chinese borrowers.	Improvement completed

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

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

Item	2018		2019		2020, up to the publication date of this annual report	
	Violation and Fine	Status of Improvement	Violation and Fine	Status of Improvement	Violation and Fine	Status of Improvement
1. Any indictment of a responsible person or employee by the prosecution for an occupational offense	None	-	None	-	None	-
2. (1) Any fine imposed by the Financial Supervisory Commission for statutory violations or penalty slapped by the Bank on internal personnel for violating provisions of its internal control system, either of which may have a material impact on shareholders' equity or share price or can be interpreted as ranking among matters listed in Article 2 of the Financial Supervisory Commission's Explanatory Notes on Taking Major Punitive Measures for Violations of Financial Regulations	None	-	The Financial Supervisory Commission imposed a NT\$2 million fine on the Bank for failing to effectively establish or faithfully implement its internal control system in reviewing, approving, and allocating loans to the New Site Industries Group.	The Bank has amended internal regulations on factoring and lending operations, strengthened procedures for reviewing, approving, and allocating loans, and undertaken an across-the-board examination of accounts receivable financing (factoring) cases already concluded as of the record date (31 December, 2019). Such improvement is completed.	None	-
2. (2) Any sanctions imposed by the Financial Supervisory Commission pursuant to Article 61-1 of the Banking Act			None	-	The Financial Supervisory Commission found fault with the Bank's design and implementation of its identity verification mechanism for opening the third category of digital deposit accounts and demanded rectification thereof.	The Bank has amended internal regulations on opening personal deposit accounts, strengthened the identity verification mechanism for opening digital accounts, and adjusted the procedures thereof. Such improvement is completed.

Item	2018		2019		2020, up to the publication date of this annual report	
	Violation and Fine	Status of Improvement	Violation and Fine	Status of Improvement	Violation and Fine	Status of Improvement
3. Any security incident arising from employee infidelity or material contingencies (e.g. fraudulent acquisition, theft, misappropriation, or robbery of assets; forgery of documents or securities; acceptance of a bribe; losses from natural disaster; losses from external causes; hacker attack, data theft, or leak of trade secrets or customer data; or other such material incidents) or failure to faithfully adopt necessary measures for upholding security. If actual losses, whether singly or in aggregate, exceed NT\$50 million in any given year, disclose the nature and amount of such losses.	None	-	None	-	None	-
4. Other disclosures required by the Financial Supervisory Commission	None	-	While the Bank did use encryption keys when uploading customer information to SFDC, it did not handle safekeeping of these keys on its own and change them on a regular basis. Meanwhile, the Bank's outsourcing contract with SFDC did not restrict the site of storage and processing for the aforesaid information or give the Bank the right of consent thereto. All of this proved unfavorable for keeping customer information confidential and protecting customer rights and interests.	<p>The Bank has amended relevant operating guidelines and made encryption key changes on a regular basis and will also modify the relevant systematic structure and operating procedures. These improvements are due to be completed in October 2020.</p> <p>The contract renewed in 2019 between the Bank and SFDC specifies restrictions over the site of storage and processing for the Bank's information and stipulates that any proposal for changing this site shall be implemented only after it has secured prior consent of the Bank and been presented to the Financial Supervisory Commission for reference. Such improvement is completed.</p>	None	-

Item	2018		2019		2020, up to the publication date of this annual report	
	Violation and Fine	Status of Improvement	Violation and Fine	Status of Improvement	Violation and Fine	Status of Improvement
			The Hong Kong Branch's lending operations proved of unsatisfactory quality and was thus in need of strengthening credit appraisal and credit operations in order to enhance such quality.	To enhance the quality of lending operations at the Hong Kong Branch, the Bank has amended its regulations for lending operation and imposed ceilings on its loans to mainland Chinese borrowers. Such improvement is completed.		

(12) Major Resolutions of Shareholders' Meeting and Board Meetings

A. Major Resolutions of 2019 General Shareholders' Meeting

(A) Ratification of business report and financial statements for 2018

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

(B) Ratification of proposal for distribution of 2018 earnings

Implementation result: The Bank set July 20, 2019 as the ex-dividend record date and August 9 of the same year as the payout day. Shareholders were paid cash dividends of NT\$0.03842465 for every preferred share held, totaling NT\$11,527,397.

(C) Approval of amendments to the Procedures for the Acquisition or Disposal of Assets of the Bank

Implementation result: The amended Procedures for the Acquisition or Disposal of Assets was uploaded to the Market Observation Post System (MOPS) and made public on the Bank's official website, and the Bank's acquisitions and disposals of assets have been conducted accordingly since.

(D) Annulment of the "Procedures for Conducting the Transaction of Financial Derivatives" of the Bank

Implementation result: Such transactions have since been conducted in accordance with the Bank's existing internal operating systems and procedures.

(E) Approval of proposal for release of non-competition restrictions on members of the 7th Board of Directors:

Name of Director	Name of Other Company and Concurrent Position Held
Chen, Shih-Tze Director	Director, KC Investments Corporation (BVI) Director, Global Sail Holdings Ltd. (BVI) Director, Triple Ace Management Co., Ltd. (BVI)
Sheng, Bobby P.S. Director	Chairman, Bao En International Corp.
Tung, Ta-Nien Director	Chairman, Ruey Jin Co., Ltd. Chairman, Yu Bau Enterprise Co., Ltd. Chairman, Reng Hsing Co., Ltd. Chairman, Hsi Chao Investment Co., Ltd.

B. Major Resolutions of Board Meetings in 2019 and up to March 25, 2020

(A) 2019/2/27: the 15th meeting of the 7th Board of Directors

- * Approval of the date, venue, and agenda of 2019 general shareholders' meeting
- * Approval of 2018 parent financial statements
- * Approval of proposal for distribution of 2018 earnings
- * Approval of proposal for director remunerations and employee remunerations for 2018

(B) 2019/3/22: the 16th meeting of the 7th Board of Directors

- * Approval of business report and consolidated financial statements for 2018
- * Approval of adoption of the Bank's Internal Regulations Governing the Holding of Concurrent Positions by Responsible Persons
- * Approval of amendments to the Bank's Regulations Governing Real Estate Transactions with Interested Parties
- * Approval of the Bank's 2018 report on Evaluation of Money Laundering and Terrorism Financing Risks and Evaluation of Money Laundering and Terrorism Financing Risks on the Bank's Insurance Agent Business, as well as 2019 plan on Control of Money Laundering and Terrorism Financing Risks

(C) 2019/4/26: the 17th meeting of the 7th Board of Directors

- * Approval of adoption of the Bank's Standard Operating Procedures for Handling Director Requests
- * Approval of amendments to the Bank's Corporate Governance Principles
- * Approval of the Bank's engagement and compensation of CPAs for 2019 and 2020
- * Approval of the Bank's self-assessment of its implementation of Fair Treatment of Clients in 2018
- * Annulment of the Bank's Procedures for Conducting the Transaction of Financial Derivatives
- * Approval of amendments to the Bank's Information Security Policy and Information Security Guidelines
- * Approval of amendments to the Bank's Procedures for the Acquisition or Disposal of Assets

(D) 2019/6/26: the 18th meeting of the 7th Board of Directors

- * Setting of July 20, 2019 as the record date for distribution of 2018 cash dividends of preferred stock
- * Approval of adoption of the Bank's Regulations Governing the Performance Evaluation of the Board of Directors
- * Approval of amendments to the Bank's Shareholding Management Regulations
- * Approval of reengagement of Lotus International Law Office and Peace & Grace International Attorneys at Law as the Bank's legal counsels to accommodate its business endeavors becoming increasingly diversified
- * Approval of amendments to the Bank's Recovery Plan for the Hong Kong Branch

- * Approval of amendments to the Bank's Regulations Governing the Management of Invested Companies

(E) 2019/8/23: the 19th meeting of the 7th Board of Directors

- * Approval of consolidated and parent financial statements for the first half of 2019
- * Approval of amendments to the Bank's Ethical Corporate Management Best Practice Principles
- * Approval of adoption of the Bank's Rules for Investing in Real Estate

(F) 2019/10/24: the 20th meeting of the 7th Board of Directors

- * Approval of adoption of the O-Bank Group's 2019 Plan for Anti- Money Laundering and Anti- Terrorism Financing
- * Approval of the Bank's signing the annual Compliance Statement on "Stewardship Principles for Institutional Investors"
- * Approval of adoption of the Bank's Rules for the Establishment of a Commodities Review Panel and for Its Conducting Review

(G) 2019/12/25: the 21st meeting of the 7th Board of Directors

- * Approval of budgets proposed for 2020
- * Approval of evaluation of CPAs as independent and suitable and of the Bank's hiring them as such
- * Approval of adoption of the Bank's 2020 Guidelines for the "Management of Market Risk" and the "Management of Liquidity and Interest Rate Sensitivity Risks"
- * Approval of the Bank's 2019 report on Self-evaluation of Personal Information Protection
- * Approval of the results of the Bank's 2019 evaluation of audits at subsidiaries, 2020 audit plan and 2020 internal audit plan for the insurance agent business
- * Approval of proposal to reapply to the competent authority for the establishment of Beijing Sunshine Consumer Finance Co., Ltd.
- * Approval of amendments to the Bank's Regulations Governing Employee Compensation and Rules for Allocating and Granting Year-End Bonuses

(H) 2020/2/26: the 22nd meeting of the 7th Board of Directors

- * Approval of the date, venue, and agenda of 2020 general shareholders' meeting
- * Approval of the Bank's making a public announcement with regard to its accepting nominations of candidates for directors (including independent directors)
- * Approval of amendments to the Bank's Audit Committee Organizational Rules
- * Approval of amendments to the Bank's Procedural Rules Governing Board Meetings
- * Approval of amendments to the Bank's Compensation Committee Organizational Rules

(I) 2020/3/19: the 23rd meeting of the 7th Board of Directors

- * Approval of 2019 business report and consolidated financial statements

- * Approval of proposal for distribution of 2019 earnings
- * Approval of proposed repurchase of the Bank's shares for transfer to employees

(J) 2020/3/25: the 24th meeting of the 7th Board of Directors

- * Approval of proposal for director remunerations and employee remunerations for 2019
- * Approval of amendments to the Bank's Procedural Rules Governing Shareholders' Meetings
- * Approval of amendments to the Bank's Articles of Incorporation
- * Approval of proposed policy for reviewing director remunerations on a regular basis
- * Approval of the Bank's 2019 report on "Evaluation of Money Laundering and Terrorism Financing Risks", "Evaluation of Money Laundering and Terrorism Financing Risks on the Bank's Insurance Agent Business" and "2020 plan on Control of Money Laundering and Terrorism Financing Risks"
- * Approval of the Bank's 2019 Internal Control System Statement and 2020 audit plan
- * Approval of amendments to the Bank's Corporate Social Responsibility Best Practice Principles
- * Approval of amendments to the Bank's Procedures for Ethical Management and Guidelines for Conduct
- * Approval of amendments to the Bank's Rules for Employee Stock Ownership Trust Management

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

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

April 21, 2020

Title	Name	Date of Appointment	Date of Termination	Reasons for Resignation or Dismissal
President	Yang, Tony C.Y.	2012.4.2	2020.2.1	Retirement

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

5. Information Regarding the Company's Audit Fee

(1) Audit Fee

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Remarks
Deloitte & Touche	Chen, Yin-Chou Lin, Wang-Sheng	Jan. 1~ Dec. 31, 2019	

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

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

Unit: NT\$ thousands

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Period Covered by CPA's Audit	Remarks
			System of Design	Company Registration	Human Resource	Others	Subtotal		
Deloitte & Touche	Chen, Yin-Chou Lin, Wang-Sheng	5,930	-	-	-	12,463	12,463	2019.01.01-2019.12.31	Non-audit fees for 2019 were meant mainly for services with regard to personal information, AML, and information security projects as well as internal control audits; CRS and FATCA counseling; and counseling for preferred stock issuance.

6. Replacement of CPA**(1) Regarding the former CPA**

Replacement Date	Approved by the Board of Directors on December 27, 2018		
Replacement reasons and explanations	In accordance with the internal rotation of the Bank's CPA firm Deloitte Taiwan, the Bank's CPAs Yang, Chen-hsiu and Chen, Li-chi would be replaced with Chen, Yin-Chou and Lin, Wang-Sheng from the first quarter of 2019.		
Describe whether the Company terminated or the CPA did not accept the appointment	Parties Status	CPA	The Company
	Termination of appointment	Not Applicable	
	No longer accepted (continued) appointment		
Other issues (except for unconditional opinions) in the audit reports within the last two years	None		
Differences with the company	Yes	-	Accounting principles or practices
		-	Disclosure of Financial Statements
		-	Audit scope or steps
		-	Others
	None	✓	
	Remarks/specify details: None		
Other Revealed Matters	None		

(2) Regarding the successor CPA

Name of accounting firm	Deloitte & Touche
Name of CPA	Chen, Yin-Chou and Lin, Wang-Sheng
Date of appointment	Approved by the Board of Directors on December 27, 2018
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the engagement.	None
Succeeding CPA's written opinion of disagreement toward the former CPA	None

(3) The reply letter from former CPAs with regard to matters spelled out in Article 10.6.1 and Article 10.6.2-3 of these Regulations : Not Applicable.

7. Audit Independence

The Company's Chairman, President, and managers in charge of its finance and accounting operations did not hold any positions in the Company's independent auditing firm or its affiliates during 2019.

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

(1) Changes of Shareholding

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

Unit: Shares

Title	Name	2019		As of Apr. 21, 2020	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Yi Chang Investment Co., Ltd.(Note1)	-	-	-	-
	Rep. : Lo, Kenneth C.M.	-	-	-	-
Vice Chairman	Ming Shan Investment Co., Ltd.(Note1)	-	-	4,078,000	-
	Rep. : Lo, Tina Y.	-	-	-	-
Managing Director	Taiwan Cement Corporation(Note1)	-	-	-	-
	Rep. : Chang, Nelson An-Ping	-	-	-	-
Independent Managing Director	Chan, Hou-Sheng	-	-	-	-
Managing Director	Yi Chang Investment Co., Ltd.(Note1)	-	-	-	-
	Rep. : Yang, Tony C.Y.	-	-	18,104	-
Director	Tai Ya Investment Co., Ltd.(Note1)	-	-	-	-
	Rep.:Chen, Shih-Tze	-	-	-	-
Director	Yi Chang Investment Co., Ltd.(Note1)	-	-	-	-
	Rep. : Lin, Gordon W.C.	-	-	-	-
Director	Abag Investment Holdings Co., Ltd. (Rep.: Tcheng, George)	-	-	-	-
Director	Lee, Mark	-	-	-	-
Director	Pioneer Chemical Corp. (Rep.: Sheng, Bobby)	-	-	-	-
Independent Director	Yue, Thomas	-	-	-	-
Independent Director	Liu, Richard R.C.	-	-	-	-
Director	Ming Shan Investment Co., Ltd.(Note1)	-	-	4,078,000	-
	Rep.: Lo, Nina	-	-	-	-
Director	Wang Hsiang Co., Ltd. (Rep.:Tung, Ta-Nien)	-	-	-	-
Director	Tai Ya Investment Co., Ltd.(Note1)	-	-	-	-
	Rep.: Chang, David C.C.(2020.03.25 outgoing)	-	-	-	-
	Rep.: Lee, Elton F.Y.(2020.03.25 incoming)	-	-	-	-
President	Yang, Tony C.Y.(2020.02.01 outgoing)	-	-	18,104	-
President	Lee, Elton F.Y.(2020.02.01 incoming)	-	-	-	-
Deputy President	Chang, David C.C.	-	-	-	-
Deputy President	Lin, Roger Y.F.	-	-	-	-

Title	Name	2019		As of Apr. 21, 2020	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Senior Executive Vice President	Sung, Jerry C.J. (2019.03.18 outgoing)	-	-	/	/
Senior Executive Vice President	Chang, Niel W.F.	-	-	-	-
Senior Executive Vice President	Huang, Indra Y.C.	-	-	-	-
Senior Executive Vice President	Liu, Nancy S.F.	-	-	-	-
Senior Executive Vice President	Wei, Jonathan C.H.(2020.02.25 outgoing)	-	-	-	-
Senior Executive Vice President	Chen, Yi Fen (2019.07.30 incoming)	-	-	-	-
Executive Vice President	Wang, Angela T.C.	-	-	-	-
Executive Vice President	Fan, Vivian H.J.	-	-	-	-
Executive Vice President	Wang, John Y.C.	-	-	-	-
Executive Vice President	Chin, Teddy Y.T.	-	-	-	-
Executive Vice President	Lai, Joseph L.J.	-	-	-	-
Executive Vice President	Shao,Wen W.C.	-	-	-	-
Executive Vice President	Yeh, Sherry H.Y. (2020.02.20 outgoing)	-	-	-	-
Executive Vice President	Hsu, Celine M.C. (2019.02.14 outgoing)	-	-	/	/
Executive Vice President	Mo, Michelle C.W. (2019.09.01 outgoing)	-	-	/	/
Executive Vice President	Chu, Chris T.H.(2020.02.22 outgoing)	-	-	-	-
Executive Vice President	Fang, Stanley H.W.	-	-	-	-
Executive Vice President	Tyane, Edward F.C.	-	-	-	-
Executive Vice President	Lin, Tom A.K.	-	-	-	-
Executive Vice President	Tsai, Joseph T.S.	-	-	-	-
Executive Vice President	Wu, Simon W.H. (2019.12.10 incoming)	-	-	-	-
Executive Vice President	Chen, Paul H.J. (2020.03.01 incoming)	-	-	-	-
Senior Vice President	Siew, Joy C.Y.	-	-	-	-
Senior Vice President	Lin, Daisy C.I.	-	-	-	-
Senior Vice President	Fang, Andy C.P.	-	-	-	-
Senior Vice President	Soong, Grace L.H.	-	-	-	-
Senior Vice President	Lin, Eric Y.S. (2019.12.26 outgoing)	94,000	-	/	/
Senior Vice President	Hsiao, Birnice S.H.(2020.03.01 outgoing)	-	-	-	-
Senior Vice President	Cheng, Tina W.H.	-	-	-	-
Senior Vice President	Liu, Michelle M.M. (2020.03.01 outgoing)	-	-	-	-
Senior Vice President	Yang, Becky Y.W.	-	-	-	-
Senior Vice President	Yan, Eugene W.C.	-	-	-	-
Senior Vice President	Tan, Kevin H.C.	-	-	-	-
Senior Vice President	Chiu, Jean Y.C.	-	-	-	-
Senior Vice President	Wang, Daisy C.P. (2019.08.24 outgoing)	-	-	/	/
Senior Vice President	Hsu, Pei Ling (2019.08.26 incoming)	-	-	9,000	-
Senior Vice President	Tsou, Landy H.C. (2019.08.26 incoming)	-	-	-	-
Senior Vice President	Chen, C.Y. (2020.03.01 incoming)	/	/	-	-
Senior Vice President	Chen, Gaven Y. (2019.08.26 incoming)	-	-	-	-

Title	Name	2019		As of Apr. 21, 2020	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Vice President	Chang, Wesley S.C.	-	-	-	-
Vice President	Lee, Daisy T.H.	-	-	-	-
Vice President	Liu, David C.C.	-	-	-	-
Vice President	Tsai, Sabrina C.J.(2019.04.13 outgoing)	-	-	/	/
Vice President	Chang, Ophelia L.W. (2019.2.28 incoming)	-	-	-	-
Vice President	Li, Barry C.K. .(2019.8.26 outgoing)	-	-	/	/
Vice President	Jung, John Y.C. (2019.08.01 incoming)	-	-	-	-
Vice President	Hung, Ida K.Y. (2019.11.01 incoming)	-	-	-	-
Assistant Vice President	Chang, Michael C.C.	-	-	-	-
Assistant Vice President	Tsai, Rex C.Y. (2019.03.04 outgoing)	-	-	/	/
Assistant Vice President	Chen, Judy S.F. (2020.03.02 incoming)	/	/	-	-
Manager	Chen, Linzy Y.C.	-	-	-	-
Same Person	Lo, Kenneth C.M.	-	-	-	-
Same Related Person	Lo, Tina Y.	-	-	-	-
Same Related Person	Ming Shan Investment Co., Ltd.(Note1)	-	-	4,078,000	-
Same Related Person	Yi Chang Investment Co., Ltd.(Note1)	-	-	-	-
Same Related Person	Tai Ya Investment Co., Ltd.(Note1)	-	-	-	-
Same Related Person	Tai Hsuan Investment Co., Ltd.(Note1)	-	-	-	-

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

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

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

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

Unit: Shares

Title	Name	2019		As of Apr. 21, 2021	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Same Person	Lo, Kenneth C.M.	-	-	-	-
Same Related Person	Lo, Tina Y.	-	-	-	-
Same Related Person	Ming Shan Investment Co., Ltd.(Note1)	-	-	4,078,000	-
Same Related Person	Yi Chang Investment Co., Ltd.(Note1)	-	-	-	-
Same Related Person	Tai Ya Investment Co., Ltd.(Note1)	-	-	-	-
Same Related Person	Tai Hsuan Investment Co., Ltd.(Note1)	-	-	-	-

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

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

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

(2) Shares Transfer Information: None.

(3) Shares Pledge Information: None.

9. Relationship among the Top Ten Shareholders

As of April 21, 2020
Unit: shares/%

Name	Current Shareholding		Spouse's/ minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Ming Shan Investment Co., Ltd. Rep. : Chen, Shih-Tze	274,742,947	10.13%	-	-	-	-	Chen, Shih-Tze	Chairman is the same person	-
Yi Chang Investment Co., Ltd. Rep. : Chen, Shih-Tze	264,040,288	9.73%	-	-	-	-			-
Tai Hsuan Investment Co., Ltd. Rep. : Chen, Shih-Tze	262,329,559	9.67%	-	-	-	-			-
Tai Ya Investment Co., Ltd. Rep. : Chen, Shih-Tze	82,797,953	3.05%	-	-	-	-			-
Heng Tong Machinery Co., Ltd. Rep. : Tseng, Tsai-Bau	148,374,456	5.47%	-	-	-	-	-	-	-
China Steel Corporation Rep. : Wong, Chao-Tung	103,847,695	3.83%	-	-	-	-	-	-	-
ADI Corporation Rep. : Liao, Chi-Cheng	103,847,695	3.83%	-	-	-	-	-	-	-
Chailease Finance Co., Ltd. Rep. : Chen, Albert F.L.	92,694,047	3.42%	-	-	-	-	-	-	-
Hung Sheng Construction Co., Ltd. Rep. : Lin, Hsin-Chin	80,481,963	2.97%	-	-	-	-	-	-	-
San Ho Plastics Fabrication Co., Ltd. Rep. : Cheng, Chung-Ming	54,852,278	2.02%	-	-	-	-	-	-	-

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

10. Ownership of Shares in Affiliated Enterprises

As of Dec. 31, 2019
Unit: shares/ %

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

IV. Capital Overview

1. Capital and Shares

(1) Source of Capital

Unit: NT\$; shares

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increased by Assets Other than Cash	Other
Aug. 1999	10	2,300,000,000	23,000,000,000	2,300,000,000	23,000,000,000	Initial capital		1999/5/14 (1999) Tai-Cai-Zheng (1) No. 16978
Aug. 2000	10	35,234,043	352,340,430	35,234,043	352,340,430	Capital increase from retained earnings		2000/7/12 (2000) Tai-Cai-Zheng (1) No. 60116
Aug. 2001	10	30,358,043	303,580,430	30,358,043	303,580,430	Capital increase from retained earnings		2001/7/12 (2001) Tai-Cai-Zheng (1) No. 145190
July 2002	10	24,914,215	249,142,150	24,914,215	249,142,150	Capital increase from retained earnings		2002/7/9 Tai-Cai- Zheng-Yi-Zi No. 0910137604
July 2004	10	200,000,000	2,000,000,000			Appropriation for employee share subscription warrants		2004/7/16 Jing- Shou-Shang-Zi No. 0930129910
May 2017	7~9.3			22,500,000	225,000,000	Capital increase by cash		2017/5/4 Tai- Zheng-Shang-Yi-Zi No. 10600075162 2017/7/4 Jing- Shou-Shang-Zi No. 10601090090
Nov 2018	10	909,493,699	9,094,936,990	300,000,000	3,000,000,000	Issuance of preferred stock A		2018/10/3 Jin- Guan-Zheng-Fa No.1070335566 2018/12/21 Jing- Shou-Shang-Zi No.10701154030
Total		3,500,000,000	35,000,000,000	Common Shares : 2,413,006,301 Preferred Shares : 300,000,000	Common Shares : 24,130,063,010 Preferred Shares : 3,000,000,000			

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common Shares	2,413,006,301	786,993,699	3,500,000,000	Listed Shares
Preferred Shares	300,000,000			

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

As of April 21, 2020

Unit: shares

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Foreign Institutions & Natural Persons	Individuals	Treasury Stock	Total
Number of Shareholders	1	1	106	91	20,543	1	20,743
Shareholding (shares)	100	4,202,545	1,922,190,551	33,038,064	449,962,041	3,613,000	2,413,006,301
Percentage	0.00%	0.17%	79.66%	1.37%	18.65%	0.15%	100.00%

B. Preferred Shares

As of April 21, 2020

Unit: shares

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Foreign Institutions & Natural Persons	Individuals	Treasury Stock	Total
Number of Shareholders	0	1	41	1	4,962	0	5,005
Shareholding (shares)	0	4,855,000	242,262,524	298	52,882,178	0	300,000,000
Percentage	0.00%	1.62%	80.75%	0.00%	17.63%	0.00%	100.00%

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

As of April 21, 2020

Par value per share: NT\$10

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	2,732	833,379	0.03%
1,000 ~ 5,000	8,428	20,224,389	0.84%
5,001 ~ 10,000	2,380	19,922,766	0.83%
10,001 ~ 15,000	4,012	43,693,508	1.81%
15,001 ~ 20,000	769	14,523,647	0.60%
20,001 ~ 30,000	708	17,863,912	0.74%
30,001 ~ 40,000	314	11,126,048	0.46%
40,001 ~ 50,000	256	12,052,294	0.50%
50,001 ~ 100,000	513	37,876,656	1.57%
100,001 ~ 200,000	261	35,988,488	1.49%
200,001 ~ 400,000	152	41,473,713	1.72%
400,001 ~ 600,000	73	35,927,750	1.49%
600,001 ~ 800,000	23	15,916,890	0.66%
800,001 ~ 1,000,000	6	5,541,000	0.23%
1,000,001 or over	116	2,100,041,861	87.03%
Total	20,743	2,413,006,301	100.00%

B. Preferred Shares

April 21, 2020
Par value per share: NT\$10

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	887	283,997	0.09%
1,000 ~ 5,000	3,220	12,492,400	4.17%
5,001 ~ 10,000	359	2,870,335	0.96%
10,001 ~ 15,000	109	1,419,342	0.47%
15,001 ~ 20,000	73	1,366,264	0.46%
20,001 ~ 30,000	84	2,229,408	0.74%
30,001 ~ 40,000	49	1,766,355	0.59%
40,001 ~ 50,000	59	2,762,716	0.92%
50,001 ~ 100,000	72	5,498,693	1.83%
100,001 ~ 200,000	39	5,688,279	1.90%
200,001 ~ 400,000	21	6,432,780	2.14%
400,001 ~ 600,000	4	1,926,523	0.64%
600,001 ~ 800,000	1	664,000	0.22%
800,001 ~ 1,000,000	1	1,000,000	0.33%
1,000,001 or over	27	253,598,908	84.54%
Total	5,005	300,000,000	100.00%

(4) List of Major Shareholders

As of April 21, 2020

Shareholder's Name	Shareholding	
	Shares	Percentage (%)
Ming Shan Investment Co., Ltd.	274,742,947	10.13
Yi Chang Investment Co., Ltd.	264,040,288	9.73
Tai Hsuan Investment Co., Ltd.	262,329,559	9.67
Heng Tong Machinery Co., Ltd.	148,374,456	5.47
China Steel Corporation	103,847,695	3.83
ADI Corporation	103,847,695	3.83
Chailease Finance Co., Ltd.	92,694,047	3.42
Tai Ya Investment Co., Ltd.	82,797,953	3.05
Hung Sheng Construction Co., Ltd.	80,481,963	2.97
San Ho Plastics Fabrication Co., Ltd.	54,852,278	2.02

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

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

Unit: NT\$

Items	2019	2018	2020/4/21
Market Price per Share			
Highest Market Price	8.53	9.17	7.84
Lowest Market Price	7.57	7.40	5.36
Average Market Price	7.85	8.40	6.79
Net Worth per Share			
Before Distribution	12.54	12.01	12.28 (Note 2)
After Distribution	(Note 1)	12.01	Not applicable
Earnings per Share			
Weighted Average Shares (thousand shares)	2,442,431 thousand	2,415,113 thousand	2,715,412 thousand (Note 2)
Diluted Earnings Per Share	0.45	0.40	0.04(Note 2)
Dividends per Share			
Cash Dividends	(Note 1)	-	Not applicable
Stock Dividends			
• Dividends from Retained Earnings	-	-	-
• Dividends from Capital Surplus	-	-	-
Accumulated Undistributed Dividends	-	-	-
Return on Investment			
Price / Earnings Ratio (Note 1)	17.44	21.00	-
Price / Dividend Ratio (Note 2)	(Note 1)	-	-
Cash Dividend Yield Rate (Note 3)	(Note 1)	-	-

Note 1: Not for disclosure as the amount has not yet been approved by the 2020 general shareholder's meeting.

Note 2: The figures are calculated based on financial statements dated March 31, 2020 but not yet audited by CPA.

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

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

If there is a profit after its annual closing of books, the Bank shall first set aside funds for taxes and offset the accumulated losses from previous years before appropriating 30% of the profit toward its legal reserve. No appropriation shall be required if the Bank's legal reserve already equals the total amount of its paid-in capital. The balance thereof shall then be set aside for a special reserve or special reserve reversal and used to distribute preferred stock dividends. Based on the remaining balance, if any, together with the retained earnings accumulated from previous years, the Board of Directors shall propose an earnings distribution plan and present it to the General Meeting of Shareholders for a resolution on dividend payout.

Before the legal reserve equals the total amount of capital stock, the maximum cash distribution of earnings shall not exceed 15% of the total amount of paid-in capital.

With regard to the foregoing dividend distribution, the Bank adopts a policy of stability and balance that takes into account capital budget planning, capital needs for business operations, and commitment to a sound financial structure. In particular, the cash dividend payout shall account for not less than 20% of the total dividend payout for any given year. The aforesaid method of dividend distribution is intended only as a principle-based guideline; the Bank may consider actual needs and, via the Board of Directors, propose an amendment and seek shareholder approval in the form of a resolution adopted by a shareholders' meeting.

- To keep improving corporate governance and to make the dividend policy more specific, the common stock dividend policy is amended and then approved by the 7th Board of Directors in its 24th meeting on March 25, 2020. It is also proposed to the 2020 General Shareholders' Meeting for ratification:

Article 32-1 of the Articles of Incorporation:

If there is a profit after its annual closing of books, the Bank shall first set aside funds for taxes and offset the accumulated losses from previous years before appropriating 30% of the profit toward its legal reserve. No appropriation shall be required if the Bank's legal reserve already equals the total amount of its paid-in capital. After appropriation or reverse of any special reserve and distribution of cash dividends for preferred shares, if a profit remains, the outstanding balance together with undistributed earnings from previous years shall be used as the basis for the Board of Directors to propose distribution and seek a resolution of a shareholders' meeting thereof. The distribution of common stock dividend shall not be lower than 20% of distributable earnings after deducting distributable but not yet distributed preferred stock dividends for the current year. In particular, the cash dividend payout shall account for not less than 20% of the total common stock dividend payout for any given year. Separately, before the legal reserve equals the total amount of capital stock, the maximum cash distribution of earnings shall not exceed 15% of the total amount of paid-in capital.

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

B. Proposed Distribution of Dividend

It is proposed at the 2020 Shareholders' Meeting that shareholders will be entitled to a cash dividend of NT0.425 per preferred share A, totaling NT\$127,500,000 and cash dividend of NT\$0.40 per common share, totaling NT\$965,202,521.

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

(8) Compensation of Employees and Directors

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

Article 22

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

Article 32

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

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

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

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

C. Distribution of Compensation of Employees and Directors for 2019 Approved in the Board of Directors Meeting

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

(2) The amount of any employee compensation distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee compensation: Not applicable.

D. On February 27, 2019, the Board of Directors approved cash dividends of NT\$14,632,286 in employee remunerations and NT\$29,264,571 in director remunerations for 2018, showing no discrepancy with those specified in the Bank's financial statements for 2018.

(9) Buyback of Treasury Stock:

The Bank's Share Repurchase Plan and its implementation (That Still Under Way)

As of April 21, 2020

Batch of Repurchase	First
Purpose of repurchase	Transfer to employees
Types of shares to be repurchased	Common shares
Ceiling on total monetary amount of the repurchase	NT\$4,781,949,079
Planned period for the repurchase	March 20-May 19, 2020
Number of shares to be repurchased	35,000,000
Price range for the repurchase	NT\$5.00-7.00; the repurchase, however, shall proceed even if the Bank's share price runs below the said range
Number of shares actually repurchased	4,841,000
Total monetary amount for shares actually repurchased	NT\$32,145,998 (transaction fees included)
Ratio of number of shares already repurchased against the planned number of shares to be repurchased (%)	13.83%

2. Issuance of Bank Debenture

Bank Debenture Type	2013 Subordinated Bank Debentures, Phase I	2014 Subordinated Bank Debentures, Phase I	2014 Subordinated Bank Debentures, Phase II
Date/reference number of the competent authority's approval letter	2012/9/25 Jin-Guan-Yin-Piao-Zi No. 10100299690	2013/11/7 Jin-Guan-Yin-Piao-Zi No. 10200301650	2013/11/7 Jin-Guan-Yin-Piao-Zi No. 10200301650
Date of issuance	2013/5/30	2014/3/27	2014/6/26
Denomination	NT\$10 million	NT\$10 million	NT\$10 million
Place of issuance and for trading	-	-	-
Currency	NT\$	NT\$	NT\$
Issue price	Issue by denomination	Issue by denomination	Issue by denomination
Total amount	NT\$2.3 billion	NT\$1.3 billion	NT\$1 billion
Interest rate	1.95% per annum	1.95% per annum	1.85% per annum
Tenor	7 years maturity date: 2020/5/30	7 years maturity date: 2021/3/27	7 years maturity date: 2021/6/26
Priority	Subordinated	Subordinated	Subordinated
Guarantor	-	-	-
Consignee	-	-	-
Underwriter	IBT Securities Co., Ltd. as lead underwriter	IBT Securities Co., Ltd. as lead underwriter	IBT Securities Co., Ltd. as lead underwriter
Certifying attorney	-	-	-
CPA	Yang, Chen-Hsiu	Yang, Chen-Hsiu	Yang, Chen-Hsiu
Certifying institution	-	-	-
Repayment method	Repayment in lump sum upon maturity	Repayment in lump sum upon maturity	Repayment in lump sum upon maturity
Outstanding balance	NT\$2.3 billion	NT\$1.3 billion	NT\$1 billion
Paid-in capital of the previous year	NT\$23,905,063 thousand	NT\$23,905,063 thousand	NT\$23,905,063 thousand
Shareholders' equity of the previous year	NT\$25,992,383 thousand	NT\$26,265,527 thousand	NT\$26,265,527 thousand
Performance	-	-	-
Terms for redemption or early repayment	None	None	None
Terms for conversion and exchange	None	None	None
Restrictive clause	Subordinated	Subordinated	Subordinated
Funds utilization plan	Medium- and long-term lending	Medium- and long-term lending	Medium- and long-term lending
Issuance amount plus the outstanding balance of previous issues against shareholders' equity of the previous year (%)	44.56%	45.23%	49.04%
Whether included as eligible equity capital and its category	Yes/Tier 2 capital	Yes/Tier 2 capital	Yes/Tier 2 capital
Credit rating agency, rating date, and rating assigned	Agency: Taiwan Ratings Date: 2019/9/30 Rating: twBBB	Agency: Taiwan Ratings Date: 2014/9/30 Rating: twBBB	Agency: Taiwan Ratings Date: 2014/9/30 Rating: twBBB

Bank Debenture Type	2014 Subordinated Bank Debentures, Phase III	2014 Subordinated Bank Debentures, Phase IV	2015 Subordinated Bank Debentures, Phase I
Date/reference number of the competent authority's approval letter	2013/11/7 Jin-Guan-Yin-Piao-Zi No. 10200301650	2013/11/7 Jin-Guan-Yin-Piao-Zi No. 10200301650	2015/1/16 Jin-Guan-Yin-Piao-Zi No. 10400001080
Date of issuance	2014/9/26	2014/11/5	2015/12/29
Denomination	NT\$10 million	NT\$10 million	NT\$10 million
Place of issuance and for trading	-	-	-
Currency	NT\$	NT\$	NT\$
Issue price	Issue by denomination	Issue by denomination	Issue by denomination
Total amount	NT\$600 million	NT\$1.5 billion	NT\$1 billion
Interest rate	1.95% per annum	2.20% per annum	1.85% per annum
Tenor	7 years maturity date: 2021/9/26	7.5 years maturity date: 2022/5/5	7 years maturity date: 2022/12/29
Priority	Subordinated	Subordinated	Subordinated
Guarantor	-	-	-
Consignee	-	-	-
Underwriter	KGI Securities Co., Ltd. as lead underwriter	Yuanta-Polaris Securities as lead underwriter	Yuanta Securities as lead underwriter
Certifying attorney	-	-	-
CPA	Yang, Chen-Hsiu	Yang, Chen-Hsiu	Yang, Chen-Hsiu
Certifying institution	-	-	-
Repayment method	Repayment in lump sum upon maturity	Repayment in lump sum upon maturity	Repayment in lump sum upon maturity
Outstanding balance	NT\$600 million	NT\$1.5 billion	NT\$1 billion
Paid-in capital of the previous year	NT\$23,905,063 thousand	NT\$23,905,063 thousand	NT\$23,905,063 thousand
Shareholders' equity of the previous year	NT\$26,265,527 thousand	NT\$26,265,527 thousand	NT\$27,725,528 thousand
Performance	-	-	-
Terms for redemption or early repayment	None	None	None
Terms for conversion and exchange	None	None	None
Restrictive clause	Subordinated	Subordinated	Subordinated
Funds utilization plan	Medium- and long-term lending	Medium- and long-term lending	Medium- and long-term lending
Issuance amount plus the outstanding balance of previous issues against shareholders' equity of the previous year (%)	51.32%	57.03%	53.92%
Whether included as eligible equity capital and its category	Yes/Tier 2 capital	Yes/Tier 2 capital	Yes/Tier 2 capital
Credit rating agency, rating date, and rating assigned	Agency: Taiwan Ratings Date: 2014/9/30 Rating: twBBB	Agency: Taiwan Ratings Date: 2014/10/29 Rating: twBBB	-

Bank Debenture Type	2016 Subordinated Bank Debentures, Phase I, Batch A	2016 Subordinated Bank Debentures, Phase I, Batch B	2017 Subordinated Bank Debentures, Phase I
Date/reference number of the competent authority's approval letter	2016/4/20 Jin-Guan-Yin-Piao-Zi No. 10500083270	2016/4/20 Jin-Guan-Yin-Piao-Zi No. 10500083270	2016/9/8 Jin-Guan-Yin-Piao-Zi No. 10500215650
Date of issuance	2016/6/29	2016/6/29	2017/9/5
Denomination	NT\$10 million	NT\$10 million	NT\$10 million
Place of issuance and for trading	-	-	-
Currency	NT\$	NT\$	NT\$
Issue price	Issue by denomination	Issue by denomination	Issue by denomination
Total amount	NT\$1.5 billion	NT\$1.5 billion	NT\$2 billion
Interest rate	1.70% per annum	1.80% per annum	1.97% per annum
Tenor	7 years maturity date: 2023/6/29	8 years maturity date: 2024/6/29	10 years maturity date: 2027/9/5
Priority	Subordinated	Subordinated	Subordinated
Guarantor	-	-	-
Consignee	-	-	-
Underwriter	Yuanta Securities as lead underwriter	Yuanta Securities as lead underwriter	Yuanta Securities as lead underwriter
Certifying attorney	-	-	-
CPA	Yang, Chen-Hsiu	Yang, Chen-Hsiu	Yang, Chen-Hsiu
Certifying institution	-	-	-
Repayment method	Repayment in lump sum upon maturity	Repayment in lump sum upon maturity	Repayment in lump sum upon maturity
Outstanding balance	NT\$1.5 billion	NT\$1.5 billion	NT\$2 billion
Paid-in capital of the previous year	NT\$23,905,063 thousand	NT\$23,905,063 thousand	NT\$23,905,063 thousand
Shareholders' equity of the previous year	NT\$28,482,879 thousand	NT\$28,482,879 thousand	NT\$28,478,741 thousand
Performance	-	-	-
Terms for redemption or early repayment	None	None	None
Terms for conversion and exchange	None	None	None
Restrictive clause	Subordinated	Subordinated	Subordinated
Funds utilization plan	Medium- and long-term lending	Medium- and long-term lending	Medium- and long-term lending
Issuance amount plus the outstanding balance of previous issues against shareholders' equity of the previous year (%)	63.02%	63.02%	65.49%
Whether included as eligible equity capital and its category	Yes/Tier 2 capital	Yes/Tier 2 capital	Yes/Tier 2 capital
Credit rating agency, rating date, and rating assigned	-	-	-

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

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

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

Note: The Bank may, upon approval of the competent authority, allow early redemption of the said debentures 5.3 years after their issuance (after 2023/10/16) if the Bank's capital adequacy ratio meets the minimum requirement after this redemption.

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

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

3. Preferred Shares

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

Issuance (launch) date		November 29, 2018	
Item			
Outstanding preferred shares	Amount redeemed or converted	NT\$0	
	Balance of shares not yet redeemed or converted	NT\$3,000,000,000	
	Terms of redemption or conversion	<p>1. These shares of Preferred Stock A have no maturity date but the Bank may, upon approval of the competent authority, redeem all or part of these preferred shares at the issuance price on the day after 5 years and 6 months of the issuance date. Holders of any unredeemed preferred shares shall thereafter be entitled to the same rights and obligations listed above. If the General Meeting of Shareholders resolves on paying dividends for a given year when the Bank is redeeming these preferred shares, dividend distribution thereof shall be calculated pursuant to actual days in the year up to the date of redemption.</p> <p>2. These preferred shares shall not be convertible within 1 year of the issuance date (inclusive). From the day after the first anniversary of issuance, holders of these preferred shares may apply to convert all or part of their holdings into common shares at a conversion ratio of 1:1, after which the rights and obligations entailed by common shares shall apply. Dividend distribution for the years of conversion shall be calculated pursuant to actual days in the year up to the date of conversion. Nevertheless, holders of preferred shares who convert their holdings into common shares prior to the ex-rights (ex-dividend) record date in a given year shall not be entitled to distribution of dividends for these preferred shares for the same year and the subsequent year. Such shareholders, however, shall be entitled to distribution of earnings and capital reserves among holders of common shares..</p>	
Market price per share	2017	High	Not applicable
		Low	Not applicable
		Average	Not applicable
	2018	High	Not applicable
		Low	Not applicable
		Average	Not applicable
	2019	High	10.65
		Low	10.10
		Average	10.46
Year to date as of April 21, 2020 (Note)	High	Low	8.82
		Average	10.10
Other rights	Amount converted or subscribed to as of the date of publication of this annual report	These preferred shares cannot be converted into common shares within 1 year of the issuance date (inclusive).	
	Issuance and conversion/subscription rules	<p>These preferred shares shall not be convertible within 1 year of the issuance date (inclusive). From the day after the first anniversary of issuance, holders of these preferred shares may apply to convert all or part of their holdings into common shares at a conversion ratio of 1:1, after which the rights and obligations entailed by common shares shall apply. Dividend distribution for the years of conversion shall be calculated pursuant to actual days in the year up to the date of conversion. Nevertheless, holders of preferred shares who convert their holdings into common shares prior to the ex-rights (ex-dividend) record date in a given year shall not be entitled to distribution of dividends for these preferred shares for the same year and the subsequent year. Such shareholders, however, shall be entitled to distribution of earnings and capital reserves among holders of common shares.</p>	

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

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

V. Operational Highlights

1. Business Activities

The Bank mainly operates the following businesses:

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

Weight of business activities

Unit: NT thousands

Item	Year	2019		2018	
		Amount	%	Amount	%
Net interest income		1,957,451	37	2,181,521	46
Net fee income		808,793	15	610,128	13
Gains or losses on financial assets (liabilities) at fair value through profit or loss		908,385	17	1,385,777	29
Gains from sale of fair value through other comprehensive income financial assets		133,451	2	78,990	2
Net gain or loss on exchange		293,516	6	(536,618)	(11)
Gain on reversal of impairment loss		1,284	-	1,910	-
Share of profit or loss of subsidiaries and affiliated businesses accounted for using equity method		1,098,480	21	880,415	19
Net profit apart from interest		103,855	2	127,760	2
Net income		5,305,215	100	4,729,883	100

(1) Business Review

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

A. Credit Extension

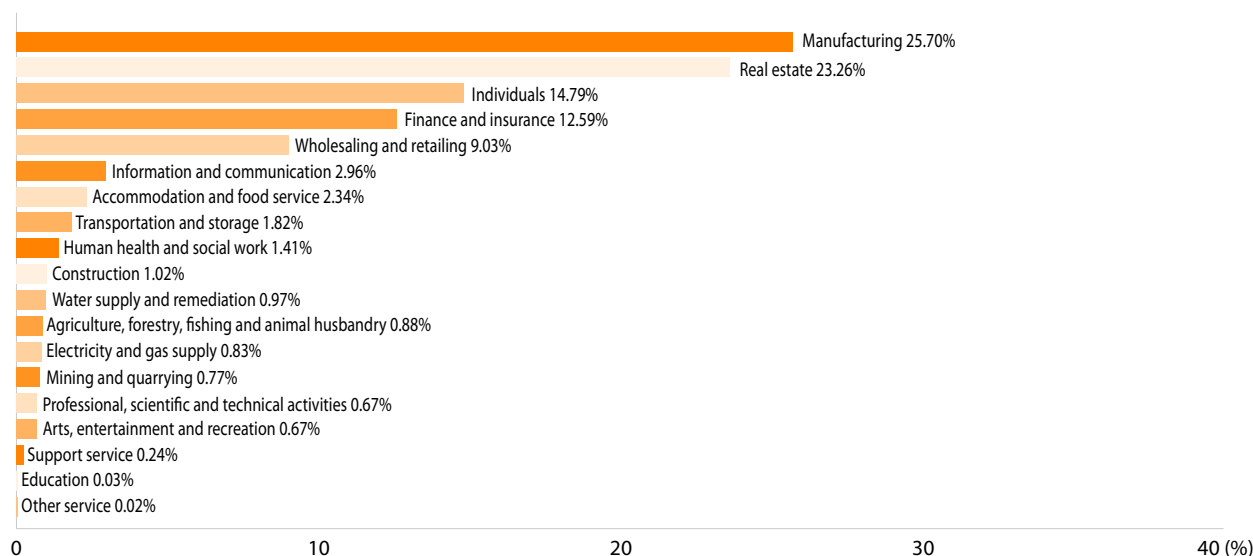
In 2019, the Bank made aggressive inroads into the personal banking sector while continuing to actively cultivate clients in Taiwan and abroad for its corporate banking services. In order to cater to different customer segments, the Bank developed a wide range of loan products that truly meet customer needs. Made available are diverse products featuring multiple interest rate structures and repayment options as well as convenient online applications. These include online applications for non-depositors, three-stage repayment mortgage loans, tiered-rate unsecured loans, preferential-rate loans for designated groups, and debt-integrated credit products.

As of the end of 2019, this Bank's overall credit assets (outstanding balance of NT dollar and foreign currency lending) came in at NT\$199.7 billion (including receivable L/C amounts), a decrease of NT\$4.4 billion from a year earlier. Meanwhile, the Bank recorded a non-performing loan ratio of 0.75% and an NPL coverage ratio of 183.01%.

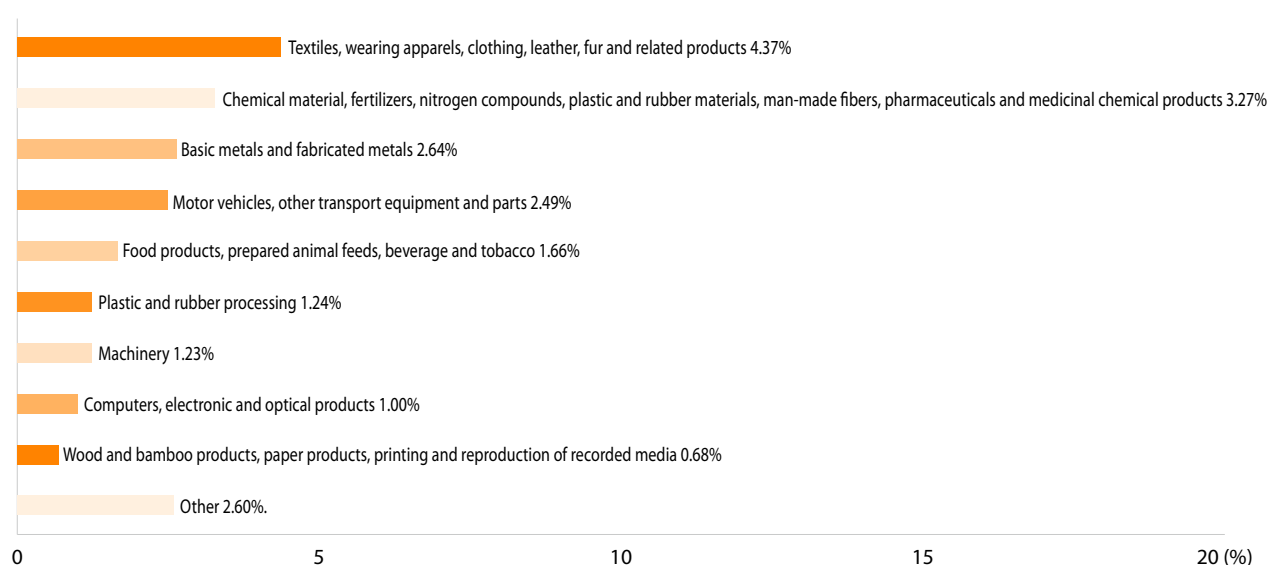
By Standard Industrial Classification of Directorate General of Budget, Accounting and Statistics, the manufacturing industries category accounted for the greatest share of our credit risk exposure (excluding that fully secured by the Bank's certificates of deposit), or 25.70%, at the end of 2019. Next came the real estate category with 23.26%, the individuals with 14.79%, the financial and insurance industry with 12.59%, the wholesaling and retailing industry with 9.03%, the information and communication industry with 2.96%, the accommodation and food service industry with 2.34%, the transportation and storage industry with 1.82%, the human health and social work industry with 1.41%, the construction industry with 1.02%, the water supply and remediation industry with 0.97%, the agriculture, forestry, fishing and animal husbandry industry with 0.88%, the electricity and gas supply industry with 0.83%, the mining and quarrying industry with 0.77%, the professional, scientific and technical activities industry with 0.67%, the arts, entertainment and recreation industry with 0.67%, the support service industry with 0.24%, the education industry with 0.03%, the other service industry with 0.02%. Within the manufacturing sector, the electronic parts and components industry recorded the greatest credit risk exposure of 4.52%, followed by the textiles, wearing apparels, clothing, leather, fur and related products industry with 4.37%, the chemical material, fertilizers, nitrogen compounds, plastic and rubber materials, man-made fibers, pharmaceuticals and medicinal chemical products industry with 3.27%, the basic metals and fabricated metals industry with 2.64%, the motor vehicles, other transport equipment and parts industry with 2.49%, the food products, prepared animal feeds, beverage and tobacco industry with 1.66%, the plastic and rubber processing industry with 1.24%, the machinery industry with 1.23%, the computers, electronic and optical products industry with 1.00%, the wood and bamboo products, paper products, printing and reproduction of recorded media industry with 0.68%, and other industry with 2.60%.

We are actively cultivating new clients in Taiwan and abroad. To seek stable growth and diversify operating risk, we are proactive to consolidate our existing customer base and make inroads into the niche segment

The credit risk exposure (excluding that fully secured by the Bank's certificates of deposit) at the end of 2019:



The credit risk exposure within the manufacturing sector (25.70%):



of mid-market enterprises, which promises to make an important foundation for promoting various co-marketing undertakings.

Syndicated loans have always been the mainstay of our lending business. We provide customized services and quick and precise financing solutions to clients, raise funds for them, and help them resolve critical problems. Coming with a full spectrum of funding solutions, the Bank is ready to share growth with domestic and international businesses. In 2019, companies reduced their capital expenditures amid slowing economic growth both at home and abroad, a worsening trade war between the U.S. and China, and an ever-deteriorating global market. Alongside a gradual decrease in syndicated loans, it was increasingly difficult to secure lead bank status. Yet, on top of a solid customer base built over the years, the Bank always prides itself on being a “boutique bank” that refrains from vying for small margins, specializes in cross-border structured cases, stays focused on corporate clients with growth prospects, and joins forces with affiliates for co-marketing endeavors. The Bank's focusing only on niche projects brought one of its key earnings drivers.

B. Deposits

As of the end of 2019, the Bank's outstanding balance of NT dollar and foreign currency deposits came in at approximately NT\$243.6 billion, an increase of 1.33% from a year earlier. For the sake of both liquidity and security, the Bank gives priority to deposit stability. As such, emphasis is placed on diversifying the maturities of time deposits while actively soliciting demand deposits to bring down capital costs.

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

C. Foreign Exchange and Offshore Banking

We continued to offer trade financing services and give priority to maintaining a reasonable interest spread in our foreign exchange financing operations. With regard to offshore banking, the Bank offered DBU and OBU services across the Taiwan Strait while further strengthening services to clients that have established multinational operations centers so that they could secure the funds needed for offshore operations. Meanwhile, the Bank responded to the rapid development of trade across the Taiwan Strait by enhancing the quality of service to Taiwanese firms, thereby fostering business development and attracting even more business opportunities.

D. Direct Investment

The Bank adopted a proactive approach to disposing of its direct investment portfolio after obtaining permission from the Financial Supervisory Commission to become a commercial bank in March 2015. As of the end of 2019, all such divestments had been completed except three cases.

E. Financial Product Trading

The Bank's financial product trading operations include financial product transactions and marketing. We trade foreign exchange and fixed-income products as well as their derivatives, while our financial product marketing services chiefly refer to those meant to provide clients with various financial products and services and financial hedging instruments.

In 2019, the Bank continued to strengthen its overall risk management, monitor market value assessments, optimize trading systems and internal management protocols, strengthen training of salespeople and managerial officers, and make preparations for a number of new operations and products. The Fed changed gear from raising interest rates to cutting them as the U.S.-China trade war took its toll on the global economy. Yet, the Bank's fixed income investments managed to bring handsome rewards.

F. Securities Trading

The Bank's securities business chiefly consists of investment in the shares of domestic companies listed on the Taiwan Stock Exchange and Taipei Exchange. In 2019, the global economy headed for a slowdown and markets became concerned about an imminent recession worldwide. As such, the Fed changed gear and cut interest rates three times in a row. U.S. stocks actually trended higher amid higher-than-usual volatility while the American economy proved reasonably resilient. In Taiwan, the Taiex managed to consolidate in

the 10,000-11,000 point range in the first half of the year. Subsequently, the country's listed companies saw businesses stabilize as technology firms benefitted from diverted orders and China's distancing itself from U.S. suppliers amid an ongoing trade war between the two. The Taiex closed the year at a high of 11,997, up 2,270 or 23.3% year-on-year. For its part, the Bank recorded quite strong earnings accordingly.

G. Project Finance

Project finance encompasses project financing and financial advisory. Project financing chiefly provides private companies with a wide range of project financing and project development services. We can provide comprehensive project financial planning, investment feasibility assessment, structuring of syndicated project loans, transfer of trust beneficiary rights, drafting of strategies for contract negotiations, and assistance with the acquisition of funds to participate in equity investments. Our financial advisory services are meant to provide clients with tailor-made solutions, that is, consulting with regard to debt arrangement, corporate consolidation and M&As, reorganization, fund-raising, M&A financing, and tax planning.

H. Trust Business

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

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

As of the end of 2019, the outstanding balance of assets entrusted to the Bank came in at NT\$12.8 billion, a year-on-year decrease of NT\$0.3 billion. Newly introduced in the year was the Bank's real estate investment trust (REITs) business, whose outstanding balance stood at NT\$3.2 billion at year's end.

I. Cash Management and e-Banking

While reinventing itself as a commercial bank and launching into retail banking in 2017, the Bank also upgraded its corporate e-banking platform and ushered in an automated online payroll service. With customer demand for remittances and the automated online payroll service steadily on the rise, the Bank further upgraded both tangible and intangible aspects in 2018 to optimize these services and help customers conclude massive transactions in no time. By staying flexible to offer customized services, the Bank was able to help corporate clients reduce financial and manpower costs and enhance transaction efficiency. This stride toward meeting a growing variety of customer needs certainly contributed to strengthening customer loyalty. In 2019, the Bank's corporate e-banking platform recorded a total of 468,102 online transactions, jumping by 51% from a year earlier.

As the market became increasingly digitized, we introduced a digital corporate banking platform in 2018. This platform, accessible anytime and anywhere, integrates the Bank's internal systems and strengthens our sales, management, and efficiency across the bank, thereby optimizing our management of corporate banking services. Also adopted during the year was a dynamic security verification mechanism for transactions by fax, a move meant to make the Bank's payment service more efficient.

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

J. Digital Retail Banking Services

- **Payment Services:** In addition to debit cards with more than 500 personalized card designs to choose from, we provide co-branded and affinity cards issued in conjunction with online restaurant reservation platforms, gaming companies, public welfare entities, electronic stored value card operators, etc. Featuring both cash rebate and zero-risk card use, they rightly give cardholders peace of mind.
- **Digital Wealth Management Services:** We provide a wide range of wealth management products, including mutual funds and “Robot Advisory,” to meet the diverse needs of different customers.
- **Insurance Services:** Teaming up with PCA Life, we have introduced protection-oriented life insurance, medical insurance, accident insurance, NTD/foreign currency savings-oriented insurance, and investment-oriented insurance. Through face-to-face and other channels, we provide a wide range of products and services to ensure that customers have access to the best-fitting insurance in different stages of their lives. The Bank’s commitment to helping customers care for their family through insurance is reciprocated in the form of their loyalty.
- **Wealth Management Services:** With our consultants adopting a face-to-face approach, the Bank provides a full spectrum of services in a bid to attract more high-end customers.
- **Electronic Banking Services:** We provide secure and convenient online/mobile banking services, and our user-friendly interface and convenient functions allow users to easily check their accounts, make transfers, sell or buy foreign exchange, pay fees, perform mutual fund transactions, and conduct various other operations. We also offer 24-hour video customer service: our customers are invited to take advantage of all manner of financial services anytime, anywhere.

(2) Business Plan for 2020

A. Credit Extension

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

- (A) Encourage new accounts, expand the Bank’s customer base, and uncover structured deal opportunities as a means of increasing fee income.
- (B) Continue cultivation of quality clients and establish a new clientele of “strategic partner accounts” to increase the ROA.

- (C) Build on the benefits of e-banking and e-factoring to promote trade finance services, foster deposits derived from customers' capital flow, and grow the Bank's global transaction service (GTS) business, thereby complementing the growth in fee income and demand deposits. Use existing large clients as the basis for expanding to other members of their supply chains—an expansion of both our customer base and business opportunities.
- (D) Vie for lead bank status in quality domestic and overseas syndicated loans and promote project loans in tandem with government policy of urging Taiwanese businesses operating in mainland China to invest in Taiwan in order to meet customer needs for fund-raising and capital allocation.
- (E) Make use of our branches in Taiwan and Hong Kong as two engines for driving the expansion of our customer base and broadening of business scope.

In terms of retail banking, we adapt to regulatory opening whenever warranted and honor our positioning as a digital bank as we commit ourselves to providing customers with more convenient lending services online. System and process optimization is always an ongoing endeavor in order to better meet customer needs. Big data analytics is conducted to predict customer behavior with a view to delivering the most fitting product information and consulting service in a timely manner. Thanks to our customer services rendered by voice, video, and text, customers are accorded a full spectrum of financial services without the need to visit a physical outlet of the Bank in person.

B. Deposits

To expand sources of stable funds, reduce liquidity risk and lower capital cost, we make it a point to adjust our deposit tenor structure and increase the weighting of demand deposits in terms of corporate deposits in 2020.

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

To cater to both potential and existing customers, the Bank will usher in various types of preferential Taiwan dollar and foreign currency deposits, bolster account capabilities to further increase customer dealings, and introduce children's accounts to help the young generation familiarize themselves with wealth management early on by means of our digital banking services. Continuous efforts will be made to persuade customers to make the Bank their primary partner in terms of capital allocation. Under our member-get-member (MGM) initiative, we will further encourage existing clients to recommend new ones and integrate resources within the O-Bank Group to attract more salary transfer accounts and thus accelerate expansion of our customer base. At the same time, we are relying on cross-industry alliances to gain access to the existing clients of our partners. We are also taking advantage of internet and social media to expand our exposure and recognition and in turn facilitate customer growth.

1. *Journal of the American Medical Association*, 2000; 283: 2689-2696.

37

2017, and was ranked among the top 10 regional headquarters of multinationals in 2018. Separately, IBT International Leasing Corp. was accorded the Jiangsu Province Financial Leasing Association's Company of the Year Award for three straight years—2016, 2017, 2018—and Outstanding Company Award in 2019.

In January 2019, the Bank secured approval from the Financial Supervisory Commission to team up with China Everbright Bank and China CYTS Tours Holding Co., Ltd. to establish Beijing Sunshine Consumer Finance Co., Ltd. The Bank invested 200 million Renminbi for a 20% stake in the joint venture. Having secured China Banking and Insurance Regulatory Commission approval in January 2020, the joint venture is expected to become operational in Beijing in the second half of the year. Beijing Sunshine Consumer Finance Co., Ltd. is set to offer a full spectrum of financial products and services through multiple channels: China Everbright Bank's cloud payment platforms, China CYTS Tours Holding Co., Ltd.'s tour packages, and the Bank's digital banking expertise. When the ongoing pandemic eases off, Beijing Sunshine Consumer Finance Co., Ltd. will draw on big data and AI technologies to undertake precision marketing and optimize post-lending management. Its capital-light business model that resorts to online channels is expected to prove a fitting one for focusing on mainland China's consumer banking market.

In the days ahead, the Bank is ready to rely on IBT International Leasing Corp. and Beijing Sunshine Consumer Finance Co., Ltd. as the Bank's double engines for making inroads into mainland China's SME segment and consumer banking market. Taking into account characteristics of various industries and market segments, the Bank will also consider upgrading its Tianjin representative office to fully take advantage of the opportunities therein. Meanwhile, the Bank is ready to support the government's "New Southbound" policy and expand its presence in Southeast Asia via forming strategic alliances or setting up outposts, thereby giving further impetus to its overseas bid.

D. Direct Investment

In the wake of the Bank's reorganization into a commercial bank, we will give priority to disposing of our original investment portfolio in 2020. Such disposals are expected to be completed by the end of this year.

E. Financial Product Trading and Investment

As the year 2020 unfolds, the U.S.-China trade dispute will move on to its second phase and the coronavirus outbreak, while still spreading, is expected to gradually ease off when the northern hemisphere enters summer. On the other hand, the Fed changed gear from raising to cutting interest rates late last year, pushing bond yields to multiyear lows and driving stocks to new highs. Thus, there is no ruling out the Fed reverting to rate hikes toward the end of the year. Coupled with the risk of geopolitical disruptions, uncertainties are bound to weigh on financial markets and trading of financial products will thus be made even more challenging than it already is.

All in all, the Fed expects the American economy to stay on course for moderate growth and the labor market to remain strong now that the U.S.-China trade war has largely been defused. In turn, we expect U.S. stocks to move even higher and the current low-interest environment to be further rectified.

In Taiwan, the central bank expects further applications of emerging technologies to prompt local manufacturers to expand capacities and thus foster a recovery in exports. Further, the Taiwan economy should be able to stay on growth track also thanks to expansion in private investment and consumption as well as government spending. With still low crude oil prices and thus lesser pressure on import-induced

(A) Trading and investing in fixed-income products

The Bank is set to strengthen balance sheet management and stringently control asset quality. Given

(B) Marketing financial products

F. Securities Trading

G. Project Finance

H. Trust Business

110

escrow, advance payment trust, and personal trust services. In short, we will devise tailor-made trust contracts to meet all manner of customer needs.

I. Cash Management and e-Banking

In 2018, O-Bank introduced its digital corporate banking platform, a fully integrated IT platform that draws on fintech and big data analytics to internally deliver real-time services at all times. In 2019, a dynamic verification mechanism was developed and introduced into transactions by fax. In addition to simplicity and convenience, this will enhance transaction security by doing away with the risk associated with hard copies, increase efficiency, and bring down costs for both the Bank and its customers. Equally important for the Bank in 2020 will be to further optimize its online corporate banking services, upgrade security control components, and expand and adapt to more diversified browser applications. The Bank will continuously develop more deposit offerings for corporate clients to enhance our liquidity and lower capital costs while further strengthening our collection and payment services. The goal is to create a win-win scenario in which the Bank benefits from earnings growth while building closer customer relations.

J. Digital Retail Banking Services

In terms of business strategies, we will continue to focus on seeking out new quality customers while strengthening our partnership with existing ones. Events and activities will be organized to facilitate interaction with customers in order for the Bank to be recognized as a premier digitally focused bank that delivers a “secure, convenient, beneficial, and interesting” customer experience.

- **Payment Services:** Keep up partnerships with e-commerce vendors, startups, and electronic payment operators to better meet diverse customer needs.
- **Digital Wealth Management Services:** Complement a wide range of preferential mutual fund offerings with our Robot Advisory initiative to give customers not only fee discounts but also custom-made recommendations with regard to their investment portfolios, thereby fulfilling our vision for financial inclusion.
- **Insurance Services:** Form strategic alliances with insurers and undertake face-to-face and electronic marketing to provide customers with better-rounded insurance products and services. In addition, an e-fast track platform will be established to facilitate application processing and cut short the time needed for policy approval.
- **Wealth Management Services:** Create a team of competent professionals by recruiting experienced wealth management consultants and offer financial services of warmth and depth. Human contact is made to ensure the complicated financial needs of customers are fully met. In terms of investment products, the Bank is set to introduce overseas bonds and customized structured products so that customers can have more diversified options to choose from. Emphasis will also be placed on targeting existing customers for cross-selling to enhance product penetration and strengthen services for high-asset customers, in turn increasing the Bank’s fee income.
- **E-banking Services:** Continue to optimize platform layout and operations, refine customer experiences, and provide customers with fitting product information based on customer behavior and dealings with the Bank.

(3) Market Analysis

A. Industry status and future prospects

In 2019, the world economy lost steam as global trade declined amid a protracted trade war between the U.S. and China. To be sure, trade growth had served as the key driving force behind the world's economic recovery in the wake of the global financial tsunami of about a decade earlier. The U.S.-China trade war resulted in smaller-than-expected growth in world trade and in turn global growth slower than a year earlier. Despite its economic dependence on exports, Taiwan actually benefitted from the U.S.-China trade war as some Taiwan businesses were prompted to relocate home from mainland China. Also contributing to greater investment momentum was the increased equipment procurement by the country's semiconductor industry, thereby further underpinning the Taiwan economy. According to Directorate General of Budget, Accounting and Statistics tallies, Taiwan's GDP growth came in at 2.71% in 2019.

Taiwan's financial services industry saw its total pretax profit grow 21% from a year earlier to NT\$634.1 billion in 2019. In particular, the banking, insurance, and securities sectors all posted record earnings. Combined, domestic banks saw their 2019 pretax profit grow 8% from the year before to NT\$360.7 billion. Of these numbers, the headquarters and domestic branches of local banks had pretax profit of NT219.6 billion for the year, representing a 0.8% year-on-year increase. As beneficiaries from bullish global equity and bond markets, their OBUs and overseas and mainland China branches registered a 21% increase from the year before in pretax profit to NT\$141.1 billion. As a whole, domestic banks saw their 2019 ROE and ROA rise from 9.31% and 0.7% the year before to 9.38% and 0.72%. In terms of asset quality, domestic banks registered NPL and NPL coverage ratios of 0.21% and 651.78% respectively at the end of 2019, attesting to reasonably sound asset quality. Given the advances in fintech, Taiwan saw the number of domestic banks' branches increase by 2 from a year earlier to 3,405 at the end of 2019.

As 2020 unfolds, global trade should be able to stabilize and pick up despite ongoing cross-border trade disputes, China's rising economic and financial risks, and geopolitical tensions in the Middle East. Against this backdrop, the U.S.-China trade war has proven a boon to Taiwan in that a wave of homecoming investment by businesses operating in mainland China is expected to give a boost to the country's outbound shipments. On the other hand, the spread of COVID-19 from China to other parts of the world since the beginning of the year has proven far worse than previously expected. Financial markets suffered panic sell-offs. All countries, Taiwan included, found themselves confronted with doubly uncertain economic prospects. To cushion the economic and financial impact of the pandemic, governments introduced stimulus packages and central banks cut rates: Taiwan's central bank slashed its benchmark rate by a quarter percentage point after the Fed's reduction by one full percentage point. In the months ahead, finding ways to quickly recover from the pandemic-induced recession promises to be a major challenge for Taiwan and other countries.

When it comes to the operating environment facing the banking industry this year, capital demand is expected to emerge among homecoming businesses from mainland China but the central bank's rate reduction will surely erode banks' earnings. Moreover, the spread of COVID-19 has clearly damped economic activity throughout. There is a need to monitor how the pandemic may threaten or undermine the banking industry's credit quality. Coupled with longtime competition among domestic banks has seen their interest spread slip steadily, making it more challenging for them to continue growing interest income. On the other hand, banks are confronted with many other challenges, notably higher costs stemming from the need

to ensure compliance with anti-money laundering (AML), information security, and personal information protection regulations. Coupled with the competent authority's increasingly stringent regulations governing capital and liquidity, caution is warranted for assessing the 2020 earnings outlook of domestic banks.

B. An outburst of internet-only banks

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

C. Transformation of banks driven by digital technology

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

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

D. Development strategy and positive/negative factors**(A) Development strategy:**

Given the younger generation's heavy dependence on mobile devices, our retail banking services will be geared mainly toward digital finance. We are using advanced information systems and technologies in conjunction with social media and cloud marketing to transform ourselves into a digitally focused bank that draws on virtual channels to provide inclusive financial products and services. We will also employ big data analytics and strategic alliances to achieve a cost advantage and create a superior customer experience, while providing more convenient, friendlier banking services to meet customer needs across the younger generation. Our wealth management team will focus on serving high-end customers. In terms of corporate banking services, we will persist with our "intensive cultivation" strategy, uphold asset quality, expand our client base across industry chains of existing customers, bolster risk management mechanisms, and strengthen co-marketing endeavors so as to effectively boost customer contribution to our earnings. Equal emphasis will be placed on introducing more niche products in step with market developments.

To meet the rapidly growing financing needs of SMEs in China, we will further expand our leasing ventures across the Taiwan Strait and establish a shared platform on this front. Having secured regulatory approval in both Taiwan and mainland China, our prospective consumer finance joint venture with China Everbright Bank and China CYTS Tours Holding Co., Ltd. is ready to make inroads into China's consumer banking market that comprises both SMEs and individuals, thereby maximizing the benefits of our investments on the mainland. In the days ahead, we will continue to seek out domestic and foreign opportunities for acquisitions, expand our service scale, and strengthen our position in the domestic market, thereby achieving both external growth and earnings growth.

(B) Positive factors:

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

In addition, we have accumulated ample corporate banking experiences and an extensive customer base comprising business conglomerates over the course of 20 years. All these naturally form a solid backing for our launching into retail banking. In the future, the O-Bank Group will adopt an all-encompassing strategy to build on our existing corporate and individual clients for creating an equally solid foundation for retail banking services.

(C) Negative factors:

Being a newcomer—a lesser-known name—in the retail banking market, the Bank will continue to draw on social media and other channels to increase exposure and expand customer sources. In terms of physical outlets, we will reposition our branches as digital service experience centers that come with features attractive enough to draw customer attention. We will also work to have virtual and physical channels complement each other. The ultimate objective is to have customers appreciate us as a bank that is always ready to provide them with financial services.

(4) Financial Product Research and Business Development

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

■ Corporate Banking:

In recent years the Bank has committed itself to strengthening both tangible and intangible channels as well as optimizing funds transference and remittance services to help customers conclude massive transactions in no time. In 2019, the Bank introduced a dynamic security verification mechanism for transactions by fax, a move that enhances efficiency and helps corporate customers cut down on financial and manpower costs.

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

■ Trust Business:

In 2020, the Bank will give customers an additional option in terms of investment and wealth management by undertaking foreign currency non-discretionary money trusts (overseas bonds and offshore structured products) for investing in foreign securities. With regard to monetary trusts, we are keen to apply innovative technologies and develop such services as advance collections trusts and electronic payment stored-value trusts. At the same time, we are set to promote charitable trusts in line with our altruistic ideal of "benefiting others to fulfill oneself."

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

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

Unit: NT\$ million

Item	2019	2018
Non-discretionary money trusts for investing in domestic and foreign securities	1,159	494
Other monetary trusts	2,872	3,022
Real estate trusts	5,180	5,930
Real estate investment trusts	3,235	3,244
Advance collections trusts	363	381

■ Retail Banking:

In August 2019, the Bank added its Wealth Management Department under which a team of offline consultants is entrusted with the task of providing customers with financial services of warmth and depth as well as a whole range of products.

B. R&D expenditures incurred in the past two years and the results achieved; future R&D projects**■ Corporate Banking:**

Digital corporate banking platform:

Since its initiation in 2015, the Bank's online corporate banking platform has persisted with strengthening its security control capability as dictated by incessant environmental changes. A highlight in 2019 was the addition of a bolstered end-to-end encryption mechanism to ensure both the security of information transmission upon customer log-in and the accuracy of information thus transmitted.

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

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

Unit: NT\$ thousands

Year	2020 (projected number)	2019 (actual number)	2018 (actual number)
Amount	2,052	2,650	1,500
Growth rate (%)	(22.6%)	76.7%	(78%)

■ Retail Banking

The Bank was restructured into a commercial bank in 2017. R&D expenses totaling NT\$428 million went toward developing digital banking systems that year. The goal is to provide customers with a full range of online financial services and financial products different from those offered by other banks. We are set to build on this solid foundation for optimization of relevant functions and services.

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

(2) Robot Advisory: We provide customers with easy and rational choices when it comes to investing and managing their assets. Our system's algorithm lets customers assemble investment portfolios that match their risk attributes and notifies them of opportune times for portfolio adjustments offered by changes in the market. In 2019, the Bank took the lead to introduce "Dividend Robot" and "Brand Robot," thereby providing customers with better-rounded wealth management products.

(3) Online personal unsecured loans: Customers are given the option of applying for unsecured loans through either our website or app. They can also secure timely information and services even by using different devices. In July 2019, the new option of applying online was made available to non-depositors,

an inclusive finance initiative that can help keep up customer contact and keep customer loss to a minimum. Also introduced during the same year was a campaign that offers fee discounts for unsecured loans to specific segments, such as women, employees of other financial institutions, and engineers, as well as tiered-rate unsecured loans that better meet market needs.

(4) Three-stage repayment mortgage loans: We provide customers with greater repayment flexibility. Based on their income levels in different stages in life, customers are free to choose a mode of repayment they see fit.

(5) 24-hour real-person video customer service: Customers are given the option of talking to our service personnel face-to-face on their mobile devices anytime, anywhere. O-Bank always stands by.

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

Unit: NT\$ thousands

Year	2020 (projected number)	2019 (actual number)	2018 (actual number)
Amount	100,023	96,797	136,928
Growth rate (%)	3.3%	(29%)	(68%)

Note: In 2017, the Bank completed installing a new core system and other digital platforms to accommodate its transformation to a commercial bank. In 2018, R&D expenditures were meant mainly for system optimization and functional expansion; user experience and feedback served as the basis for our efforts to further improve our system and enhance operating efficiency and service quality.

(B) Research and development results during 2019

Unit: NT\$ thousands

Project	Investment
Strengthening of e-banking	32,806
Strengthening of cloud service platform	23,662
Strengthening of back-end support system	20,770
Optimization of online lending procedures	11,024
Upgrade of Robot Advisory	5,625
Optimization of insurance system	2,910

(C) Future research and development plans

Unit: NT\$ thousands

Plans/projects during the most recent year	Current progress	Further required R&D expenses	Expected date of completion	Main factors weighing on success of future R&D
Installation of overseas bond system	In progress (completion: 85%)	8,762	2020.3.31	Integrity of business planning and availability of system development manpower
Strengthening of e-banking	In progress (completion: 40%)	5,895	2020.6.30	
Optimization of insurance system	In progress (completion: 40%)	2,625	2020.6.30	
Strengthening of wealth management/investment system	In progress (completion: 20%)	11,386	2020.9.30	
Optimization of lending procedures	In progress (completion: 20%)	10,098	2020.9.30	
Strengthening of deposit procedures	Under planning	6,570	2020.12.31	
Strengthening of payment procedures	Under planning	7,205	2020.12.31	
Strengthening of back-end support system	Under planning	47,482	2020.12.31	

In the days ahead, we will always give priority to meeting customer needs as we adapt

to a rapidly changing market and take up the challenge posed by an anticipated outburst of internet-only banks. We will focus our resources on developing and delivering features and services that customers really want and need, thereby making their bank of first choice.

■ Risk Management

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

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

The installation of GRC platform costs a total of NT\$13,963 thousand and the expenditures during the most recent two years and expected future expenditures:

Unit: NT\$ thousands

Year	2020 (projected number)	2019 (actual number)	2018 (actual number)
Amount	1,980	7,260	4,723

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

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

A. Short-term business development plans:

(A) Further expand customer base and enhance customer contribution

Over the course of three years since its transformation into a commercial bank, the Bank has successfully launched into retail banking business. But faced with a daunting environment of fierce competition, the Bank will work along several lines to grow our retail banking customer base and enhance customer contribution. On one hand, we will build on our O-Life platform and strength in digital banking to establish strategic alliances with ecommerce and consumer industry leaders for provision of joint services that focus on everyday needs. As we gradually establish a brand alliance and ecosystem, we will be able to enter consumers' everyday applications and reap large numbers of new customers. On the other hand, we will establish a team of elite professionals to focus on serving high-end customers while introducing a new platform for overseas bonds and offshore structured products. With emphasis placed on both quality and quantity, the objective is to convince existing customers to subscribe to the Bank's comprehensive and fully flexible wealth management products, thereby increasing product penetration and customer contribution. Equal emphasis will be placed on delivering an optimal customer experience, thereby creating an excellent reputation and soliciting customer recommendations to others.

(B) Persist with the "intensive cultivation" strategy to uphold corporate banking quality

Confronted with cyclical changes and an increasingly stringent regulatory environment, "intensive cultivation" will remain our core strategy for corporate banking services. On top of keeping up a quality balance sheet, we will seek to maximize the benefits of capital utilization. To comply with the NSRF and LCR requirements of the competent authority, the Bank is also set to adjust its lending structure, strengthen solicitation of deposits, establish a credit-checking and lending system, keep down IT

maintenance costs, and enhance risk management efficiency. Separately, the Bank is ready to build on its existing customer base to expand into the mid-market enterprise sector and win over new clients from all segments of industry chains, thereby enhancing overall operating efficiency.

(C) Bolster co-marketing, create synergies

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

(D) Continue growing competent professionals

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

(E) Stand by commitment to corporate social responsibility

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

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

(A) Create a competitive digital banking brand name

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

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

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

(C) Continue to promote the "Wangdao" spirit

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

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

2. Human Resources

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

Year		2018/12/31	2019/12/31	2020/4/21
Number of Employees	Clerks	790	872	844
	Workers	31	23	22
	Total	821	895	866
Average Age		39.2	39.6	39.9
Average Years of Service		4.3	4.3	4.4
Distribution of Academic Degrees	PhD	0.3%	0.1%	0.1%
	MA	33.6%	31.8%	30.1%
	BA	64.1%	65.0%	64.8%
	Senior High School	2.0%	3.1%	5.0%
Professional Licenses Held	Banks' Internal Control and Audit Exam	344	420	405
	Exam on Financial Market Knowledge and Professional Ethics	391	443	430
	Trust Services Competency Exam	321	348	335
	Structured Commodities Salesperson Qualification Exam	131	132	123
	Financial Derivatives Salesperson Qualification Exam	27	40	48
	Securities Brokerage Salesperson Qualification Exam	59	65	61
	Securities Brokerage Senior Salesperson Qualification Exam	110	108	110
	Personal Insurance Salesperson Qualification Exam	220	266	247
	Property Insurance Salesperson Qualification Exam	147	178	165
	Exam for Personal Insurance Salespeople Selling Foreign Currency, Non-Investment Products	44	66	61
	Entry-Level Lending Personnel Qualification Exam	157	164	155
	Entry-Level Forex Personnel Qualification Exam	136	130	130
	Bond Trading Competency Exam	30	28	28
	Forex Trading Competency Exam	6	6	7
	Bills Salesperson Qualification Exam	44	39	37
	Securities Investment and Trust Salesperson Qualification Exam	70	69	69
	Securities Analyst Qualification Exam	4	5	5
	ACAMS Certification	3	6	7
	CISA Certification	2	1	1
	CPA Certification of the ROC	3	3	3

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

(2) Status of employee training:

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

In 2019, the Bank hosted 424 internal training courses and drew on outside organizations for another 539 courses. Trainees totaled 26,282 persons. Combined, the Bank's employees underwent a total of 35,485 hours of training, averaging out to 36.6 hours at an average cost of over NT\$4,149 per person.

On top of the internal and external courses cited above, the Bank's digital learning platform—O-Bank Digital Academy—also provides a wide range of in-house and outsourced courses that cover various financial disciplines, legal compliance, and management issues. In 2019, a total of 326 such online training courses were offered and employee attendances amounted to 16,941 hours.

To accommodate migration toward updated international criteria for certification of personal information protection, the Bank offered a series of training on personal information protection in 2019 to get aligned with international practices and enhance employee awareness on this front.

3. Corporate Social Responsibilities and Code of Ethical Conduct

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

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

STUDIES ON THE EFFECTS OF CHLORIDE

1. *Journal of the American Medical Association*, 1997; 278: 1019-1024.

and drawing on financial resources to support “businesses that do good to the world,” the Bank demonstrates its resolve to make a staunch ally of Taiwan’s B Corporation community.

Since 2009, the Bank has sponsored the Xue Xue Foundation’s Chinese Zodiac Animals Scholarship Program on an annual basis. Likewise, we have offered annual sponsorship to the Criminal Investigation and Prevention Association since 2008 to help boost academic research and deliver practical assistance in police administration.

- Education in Culture and the Arts

In order to promote art education, we have held a series of artistic and cultural activities since 2008, including concerts, exhibitions, “Stars of Tiding Exhibition,” “Stars of Tiding Art Advocacy Project,” “Art Salons,” “Creating Arts and Experiences,” and “Handicraft Workshops.” We provide stages for new artistic talents to perform on, help emerging artists to engage in interdisciplinary study, and promote the development of the art industry. At the same time, we also help develop the creative potential of underprivileged third, fourth, and fifth graders and make available handicraft workshops to senior citizens with a view to giving them a new hobby and goal in life.

In 2019, the O-Bank Education Foundation held a total of 60 artistic and cultural events. Of these, 21 were concerts, 5 lectures on culture and the arts, 7 art exhibitions, 1 Christmas lights switch-on, 1 visit and guided tours, 8 events co-hosted with outside organizers, 6 handicraft workshops for senior citizens, and 11 artistic and cultural visits and workshops intended for underprivileged schoolchildren. These activities attracted over 26,000 participants. Under the Stars of Tiding Art Advocacy Project, the O-Bank Education Foundation continued to organize exhibitions and concerts—stages for young artists to assert themselves. In 2019, a total of 77 young musicians and 21 young artists benefitted from this project. As the year marked the 10th anniversary of the Stars of Tiding Art Advocacy Project, the O-Bank Education Foundation also invited Peter Lehel Taiwan Finefones to give a fund-raising performance for the Taiwan Fund for Children and Families; teamed up with Art & Collection Group to organize an international art forum; and joined forces with the Children Are Us Foundation, the Taipei Fine Arts Museum, and the Taiwan Art & Business Interdisciplinary Foundation to take children with physical or mental disabilities on a daylong artistic and cultural tour. Separately, the O-Bank Education Foundation also organized 2 handicraft workshops for children of the Bank’s employees and school pupils from neighboring communities.

When it comes to promoting art and incorporating it into everyday life, the O-Bank Education Foundation attended two promotional sessions at the invitation of the Ministry of Education. It also played a part in organizing such large-scale events as “It’s SHOW Time” and Nuit Blanche Taipei, which attracted a combined more than 8,000 visitors. To cultivate art appreciation ability across the age spectrum, we organized 11 “Creating Arts and Experiences” sessions and 6 handicraft workshops for senior citizens in 2019. The participating artists personally designed teaching materials as well as provided guidance to encourage elementary school pupils to develop their artistic talents and senior citizens to have fun in lifetime learning. Of the 252 people participating in the series of sessions, 143 were underprivileged children and 74 senior citizens.

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

Year	2018	2019	Difference (%)
Number of Non-Executive Employees	729	745	2.2
Average Salary of Employees (NT\$ thousands)	1,213	1,189	-2.0
Median Salary of Employees (NT\$ thousands)	1,038	1,004	-3.3

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

5. Information Equipment

(1) Hardware and Software Configurations of Major Information Systems

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

(2) System Development or Procurement

A. Major Special Projects Undertaken in 2019:

- (A) Upgrade of the corporate banking system for NTD services: Going online on July 1, 2019, the corporate banking core system for NTD services was transferred to the latest IBM mainframe while also upgrading system software (CICS, Oracle, COBOL) and the core platform (ATS) to enhance the operational efficiency of corporate banking information systems.
- (B) Conversion of the corporate foreign exchange system: In place of a former EXIMBILL system, Ares International Corp.'s Advanced Foreign Exchange Integrated System (AFEIS) went online on January 1, 2020.
- (C) Upgrade of the core system at the Hong Kong Branch: Going online on October 8, 2019, the core system of the Hong Kong Branch was upgraded and the mainframe was moved back to Taipei Infrastructure Department's computer room.
- (D) Installation of a new credit checking/reviewing system for corporate banking: Retiring the old credit checking/reviewing system to save on data maintenance costs and facilitate information reuse by risk management personnel. The system went online on January 1, 2020.
- (E) Modification of the SFDC structure
 - a. Customer de-identification of the SFDC structure: Customer identification was removed and cloud-to-ground integration was implemented to conform to requirements imposed by Financial Examination Bureau.
 - b. Switching from Classic to Lightning: A meticulous assessment confirmed higher system applicability and thus led to switching from Salesforce's Classic user interface to its latest Lightning version.
 - c. Optimization of system functions and monitoring of the threshold point: System functions underwent modifications in accordance with recommendations by Salesforce; the threshold point was monitored so that an alert was to be sent upon meeting the conditions thus set.

- (F) Post-NPL management system: A new function was introduced for writing off personal loans as bad debts.
- (G) E2E project for lending: The loan processing workflow underwent optimization.
- (H) Setting devices for biometrics: Customers were given the option of setting their mobile devices for using biometrics in login and transaction verification.
- (I) Foreign currency trust: Making available foreign currency trust transactions to the average mutual fund.

B. Major Special Projects Undertaken and Future Plans in 2020:

- (A) Establishment of an API management platform: An open platform is to be made available for third-party businesses to go over the services that O-Bank offers and apply for approval of use, thereby fueling cross-sector cooperation, winning over more customers, and increasing earnings.
- (B) Accessible app: An accessible app is to be launched in tandem with the government initiative to promote accessible financial services.
- (C) Upgrading of the online/mobile banking platforms: The structures of both the mobile and online banking platforms are to be upgraded to enhance flexibility and reliability.
- (D) Updating of the Bank's website: Our website design and operations will be continuously updated to deliver a more satisfying customer experience.
- (E) Offshore debts: Offshore debts are to be included as a viable target for investment.
- (F) Revolving mortgage: Revolving products are to be added as a new option on the list of mortgage loans. In tandem with its business strategy, the Bank will also develop other information systems characterized by security, scalability, and integrability, thereby attaining business goals and enhancing customer satisfaction.

(3) Operational Sustainability

The Bank has produced data backup media for off-site storage to prepare for the eventuality of natural disasters or human errors causing malfunction of computer mainframes or communications systems, thereby disrupting critical information operations. Moreover, the Bank has also established a remote backup center in the Acer Aspire Park in Longtan. In the event of any disaster, personnel of the Bank can immediately go to the remote backup center and have the primary information systems resume operations. Separately, the Bank conducts operational sustainability simulations for both information and business operations each year to enhance employee capacity for and familiarity with crisis management and ensure the smooth operations of the remote backup center in the event of any disaster.

(4) Information Security

A. Information Security Organization:

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

B. Information Security Management System:

To ensure the confidentiality, completeness, usability, and legality of information assets and prevent intentional or accidental threats both within and without, the Bank has taken account of its business needs while enacting its information security policy and operational regulations. From setting information security policies and goals and adopting implementation and maintenance measures to reviewing and amending policies and regulations on a regular basis and assessing risks, the Bank follows the PDCA (Plan-Do-Check-Act) cycle as it seeks ceaselessly to improve and strengthen all relevant aspects on this front. After securing ISO 27001 certification for information security management in January 2017, the Bank won recertification after a three-year cycle in December 2019 and extended the effective certification period from January 20, 2020 to January 20, 2023, giving testimony to the effective operations of its information security management system.

The Bank's information security goals are as follows:

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

C. Protective Measures for Information Security:

To ensure the security of its information environment, the Bank has installed the following: antivirus software, double firewalls, intrusion prevention, advanced persistent threat (APT) prevention, file and mainframe access control, network traffic anomaly detection, denial of service (DoS) prevention, automatic updating of patches, website links control, instant messaging control, email filtering, control of USB storage devices, information leakage prevention, database monitoring, control of mobile devices, management of privileged accounts, scanning for system vulnerabilities, source code analysis, and penetration tests. Each year the Bank also conducts information security evaluation of computer systems and undertakes inspection of apps on mobile platforms to strengthen the security of network communications, computer systems, IoT equipment, and various applications.

D. Information Security Training and Awareness Promotion:

In 2019, the Bank provided all employees with three-hour training on information security to help them better grasp its importance and the threats and regulatory trends on this front as well as advocated information security otherwise on an irregular basis, thus enhancing their information security awareness and vigilance. Separately, the Bank's dedicated personnel charged with information security are required to undergo relevant training of not less than 15 hours.

E. Overall Information Security Implementation:

With a plan to report to the Board annually, on February 27, 2019, the Bank filed a report to the Board of Directors on overall information security implementation during the previous year. The head of the dedicated information security unit was joined by the chairman of the board, the president, and the chief auditor in issuing the Declaration of Overall Information Security Implementation.

6. Labor Relations

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

A. Benefit Plans:

- (A) Employee Insurance: In addition to offering labor insurance and national health insurance, as required by law, the Bank provides employees and their families with group insurance and increases their coverage under term insurance, accident and injury insurance, hospitalization insurance, cancer insurance, accident insurance for overseas business trips, and occupational hazard insurance. This makes a well-rounded insurance scheme that helps create a carefree working environment for employees.
- (B) Health Checkups: Each year employees of the Bank are entitled to health checkups that are more thorough than is required by applicable laws and regulations. The Bank also conducts follow-up inquiries to help employees keep track of their health in order to ensure that they are taken good care of both physically and mentally.
- (C) Study Grants: The Bank offers grants for employees to take outside courses, pursue academic degrees, go abroad for advanced studies, and take various certification tests.
- (D) Preferential Loans: The Bank provides employees with preferential loans to meet personal needs, including mortgages and consumer loans.
- (E) Counseling: To help employees relieve stress, the Bank teams up with “Teacher Chang” to offer counseling on family and interpersonal relations and those between the sexes as well as self-adjustment at the workplace. Employees are free to go to Teacher Chang and book a counseling session directly.
- (F) Massaging: Visually impaired massagists are engaged to help employees relieve stress in the office while giving people with visual impairments a job opportunity.
- (G) Health Station: Employees are provided with a variety of fitness and recreational facilities, including treadmills, spinning bikes, cross trainers, stationary bikes, dart machines, and golf driving range equipment, to help them relieve stress and stay efficient in the office.
- (H) Refreshment Spot: Employees are provided with all sorts of snacks and locally sourced organic fruits and vegetables for both replenishment and relaxation.
- (I) Reading Room: All sorts of books, periodicals, and magazines are offered to help employees gain knowledge and relax themselves.
- (J) Other Benefits: To enhance employee wellbeing, the Bank offers gifts of money for major traditional holidays and birthdays, childcare subsidies, and wedding, funeral, childbirth, and illness allowances, as well as organizes family day events, year-end dinners, and club activities.
- (K) Considering employees’ needs to take care of their families, the Bank offers special leave in the event of parents or children getting sick, leave for volunteering, leave for male employees to keep their wives company for pregnancy checkups, birthday leave, and flexible working hours. Meanwhile, the Bank has taken the lead to care for transgender employees. With same-sex partner certificates issued by the relevant household registration office or other relevant certificates, employees are equally entitled to marital leave, leave for keeping partners company for pregnancy checkups, paternity leave, and funeral leave.
- (L) The Bank organizes a diversity of arts and humanities activities—artistic and cultural performances, guided concerts, and guided visits to art exhibitions—on a non-routine basis.

B. Retirement System:

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

- (A) Retirement system under the Labor Standards Act: The Bank, in accordance with provisions of the Labor Standards Act, makes a monthly labor pension reserve appropriation equivalent to 2% of an employee's total wage and has the Labor Pension Reserve Fund Supervisory Committee deposit this amount in a designated account at the Bank of Taiwan whose management is entrusted to the Bureau of Labor Funds, Ministry of Labor.
- (B) Labor Pension Act: The Bank makes monthly appropriations to be deposited in the labor pension reserve fund account. Upon implementation of the Labor Pension Act, the Bank also began, on a monthly basis, making labor pension contributions not lower than 6% of qualified employees' monthly wages to their individual accounts at the Bureau of Labor Insurance, Ministry of Labor. In terms of employees who voluntarily make contributions out of their wages to the labor pension reserve fund, the Bank shall withhold a percentage of their wages of their choosing and deposit the amount in their individual accounts at the Bureau of Labor Insurance, Ministry of Labor.
- (C) Qualifications for Employees to Apply for Retirement:
 - a. Voluntary Retirement

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

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

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

 1. Where the employee attains the age of 65.
 2. Where the employee is unable to perform his/her duties due to disability.
- (D) Criteria for Payment of Pensions:
 - a. For employees who reported to work prior to June 30, 2005 and choose to retain applicability to the retirement mechanism in the Labor Standards Act:
 - Two bases are given for each full year of service rendered. But for the rest of the years over 15 years, one base is given for each full year of service rendered. The total number of bases shall be not more than 45. The length of service is calculated as half year when it is less than six months and as one year when it is more than six months;
 - In accordance with Article 55, paragraph 1, subparagraph 2, an additional 20% on top of the aforesaid amount shall be given to employees forced to retire due to disability incurred from the execution of their duties.
 - b. For employees applicable to provisions of the Labor Pension Act, which went into effect July 1, 2005:
 - Of the employees who reported to work prior to June 30, 2005, their years of service before their choosing a switch of applicability to the Labor Pension Act shall be reserved and, in turn, their pension entitlement for the given period shall be calculated in accordance with provisions laid out above.

- In terms of the employees applicable to provisions of the Labor Pension Act, which went into effect July 1, 2005, the Bank shall, pursuant to the Table of Monthly Contributions for Labor Pension promulgated by the Ministry of Labor, contribute the equivalent to 6% of their monthly wages as labor pension on a monthly basis.

C. Labor-Management Agreements:

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

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

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

D. Measures for Preserving Employee Rights and Interests:

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

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

Thanks to human-based management, the Bank has been able to enjoy harmonious labor-management relations and thus has not sustained any losses arising from labor disputes or violations of the Labor Standards Act detected in labor inspections during the most recent year and the current year up to the date of publication of this annual report.

7. Material Contracts:

Type of Contract	Contracting Parties	Commencement and Expiration Dates	Major Content	Restrictive Clauses
Contract on authorization and maintenance of the Bank's new core system	The Bank and International Integrated Systems, Inc.	2015/11/9-2030/11/8	Installation of a new core system after the Bank's transformation to a commercial bank	As provided by the contract
Contract on authorization for system use and provision of special project service	The Bank and Salesforce.com Singapore Pte. Ltd.	2019/2/15-2022/2/14	Authorization for system use and provision of special project service after the Bank's transformation to a commercial bank	As provided by the contract
Contract on installation of a new infrastructure for core and peripheral systems	The Bank and International Integrated Systems, Inc.	2016/3/11-2019/12/31	Installation of a new infrastructure for core and peripheral systems after the Bank's transformation to a commercial bank	As provided by the contract
Contract on maintenance of the Bank's hardware and storage equipment	The Bank and IBM Taiwan	2019/6/1-2022/8/31	Maintenance of the Bank's primary systems and storage equipment	As provided by the contract
Contract on production and delivery of bank/debit cards	The Bank and Thales DIS Taiwan Co., Ltd.	2019/10/6-2020/10/5	Production and delivery of bank/debit cards	As provided by the contract
Contract on production and delivery of bank/debit cards	The Bank and Taiwan Name Plate Co., Ltd.	2019/6/5-2020/6/4	Production and delivery of bank/debit cards	As provided by the contract
Contract on cash transport for the Bank	The Bank and Taiwan Security Co., Ltd.	2019/1/1-2020/12/31	Cash transport	As provided by the contract
Contract on cash transport for the Bank	The Bank and Lee Bao Security Co., Ltd.	2019/1/1-2020/12/31	Cash transport	As provided by the contract

8. Securitization:

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

VI. Financial Information

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

(1) Condensed Consolidated Balance Sheets

Unit: NT\$ thousands

Item	Year	The Last Five Years				
		2019	2018	2017	2016	2015
CASH AND CASH EQUIVALENTS, DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS		25,881,765	31,834,070	18,132,429	23,106,957	16,879,083
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		172,913,193	151,512,614	154,136,983	147,722,285	159,678,561
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME		142,112,770	149,952,752	-	-	-
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTISED COST		-	499,939	-	-	-
AVAILABLE-FOR-SALE FINANCIAL ASSETS		-	-	149,145,722	126,981,565	115,841,981
DERIVATIVE FINANCIAL ASSETS FOR HEDGING		-	-	-	-	-
SECURITIES PURCHASED UNDER RESELL AGREEMENTS		100,013	991,363	5,682,864	200,092	4,100,000
RECEIVABLES, NET		16,483,174	20,829,951	21,202,093	19,046,408	19,759,425
CURRENT TAX ASSETS		422,886	381,082	301,362	200,582	207,351
ASSETS HELD FOR SALE, NET		-	-	-	-	-
DISCOUNTS AND LOANS, NET		194,246,229	197,338,050	180,086,186	162,544,641	146,443,247
HELD-TO-MATURITY FINANCIAL ASSETS		-	-	499,821	5,544,703	9,849,587
INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD		-	-	-	107,981	170,642
RESTRICTED ASSETS		-	-	-	148,214	450,649
OTHER FINANCIAL ASSETS		1,229,503	1,329,918	1,283,434	1,520,931	1,837,635
PROPERTY AND EQUIPMENT, NET		2,854,194	2,951,660	3,084,952	3,771,171	3,017,250
RIGHT-OF-USE ASSETS, NET		485,426	-	-	-	-
INVESTMENT PROPERTY, NET		-	-	-	-	8,157
INTANGIBLE ASSETS, NET		2,319,547	2,457,300	2,403,367	1,499,011	1,408,773
DEFERRED TAX ASSETS, NET		734,542	672,656	582,334	565,263	554,623
OTHER ASSETS		916,774	1,090,219	4,030,474	3,924,946	5,779,178
TOTAL ASSETS		560,700,016	561,841,574	540,572,021	496,884,750	485,986,142
DEPOSITS FROM THE CENTRAL BANK AND BANKS DUE TO THE CENTRAL BANK AND BANKS		43,439,398	55,529,376	53,032,639	56,697,931	47,840,792
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		533,582	793,272	791,018	2,377,872	6,289,076
DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING		-	-	-	-	-
SECURITIES SOLD UNDER AGREEMENT TO REPURCHASE		159,553,385	151,446,900	189,821,968	163,304,781	171,238,096
ACCOUNTS PAYABLES		3,744,206	5,636,437	5,022,681	3,753,143	4,477,081
CURRENT TAX LIABILITIES		46,361	17,857	136,269	75,726	55,409
LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS HELD FOR SALE		-	-	-	-	-
DEPOSITS AND REMITTANCES		265,731,824	261,803,321	198,286,700	184,587,611	172,776,282
BANK DEBENTURES		18,700,000	17,850,000	20,400,000	17,450,000	14,950,000
PREFERRED STOCK LIABILITIES		-	-	-	-	-
OTHER FINANCIAL LIABILITIES		12,909,259	15,034,414	22,337,877	18,831,642	18,317,578
PROVISIONS		1,915,054	1,869,428	1,874,368	1,801,044	1,741,005
LEASE LIABILITIES		498,832	-	-	-	-
DEFERRED TAX LIABILITIES		451,572	341,015	216,007	248,870	230,434
OTHER LIABILITIES		2,360,266	2,400,842	2,477,851	1,885,021	1,789,099
TOTAL	BEFORE DISTRIBUTION	509,883,739	512,722,862	494,397,378	451,013,641	439,704,852
LIABILITIES	AFTER DISTRIBUTION	Note 2	512,734,389	495,121,280	452,099,494	440,900,105
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANKS		33,259,203	31,989,128	29,282,593	29,388,658	29,678,133
CAPITAL STOCK	BEFORE DISTRIBUTION	27,130,063	27,130,063	24,130,063	23,905,063	23,905,063
	AFTER DISTRIBUTION	Note 2	27,130,063	24,130,063	23,905,063	23,905,063
CAPITAL SURPLUS		9,750	8,503	7,730	3,193	1,773
RETAINED EARNINGS	BEFORE DISTRIBUTION	6,186,867	5,010,543	5,124,400	5,195,687	4,759,374
	AFTER DISTRIBUTION	Note 2	4,999,016	4,400,498	4,109,834	3,564,121
OTHER EQUITY		(67,477)	(159,981)	20,400	284,715	1,030,616
TREASURY STOCK		-	-	-	-	(18,693)
NON-CONTROLLING INTERESTS		17,557,074	17,129,584	16,892,050	16,482,451	16,603,157
TOTAL EQUITY	BEFORE DISTRIBUTION	50,816,277	49,118,712	46,174,643	45,871,109	46,281,290
	AFTER DISTRIBUTION	Note 2	49,107,185	45,450,741	44,785,256	45,086,037

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

Note 2: The appropriation of earnings for 2019 has yet to be approved by 2020 general shareholders' meeting.

(2) Condensed Consolidated Statement of Comprehensive Income

Unit: NT\$ thousands; EPS in dollars

Item	Year	The Last Five Years				
		2019	2018	2017	2016	2015
Interest revenue		9,559,209	9,183,853	7,614,208	6,874,444	6,273,240
Less: Interest expenses		5,674,337	4,959,744	3,584,088	2,723,007	2,888,663
Net interest		3,884,872	4,224,109	4,030,120	4,151,437	3,384,577
Net revenue other than interest		4,427,079	3,597,804	3,883,934	3,570,534	3,741,028
Total net revenue		8,311,951	7,821,913	7,914,054	7,721,971	7,125,605
Provisions		(1,002,491)	(547,214)	(894,250)	(609,637)	(401,890)
Total operating expenses		(4,597,225)	(4,604,221)	(4,175,614)	(3,536,549)	(3,044,719)
Profit from continuing operations before income tax		2,712,235	2,670,478	2,844,190	3,575,785	3,678,996
Income tax expenses		(681,601)	(730,948)	(732,303)	(833,742)	(690,425)
Profit from continuing operations		2,030,634	1,939,530	2,111,887	2,742,043	2,988,571
Net profit (loss) from discontinued operations		(4,033)	2,823	(52,986)	92,956	(67,821)
Net profit for the year		2,026,601	1,942,353	2,058,901	2,834,999	2,920,750
Other comprehensive income, net of income tax		438,919	(381,787)	(41,924)	(1,099,318)	416,497
Total comprehensive income		2,465,520	1,560,566	2,016,977	1,735,681	3,337,247
Net profit attributable to: Owners of the Bank		1,100,433	954,659	1,072,080	1,643,898	1,726,066
Net profit attributable to: Non-controlling interests		926,168	987,694	986,821	1,191,101	1,194,684
Total comprehensive income attributable to: Owners of the bank		1,280,355	730,675	799,316	892,217	1,928,227
Total comprehensive income attributable to: Non-controlling interests		1,185,165	829,891	1,217,661	843,464	1,409,020
Earnings per share		0.45	0.40	0.45	0.69	0.72

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

(3) Condensed Individual Balance Sheets

Unit: NT\$ thousands

Item	Year	The Last Five Years				
		2019	2018	2017	2016	2015
CASH AND CASH EQUIVALENTS, DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS		21,821,456	25,354,849	13,015,386	17,865,166	12,447,787
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		80,623,826	53,820,259	44,703,932	39,538,632	43,244,877
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME		35,244,741	48,889,287	-	-	-
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTISED COST		-	499,940	-	-	-
AVAILABLE-FOR-SALE FINANCIAL ASSETS		-	-	48,598,498	32,628,260	28,999,739
DERIVATIVE FINANCIAL ASSETS FOR HEDGING		-	-	-	-	-
SECURITIES PURCHASED UNDER RESELL AGREEMENTS		-	-	-	-	-
RECEIVABLES, NET		3,233,348	6,842,372	5,891,803	4,690,507	5,310,002
CURRENT TAX ASSETS		89,717	82,212	54,922	55,293	12,598
AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET		-	-	-	-	-
DISCOUNTS AND LOANS, NET		173,981,178	179,388,428	162,757,142	143,940,139	127,322,632
HELD-TO-MATURITY FINANCIAL ASSETS		-	-	499,821	5,544,703	9,849,587
INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD		14,920,171	14,120,402	14,219,590	14,242,663	16,475,130
RESTRICTED ASSETS		-	-	-	-	-
OTHER FINANCIAL ASSETS, NET		517,198	614,919	777,105	1,039,445	1,234,552
PROPERTY AND EQUIPMENT, NET		2,661,050	2,757,103	2,864,155	3,524,300	2,724,988
INVESTMENT PROPERTY, NET		-	-	-	-	-
RIGHT-OF-USE ASSETS, NET		309,517	-	-	-	-
INTANGIBLE ASSETS, NET		1,163,114	1,274,262	1,248,176	248,507	111,489
DEFERRED TAX ASSETS, NET		288,087	164,392	138,133	79,550	110,237
OTHER ASSETS		399,430	531,695	251,373	1,757,667	3,134,069
TOTAL ASSETS		335,252,833	334,340,120	295,020,036	265,154,832	250,977,687
DEPOSITS FROM THE CENTRAL BANK AND BANKS		28,938,529	28,984,872	34,894,919	41,875,141	36,830,792
DUE TO THE CENTRAL BANK AND BANKS		-	-	-	-	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		519,880	780,811	700,106	2,349,989	6,135,494
DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING		-	-	-	-	-

Year		The Last Five Years				
		2019	2018	2017	2016	2015
Item						
SECURITIES SOLD UNDER AGREEMENT TO REPURCHASE		2,863,548	4,400,442	15,845,930	2,091,749	-
ACCOUNTS PAYABLES		2,681,645	4,834,006	4,100,342	2,705,487	2,075,257
CURRENT TAX LIABILITIES		46,360	-	91,977	-	42,804
LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS HELD FOR SALE		-	-	-	-	-
DEPOSITS AND REMITTANCES		243,645,080	240,461,299	183,021,391	164,056,836	155,577,590
BANK DEBENTURES		18,700,000	17,850,000	20,400,000	17,450,000	14,950,000
PREFERRED STOCK LIABILITIES		-	-	-	-	-
OTHER FINANCIAL LIABILITIES		3,468,649	4,321,291	5,997,782	4,648,821	5,021,807
PROVISIONS		370,856	328,048	241,454	176,479	193,425
LEASE LIABILITIES		313,446	-	-	-	-
DEFERRED TAX LIABILITIES		400,449	333,990	215,911	239,307	198,580
OTHER LIABILITIES		45,188	56,233	227,631	172,365	273,805
TOTAL LIABILITIES	BEFORE DISTRIBUTION	301,993,630	302,350,992	265,737,443	235,766,174	221,299,554
	AFTER DISTRIBUTION	Note 2	302,362,519	266,461,345	236,852,028	222,494,807
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANKS		-	-	-	-	-
CAPITAL STOCK	BEFORE DISTRIBUTION	27,130,063	27,130,063	24,130,063	23,905,063	23,905,063
	AFTER DISTRIBUTION	Note 2	27,130,063	24,130,063	23,905,063	23,905,063
CAPITAL SURPLUS		9,750	8,503	7,730	3,193	1,773
RETAINED EARNINGS	BEFORE DISTRIBUTION	6,186,867	5,010,543	5,124,400	5,195,687	4,759,374
	AFTER DISTRIBUTION	Note 2	4,999,016	4,400,498	4,109,833	3,564,121
OTHER EQUITY		(67,477)	(159,981)	20,400	284,715	1,030,616
TREASURY STOCK		-	-	-	(18,693)	(18,693)
NON-CONTROLLING INTERESTS		-	-	-	-	-
TOTAL EQUITY	BEFORE DISTRIBUTION	33,259,203	31,989,128	29,282,593	29,388,658	29,678,133
	AFTER DISTRIBUTION	Note 2	31,977,601	28,558,691	28,302,804	28,482,880

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

Note 2: The appropriation of earnings for 2019 has yet to be approved by 2020 general shareholders' meeting.

(4) Condensed Individual Income Statement

Unit: NT\$ thousands; EPS in dollars

Account	Year	The Last Five Years				
		2019	2018	2017	2016	2015
Interest revenue		5,763,585	5,505,554	4,138,029	3,629,099	3,356,594
Less: Interest expenses		3,806,134	3,324,033	2,161,812	1,545,201	1,618,207
Net interest		1,957,451	2,181,521	1,976,217	2,083,898	1,738,387
Net revenue other than interest		3,347,764	2,548,362	2,529,923	2,234,832	2,051,922
Total net revenue		5,305,215	4,729,883	4,506,140	4,318,730	3,790,309
Provisions		(921,016)	(453,038)	(534,168)	(409,498)	(144,269)
Total operating expenses		(3,174,107)	(3,150,159)	(2,746,189)	(2,052,648)	(1,641,040)
Profit from continuing operations before income tax		1,210,092	1,126,686	1,225,783	1,856,584	2,005,000
Income tax expenses		109,659	(172,027)	(153,703)	(212,686)	(278,934)
Profit from continuing operations		1,100,433	954,659	1,072,080	1,643,898	1,726,066
Net profit (loss) from discontinued operations		-	-	-	-	-
Net profit for the year		1,100,433	954,659	1,072,080	1,643,898	1,726,066
Other comprehensive income, net of income tax		179,922	(223,984)	(272,764)	(751,681)	202,161
Total comprehensive income		1,280,355	730,675	799,316	892,217	1,928,227
Net profit attributable to: Owners of the Bank		Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Net profit attributable to: Non-controlling interests		Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Total comprehensive income attributable to: Owners of the bank		Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Total comprehensive income attributable to: Non-controlling interests		Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Earnings per share		0.45	0.40	0.45	0.69	0.72

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

(5) Auditors' Opinions from 2015 to 2019:

Year	Accounting Firm	CPA	Audit Opinion
2019	Deloitte & Touche	Chen, Yin-Chou 、 Lin, Wang-Sheng	Unmodified Opinion
2018	Deloitte & Touche	Yang, Cheng-hsiu 、 Chen, Li-chi	Unmodified Opinion
2017	Deloitte & Touche	Yang, Cheng-hsiu 、 Chen, Li-chi	Unmodified Opinion
2016	Deloitte & Touche	Yang, Cheng-hsiu 、 Chen, Li-chi	Unmodified Opinion
2015	Deloitte & Touche	Yang, Cheng-hsiu 、 Chen, Li-chi	Unmodified Opinion

2. Five-Year Financial Analysis

(1) Consolidated Financial Analysis

Unit: NT\$ thousands

Analysis Item		Year	The Last Five Years				
			2018	2017	2016	2015	2014
Operating Capacity	Loan to deposit Ratio (%)		74.14	76.50	92.18	89.39	86.19
	NPL Ratio (%)		0.75	0.02	0.25	0.02	0.28
	Ratio of interest payments against annual average deposit balance (%)		1.24	1.08	0.78	0.61	0.75
	Ratio of interest revenues against annual average loan balance (%)		2.99	2.96	2.54	2.60	2.54
	Total assets turnover rate (times)		1.48	1.42	1.53	1.57	1.56
	Average revenue per employee (in NTD thousand)		5,571	5,365	5,406	5,841	5,696
	Average earnings per employee (in NTD thousand)		1,358	1,332	1,406	2,144	2,335
Profitability	Return on Tier 1 capital (%)		6.00	6.35	7.00	12.05	17.42
	Return on assets (%)		0.36	0.35	0.40	0.58	0.64
	Return on equity (%)		4.06	4.08	4.47	6.15	6.40
	Net income ratio (%)		24.38	24.83	26.02	36.71	40.99
	Earnings per share (in NT\$ dollars)		0.45	0.40	0.45	0.69	0.72
Financial structure	Total liabilities to total assets ratio (%)		90.66	90.99	91.17	90.46	90.17
	Total property and equipment to equities ratio (%)		5.62	6.01	6.68	8.22	6.52
Growth rate	Growth rate of assets (%)		(0.20)	3.93	8.79	2.24	13.53
	Growth rate of profitability (%)		1.30	(4.39)	(24.30)	2.24	6.96
Cash Flow	Cash flow ratio (%)		Note 8	6.69	4.12	2.05	Note 8
	Cash flow adequacy ratio (%)		55.65	202.32	42.78	22.21	9.59
	Cash flow satisfied ratio (%)		Note 8	Note 8	56.89	103.15	Note 8
Liquidity reserves ratio (Individual) (%)			45.89	45.61	37.37	42.84	39.13
Total secured loans to related parties (Individual)			836,242	1,012,134	1,180,079	1,094,210	1,503,520
Ratio of total secured loans to related parties against total loans (Individual) (%)			0.42	0.50	0.66	0.71	1.08
Scale of Operations (Individual)	Market share of assets (%)		0.64	0.66	0.60	0.56	0.55
	Market share of worth (%)		0.81	0.83	0.81	0.84	0.91
	Market share of deposits (%)		0.64	0.66	0.52	0.48	0.47
	Market share of loans (%)		0.61	0.66	0.63	0.58	0.53

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

1. Non-performing loan ratio is over than that of the previous year mainly due to an increase in the amount of overdue loans.
2. The asset growth rate is higher than that of the previous year mainly thanks to a marginal increase in total assets.
3. The profit growth rate is higher than that of the previous year mainly thanks to a marginal increase in before-tax earnings.
4. Cash flow adequacy ratio is lower than that of the previous year mainly due to a decrease in cash flow from operating activities.

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

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

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

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

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

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

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

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

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

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

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

Consolidated Capital Adequacy

Unit: NT\$ thousands

Analysis Item			Year	The Last Five Years				
			2019	2018	2017	2016	2015	
Eligible Capital	Common Shares Equity Tier 1		43,690,516	42,039,566	39,951,052	39,970,360	21,316,632	
	Other Tier 1 Capital		2,223,697	2,248,225	-	-	-	
	Tier 2 Capital		7,492,885	7,639,991	8,193,754	7,958,989	4,168,719	
	Eligible Capital		53,407,098	51,927,782	48,144,806	47,929,349	25,485,351	
Amount of risk-weighted assets	Credit risk	Standard	305,810,019	308,063,174	281,472,735	269,123,088	150,471,365	
		Internal ratings-based approach	-	-	-	-	-	
		Asset securitization	-	-	-	-	-	
	Operational risk	Basic indicator approach	9,966,550	9,260,225	8,580,350	8,216,913	7,111,525	
		Standard/ alternative standardized approach	-	-	-	-	-	
		Advanced measurement approach	-	-	-	-	-	
	Market risk	Standard	86,130,688	76,233,338	69,522,775	59,733,113	6,228,413	
		Internal models approach	-	-	-	-	-	
	Total risk-weighted assets		401,907,257	393,556,737	359,575,860	337,073,114	163,811,303	
	Capital adequacy ratio			13.29%	13.19%	13.39%	14.22%	15.56%
Ratio of common equity to risk-weighted assets			11.42%	11.25%	11.11%	11.86%	13.01%	
Ratio of Tier 1 capital to risk-weighted assets			10.87%	10.68%	11.11%	11.86%	13.01%	
Leverage ratio			7.07%	6.86%	6.70%	7.18%	8.15%	

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

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

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

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

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

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

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

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

Note 3: Leverage ratio was disclosed since 2015.

(2) Individual Financial Analysis

Unit: NT\$ thousands

Analysis item		Year	The Last Five Years				
			2019	2018	2017	2016	2015
Operating Capacity	Loan to deposit Ratio (%)		72.42	75.71	90.25	89.06	83.25
	NPL Ratio (%)		0.75	0.02	0.25	0.02	0.28
	Ratio of interest payments against annual average deposit balance (%)		1.21	1.04	0.79	0.59	0.76
	Ratio of interest revenues against annual average loan balance (%)		2.61	2.55	2.23	2.18	2.04
	Total assets turnover rate (times)		1.58	1.50	1.61	1.67	1.57
	Average revenue per employee (in NTD thousand)		5,486	5,152	4,930	5,623	8,064
	Average earnings per employee (in NTD thousand)		1,138	1,040	1,173	2,140	3,672
Profitability	Return on Tier 1 capital (%)		4.81	4.97	5.89	9.15	10.50
	Return on assets (%)		0.33	0.30	0.38	0.64	0.72
	Return on equity (%)		3.37	3.12	3.65	5.57	5.92
	Net income ratio (%)		20.74	20.18	23.79	38.06	45.54
	Earnings per share (in NTD)		0.45	0.40	0.45	0.69	0.72
Financial structure	Total liabilities to total assets ratio (%)		90.02	90.38	90.03	88.89	88.14
	Total property and equipment to equities ratio (%)		8.00	8.62	9.78	11.99	9.18
Growth rate	Growth rate of assets (%)		0.27	13.33	11.26	5.65	8.73
	Growth rate of profitability (%)		7.40	(8.08)	(33.98)	(7.40)	4.73
Cash Flow	Cash flow ratio (%)		Note 3	33.81	Note 3	Note 3	13.37
	Cash flow adequacy ratio (%)		101.07	176.97	114.74	110.13	196.14
	Cash flow satisfied ratio (%)		Note 3	3,043.40	Note 3	Note 3	42.08
Liquid reserves ratio (%)			45.89	45.61	37.37	42.84	45.86
Total secured loans to related parties (in NTD thousand)			836,242	1,012,134	1,180,079	1,094,210	1,503,520
Ratio of total secured loans to related parties against total loans (%)			0.42	0.50	0.66	0.71	1.08
Scale of Operations	Market share of assets (%)		0.64	0.66	0.60	0.56	0.55
	Market share of worth (%)		0.81	0.83	0.81	0.84	0.91
	Market share of deposits (%)		0.64	0.66	0.52	0.48	0.47
	Market share of loans (%)		0.61	0.66	0.63	0.58	0.53

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

1. Non-performing loan ratio is over than that of the previous year mainly due to an increase in the amount of overdue loans.
2. The asset growth rate is higher than that of the previous year mainly thanks to a marginal increase in total assets.
3. The profit growth rate is higher than that of the previous year mainly thanks to a marginal increase in before-tax earnings.
4. Cash flow adequacy ratio is lower than that of the previous year mainly due to a decrease in cash flow from operating activities.

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

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

Note 3: If the net cash flow from operating activities is negative, it will not be calculated. Moreover, if the cash flow satisfied ratio's net cash flow from operating activities is negative or the net cash flow of investment activities is positive, it shall not be calculated. Non-performing loan ratio is over than that of the previous year mainly to an increase in the amount of overdue loans.

Cash flow adequacy ratio is lower than that of the previous year mainly due to a decrease in cash flow from operating activities.

Individual Capital Adequacy

Unit: NT\$ thousands

Analysis Item			Year	The Last Five Years				
			2019	2018	2017	2016	2015	
Eligible Capital	Common Shares Equity Tier 1		25,023,843	23,857,101	20,691,448	20,914,400	19,681,826	
	Other Tier 1 Capital		639,356	750,999	-	-	-	
	Tier 2 Capital		4,212,975	4,518,127	5,160,148	4,691,143	2,663,223	
	Eligible Capital		29,876,174	29,126,227	25,851,596	25,605,543	22,345,048	
Amount of risk-weighted assets	Credit risk	Standard	188,883,844	196,614,687	177,038,851	162,090,192	147,924,999	
		Internal ratings-based approach	-	-	-	-	-	
		Asset securitization	-	-	-	-	-	
	Operational risk	Basic indicator approach	8,785,450	8,071,238	7,422,913	6,946,513	5,991,475	
		Standard/alternative standardized approach	-	-	-	-	-	
		Advanced measurement approach	-	-	-	-	-	
	Market risk	Standard	15,774,738	8,099,200	4,165,338	4,003,900	4,366,688	
		Internal models approach	-	-	-	-	-	
	Total risk-weighted assets		213,444,032	212,785,125	188,627,102	173,040,605	158,283,162	
	Capital adequacy ratio			14.00%	13.69%	13.71%	14.80%	14.12%
Ratio of common equity to risk-weighted assets			12.02%	11.56%	10.97%	12.09%	12.43%	
Ratio of Tier 1 capital to risk-weighted assets			11.72%	11.21%	10.97%	12.09%	12.43%	
Leverage ratio			7.31%	7.16%	7.24%	7.81%	7.64%	

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

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

Note 3: Leverage ratio was disclosed since 2015.

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

4. Review Report of 2019 Financial Statements by the Audit Committee

O-Bank Co., Ltd.

Audit Committee Review Report

The Board of Directors has compiled and submitted the Bank's consolidated and parent balance sheets, income statements, statements of changes in shareholders' equity, and cash flow statements for 2019 audited by certified public accountants Chen Yin-Chou and Lin, Wang-Shen of Deloitte & Touche, business report, and statement of distribution of earnings to the Audit Committee. After reviewing the abovementioned statements and reports and discussing with the CPAs, the Audit Committee has found them to meet the requirements of applicable laws and regulations. This report is hereby prepared and submitted in accordance with Article 219 of the Company Act and Article 14-4 of the Securities and Exchange Act.

Thomas Yue

Convener of the Audit Committee

O-Bank Co., Ltd.

Date: May 19, 2020

5. Consolidated Financial Statements for the Years Ended December 31, 2019 and 2018, and Independent Auditors' Report: Please refer to Appendix 1.

6. Financial Statements for the Years Ended December 31, 2019 and 2018, and Independent Auditors' Report: Please refer to Appendix 2.

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

1. Analysis of Financial Status

Unit: NT\$ thousands

Item	Year	2019	2018	Difference	
				Amount	%
CASH AND CASH EQUIVALENTS	\$	3,714,122	\$ 3,670,225	\$ 43,897	1
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS		18,107,334	21,684,624	(3,577,290)	(16)
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		80,623,826	53,820,259	26,803,567	50
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME		35,244,741	48,889,287	(13,644,546)	(28)
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTISED COST		-	499,940	(499,940)	(100)
RECEIVABLES, NET		3,233,348	6,842,372	(3,609,024)	(53)
CURRENT TAX ASSETS		89,717	82,212	7,505	9
DISCOUNTS AND LOANS, NET		173,981,178	179,388,428	(5,407,250)	(3)
OTHER FINANCIAL ASSETS, NET		14,920,171	14,120,402	799,769	6
INVESTMENTS MEASURED BY EQUITY METHOD		517,198	614,919	(97,721)	(16)
PROPERTY AND EQUIPMENT, NET		2,661,050	2,757,103	(96,053)	(3)
RIGHT-OF-USE ASSETS, NET		309,517	-	309,517	100
INTANGIBLE ASSETS, NET		1,163,114	1,274,262	(111,148)	(9)
DEFERRED TAX ASSETS, NET		288,087	164,392	123,695	75
OTHER ASSETS, NET		399,430	531,695	(132,265)	(25)
TOTAL ASSETS		335,252,833	334,340,120	912,713	-
DEPOSITS FROM THE CENTRAL BANK AND BANKS		28,938,529	28,984,872	(46,343)	-
DUE TO THE CENTRAL BANK AND BANKS		519,880	780,811	(260,931)	(33)
NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENT		2,863,548	4,400,442	(1,536,894)	(35)
ACCOUNTS PAYABLE		2,681,645	4,834,006	(2,152,361)	(45)
CURRENT TAX LIABILITIES		46,360	-	46,360	100
DEPOSITS AND REMITTANCES		243,645,080	240,461,299	3,183,781	1
BANK NOTES PAYABLE		18,700,000	17,850,000	850,000	5
OTHER FINANCIAL LIABILITIES		3,468,649	4,321,291	(852,642)	(20)
PROVISIONS		370,856	328,048	42,808	13
LEASE LIABILITIES		313,446	-	313,446	100
DEFERRED TAX LIABILITIES		400,449	333,990	66,459	20
OTHER LIABILITIES		45,188	56,233	(11,045)	(20)
TOTAL LIABILITIES		301,993,630	302,350,992	(357,362)	-
CAPITAL STOCK		27,130,063	27,130,063	-	-
CAPITAL SURPLUS		9,750	8,503	1,247	15
RETAINED EARNINGS		6,186,867	5,010,543	1,176,324	23
OTHER EQUITY		(67,477)	(159,981)	92,504	(58)
TOTAL EQUITY		33,259,203	31,989,128	1,270,075	4

Analysis of the changes:

1. Financial assets at fair value through profit or loss are higher than those of the previous year mainly due to an increase in investment in commercial paper.
 2. Financial assets at fair value through other comprehensive income are lower than those of the previous year mainly due to a decrease in investment in government bonds.
 3. Investments in debt instruments at amortized cost are lower than those of the previous year mainly due to maturity of such instruments.
 4. Receivables: The net is lower than that of the previous year mainly due to a decrease in accounts receivable factoring.
 5. Right-of-use assets: The net is higher than that of the previous year mainly due to the Bank's introduction of IFRS 16.
 6. Deferred tax assets are higher than those of the previous year mainly due to a decrease in income taxes payable in future periods deriving from a book-tax difference.
 7. Other assets are lower than those of the previous year mainly due to a decrease in refundable deposits paid out as security.
 8. Financial liabilities at fair value through profit or loss are lower than those of the previous year mainly due to a decrease in derivatives transactions.
 9. The decline in notes and bonds issued under repurchase agreement mainly reflects a decrease in the transactions of bonds issued under repurchase agreement.
 10. Accounts payable are lower than those of the previous year mainly due to decreases in yet-to-clear checks payable and in accounts payable factoring.
 11. Current tax liabilities are higher than those of the previous year mainly due to an increase in income tax payable.
 12. Other financial liabilities are lower than those of the previous year mainly due to a decrease in borrowing for replenishing funds for extensions of loans.
 13. Lease liabilities are higher than those of the previous year mainly due to the Bank's introduction of IFRS 16.
 14. Deferred tax liabilities are higher than those of the previous year mainly due to an increase in income taxes payable in future periods deriving from a book-tax difference.
 15. Other liabilities are lower than those of the previous year mainly due to a decrease in guarantee deposits received.
 16. Retained earnings are higher than those of the previous year mainly due to increases in the year's earnings and in gains from disposing of other comprehensive income equity instruments.
 17. The rise in other equity mainly reflects an increase in unrealized gains from financial assets and a decrease in cumulative translation adjustment accounted for using the equity method.
-

2. Analysis of Operation Results

Unit: NT\$ thousands

Item	Year	2019		2018		Change Amount	Change Ratio (%)
		Subtotal	Total	Subtotal	Total		
Interest revenue			\$ 5,763,585		\$ 5,505,554	\$ 258,031	5
Less: Interest expenses			3,806,134		3,324,033	482,101	15
Net interest revenue			1,957,451		2,181,521	(224,070)	(10)
Non-interest revenue							
Net service fee revenue		\$ 808,793		\$ 610,128			
Gain (loss) on financial assets or liabilities measured at fair value through profit or loss		908,385		1,385,777			
Realized gains on financial assets at fair value through other comprehensive income		133,451		78,990			
Foreign exchange gain (loss), net		293,516		(536,618)			
Share of profit of associates and joint ventures accounted for using equity method		1,098,480		880,415			
Other net revenue other than interest income		105,139		129,670			
Net Non-interest revenue			3,347,764		2,548,362	799,402	31
Net income			5,305,215		4,729,883	575,332	12
Bad debt expenses and guarantee liability provisions (miscellaneous provision)			921,016		453,038	467,978	103
Operating expenses							
Employee welfare costs		1,701,727		1,633,518			
Depreciation and Amortization expenses		512,931		382,934			
Other general and administrative expenses		959,449		1,133,707			
Total operating expenses			3,174,107		3,150,159	23,948	1
Profit from continuing operations before income tax			1,210,092		1,126,686	83,406	7
Tax expense			109,659		172,027	(62,368)	(36)
Profit			\$ 1,100,433		\$ 954,659	\$ 145,774	15

Analysis of the changes:

1. Net non-interest revenue is higher than that of the previous year mainly due to an increase in gains from financial assets and liabilities at fair value through profit or loss (foreign exchange gains included).
2. Bad debt expenses and guarantee liability provisions are higher than those of the previous year mainly due to an increase in NPL provisions deemed necessary for keeping up asset quality and commensurate with the loans extended.
3. Tax expense is lower than that of the previous year mainly due to a decrease in taxable income.

3. Analysis of Cash Flow

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

- A. Operating Activities: There was a NT\$17,596,081 thousand increase in the net cash outflow from operating activities from the previous year mainly due to a smaller increase in deposits and remittances, a decrease in notes and bonds issued under repurchase agreement, and a decrease in loans.
- B. Investing Activities: There was a NT\$1,029,392 thousand increase in the net cash inflow from investing activities from the previous year mainly due to the lack of other new financial assets and an increase in the maturing or disposal of other financial assets.
- C. Financing Activities: There was a NT\$1,991,725 thousand decrease in the net cash outflow from financing activities from the previous year mainly due to an increase in the issuance of financial debentures, a decrease in financial debentures becoming mature, a decrease in dividend payouts, and the year-earlier capital increase.

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

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

Unit: NT\$ thousands

Amounts of cash and cash equivalents- beginning of period	Estimated annual net cash flows from (used in) operating activities	Projected net cash flow from investment and financing activities	Estimated fiscal deficit(surplus) of cash and cash equivalents	Remedy if cash and cash equivalents in deficit	
				Investment plan	Financing plan
13,490,163	72,531	-33,239	13,529,455	-	-

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

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

In keeping with the trends and changes across domestic and regional financial environments, the Bank adopts an investment strategy that centers on increasing earnings diversity and stability and striking a balance between risks and rewards for its investment portfolio. In line with the mainstream thinking of the financial services industry with regard to risk management, the Bank seeks to diversify its investments in domestic and foreign financial businesses to reduce the volatility of its investment portfolio. After its transformation into a commercial bank, the Bank conducts investment affairs in accordance with Article 74 of the Banking Act. To ensure compliance with the restrictions therein, the Bank has readjusted its investment positions over the past couple of years. In addition to disposing of its direct investment holdings, the Bank has done the same with such venture capital subsidiaries as Boston Life Science Venture Corp., IBT II Venture Capital Co., Ltd., and IBT VII Venture Capital Co., Ltd. as well as transferred and liquidated the brokerage business of its subsidiary IBT Securities. In the days ahead, the Bank is set to gradually dispose of its other investment positions in accordance with applicable laws and regulations within the statutory time period.

For 2019, the Bank booked, under the equity method, from the businesses in which it holds stakes a combined profit of NT\$1.098 billion, which represents a 24.77% increase from a year earlier. Of the major subsidiaries, China Bills Finance Corp. managed net income of NT\$1.245 billion despite a cost increase. U.S.-based EverTrust Bank saw its net income jump 9.07% to a new high of NT\$421 million. The Bank's leasing units also registered a 134% increase in net income to NT\$351 million. While IBT International Leasing Corp.'s net income increased 17.02% year-on-year to NT\$330 million, IBT Leasing Co., Ltd. swung back to a net profit. Furthermore, IBT Leasing Co., Ltd. had IBT International Leasing Corp. absorb IBT Tianjin International Leasing Co., Ltd. in January 2019. This was meant to enhance management efficiency and brand competitiveness and concentrate on a unified brand name to better vie for China's leasing market in the days ahead. To capitalize on mainland China's growing consumer banking market, O-Bank secured approval of Taiwan's regulatory authority in January 2019 to team up with China Everbright Bank and China CYTS Tours Holding Co., Ltd. to form a joint venture. The China Banking and Insurance Regulatory Commission gave this joint venture the green light in January 2020.

6. Risk Management

(1) Qualitative and Quantitative Information of Various Risks

A. Credit risk management system and required capital

2019 credit risk management system

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

Item	Content
	<p>2. Risk assessment</p> <p>(1) Establish a credit risk rating mechanism as a key tool for management of the Bank's asset portfolio.</p> <p>(2) Portfolio management is intended to achieve the following three goals:</p> <ol style="list-style-type: none"> Establish and monitor the Bank's loan asset portfolio to ensure that risk is kept within an acceptable range. Impose concentration limits to prevent risk concentration, in turn attaining the goal of risk diversification. Achieve the objective of optimal earnings. <p>3. Risk communication</p> <p>(1) Internal reporting: The risk management unit shall establish an appropriate credit risk reporting mechanism based on which to regularly provide upper management with correct, consistent, and real-time credit risk information, thereby ensuring that any instances in which limits are exceeded or exceptions occur are promptly reported and serving as reference for subsequent decision-making. Such reports may cover such items as asset quality, asset portfolio status, rating status, and all types of exceptions.</p> <p>(2) External disclosure: In accordance with capital adequacy requirements and the principle of market discipline, units responsible for credit risk shall provide self-assessment of the Bank's performance against quantitative and qualitative credit risk indicators as well as information regarding the Bank's credit risk management system and status in terms of required capital. They shall do so using the format and covering the items stipulated by the competent authority in the way and frequency it requires.</p> <p>4. Risk monitoring</p> <p>(1) The Bank shall establish a monitoring system to assess changes in credit risk of borrowers or transaction counterparties, which will facilitate the prompt discovery of problematic assets or transactions, while enabling the Bank to take action quickly, and respond to any possible breach of contract.</p> <p>(2) Apart from monitoring individual credit risks, the Bank shall also perform monitoring and management of its loan portfolio.</p> <p>(3) The Bank shall establish rigorous credit checking processes and lending regulations based on which to take into account lending factors worthy of consideration, perform post-lending management of new, renewed, and existing loans, and preserve credit checking and lending records. At the same time, the Bank shall monitor the proportions of various types of loans in its loan portfolio.</p> <p>(4) The Bank shall establish a limit management system to prevent excessive concentrations of credit risk, including country risk, industry risk, same-group risk, and same concerned party risk.</p> <p>(5) The Bank shall establish a security management system to ensure that security is managed effectively.</p>
2. Credit risk management organization and structure	<p>■ The functioning of the Bank's credit risk management organization</p> <pre> graph TD SM[Shareholders' Meeting] --> BD[Board of Directors] BD --> BMD[Board of Managing Directors] BMD --> CH[Chairman] CH --> VC[Vice Chairman] VC --> PRES[President] PRES --> IC[Investment Committee] PRES --> AC[Audit Committee] PRES --> CC[Compensation Committee] PRES --> CAO[Chief Auditor] PRES --> ALMC[Assets and Liabilities Management Committee] PRES --> IES[Investment Evaluation Subcommittee] PRES --> LES[Loan Evaluation Subcommittee] PRES --> CCO[Chief Compliance Officer] PRES --> CRO[Chief Risk Officer] PRES --> COO[Chief Operating Officer] PRES --> CFMO[Chief Financial Market Officer] PRES --> CCB[Chief Corporate Banking Officer] PRES --> CRB[Chief Retail Banking Officer] CRO --> IES2[Investment Evaluation Subcommittee] CRO --> LES2[Loan Evaluation Subcommittee] CRO --> CCO2[Chief Compliance Officer] CCO2 --> LCD[Legal and Compliance Department] CRO --> CRO2[Chief Risk Officer] CRO2 --> LAQAM[Loan Assets Quality Assessment Meeting] CRO2 --> RMD[Risk Management Department] CRO2 --> CCMD[Corporate Credit Management Department] CRO2 --> RCMD[Retail Credit Management Department] CRO2 --> FMD[Financial Management Department] CRO2 --> ID[Infrastructure Department (information security)] COO --> FM[Fund Meeting] </pre>

Item	Content
	<ul style="list-style-type: none"> ■ Board of Directors: The Board of Directors is the Bank's highest supervisory body that is responsible for establishing an effective risk management mechanism, approving and reviewing the Bank's credit risk strategy and major credit risk policies, and setting down a bank-wide credit risk management organizational framework and major credit risk management regulations. The Bank's credit risk strategy should correspond to the degree of risk that the Bank can withstand and the profitability standards that the Bank expects to reach against all types of credit risk. ■ Audit Committee: <ol style="list-style-type: none"> 1. Members: The committee is composed of all of the Bank's independent directors, who shall total not fewer than three. One of them shall serve as convener, and at least one of them shall possess accounting or financial expertise. 2. Chief duties: The committee is responsible for reviewing the Bank's adopted or revised internal control system; evaluating the effectiveness of the internal control system; determining or revising procedures for the handling of major financial business actions involving the acquisition or disposal of assets and the trading of derivatives; reviewing matters that involve directors as stakeholders; reviewing major asset and derivative transactions, major lending cases, endorsements, and provision of guarantees; reviewing issuance or private offerings of equity-type securities; reviewing CPA appointment/discharge or remuneration; reviewing the appointment and discharge of financial and accounting or internal audit managers; reviewing annual and semi-annual financial statements; and reviewing other major matters stipulated by the Bank or the competent authority. ■ Loan Evaluation Subcommittee: <ol style="list-style-type: none"> 1. Members: The President shall serve as convener, and the managers of the lending and risk management departments shall serve as subcommittee members. The subcommittee shall meet once each week as a rule, and may hold an interim meeting when necessary. 2. Chief duties: The committee is responsible for reviewing loan applications forwarded by the Corporate Credit Management Department and Retail Credit Management Department. After giving its approval, the committee shall still present such applications to the relevant supervisory body for deliberation. ■ Loan Assets Quality Assessment Meeting: <ol style="list-style-type: none"> 1. Members: The Chief Risk Officer shall serve as convener and chairman of the conference. Personnel from various relevant units shall attend meetings, and the President may attend when the situation warrants. 2. Chief duties: The conference is responsible for assessing the current state of credit asset quality; determining and reviewing strategies and action plans; assessing losses that loan assets are likely to suffer; and reviewing the adequacy of NPL and guarantee liability provisions. If the conference decides to propose an increase in NPL and guarantee liability provisions, it shall first submit the proposal to the President for approval. ■ Risk management units: The Bank's risk management units include the Risk Management Department, Corporate Credit Management Department, and Retail Credit Management Department. <ol style="list-style-type: none"> 1. Risk Management Department: Charged with managing the Bank's credit, market, operating, and liquidity risk, the Risk Management Department is also responsible for supervising and keeping track of countermeasures taken by relevant units with regard to risk management decisions and assignments. Upon detection of any risk exposure that threatens to undermine the Bank's finances or business operations, it shall immediately take proper action and present a report in a timely manner. 2. Corporate Credit Management Department: The Corporate Credit Management Department is responsible for identifying, assessing, monitoring, and managing corporate banking risk; drafting loan review standards; drafting and revising contracts and forms; and controlling and releasing loan contracts and collateral. 3. Retail Credit Management Department: The Retail Credit Management Department is charged with the identification, evaluation, monitoring, and management of retail banking risk, appropriation of provisions, loss assessment, and post-lending management.
3. Scope and characteristics of credit risk reporting and assessment system	<p>With regard to the credit risk inherent in all products and business activities and before introducing new products and launching into any new line of business, the Bank has in place appropriate risk measures and controls, which have secured approval of the Board of Directors or relevant committees.</p> <p>Credit risk assessment and control procedures include credit checking, rating assignment, credit line control, post-lending management, and debt collection. Apart from implementing the foregoing operating procedures, risk management units also regularly present various types of credit risk and asset quality analysis reports as management indicators. In addition, the Bank actively controls risk from country, group, industry, same concerned party, and same affiliated enterprise, and regularly submits monitoring results to the Board of Directors so that it can keep track of the Bank's exposure to various types of risk.</p> <p>In order to understand the Bank's risk-bearing capacity and the impact on its capital adequacy in the event of changes in economic conditions and the financial environment, the Bank performs credit risk stress testing in accordance with the Financial Supervisory Commission's Plan for Banks' Conducting Stress Testing and Operating Guidelines for Banks' Credit Risk Stress Testing. The results not only serve as an important basis for credit risk management but also are used for reference in continuously adjusting the Bank's business development, lending policy, and credit assessment procedures.</p>
4. Credit risk hedging or risk mitigation policy, and strategies and procedures for continuous validity of risk supervision, avoidance and mitigation tools	<p>The Bank mainly uses the following risk mitigation tools to reduce exposure to credit risk: (1) provision of security by transaction counterparties or third parties; (2) on-balance sheet netting, such as using the deposits of a transaction counterparty at its financing bank for the purpose; and (3) third-party guarantees.</p> <p>Although credit risk mitigation tools can reduce or transfer credit risk, the simultaneous use of such tools may increase other residual risks, including legal risk, operational risk, liquidity risk, and market risk. The Bank has adopted rigorous procedures to control these types of risk, including formulation of policies, drafting of operating procedures, implementation of credit review and appraisal, establishment of control systems, contract management, etc.</p> <p>The Bank has established security management policies and operating procedures, verified bank-wide security data, and built a security management system. In order to apply a comprehensive approach to risk mitigation, the Bank has completed collection and analysis of data needed for security offsetting, linked the credit checking and lending system with its security management system, and established a capital requirement calculation platform.</p>

Item	Content
5. Method for meeting statutory capital requirement	Standardized approach

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

Base Date: March 31, 2020

Unit: NT\$ thousands

Type of risk exposure	Risk exposure after risk mitigation	Required capital
Sovereigns	31,522,477	0
Non-central government public sector entities	0	0
Banks (including multilateral development banks)	31,863,719	854,348
Corporates (including securities firms and insurance companies)	162,799,953	12,993,161
Retail portfolios	15,083,924	1,012,775
Residential property	14,669,757	648,617
Equity securities investment	1,338,982	107,119
Other assets	3,868,671	315,283
Total	261,147,483	15,931,303

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

2019 securitization risk management system

Item	Content
1. Securitization management strategy and procedures	The Bank's asset securitization management strategy focuses on increasing the efficiency of funds use and asset liquidity, and relies on adjustment of the asset/liability structure and shifting of asset risk. As a consequence, apart from carefully assessing its loan assets and analyzing risk exposure, the Bank also makes active use of asset securitization as a channel and tool to ensure that it does not assume excessive risk in the course of pursuing profitability. Each securitization case must be approved by management and submitted to the Board of Directors for consent, and must also be approved by the competent authority before implementation.
2. Securitization management organization and structure	In securitization cases for which the Bank serves as the originating entity, all loan assets in the asset pool must be reviewed and approved in advance by the Bank's operating and review units, and the credit status of target assets in the asset pool must be assessed and analyzed. The risk management unit bears responsibility for controlling and assessing relevant market risk.
3. Scope and characteristics of securitization risk reporting and assessment system	Before issuance of securitized products, the Bank's relevant units will handle target assets in the asset pool in accordance with the Bank's general credit checking and lending procedures, screen asset quality, assess risk, and gradually establish a securitization system. After issuance, depending on the status of target assets in the asset pool, the Bank will regularly perform re-assessment and reveal asset quality in a timely fashion. With regard to holdings taken on in response to credit rating upgrade or subscriptions to newly issued securitized products, the Bank will continue to perform follow-up risk management, model assessment, asset portfolio limit monitoring, asset quality control, bookkeeping, and compilation of information. These steps are intended to prevent deterioration of asset quality and facilitate response measures, when needed, to safeguard the Bank's rights as creditor.

Item	Content
4. Securitization hedging or risk mitigation policy, and strategies and procedures for continuous validity of risk supervision, avoidance and mitigation tools	Currently the Bank trades securitized products only of the conventional type, and all hedging is geared toward shifting the primary credit risk of the asset pool to third parties and creating insulation on the legal front. With regard to required capital after issuance, the Bank makes it a point to attain a level not higher than that when no risk mitigation instruments are employed, thereby reducing risk and maintaining profitability. When it comes to monitoring the continued effectiveness of subsequent hedging and risk mitigation tools, the Bank considers it a fundamental requirement that relevant documents must possess binding power over all related parties as well as legal force. At the same time, the Bank will perform necessary review to ensure the continued existence of mandatory force in law. The Bank shall perform the foregoing procedures, including drafting of strategies and operating procedures, implementation of credit review and assessment, establishment of control systems, and contract termination risk management, in accordance with its internal rules, regulations, and business handbook requirements.
5. Method for meeting statutory capital requirement	Standardized approach

Status of the Asset Securitization:

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

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

Information concerning securitized products

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

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

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

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

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

C. Operational risk management system and required capital

2019 operational risk management system

Item	Content
1. Operational risk management strategy and procedures	<p>■ Strategy</p> <ol style="list-style-type: none"> 1. The Bank has established a comprehensive risk management environment and has instilled operational risk management consciousness throughout personnel at all levels, including the Board of Directors, thereby enabling internalization of the Bank's risk management culture. 2. The Bank has established a risk management organization with clearly defined duties and powers in order to promote the implementation of bank-wide operational risk management. 3. In order to enhance the effectiveness of operational risk management, the Bank has drafted a clear operational risk management framework, implementation regulations, and guidelines complying with the competent authority's requirements. 4. The Bank implements independent and professional internal audits in order to check the effectiveness of operational risk management mechanisms. <p>■ Procedures</p> <p>The Bank's operational risk management procedures include process cataloging, risk analysis, risk identification, risk assessment, risk monitoring, and risk reporting. Meanwhile, the Bank employs such management tools as risk control self-assessment (RCSA), loss data collection (LDC), key risk indicators (KRIs), and Clean Desk (CD).</p>
2. Operational risk management organization and structure	<p>The Bank's operational risk management organization comprises the Board of Directors, Risk Management Department, Auditing Department, and other units. Roles of the operational risk management and responsibilities of personnel at various levels are as follows:</p> <ol style="list-style-type: none"> 1. Board of Directors: <ol style="list-style-type: none"> (1) Serving as the Bank's highest level of operational risk management decision-maker. (2) Ensuring the establishment of an appropriate risk management system and culture. (3) Approval of a bank-wide operational risk management framework and strategy, including operational risk policy, organization, and duties, and regular review of the aforesaid items. (4) Supervision of the functioning of operational risk management mechanisms to ensure their effectiveness. (5) Provision of clearly defined guidelines over the identification, assessment, communication, and supervision of operational risk. (6) Review of operational risk management reports and other risk-related information in order to gain an understanding of risk assumed by the Bank and ensure that internal resources are properly utilized and allocated. (7) Ensuring that the Bank's operational risk management framework has been subject to internal audits by independent, properly trained employees with the necessary skills. 2. Risk Management Department: This department is the Bank's second line of defense for controlling operational risk, and the vice president charged with supervising the Risk Management Department acts as the Bank's top manager responsible for supervision, management, and control of operational risk: <ol style="list-style-type: none"> (1) Drafting of bank-wide operational risk management and control strategy, policy, and procedures. (2) Drafting of consistent operational risk identification, assessment, monitoring, and mitigation standards applicable throughout the Bank. (3) Implementation of the independent operational risk management framework and decisions approved by the Board of Directors, and establishment of a bank-wide operational risk management system. (4) Formulation of the powers and responsibilities of the Risk Management Department and of management at various levels, as well as their relationships in the Bank's chain of command. (5) Coordination and communication with various units about operational risk management matters, and continued supervision of their implementation performance. (6) Compilation of bank-wide operational risk information and, depending on the nature of such information, reporting it to the Board of Directors, the president, or the vice president charged with supervising the department. (7) Implementation of operational risk training. 3. Other units: <ol style="list-style-type: none"> (1) Act as the Bank's first line of defense for operational risk management, these relevant units are responsible for determining and managing regulations and handbooks concerning the operational risk of the business and matters under their management. Each unit must designate one person to serve as its operational risk manager, who is to collaborate with the Risk Management Department in performing first-line defense tasks in the control of operational risk associated with the business and matters under the unit's management. (2) Comply with and implement the Bank's operational risk management regulations, actively monitor and control operational risk associated with their respective duties and operations, and report to the appropriate superior or unit in accordance with regulations. (3) Identify operational risk within each unit, including its sources and contributing factors. (4) Assess the frequency and severity of risk generated by each unit's operational processes on a regular basis; supervise and track efforts to address the inadequacy in terms of risk control. (5) File regular reports on operational risk issues, including major operational risk exposure and losses as well as measures taken to improve risk control or operational processes.

Item	Content
	<p>4. Auditing Department:</p> <p>(1) Act as the Bank's third line of defense against operational risk, this department is responsible for assessing and verifying the effectiveness of various units and independent operational risk management mechanisms.</p> <p>(2) Disclose in audit reports and continue tracking shortcomings or abnormalities detected in audits.</p> <p>(3) Audit personnel shall submit recommendations concerning control shortcomings to personnel responsible for operational risk management but shall not bear direct responsibility for operational risk management matters.</p> <p>(4) The depth and breadth of audits shall be proportionate to the extent of the Bank's operational risk exposure.</p> <p>(5) Audit personnel must possess operational risk management knowledge and experience in order to understand, inspect, and verify the Bank's operational risk management implementation procedures and risk assessment mechanisms.</p>
3. Scope and characteristics of operational risk reporting and assessment system	The Bank employs risk control self-assessment (RCSA), loss data collection (LDC), key risk indicators (KRIs), and Clean Desk (CD) as operational risk assessment and monitoring tools. The results thus obtained are compiled as qualitative or quantitative risk information of the relevant organization and operations. In turn, the Risk Management Department presents independent analytical reports to the Board of Directors and upper management, while implementation results are relayed to relevant departments and senior managers for their reference in drafting policies and allocating resources, thereby ensuring that the Bank puts its capital to optimal use.
4. Operational risk hedging or risk mitigation policy, and strategies and procedures for continuous validity of risk supervision, avoidance, and mitigation tools	<p>The Bank makes use of appropriate outsourcing and control of tasks as an operational risk mitigation policy. One of the outsourced tasks is cash transport.</p> <p>The Bank relies on appropriate insurance as a hedging strategy for addressing certain types of operational risk. For both outsourcing and insurance, the Bank always sets down clearly defined cooperative relationships and legal agreements, thereby ensuring the quality of such cooperation, service reliability, and effectiveness of risk shifting.</p>
5. Method for meeting statutory capital requirement	<p>Basic indicator method (BIA)</p> <p>The Bank adopts the basic indicator method, spelled out in the An Explanation on Banks' Calculating Equity Capital and Risk-Weighted Assets—Calculating Operational Risk promulgated by the Financial Supervisory Commission, to calculate its operational risk charge. That is, the Bank shall hold capital for operational risk equal to the average over the previous three years of 15% of positive annual gross profit.</p>

Required capital for operational risk

Base Date: Dec. 31, 2019

Unit: NT\$ thousands

Year	Gross Profit	Required Capital
2017	4,156,379	
2018	4,696,229	
2019	5,204,111	
Total	14,056,719	702,836

D. Market risk management system and required capital

2019 market risk management system

Item	Content
1. Market risk management strategy and procedures	<ul style="list-style-type: none"> ■ market risk management strategy <ol style="list-style-type: none"> 1. The Bank takes a proactive stance toward rigorously managing market risk. 2. Transactions are one of the Bank's major earnings sources: money is made on accurately capturing swings in market risk factors (stock prices, exchange rates, and interest rates). The greater the fluctuations in market risk factors, the greater the potential for profits. When compiling annual targets for various transactions, the Bank takes account of its own macroeconomic and industry analyses as well as those undertaken by peer institutions. Targets are determined after in-depth discussions among the President, trading departments, and the department charged with market risk management. Such targets, along with stop-loss thresholds and quotas for individual products for the year approved by the Assets and Liabilities Committee, are submitted to the Board of Directors for approval. Priority is given to refraining from setting excessive, unrealistic targets lest traders should take risks greater than they should. 3. In light of the risk attributes of various transactions, the Bank has in place clearly defined management regulations and risk management indicators that govern risk exposure limits, reporting of such limits being exceeded, and managerial personnel authorized for decision-making and countermeasures warranted under such circumstances. Priority is given to rigorous implementation in order to ensure that traders always adhere to trading discipline and that the Bank's market risk exposure is kept within a reasonable range. ■ Market risk management procedures <ol style="list-style-type: none"> 1. The planning of market risk transaction amounts for any given year is performed in conjunction with the compilation of business and financial budget targets. At the end of each year, trading departments submit their respective amount applications to the Risk Management Department's Market Risk Management Section. When reviewing such applications, the section also takes into account the Bank's overall budget targets and capital adequacy plans before moving on to propose bank-wide transaction quotas and an overall stop-loss threshold. These proposals are then submitted to the Assets and Liabilities Committee for review and the Board of Directors for approval. 2. Based on the aforesaid overall stop-loss threshold approved by the Board of Directors, the Risk Management Department's Market Risk Management Section goes on to draft monthly stop-loss limits for each product line, VaR limits, and MAT (management action trigger) limits. These, upon approval by the President, will serve as the basis for the Bank's market risk management.
2. Market risk management organization and structure	<ul style="list-style-type: none"> ■ The Board of Directors is the Bank's highest supervisory body for market risk management: <ol style="list-style-type: none"> 1. When it comes to managing market risk inherent in various transactions, the bank-wide transaction quotas and overall stop-loss threshold approved by the Board of Directors at the end of each year serve as the ultimate guidelines for market risk management. Based on the aforesaid overall stop-loss threshold for the coming year, the board authorizes the President to determine individual thresholds for various transactions by product. Currently, such stop-loss thresholds are imposed on three transaction categories: equities, interest rates, and exchange rates. 2. The board also performs annual assessment to determine whether the Bank's performance in various transactions is consistent with preset business strategies and whether the assumed risk is within the Bank's tolerable range. In the event of a major abnormality in transactions or an instance of management by exception, review or retroactive approval of the board is warranted. ■ The Assets and Liabilities Committee is a supervisory body responsible for setting market risk management guidelines and overseeing implementation of market risk management. <ol style="list-style-type: none"> 1. The President shall chair the Assets and Liabilities Committee, whose members shall include the chief strategy officer, CEOs of the financial market, corporate banking, and retail banking businesses, chief operating officer, chief risk officer, and other departmental heads appointed by the President. At the end of each year, the committee shall gather relevant departments for an assets and liabilities conference to review market risk management guidelines and product quotas for transactions as well as the overall stop-loss threshold for the coming year that are to be proposed to the Board of Directors. 2. Chaired by the President, the assets and liabilities conference is responsible for implementing year-end resolutions it adopts for the coming year and undertaking management thereof. Held on a monthly basis as a rule, it is also charged with reviewing the performance of various transactions. ■ The Risk Management Department is the operating department responsible for implementing market risk management. In accordance with the Bank's organizational rules, the Market Risk Management Section of the Risk Management Department bears responsibility for performing market risk management tasks with regard to planning, statistics, reporting, and monitoring.
3. Scope and characteristics of market risk reporting and assessment system	<p>An explanation is hereby given on the following three fronts—internal management regulations, framework of trading limits, and reporting procedures:</p> <ul style="list-style-type: none"> ■ Internal management regulations Based on the respective risk attributes of equities, interest rates, and exchange rates, the Bank has in place management regulations that spell out risk management indicators and risk exposure limits, as well as the reporting, decision-making, and responding mechanisms in the event of over-limit events. ■ Framework of trading limits by product <ol style="list-style-type: none"> 1. To bolster the framework for managing market risk, the Risk Management Department takes into account the specific risk attributes of various products and sets VaR limits, MAT limits, 20-day average liquidity limits, and FS sensitivity limits that complement trading limits and stop-loss thresholds separately imposed on individual products. Upon approval of the President, the aforesaid complementary limits will serve as the basis for market risk management. 2. After the quotas of product holdings for trading departments become effective upon approval of the Board of Directors, the President shall also break down the aforesaid overall stop-loss threshold for distribution among trading departments, thereby authorizing the latter to set down their respective monthly stop-loss thresholds. In turn, heads of trading departments shall conduct allocations among traders and report these to the Risk Management Department in writing as the basis for risk control. ■ Reporting procedures Against previously authorized trading limits, the Risk Management Department shall compile statistics on the risk exposure of trading departments and individual traders. In accordance with internal management regulations, it shall also submit risk reports, monitor over-limit events, and implement follow-up measures.

Item	Content
4. Market risk hedging or risk mitigation policy; strategies and procedures for continuous validity of risk supervision, avoidance, and mitigation tools	<ul style="list-style-type: none"> ■ All of the Bank's trading departments put in place their respective limits on trading positions and stop-loss thresholds as well as other control mechanisms. The Market Risk Management Division of Risk Management Department is responsible for managing such risk by monitoring and assessing risk exposure on a daily basis. ■ In terms of hedging transactions conducted for financial derivatives, the risk exposure and sensitivity of the said derivatives are taken into account in assessing the effectiveness of hedging. ■ The Bank regularly undergoes market risk sensitivity assessment and stress tests, the results of which are presented to the Assets and Liabilities Committee and Board of Directors.
5. Method for meeting statutory capital requirement	Standardized approach

Market risk required capital

Base Date: March 31, 2020

Unit: NT\$ thousands

Risk Type	Required Capital
Interest rate risk	1,267,820
Equity securities risk	30,648
Foreign Exchange rate risk	205,295
Product risk	0
Options (simplified approach)	10,431
Total	1,514,194

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

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

Term Structure Analysis of Taiwan Dollar-denominated Assets & Liabilities

Base Date: March 31, 2020

Unit: NT\$ thousands

	Total	Amounts remaining during the period prior to the due date					
		0-10 days	11-30 days	31-90 days	91-180 days	181 days-1 year	More than 1 year
Major matured capital inflows	266,616,990	82,290,725	20,900,902	23,116,020	17,954,221	23,370,892	98,984,230
Major matured capital outflows	299,846,570	27,523,280	19,495,349	40,477,191	43,650,840	66,709,366	101,990,544
Capital gap	(33,229,580)	54,767,445	1,405,553	(17,361,171)	(25,696,619)	(43,338,474)	(3,006,314)

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

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

Base Date: March 31, 2020

Unit: US\$ thousands

	Total	Amounts remaining during the period prior to the due date				
		0-30 days	31-90 days	91-180 days	181 days-1 year	More than 1 year
Major matured capital inflows	3,642,352	1,173,309	907,031	414,419	167,137	980,456
Major matured capital outflows	3,712,391	1,448,704	854,695	607,831	255,445	545,716
Capital gap	(70,039)	(275,395)	52,336	(193,412)	(88,308)	434,740

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

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

2. Where offshore assets account for 10% or more of the bank's total assets, disclosure of supplementary information is warranted. (Branch assets accounted for 14.59% of the Bank's total assets as of March 2020.)

【Disclosure of supplementary Information】

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

Hong Kong Branch

Base Date: March 31, 2020

Unit: US\$ thousands

	Total	Amounts remaining during the period prior to the due date				
		0-30 days	31-90 days	91-180 days	181 days-1 year	Longer than 1 year
Major matured capital inflows	1,304,025	596,443	314,592	31,222	19,040	342,728
Major matured capital outflows	1,287,363	544,640	352,363	128,201	28,025	234,134
Capital gap	16,662	51,803	(37,771)	(96,979)	(8,985)	108,594

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

- January 29, 2019: The China Banking and Insurance Regulatory Commission promulgated the "Measures for the Administration of Combatting Money Laundering and Financing of Terrorism by Banking Institutions" (China Banking and Insurance Regulatory Commission 2019 Order No. 1).

1. This document was forwarded to relevant units at the Bank for their reference in business planning.
2. It has yet to have any material impact on the Bank's finances or operations.

- February 12, 2019: The newly revised "Directions Concerning the Establishment of Foreign Branches by Domestic Banks" was promulgated (Financial Supervisory Commission Order Jin-Guan-Yin-Guo-Zi No. 10701218600).

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

- February 15, 2019: The newly revised "Regulations Governing Foreign Exchange Business of Banking Enterprises" was promulgated (Central Bank of R.O.C. Order Tai-Yang-Wai-Qi-Zi No. 1080007044).

1. The revision was forwarded to relevant units at the Bank, and they were instructed to act accordingly. In addition to reviewing other related internal regulations, the Bank also incorporated it into legal compliance procedures for immediate implementation.
 2. It has yet to have any material impact on the Bank's finances or operations.
- April 17, 2019: The newly revised "Banking Act" was promulgated (Presidential Order Hua-Zong-Yi-Jing-Zi No. 10800037891).
1. The revision was forwarded to relevant units at the Bank, and they were instructed to act accordingly. In addition to reviewing other related internal regulations, the Bank also incorporated it into legal compliance procedures for immediate implementation.
 2. It has yet to have any material impact on the Bank's finances or operations.
- April 17, 2019 and June 21, 2019: The newly revised "Securities and Exchange Act" was promulgated (Presidential Order Hua-Zong-Yi-Jing-Zi No. 10800037881 and No. 10800063491).
1. The revision was forwarded to relevant units at the Bank, and they were instructed to act accordingly. In addition to reviewing other related internal regulations, the Bank also incorporated it into legal compliance procedures for immediate implementation.
 2. It has yet to have any material impact on the Bank's finances or operations.
- August 15, 2019: The "Regulations Governing the Financial Investment, Management, and Utilization of Repatriated Offshore Funds" was promulgated (Financial Supervisory Commission Order Jin-Guan-Zheng-Tou-Zi No. 1080326186).
1. The revision was forwarded to relevant units at the Bank, and they were instructed to act accordingly. In addition to reviewing other related internal regulations, the Bank also incorporated it into legal compliance procedures for immediate implementation.
 2. It has yet to have any material impact on the Bank's finances or operations.
- September 30, 2019: The newly revised "Regulations Governing Internal Operating Systems and Procedures for the Outsourcing of Financial Institution Operation " was promulgated (Financial Supervisory Commission Order Jin-Guan-Yin-Wai-Zi No. 10802725940).
1. The revision was forwarded to relevant units at the Bank, and they were instructed to act accordingly. In addition to reviewing other related internal regulations, the Bank also incorporated it into legal compliance procedures for immediate implementation.
 2. It has yet to have any material impact on the Bank's finances or operations.
- October 4, 2019: The "Guidelines for Tackling Deficiencies in Reporting Supervisory Information by Domestic Banks" was promulgated (Financial Supervisory Commission Order Jin-Guan-Jian-Zhi No. 10806002511).
1. This document was forwarded to relevant units at the Bank, and they were instructed to act accordingly. In addition to reviewing other related internal regulations, the Bank also incorporated it into legal compliance procedures for immediate implementation.
 2. It has yet to have any material impact on the Bank's finances or operations.
- October 15, 2019: China's State Council promulgated the "Decision of the State Council on Amending the Regulations of the People's Republic of China on Administration of Foreign-Funded Insurance Companies and the Regulations of the People's Republic of China on Administration of Foreign-Funded Banks " (Decree of the State Council of the People's Republic of China No. 720).
1. This document was forwarded to relevant units at the Bank for their reference in business planning.
 2. It has yet to have any material impact on the Bank's finances or operations.

- October 18, 2019: The China Banking and Insurance Regulatory Commission promulgated the “Notice on Further Regulating the Structured Deposit Business of Commercial Banks” (Yin-Bao-Jian-Ban-Fa (2019) No. 204).

1. This document was forwarded to relevant units at the Bank for their reference in business planning.
2. It has yet to have any material impact on the Bank’s finances or operations.

- December 18, 2019: The China Banking Regulatory Commission promulgated the “Detailed Rules for the Implementation of the Regulations of the People’s Republic of China on the Administration of Foreign-Funded Banks” (China Banking and Insurance Regulatory Commission 2019 Order No. 6).

1. This document was forwarded to relevant units at the Bank for their reference in business planning.
2. It has yet to have any material impact on the Bank’s finances or operations.

- December 23, 2019: The newly revised “Regulations Governing the Capital Adequacy and Capital Category of Banks” was promulgated (Financial Supervisory Commission Order Jin-Guan-Yin-Fa-Zi No. 10802744341).

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

- December 26, 2019: The China Banking and Insurance Regulatory Commission promulgated the “Implementation Measures for the Administrative Licensing Items Concerning Foreign-Funded Banks.”

1. This document was forwarded to relevant units at the Bank for their reference in business planning.
2. It has yet to have any material impact on the Bank’s finances or operations.

- December 30, 2019: The China Banking and Insurance Regulatory Commission promulgated the “Notice on Further Strengthening the Banking and Insurance Sectors’ Combatting Money Laundering and Financing of Terrorism” (Yin-Bao-Jian-Ban-Fa (2019) No. 238).

1. This document was forwarded to relevant units at the Bank for their reference in business planning.
2. It has yet to have any material impact on the Bank’s finances or operations.

- December 31, 2019: China’s State Council promulgated the “Regulations for the Implementation of the Foreign Investment Law of the People’s Republic of China” (Decree of the State Council of the People’s Republic of China No. 723).

1. This document was forwarded to relevant units at the Bank for their reference in business planning.
2. It has yet to have any material impact on the Bank’s finances or operations.

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

Technological development is stimulating rapid changes in the financial industry, and is accelerating the financial industry’s transformation. The industry’s future developmental focal point will be financial service innovation, and cooperation between the financial industry and partners in other industries will be a source of future business opportunities. The Bank has always striven to provide customers with the most superior service. When changing to a commercial bank to cross over into personal financial services, which has been a leading trend in the financial industry, the Bank has embraced new thinking about digital finance, adopted advanced technologies, and developed Taiwan’s first digital bank with a primarily “virtual channel” to take advantage of opportunities in online banking. The Bank has introduced services including the online opening of domestic and foreign currency deposit accounts, online application for credit loans, robot wealth management, and 24-hour video customer service. The Bank has also cooperated with strategic partners, and relied on services

involving the Bank and partners in other industries to jointly create a digital brand ecosystem, which has enabled the Bank to gradually achieve a highly competitive status in the industry. Looking ahead to the future, the Bank will continue to monitor emerging financial technologies, and provide customers safe, simple, convenient, fun, and innovative financial services.

In addition, in order to monitor technological changes and reduce risk factors associated with abrupt changes in industry, the Bank conducts annual surveys and analysis of industry's economic conditions and development trends, and, in order to control industries credit limit, has adopted a policy of dispersing risks connected with credit, deposits, and investment, etc. Furthermore, in conjunction with employee education and training, the Bank has striven to increase the depth and breadth of employees' knowledge concerning economic conditions and industry. At the same time, we are relying on regular double-checking, strengthened post-loan management, strict control of asset quality, and maintenance of risk control discipline to minimize the Bank's risk.

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

The Bank has long maintained the business principles of professionalism, integrity, and stability. Apart from attentiveness to our core financial services and strengthening of risk control mechanisms, we also emphasize the maintenance of our corporate image, and consequently established a “Corporate Culture Promotion Committee” and “Corporate Social Responsibility Committee” in 2014 and 2015. The spirit of our corporate culture embodies the values of “Sincerity and Support” and we participate vigorously in arts & culture, education, and social welfare public-interest activities. We are contributing to society in many ways, and using our corporate capabilities to exert a positive influence on society. We are fulfilling our corporate social responsibilities, actively seeking to enhance our corporate image, and striving to be a trustworthy partner for our customers.

Years of endeavors toward fulfilling corporate social responsibility have not only won the Bank certification as a B Corporation but also a number of accolades, such as inclusion on Commonwealth Magazine's "Excellence in Corporate Social Responsibility" list and awards from the Taiwan Institute for Sustainable Energy (TAISE). Further attesting to its CSR commitment in 2019, the Bank took additional action in the form of a number of affinity cards, such as rainbow cards, dog cards, children-are-us cards and education Cards, intended specifically to help promote the public interest.

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

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

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

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

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

The revised Article 3 of the "Regulations Governing Domestic Branches of Financial Institutions," which was issued by the Financial Supervisory Commission on October 7, 2015, specifies that banks eligible to apply for a change to commercial bank may simultaneously applied to establish branch organizations, and may include up to five branches that they have already established.

After the Bank changed to a commercial bank, it has emphasized that development of its digital banking services, and its service development efforts have focused on virtual channels such as online and mobile banking. In turn, physical outlets are charged with the task of promoting the Bank's brand image and acting as a venue for experiencing digital finance. To share this experience with more customers, the Bank relocated its Taipei Vie Show Branch to Taoyuan in January 2020. With the new Taoyuan Branch in place, customers in metropolitan Taoyuan can now enjoy a brand-new digital banking experience and have access to online banking and wealth management counseling services. Ours is now a service network that integrates the virtual and the physical. Expanding our business locations can increase our service coverage, expand our channels and customer base, and achieve the benefits of dispersing risk and training more professional manpower. Because the Bank currently has relatively few business locations, and because we must perform specialized, rigorous cost-effectiveness analysis before establishing any new locations, which is necessary to ensure that all locations provide the greatest possible benefit, we are exposed to limited risk from the expansion of business locations. In terms of the Bank's business outlets, digital experience centers are meant for educational purposes—familiarizing consumers with the Bank's virtual channels—and the task of building up the Bank's public image as a specialized provider of digital banking services. To create a well-rounded service network, the Bank set up a full-function branch in Taoyuan in 2020. This move, taking our branch operations beyond Taipei and from online to offline, enables the Bank to provide customers with more intimate, better-rounded financial services.

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

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

In addition, we also plan to rely on the establishment of overseas locations by our subsidiaries to extend the Group's financial service scope. In 2011, the Bank's subsidiary IBT International Leasing Corp. invested in the establishment of leasing companies in China. After several years of development, these companies' sales are growing steadily, they have service locations in Suzhou, Nanjing, Dongguan, Zhongshan, and Foshan, and they

are currently providing comprehensive financial services to SMEs and micro-enterprises in China's Yangtze River Delta and Pearl River Delta areas.

We will continue to carefully select and establish business locations in the future. We also expect to draw on our leasing business platform to take advantage of business opportunities on both sides of the Taiwan Strait and complement our banking business. To capitalize on mainland China's growing consumer banking market, the Bank teamed up with China Everbright Bank and China CYTS Tours Holding Co., Ltd. in 2019 to start preparations for a joint venture. And in order to meet our corporate customers' global needs, our US subsidiary bank—the EverTrust Bank—has 8 business locations in the Greater Los Angeles and San Francisco area to meet local financial service needs.

(7) Risks incurred by business concentration and countermeasures

With regard to target customers, due to its characteristics as an industrial bank and cost-effectiveness considerations, the Bank's chief target customers consisted primarily of large enterprises, and its customer base was fairly concentrated. As a consequence, we began the active development of medium-sized enterprise customers in 2013, which has been expanding our customer base and reducing concentration risk, and we have been gradually obtaining positive results. Furthermore, our change to a commercial bank in 2017 has allowed us to expand our customer base from corporations to individuals, and we expect the degree of concentration of our target customers to continue to decrease.

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

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

(10) Litigious and non-litigious matters: Yi Jing Yang Enterprise Co., Ltd. was suspected of causing damage to the Bank by using falsified transactions to secure factoring financing. The Bank's subsequent filing of criminal lawsuits against Yi Jing Yang and related individuals led to prosecution by the Taiwan Taipei District Prosecutors Office in January 2020. During the same month, the Bank also filed a civil compensation claim with the Taiwan Taipei District Court.

(11) Other major risks and countermeasures:

■ Information security risks

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

1. Information asset risk assessment

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

In 2019 the assessment found no high risk or major operating risk matters.

2. Computer system information security assessment

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

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

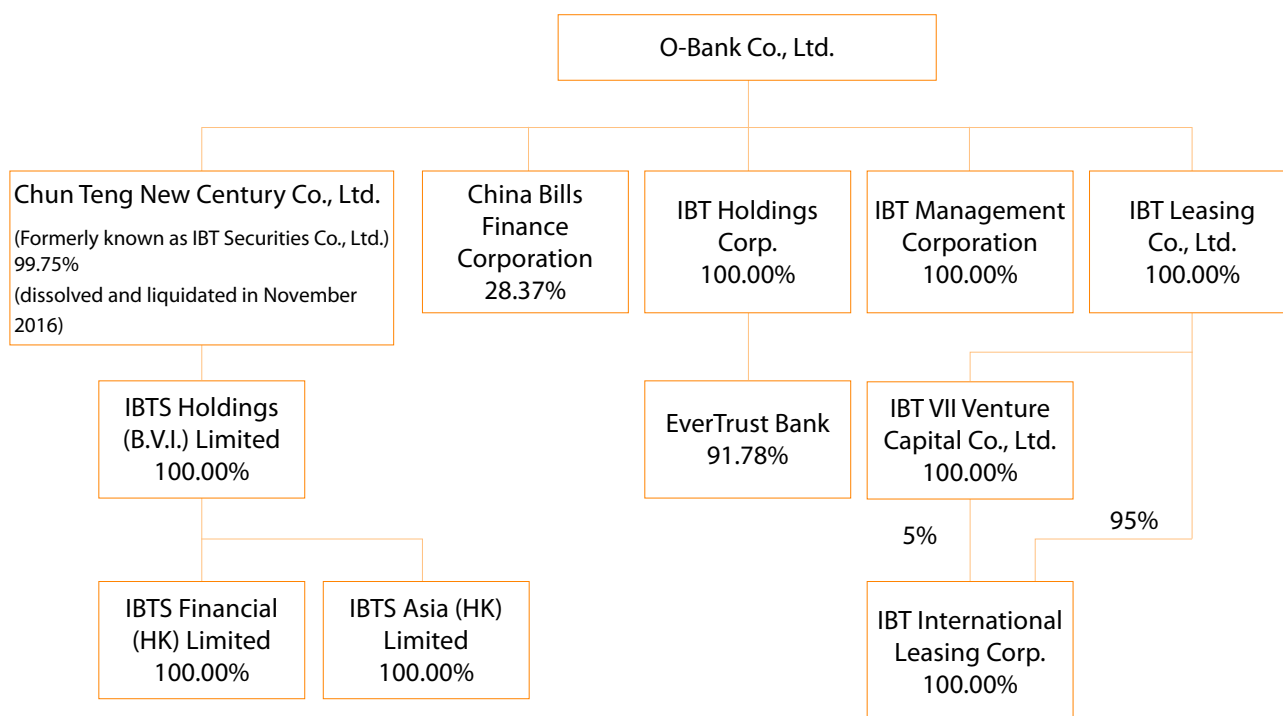
This year’s implementation results found no high risk or major operating risk matters.

VIII. Special Disclosure

1. Summary of Affiliated Companies

(1) Organizational Chart

As of December 31, 2019



(2) Backgrounds of Affiliated Companies

As of December 31, 2019

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

Name of Company	Established Date	Address	Paid in Capital	Main Business
Chun Teng New Century Co., Ltd. (note2)	1961.12.9	6F, No.187, Sec.2, Tiding Blvd., Neihu Dist., Taipei City 114, Taiwan, R.O.C.	382,906	1. Investment Business 2. Investment Consulting 3. Management Consulting 4. Other businesses not prohibited or restricted by law
IBTS Holdings (B.V.I.) Limited	2003.3.14	Portcullis TrustNet Chambers, P.O. Box 3444, Road Town, Tortola, British Virgin Islands	USD 3,831	Holding Company
IBTS Financial (HK) Limited	2003.5.26	Suite 1310, Tower One, Lippo Centre, 89 Queensway, Hong Kong	USD 1,986	Financing Consulting
IBTS Asia (HK) Limited	2004.4.30	Suite 1310, Tower One, Lippo Centre, 89 Queensway, Hong Kong	HKD 70,000	1. Securities Trading (Type1) 2. Provision of Consulting on Securities Trading (Type4)
IBT Management Corporation	2000.8.5	8F, No.99, Sec.2, Tiding Blvd., Neihu Dist., Taipei City 114, Taiwan, R.O.C.	134,000	1. Investment Advisory Business 2. Business Management Advisory Business 3. Venture Capital Investment and Management Consulting Business
IBT VII Venture Capital Co., Ltd.	2014.8.5	6F, No.99, Sec.2, Tiding Blvd., Neihu Dist., Taipei City 114, Taiwan, R.O.C.	650,000	Venture Capital Business
China Bills Finance Corporation	1978.10.19	4F, No.99, Sec.2, Tiding Blvd., Neihu Dist., Taipei City 114, Taiwan, R.O.C.	13,429,600	1. H102011 Bills Finance 2. H301011 Securities Brokerage

Name of Company	Established Date	Address	Paid in Capital	Main Business
IBT Holdings Corp.	2006.5.30	2 N. Lake Avenue, Suite 1030, Pasadena CA 91101 U.S.A.	USD 110,209	Financial Holding Company
EverTrust Bank	83.9.19	2 N. Lake Avenue, Suite 1030, Pasadena CA 91101 U.S.A.	USD 118,402	Commercial Banking
IBT Leasing Co., Ltd.	2011.4.7	6F, No.187, Sec.2, Tiding Blvd., Neihsu Dist., Taipei City 114, Taiwan, R.O.C.	2,643,000	Financing Leasing
IBT International Leasing Corp.	2011.3.15	Room 805, 8F, No.188 Wangdun Rd., Suzhou Industrial Park, Suzhou 215123, Jiangsu, P.R. China	RMB 410,061	Financing Leasing

Note: 1. Exchanging rate on reporting date as Dec. 31, 2019: USD 30.11073、HKD3.86800、RMB4.32182。

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

(3) Common Shareholders among Controlling and Controlled Entities: None.

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

As of December 31, 2019

Unit : Shares/%

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

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

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

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

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

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

4. IBT International Leasing Corp. are limited companies, not companies limited by shares.

(5) Performance of Affiliated Companies

As of December 31, 2019

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

Name	Capital Stock	Total Assets	Total Liabilities	Net Worth	Operation Revenue	Profit from Operations	Net Income (after tax)	Earnings Per Share (in dollar) (after tax)
O-Bank Co., Ltd.	27,130,063	335,252,833	301,993,630	33,259,203	5,305,215	1,210,092	1,100,433	0.45
Chun Teng New Century Co., Ltd. (note2)	382,906	338,885	0	338,885	0	(3,324)	(1,828)	(0.05)
IBTS Holdings (B.V.I.) Limited	USD	USD	USD	USD	USD	USD	USD	USD
	3,831	9,118	0	9,118	0	(60)	(60)	(0.16)
IBTS Financial (HK) Limited	USD	USD	USD	USD	USD	USD	USD	USD
	1,986	3,200	0	3,200	248	243	367	1.85
IBTS Asia (HK) Limited	HKD	HKD	HKD	HKD	HKD	HKD	HKD	HKD
	70,000	49,650	34,259	15,390	24	(3,972)	(3,448)	(0.49)
IBT Management Corporation	134,000	232,563	6,117	226,446	11,747	1,199	1,014	0.08
IBT VII Venture Capital Co., Ltd.	650,000	595,643	141,117	454,526	44,983	34,729	34,729	0.53
China Bills Finance Corporation	13,429,600	197,539,559	173,684,097	23,855,462	2,014,768	1,553,478	1,244,653	0.93
IBT Holdings Corp.	USD	USD	USD	USD	USD	USD	USD	USD
	110,209	175,432	0	175,432	1	19,484	12,575	1.16
EverTrust Bank	USD	USD	USD	USD	USD	USD	USD	USD
	118,402	945,182	755,118	190,064	35,428	19,494	13,711	1.17
IBT Leasing Co., Ltd.	2,643,000	6,202,748	3,841,701	2,361,047	174,184	19,971	369,377	1.40
IBT International Leasing Corp.	RMB	RMB	RMB	RMB	RMB	RMB	RMB	Not Applicable
	410,061	2,276,036	1,737,461	538,575	251,717	85,771	73,600	

Note: 1. Exchanging rate on reporting date as Dec. 31, 2019: USD30.11073 、HKD3.86800 、RMB4.32182 °

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

(6) Consolidated Financial Statements of Affiliated Companies: Please refer to Consolidated Financial Statements of Financial Status.

(7) Reports of Affiliated Companies: Not applicable.

O-Bank and Subsidiaries

**Consolidated Financial Statements for the
Years Ended December 31, 2019 and 2018 and
Independent Auditors' Report**

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The Bank and its subsidiaries required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” as of and for the year ended December 31, 2019 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as those included in International Financial Reporting Standard 10, “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

Company name: O-BANK
Chairman: Kenneth C. M. Lo
Date: March 19, 2020

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
O-Bank

Opinion

We have audited the accompanying consolidated financial statements of O-Bank and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Public Bills Finance Companies and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The descriptions of the key audit matters of the consolidated financial statements for the year ended December 31, 2019 are as follows:

Allowance for Credit Losses of Loans

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

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

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

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

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

Assessment of Reserve for Losses on Guarantee Contracts

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

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

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

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

- We understood the internal controls about the estimated impairment of reserve for losses on guarantee contracts and we tested the effectiveness of the operation of the controls.
- We reviewed the assessment schedule of reserve for losses on credit-granting assets, which the management used to assess. We checked the completeness of amount of credit-granting assets in the schedule and rationality of classifications. We recalculated the amounts of reserve for losses on guarantee contracts in the schedule and checked whether it meets the requirement of regulation or not.

Other Matter

We have also audited the parent company independent financial statements of the Bank as of and for the years ended December 31, 2019 and 2018 on which we have issued an unmodified opinion.

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

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

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

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

Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities with the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2019 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 24, 2020

Notice to Readers

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

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

O-BANK AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

ASSETS	2019		2018	
	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Notes 6 and 41)	\$ 6,570,002	1	\$ 9,227,068	2
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS (Note 7)	19,311,763	4	22,607,002	4
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 8 and 41)	172,913,193	31	151,512,614	27
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 9, 41 and 45)	142,112,770	25	149,952,752	27
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTISED COST (Notes 41 and 45)	-	-	499,939	-
BILLS AND BONDS PURCHASED UNDER RESELL AGREEMENTS (Note 10)	100,013	-	991,363	-
RECEIVABLES, NET (Notes 11 and 13)	16,483,174	3	20,829,951	4
CURRENT TAX ASSETS	422,886	-	381,082	-
DISCOUNTS AND LOANS, NET (Notes 12, 13, 40 and 41)	194,246,229	35	197,338,050	35
OTHER FINANCIAL ASSETS (Notes 16 and 41)	1,229,503	-	1,329,918	-
PROPERTY AND EQUIPMENT, NET (Note 17)	2,854,194	1	2,951,660	1
RIGHT-OF-USE ASSETS, NET (Note 18)	485,426	-	-	-
INTANGIBLE ASSETS, NET (Note 19)	2,319,547	-	2,457,300	-
DEFERRED TAX ASSETS (Note 38)	734,542	-	672,656	-
OTHER ASSETS (Note 20)	916,774	-	1,090,219	-
TOTAL	\$ 560,700,016	100	\$ 561,841,574	100
LIABILITIES AND EQUITY				
LIABILITIES				
Due to the Central Bank and banks (Note 21)	\$ 43,439,398	8	\$ 55,529,376	10
Financial liabilities at fair value through profit or loss (Note 8)	533,582	-	793,272	-
Bills and bonds sold under repurchase agreement (Note 22)	159,553,385	29	151,446,900	27
Payables (Note 23)	3,744,206	1	5,636,437	1
Current tax liabilities	46,361	-	17,857	-
Deposits and remittances (Notes 24 and 40)	265,731,824	47	261,803,321	47
Bank debentures payable (Note 25)	18,700,000	3	17,850,000	3
Other financial liabilities (Note 26)	12,909,259	2	15,034,414	3
Provisions (Notes 13, 27 and 28)	1,915,054	-	1,869,428	-
Lease liabilities (Note 18)	498,832	-	-	-
Deferred income tax liabilities (Note 38)	451,572	-	341,015	-
Other liabilities (Note 29)	2,360,266	1	2,400,842	-
Total liabilities	509,883,739	91	512,722,862	91
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK				
Capital				
Common stock	24,130,063	4	24,130,063	4
Preferred stock	3,000,000	1	3,000,000	1
Total capital	27,130,063	5	27,130,063	5
Capital surplus	9,750	-	8,503	-
Retained earnings				
Legal reserve	3,367,681	1	3,184,667	1
Special reserve	1,631,335	-	1,215,831	-
Unappropriated earnings	1,187,851	-	610,045	-
Total retained earnings	6,186,867	1	5,010,543	1
Other equity	(67,477)	-	(159,981)	-
Total equity attributable to owners of the Bank	33,259,203	6	31,989,128	6
NON-CONTROLLING INTERESTS	17,557,074	3	17,129,584	3
Total equity (Note 30)	50,816,277	9	49,118,712	9
TOTAL	\$ 560,700,016	100	\$ 561,841,574	100

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

O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
INTEREST REVENUE (Notes 31 and 40)	\$ 9,559,209	115	\$ 9,183,853	117	4
INTEREST EXPENSE (Notes 31 and 40)	<u>(5,674,337)</u>	<u>(68)</u>	<u>(4,959,744)</u>	<u>(63)</u>	14
NET INTEREST	<u>3,884,872</u>	<u>47</u>	<u>4,224,109</u>	<u>54</u>	(8)
NET REVENUE OTHER THAN INTEREST REVENUE					
Net service fee income (Notes 32 and 40)	2,061,879	25	1,778,590	23	16
Gains on financial assets or liabilities measured at fair value through profit or loss (Note 33)	1,717,904	20	2,139,349	27	(20)
Realized gain on financial assets at fair value through other comprehensive income (Note 34)	262,716	3	146,471	2	79
Foreign exchange gain (loss), net	256,353	3	(625,764)	(8)	141
(Impairment loss on assets) reversal of impairment loss on assets	(10,824)	-	8,609	-	(226)
Other net revenue other than interest revenue (Note 40)	<u>139,051</u>	<u>2</u>	<u>150,549</u>	<u>2</u>	(8)
Total net revenue other than interest	<u>4,427,079</u>	<u>53</u>	<u>3,597,804</u>	<u>46</u>	23
NET REVENUE	<u>8,311,951</u>	<u>100</u>	<u>7,821,913</u>	<u>100</u>	6
BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION (Note 13)	<u>(1,002,491)</u>	<u>(12)</u>	<u>(547,214)</u>	<u>(7)</u>	83
OPERATING EXPENSES					
Employee benefits expenses (Notes 28, 35 and 40)	2,726,153	33	2,651,824	34	3
Depreciation and amortization expenses (Note 36)	617,433	7	425,014	5	45
Other general and administrative expenses (Notes 37 and 40)	<u>1,253,639</u>	<u>15</u>	<u>1,527,383</u>	<u>20</u>	(18)
Total operating expenses	<u>4,597,225</u>	<u>55</u>	<u>4,604,221</u>	<u>59</u>	-

(Continued)

O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX	\$ 2,712,235	33	\$ 2,670,478	34	2
INCOME TAX EXPENSE (Note 38)	<u>681,601</u>	<u>8</u>	<u>730,948</u>	<u>9</u>	(7)
INCOME FROM CONTINUING OPERATIONS	2,030,634	25	1,939,530	25	5
INCOME (LOSS) FROM DISCONTINUED OPERATIONS (Note 14)	<u>(4,033)</u>	<u>-</u>	<u>2,823</u>	<u>-</u>	(243)
NET PROFIT FOR THE YEAR	<u>2,026,601</u>	<u>25</u>	<u>1,942,353</u>	<u>25</u>	4
OTHER COMPREHENSIVE INCOME (LOSS)					
Components of other comprehensive income that will not be reclassified to profit or loss:					
Gains (losses) on remeasurements of defined benefit plans (Note 28)	58	-	3,378	-	(98)
Revaluation gains (losses) on investments in equity instruments measured at fair value through other comprehensive income	301,995	3	(132,947)	(2)	327
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 38)	<u>(94)</u>	<u>-</u>	<u>1,583</u>	<u>-</u>	(106)
Components of other comprehensive income that will not be reclassified to profit or loss, net of tax	<u>301,959</u>	<u>3</u>	<u>(127,986)</u>	<u>(2)</u>	336 (Continued)

O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
Components of other comprehensive income that will be reclassified to profit or loss:					
Exchange differences on translation of financial statements of foreign operations	\$ (264,150)	(3)	\$ 153,406	2	(272)
Gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	448,667	5	(412,184)	(5)	209
Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Note 38)	<u>(47,557)</u>	<u>-</u>	<u>4,977</u>	<u>-</u>	(1,056)
Components of other comprehensive income that will be reclassified to profit or loss, net of tax	<u>136,960</u>	<u>2</u>	<u>(253,801)</u>	<u>(3)</u>	154
Other comprehensive (loss) for the year, net of income tax	<u>438,919</u>	<u>5</u>	<u>(381,787)</u>	<u>(5)</u>	215
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 2,465,520</u>	<u>30</u>	<u>\$ 1,560,566</u>	<u>20</u>	58
NET PROFIT ATTRIBUTABLE TO:					
Owners of the Bank	\$ 1,100,433	13	\$ 954,659	12	15
Non-controlling interests	<u>926,168</u>	<u>11</u>	<u>987,694</u>	<u>13</u>	(6)
	<u>\$ 2,026,601</u>	<u>24</u>	<u>\$ 1,942,353</u>	<u>25</u>	4
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owners of the Bank	\$ 1,280,355	16	\$ 730,675	9	75
Non-controlling interests	<u>1,185,165</u>	<u>14</u>	<u>829,891</u>	<u>11</u>	43
	<u>\$ 2,465,520</u>	<u>30</u>	<u>\$ 1,560,566</u>	<u>20</u>	58

(Continued)

O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
EARNINGS PER SHARE (Note 39)					
From continuing and discontinued operations					
Basic	<u>\$0.45</u>		<u>\$0.40</u>		
Diluted	<u>\$0.45</u>		<u>\$0.40</u>		
From continuing operations					
Basic	<u>\$0.45</u>		<u>\$0.40</u>		
Diluted	<u>\$0.45</u>		<u>\$0.40</u>		

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

(Concluded)

O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

Equity Attributable to Owners of the Bank (Note 30)												
	Other Equity											
	Capital Stock			Retained Earnings			Exchange Differences on the Translation of Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Valuation Gains (Losses) on Financial Assets Measures at Fair Value Through Other Comprehensive Income	Owner of the Bank	Non-controlling Interests (Note 30)	
	Common Stock	Preferred Stocks	Total	Legal Reserve	Special Reserve	Unappropriated Earnings						Total
BALANCE AT JANUARY 1, 2018	\$ 24,130,063	\$ -	\$ 24,130,063	\$ 7,730	\$ 2,880,297	\$ 1,229,536	\$ 1,014,567	\$ 5,124,400	\$ (216,266)	\$ 236,666	\$ 29,282,593	\$ 16,892,050
Effect of retrospective application	-	-	-	-	-	-	(208,457)	(208,457)	-	(236,666)	(301,011)	90,927
BALANCE AT JANUARY 1, 2018 AS RESTATED	24,130,063	-	24,130,063	7,730	2,880,297	1,229,536	806,110	4,915,943	(216,266)	-	28,981,582	16,982,977
Appropriation of 2017 earnings	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	304,370	-	(304,370)	-	-	-	-	-
Special reserve	-	-	-	-	13,705	(13,705)	-	-	-	-	-	-
Cash dividends distributed by the Bank	-	-	-	-	-	-	(723,902)	(723,902)	-	-	(723,902)	-
Unclaimed dividends	-	-	-	308	-	-	-	-	-	-	308	1,174
Changes in capital surplus from investments in subsidiaries accounted for using the equity method	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	465	-
Net profit for the year ended December 31, 2018	-	-	-	-	-	-	-	-	-	-	-	(683,005)
Other comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	-	954,659	954,659	-	-	954,659	987,694
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	-	2,405	2,405	123,460	-	(223,984)	(157,802)
Issue of shares	-	3,000,000	3,000,000	-	-	-	957,064	957,064	123,460	-	730,675	829,891
Capital reduction of subsidiaries for cash received by non-controlling interest	-	-	-	-	-	-	-	-	-	-	3,000,000	-
Disposals of investment in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	-	(138,562)	-	-	-	-
BALANCE AT DECEMBER 31, 2018	24,130,063	3,000,000	27,130,063	8,503	3,184,667	1,215,831	610,045	5,010,543	(92,806)	-	31,989,128	17,129,584
Appropriation of 2018 earnings	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	183,014	-	(183,014)	-	-	-	-	-
Special reserve of preferred stock	-	-	-	-	415,504	-	(415,504)	-	-	-	-	-
Cash dividends distributed by the Bank	-	-	-	-	-	-	(11,527)	(11,527)	-	-	(11,527)	-
Changes in capital surplus from investments in subsidiaries accounted for using the equity method	-	-	-	-	-	-	-	-	-	-	-	-
Unclaimed dividends	-	-	-	906	-	-	-	-	-	-	906	-
Cash dividends distributed by subsidiaries	-	-	-	341	-	-	-	-	-	-	341	2,629
Net profit for the year ended December 31, 2019	-	-	-	-	-	-	-	-	-	-	-	(759,963)
Other comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	-	1,100,433	1,100,433	-	-	1,100,433	926,168
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	-	(305)	(305)	(214,667)	-	179,922	258,997
Disposals of investment in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	-	-	(214,667)	-	1,280,355	1,185,165
BALANCE AT DECEMBER 31, 2019	24,130,063	3,000,000	27,130,063	9,750	3,367,681	1,631,335	1,187,851	6,186,867	-	-	33,259,203	17,557,074
	-	-	-	-	-	-	87,723	87,723	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-								

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

O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit from continuing operations before tax	\$ 2,712,235	\$ 2,670,478
Profit (loss) from discontinued operations before tax	(4,033)	2,877
Adjustments to reconcile profit (loss):		
Depreciation expense	364,173	191,971
Amortization expense	254,094	233,493
Expect credit losses/recognition of provisions	1,013,315	538,605
Net (gain) loss on financial assets or liabilities at fair value through profit or loss	(1,731,804)	(2,145,784)
Interest expense	5,674,337	4,959,744
Interest revenue	(9,560,801)	(9,234,808)
Dividends income	(72,939)	(101,079)
Share of profit of associates and joint ventures accounted for using equity method	-	(4,944)
Gain on disposal of property and equipment	(426)	(2,363)
Gain on disposal of investments	(192,958)	(45,392)
Gain on lease modification	(22)	-
Changes in operating assets and liabilities:		
Due from the Central Bank and call loans to banks	(759,752)	(1,663,780)
Financial assets at fair value through profit or loss	(19,897,235)	4,983,337
Financial assets at fair value through other comprehensive income	8,860,726	182,691
Investments in debt instruments measured at amortized cost	500,000	-
Bills and bonds purchased under resell agreements	891,350	(991,363)
Receivables	4,040,545	(185,261)
Discounts and loans	2,168,123	(17,830,922)
Due to the Central Bank and banks	(12,089,978)	2,496,737
Financial liabilities at fair value through profit or loss	(259,690)	2,254
Bills and bonds sold under repurchase agreements	8,106,485	(38,375,068)
Payable	(1,885,965)	334,380
Deposits and remittances	3,928,503	63,516,621
Net change in provisions	20,702	(9,468)
Net cash flows (used in) generated from operations	(7,921,015)	9,522,956
Interest received	9,775,689	9,214,702
Interest paid	(5,664,500)	(4,678,421)
Dividends received	78,058	111,551
Income taxes paid	(646,230)	(814,143)
Net cash flows (used in) generated from operating activities	(4,377,998)	13,356,645

(Continued)

O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of investments accounted for using equity method	\$ -	\$ 4,944
Acquisition of property and equipment	(125,395)	(300,091)
Proceeds from disposal of property and equipment	7,796	59,656
Decrease in refundable deposits	162,683	2,851,478
Acquisition of intangible assets	(122,345)	(183,566)
Increase in other financial assets	-	(1,219,825)
Decrease in other financial assets	401,522	-
Decrease in other assets	<u>10,762</u>	<u>88,777</u>
Net cash flows generated from investing activities	<u>335,023</u>	<u>1,301,373</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term borrowings	(555,379)	(1,330,691)
Decrease in commercial papers	(500,000)	(2,299,676)
Proceeds from issue bank debentures	2,500,000	1,750,000
Repayments of bank debentures	(1,650,000)	(4,300,000)
Repayments of long-term borrowings	(217,253)	(1,996,605)
Payments of lease liabilities	(172,883)	-
Decrease in other financial liabilities	(852,642)	(1,676,491)
Decrease in other liabilities	(40,612)	(71,251)
Dividends paid to ownership of the Bank	(11,527)	(723,902)
Proceeds from issuing shares	-	3,000,000
Dividends paid to non-controlling interest	<u>(759,963)</u>	<u>(683,005)</u>
Net cash flows used in financing activities	<u>(2,260,259)</u>	<u>(8,331,621)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	<u>(107,716)</u>	<u>28,600</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(6,410,950)</u>	<u>6,354,997</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>23,961,422</u>	<u>17,606,425</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 17,550,472</u>	<u>\$ 23,961,422</u>

(Continued)

O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets at December 31, 2019 and 2018:

	December 31	
	2019	2018
Cash and cash equivalents reported in the consolidated balance sheets	\$ 6,570,002	\$ 9,227,068
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	10,679,363	14,734,354
Other items that meet the definition of cash and cash equivalents in IAS 7	<u>301,107</u>	<u>-</u>
Cash and cash equivalents at end of the year	<u>\$ 17,550,472</u>	<u>\$ 23,961,422</u>

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

(Concluded)

O-BANK AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

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

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

As of December 31, 2019, the Bank has eight main departments - Business Department, Principal Investment Department, Treasury Department, Securities Trading Department, Corporate and Institutional Banking Department, Corporate Finance Department, Consumer Lending Department and Digital Wealth Management Department. It also has five domestic branches - Taipei Vieshow branch, Zhongxiao Dunhua branch, Hsinchu branch, Taichung branch and Kaohsiung branch. In addition, it has an Offshore Banking Unit, Hong Kong branch, and Tianjin representative office.

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

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

As of December 31, 2019 and 2018, the Bank and its subsidiaries (the "Group") had 1,527 and 1,458 employees, respectively.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board and authorized for issue on March 19, 2020.

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

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Public Bills Finance Companies and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the FSC.

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Public Bills Finance Companies, and the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Group’s accounting policies:

- IFRS 16 “Leases”

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

Definition of a lease

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

The Group as lessee

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

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

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

The Group also applies the following practical expedients:

- 1) The Group applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- 2) The Group accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

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

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

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

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

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

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

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

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

Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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

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

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Statement of Compliance

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

Basis of Preparation

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

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

Basis of Consolidation

Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Bank and the entities controlled by the Bank. Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Bank. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

See Note 15, Tables 6 and 7 for detailed information on subsidiaries (including percentages of ownership and main businesses).

Foreign Currencies

In preparing the Group's consolidated financial statements, transactions in currencies other than the Group's functional currency (i.e. foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

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 consolidated financial statements, the functional currencies of the Group (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 average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

Investment in Associates

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

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

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

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

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

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

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

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

Financial Instruments

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

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

Financial assets

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

a. Measurement category

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

1) Financial assets at FVTPL

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

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

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

2) Financial assets at amortized cost

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

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

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

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

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

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

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

3) Investments in debt instruments at FVTOCI

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

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

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

4) Investments in equity instruments at FVTOCI

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

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

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

b. Impairment of financial assets and contract assets

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

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

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

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

- 1) Internal or external information show that the debtor is unlikely to pay its creditors.
- 2) When a financial asset is more than 90 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

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

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

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

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

In addition to valuating impairment loss of receivables and recognizing allowance or bad debts under IFRS 9, China Bills Finance Corporation (CBF) will evaluate impairment loss, under the “Regulations Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-Performing Credit, Non-Accrual Loans, and Bad Debt” issued by the authorities and the CBF’s provision procedures, and recognize the higher of allowance of and debts between the above regulations expect.

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

c. Derecognition of financial assets

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

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

Equity instruments

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

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

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

Financial liabilities

a. Subsequent measurement

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

1) Financial liabilities at FVTPL

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

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

- a) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- b) The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and has performance evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- c) The contract contains one or more embedded derivatives so that the entire combined contract (asset or liability) can be designated as at FVTPL.

Financial liabilities at FVTPL, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the other gains and losses line item. For a financial liability designated as at FVTPL, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income and will not be subsequently reclassified to profit or loss. The gain or loss accumulated in other comprehensive income will be

transferred to retained earnings when the financial liability is derecognized. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in the fair value of the liability are presented in profit or loss. The fair value is determined in the manner described in Note 45.

2) Financial guarantee contracts

Financial guarantee contracts issued by the Group are subsequently measured at the higher of:

- a) The amount of the loss allowance determined in accordance with IFRS 9; and
- b) The amount initially recognized less, where appropriate, cumulative amount of income recognized in accordance with IFRS 15.

Besides subsequently measuring financial guarantee contracts at the higher of the abovementioned amounts as IFRS assessment result, assessment is also performed under the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans” and “Regulation Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-performing Credit, Non-accrual Loans, and Bad Debt” as regulatory assessment result. The higher adequacy provision between above IFRS and regulatory assessment results is recognized.

Financial guarantee contracts issued by the Group, if not designated as at FVTPL, are subsequently measured at the higher of the amount of the loss allowance reflecting expected credit losses; and the amount initially recognized less the cumulative amortization.

b. Derecognition of financial liabilities

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

Derivative financial instruments

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

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

Non-performing Loans

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

Under the “Regulation Governing the Procedures for Bills Finance Companies to Evaluate Assets, Set Aside Loss Reserves, and Handle Non-performing Credit, Non-accrual Loans, and Bad Debt” issued by the FSC, receivables and the balances of guaranteed and endorsed credits that are unpaid within six months after maturity are transferred to non-accrual loans.

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

Repurchase and Resale Transactions

Bills and bonds purchased under agreements to resell and bills and bonds sold under repurchase agreements are generally treated as collateralized financing transactions. Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements are recognized as interest revenue or interest expenses over the term of each agreement.

Property and Equipment

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

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

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

Intangible Assets

a. Intangible assets acquired separately

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

b. Derecognition of intangible assets

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

Goodwill

Goodwill arising from the acquisition of a business is measured at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group’s cash-generating units or groups of cash-generating units (referred to as “cash-generating units”) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation which is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of Tangible and Intangible Assets Other Than Goodwill

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

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

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

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Provisions

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

Onerous contracts

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

Leases

2019

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

The Group as lessee

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

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

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

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

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

2018

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

The Group as lessee

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

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

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

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

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

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

c. Staff preferential deposit

The Bank provides preferential deposits for employees, which are used to pay fixed preferential deposits for current employees. The difference between the interest rate of these preferential deposits and the market interest rate belongs to the category of 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 or unused loss carryforwards to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not

recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

c. Current and deferred tax for the period

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

Revenue Recognition

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

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

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

Cash and Cash Equivalents

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Estimated Impairment of Loans and Financial Guarantee Contracts

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2019	2018
Cash on hand and petty cash	\$ 89,949	\$ 153,719
Checking for clearing	535,095	1,159,621
Due from banks	<u>5,944,958</u>	<u>7,913,728</u>
	<u>\$ 6,570,002</u>	<u>\$ 9,227,068</u>

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

	December 31	
	2019	2018
Reserves for deposits - Type A	\$ 2,573,579	\$ 1,560,003
Reserves for deposits - Type B	5,124,527	4,808,616
Reserves for deposits - Financial	900,268	1,500,954
Call loans to banks	10,679,363	14,734,354
Others	<u>34,026</u>	<u>3,075</u>
	<u>\$ 19,311,763</u>	<u>\$ 22,607,002</u>

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

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2019	2018
<u>Financial assets mandatorily classified as at FVTPL</u>		
Hybrid financial assets		
Convertible bonds - domestic (include assets swap contracts)	\$ 9,470,333	\$ 6,894,527
Convertible bonds - overseas (include assets swap contracts)	-	308,774
Structured debt	<u>608,116</u>	<u>610,614</u>
	<u>10,078,449</u>	<u>7,813,915</u>
Derivative financial assets		
Currency swap contracts	171,375	740,592
Forward contracts	7,189	28,342
Interest rate swap contracts	7,610	39,083
Cross-currency swap contracts	-	29,827
Currency option contracts - call	2,882	-
Promised purchase contracts	<u>164</u>	<u>-</u>
	<u>189,220</u>	<u>837,844</u>
Non-derivative financial assets		
Bills	91,656,052	75,261,511
Negotiable certificates of deposit	69,631,538	67,139,658
Stocks and beneficiary certificates	1,257,942	359,716
Government bonds	<u>99,992</u>	<u>99,970</u>
	<u>162,645,524</u>	<u>142,860,855</u>
	<u>\$ 172,913,193</u>	<u>\$ 151,512,614</u>
<u>Held-for-trading financial liabilities</u>		
Financial liabilities held-for-trading		
Derivative financial instruments		
Currency swap contracts	\$ 437,940	\$ 619,881
Forward contracts	15,830	39,163
Interest rate swap contracts	72,003	128,343
Others	<u>3,347</u>	<u>961</u>
	<u>529,120</u>	<u>788,348</u>
Non-derivative financial liabilities		
Commercial paper contracts	<u>4,462</u>	<u>4,924</u>
	<u>\$ 533,582</u>	<u>\$ 793,272</u>

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

The contract amounts (or notional amounts) of outstanding derivative transactions as of December 31, 2019 and 2018 were follows:

	December 31	
	2019	2018
Interest rate swap contracts	\$ 19,594,243	\$ 23,279,433
Currency swap contracts	54,299,506	84,155,536
Cross-currency swap contracts	-	1,079,651
Forward contracts	3,796,613	6,239,093
Currency option contracts		
Call	851,940	-
Put	586,190	-
Promised purchase contracts	750,000	700,000

As of December 31, 2019 and 2018, financial instruments at fair value through profit and loss in the amount of \$62,715,800 thousand and \$62,414,535 thousand were under agreement to repurchase.

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

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2019	2018
Investments in equity instruments at FVTOCI	\$ 3,003,645	\$ 2,954,899
Investments in debt instruments at FVTOCI		
Government bonds	33,722,794	49,458,259
Bank debentures	34,814,733	33,449,576
Corporate bonds	64,389,574	60,676,073
Overseas government bonds	3,297,940	1,400,934
American mortgage-backed securities	<u>2,884,084</u>	<u>2,013,011</u>
	<u>\$ 142,112,770</u>	<u>\$ 149,952,752</u>

a. Investments in equity instruments at FVTOCI

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

The Group disposed stock classified as at FVTOCI for management on investment positions for the year end December 31, 2019 and 2018. The fair value of stocks classified as at FVTOCI that were disposed of was \$2,240,868 thousand and \$4,878,622 thousand and the accumulated gain or loss related to the sold assets of \$87,723 thousand gain and \$138,562 thousand loss, respectively, was transferred from other equity-unrealized valuation gain or loss on financial assets at FVTOCI to retained earnings.

Dividends income from FVTOCI of \$72,939 thousand and \$101,079 thousand were recognized in profit or loss for the year end December 31, 2019 and 2018. The dividends related to investments held at the end of the reporting period were \$54,740 thousand and \$61,723 thousand.

b. Investments in debt instruments at FVTOCI

- 1) Refer to Note 41 for information relating to investments in debt instruments at FVTOCI pledged as security.
- 2) Refer to Note 46 for information relating to the credit risk management and impairment assessment of investments in debt instruments at FVTOCI.
- 3) The Group has sold investments in debt instruments at FVTOCI on the condition of buying them back were in the amount of \$92,927,159 thousand and \$84,563,136 thousand, on December 31, 2019 and 2018, respectively.

10. BILLS AND BONDS PURCHASED UNDER RESELL AGREEMENTS

The Group purchased under resale agreements and bond investments are all government bonds. As of December 31, 2019 and 2018, bonds purchased were under agreements to resell in the amount of \$100,030 thousand and \$991,720 thousand, respectively. As of December 31, 2019 and 2018, bonds purchased under agreements to resell were sold in the amount of \$100,000 thousand and \$990,000 thousand, respectively.

11. RECEIVABLES, NET

	December 31	
	2019	2018
Lease payments receivable	\$ 12,236,876	\$ 12,399,120
Investment settlements receivable	29,993	459,188
Interest receivable	1,719,054	1,890,250
Factored receivables	1,585,725	4,714,725
Acceptances receivable	220,594	225,582
Settlements receivable - trusteeship	118,092	84,729
Accounts receivable	1,064,051	1,213,552
Others	<u>677,925</u>	<u>1,188,591</u>
	17,652,310	22,175,737
Less: Allowance for possible losses	480,284	611,254
Unrealized interest revenue	<u>688,852</u>	<u>734,532</u>
Receivables, net	<u>\$ 16,483,174</u>	<u>\$ 20,829,951</u>

The changes in gross carrying amount on receivables (less unrealized interest revenue) for the year ended December 31, 2019 and 2018 were as follows:

	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Total
Balance at January 1, 2019	\$ 20,765,683	\$ 304,253	\$ 371,269	\$ 21,441,205
Transfers				
To 12-month ECLs	2,578	(2,578)	-	-
To lifetime ECLs	(207,035)	207,035	-	-
To credit-impaired financial assets	(151,202)	(283,138)	434,340	-
New financial assets purchased	15,516,047	98,251	1,739	15,616,037
Derecognition of financial assets	(19,222,046)	(128,383)	(196,719)	(19,547,148)
Write-offs	-	-	(191,134)	(191,134)
Exchange rate or other changes	<u>(355,683)</u>	<u>(5,430)</u>	<u>5,611</u>	<u>(355,502)</u>
Balance at December 31, 2019	<u>\$ 16,348,342</u>	<u>\$ 190,010</u>	<u>\$ 425,106</u>	<u>\$ 16,963,458</u>
Balance at January 1, 2018	\$ 20,914,187	\$ 453,669	\$ 479,595	\$ 21,847,451
Transfers				
To 12-month ECLs	13,162	(13,162)	-	-
To lifetime ECLs	(327,460)	328,313	(853)	-
To credit-impaired financial assets	(124,641)	(127,899)	252,540	-
New financial assets purchased	20,055,764	57,452	254,860	20,368,076
Derecognition of financial assets	(19,592,825)	(316,631)	(121,746)	(20,031,202)
Write-offs	-	-	(482,140)	(482,140)
Exchange rate or other changes	<u>(172,504)</u>	<u>(77,489)</u>	<u>(10,987)</u>	<u>(260,980)</u>
Balance at December 31, 2018	<u>\$ 20,765,683</u>	<u>\$ 304,253</u>	<u>\$ 371,269</u>	<u>\$ 21,441,205</u>

Rental equipment is held as collateral for the lease payment receivable. The Group is not allowed to sell or re-pledge the collateral if the lessee has no arrears.

The Group provides an appropriate allowance for doubtful debts for the assessment of receivables. Refer to Note 13 for the details and changes in the allowance for doubtful debts of receivables.

Refer to Note 46 for the impairment loss analysis of receivables.

12. DISCOUNTS AND LOANS, NET

	December 31	
	2019	2018
Short-term	\$ 52,637,640	\$ 67,402,492
Medium-term	117,968,744	119,135,400
Long-term	25,364,024	13,151,025
Export bill negotiated	-	50,167
Accounts receivables financing	284,150	508,098
Guaranteed overdraft	69	15,660
Overdue loans	<u>703,831</u>	<u>27,337</u>
	196,958,458	200,290,179
Less: Allowance for credit losses	<u>2,712,229</u>	<u>2,952,129</u>
	<u>\$ 194,246,229</u>	<u>\$ 197,338,050</u>

The changes in gross carrying amount on discount and loans for the year ended December 31, 2019 and 2018 were as follows:

	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Total
Balance at January 1, 2019	\$ 183,751,973	\$ 15,147,609	\$ 1,390,597	\$ 200,290,179
Transfers				
To 12-month ECLs	1,979,229	(1,979,229)	-	-
To lifetime ECLs	(4,022,646)	4,022,646	-	-
To credit-impaired financial assets	(1,217,443)	(116,053)	1,333,496	-
New financial assets purchased	99,104,764	10,804,177	2,184,060	112,093,001
Derecognition of financial assets	(100,934,024)	(10,966,554)	(337,636)	(112,238,214)
Write-offs	-	-	(1,145,679)	(1,145,679)
Exchange rate or other changes	<u>(1,184,134)</u>	<u>(514,585)</u>	<u>(342,110)</u>	<u>(2,040,829)</u>
Balance at December 31, 2019	<u>\$ 177,477,719</u>	<u>\$ 16,398,011</u>	<u>\$ 3,082,728</u>	<u>\$ 196,958,458</u>
Balance at January 1, 2018	\$ 168,857,771	\$ 12,242,648	\$ 1,667,619	\$ 182,768,038
Transfers				
To 12-month ECLs	279,020	(279,020)	-	-
To lifetime ECLs	(963,153)	963,153	-	-
To credit-impaired financial assets	(358,872)	-	358,872	-
New financial assets purchased	116,110,887	11,099,131	232,537	127,442,555
Derecognition of financial assets	(101,001,620)	(8,822,090)	(524,949)	(110,348,659)
Write-offs	(1,308)	(220)	(353,701)	(355,229)
Exchange rate or other changes	<u>829,248</u>	<u>(55,993)</u>	<u>10,219</u>	<u>783,474</u>
Balance at December 31, 2018	<u>\$ 183,751,973</u>	<u>\$ 15,147,609</u>	<u>\$ 1,390,597</u>	<u>\$ 200,290,179</u>

The balance of the overdue loans of the Group as of December 31, 2019 and 2018 no longer include the calculation of interest. The unrecognized interest revenue on the above loans amounted to \$11,150 thousand and \$511 thousand for the year ended December 31, 2019 and 2018, respectively. For the year ended December 31, 2019 and 2018, the Group wrote off credits only upon completing the required legal procedures.

Refer to Note 41 for information relating to discounts and loan assets pledged as security.

The Group provides an appropriate allowance for doubtful debts based on the assessment of discounts and loans. Refer to Note 13 for the details and changes in the allowance for doubtful debts of discounts and loans.

Refer to Note 46 for the impairment loss analysis of discounts and loans.

13. ALLOWANCE FOR CREDIT LOSSES AND PROVISIONS

The changes in allowance for credit losses and provisions for the years ended December 31, 2019 and 2018 were as follows:

Allowance for Receivables	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and Local Requirements	Total
Balance at January 1, 2019	\$ 218,853	\$ 111,931	\$ 227,909	\$ 558,693	\$ 52,561	\$ 611,254
Transfers						
To 12-month ECLs	6,229	(6,229)	-	-	-	-
To lifetime ECLs	(11,214)	11,214	-	-	-	-
To credit-impaired financial assets	(53)	(125,175)	125,228	-	-	-
New financial assets purchased	2,028	38,717	52,364	93,109	-	93,109
Derecognition of financial assets	(15,250)	(73)	(99)	(15,422)	-	(15,422)
Change in model or risk parameters	(23)	(3)	286	260	-	260
Difference between IFRS 9 and local requirements	682	5,495	859	7,036	(31,113)	(24,077)
Write-offs	-	-	(191,134)	(191,134)	-	(191,134)
Withdrawal after write-offs	-	-	19,103	19,103	-	19,103
Exchange rate or other changes	(5,079)	51	(7,647)	(12,675)	(134)	(12,809)
Balance at December 31, 2019	<u>\$ 196,173</u>	<u>\$ 35,928</u>	<u>\$ 226,869</u>	<u>\$ 458,970</u>	<u>\$ 21,314</u>	<u>\$ 480,284</u>
Allowance for Discounts and Loans	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and Local Requirements	Total
Balance at January 1, 2019	\$ 203,195	\$ 49,620	\$ 334,761	\$ 587,576	\$ 2,364,553	\$ 2,952,129
Transfers						
To 12-month ECLs	14,408	(14,408)	-	-	-	-
To lifetime ECLs	(7,376)	7,376	-	-	-	-
To credit-impaired financial assets	(1,562)	(276)	1,838	-	-	-
New financial assets purchased	140,676	36,736	1,289,746	1,467,158	-	1,467,158
Derecognition of financial assets	(117,080)	(15,423)	(93,436)	(225,939)	-	(225,939)
Change in model or risk parameters	35,149	14,051	17,011	66,211	-	66,211
Difference between IFRS 9 and local requirements	-	-	-	-	(383,732)	(383,732)
Write-offs	-	-	(1,145,679)	(1,145,679)	-	(1,145,679)
Withdrawal after write-offs	-	-	3,741	3,741	-	3,741
Exchange rate or other changes	(1,433)	(372)	(4,460)	(6,265)	(15,395)	(21,660)
Balance at December 31, 2019	<u>\$ 265,977</u>	<u>\$ 77,304</u>	<u>\$ 403,522</u>	<u>\$ 746,803</u>	<u>\$ 1,965,426</u>	<u>\$ 2,712,229</u>
Reserve for Losses on 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 Local Requirements	Total
Balance at January 1, 2019	\$ 98,213	\$ 11,098	\$ -	\$ 109,311	\$ 1,466,472	\$ 1,575,783
Transfers						
To 12-month ECLs	5,965	(5,965)	-	-	-	-
To lifetime ECLs	(693)	693	-	-	-	-
New financial assets purchased	42,721	1,997	-	44,718	-	44,718
Derecognition of financial assets	(35,181)	(4,154)	-	(39,335)	-	(39,335)
Change in model or risk parameters	(35,470)	716	-	(34,754)	-	(34,754)
Difference between IFRS 9 and local requirements	-	-	-	-	54,294	54,294
Withdrawal after write-offs	-	-	-	-	10,524	10,524
Exchange rate or other changes	(271)	(5)	-	(276)	(171)	(447)
Balance at December 31, 2019	<u>\$ 75,284</u>	<u>\$ 4,380</u>	<u>\$ -</u>	<u>\$ 79,664</u>	<u>\$ 1,531,119</u>	<u>\$ 1,610,783</u>

Allowance for Receivables	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and Local Requirements	Total
Balance at January 1, 2018 per IAS 39	\$ 257,337	\$ 51,027	\$ 293,133	\$ 601,497	\$ 43,861	\$ 645,358
Adjustment on initial application of IFRS 9	<u>615</u>	<u>199,964</u>	<u>25,506</u>	<u>226,085</u>	<u>-</u>	<u>226,085</u>
Balance at January 1, 2018 per IFRS 9	257,952	250,991	318,639	827,582	43,861	871,443
Transfers						
To 12-month ECLs	7,092	(6,665)	(427)	-	-	-
To lifetime ECLs	(11,550)	11,550	-	-	-	-
To credit-impaired financial assets	(52)	(63,839)	63,891	-	-	-
New financial assets purchased	5,047	90,162	314,881	410,090	-	410,090
Derecognition of financial assets	(35,654)	(166,181)	(2,124)	(203,959)	-	(203,959)
Change in model or risk parameters	(3)	(3)	9	3	-	3
Difference between IFRS 9 and local requirements	-	-	-	-	8,558	8,558
Write-offs	-	-	(482,140)	(482,140)	-	(482,140)
Withdrawal after write-offs	-	-	17,711	17,711	-	17,711
Exchange rate or other changes	<u>(3,979)</u>	<u>(4,084)</u>	<u>(2,531)</u>	<u>(10,594)</u>	<u>142</u>	<u>(10,452)</u>
Balance at December 31, 2018	<u>\$ 218,853</u>	<u>\$ 111,931</u>	<u>\$ 227,909</u>	<u>\$ 558,693</u>	<u>\$ 52,561</u>	<u>\$ 611,254</u>
Allowance for Discounts and Loans	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and Local Requirements	Total
Balance at January 1, 2018 per IAS 39	\$ 511,729	\$ 98,492	\$ 539,987	\$ 1,150,208	\$ 1,531,644	\$ 2,681,852
Adjustment on initial application of IFRS 9	<u>71,417</u>	<u>10,864</u>	<u>75,616</u>	<u>157,897</u>	<u>-</u>	<u>157,897</u>
Balance at January 1, 2018 per IFRS 9	583,146	109,356	615,603	1,308,105	1,531,644	2,839,749
Transfers						
To 12-month ECLs	4,980	(4,980)	-	-	-	-
To lifetime ECLs	(3,071)	3,071	-	-	-	-
To credit-impaired financial assets	(541)	-	541	-	-	-
New financial assets purchased	108,555	21,996	154,255	284,806	-	284,806
Derecognition of financial assets	(294,128)	(35,732)	(93,617)	(423,477)	-	(423,477)
Change in model or risk parameters	(197,732)	(44,991)	(12,875)	(255,598)	-	(255,598)
Difference between IFRS 9 and local requirements	-	-	-	-	815,432	815,432
Write-offs	(1,308)	(220)	(353,701)	(355,229)	-	(355,229)
Withdrawal after write-offs	-	-	17,756	17,756	-	17,756
Exchange rate or other changes	<u>3,294</u>	<u>1,120</u>	<u>6,799</u>	<u>11,213</u>	<u>17,477</u>	<u>28,690</u>
Balance at December 31, 2018	<u>\$ 203,195</u>	<u>\$ 49,620</u>	<u>\$ 344,761</u>	<u>\$ 587,576</u>	<u>\$ 2,364,553</u>	<u>\$ 2,952,129</u>
Reserve for Losses on Guarantee Contracts and Financing Commitments	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and Local Requirements	Total
Balance at January 1, 2018 per IAS 39	\$ 72,391	\$ 3,134	\$ -	\$ 75,525	\$ 1,494,026	\$ 1,569,551
Adjustment on initial application of IFRS 9	<u>61,822</u>	<u>19,144</u>	<u>-</u>	<u>80,966</u>	<u>-</u>	<u>80,966</u>
Balance at January 1, 2018 per IFRS 9	134,213	22,278	-	156,491	1,494,026	1,650,517
Transfers						
To 12-month ECLs	278	(278)	-	-	-	-
New financial assets purchased	53,023	6,950	-	59,973	-	59,973
Derecognition of financial assets	(60,762)	(16,752)	-	(77,514)	-	(77,514)
Change in model or risk parameters	(28,667)	(1,119)	-	(29,786)	-	(29,786)
Difference between IFRS 9 and local requirements	-	-	-	-	(41,314)	(41,314)
Withdrawal after write-offs	-	-	-	-	12,203	12,203
Exchange rate or other changes	<u>128</u>	<u>19</u>	<u>-</u>	<u>147</u>	<u>1,557</u>	<u>1,704</u>
Balance at December 31, 2018	<u>\$ 98,213</u>	<u>\$ 11,098</u>	<u>\$ -</u>	<u>\$ 109,311</u>	<u>\$ 1,466,472</u>	<u>\$ 1,575,783</u>

14. DISCONTINUED OPERATIONS

Chun Teng New Century Co., Ltd. (the former IBTS) decided to transfer operating rights and property of brokerage of securities to SinoPac Securities Corp. Ltd. approved by the temporary stockholders' meeting on May 25, 2016. Total price of transfer was \$390,000 thousand, and set the business transfer date on September 26, 2016.

The subsidiary ended the securities business on September 23, 2016, and was dissolved and liquidated on November 11, 2016 approved by the board of directors' meeting on October 17, 2016.

From September 30, 2016, the self-operating and new financial assets business of the operating department of the subsidiary has ended and conformed to the discontinued operations definition of IFRS 5. Hence, the consolidated financial report regarded the operating department above as discontinued operations.

The details and cash flows information of discontinued operations are exhibited below:

	2019	2018
Interest revenue	\$ 4,507	\$ 10,105
Interest expense	-	-
Net interest	<u>4,507</u>	<u>10,105</u>
Net revenues other than interest		
Net service fee revenue	45	84
Gain (loss) on financial assets at fair value through other comprehensive income	3,180	-
Gain (loss) on financial assets or liabilities measured at fair value through profit or loss	7,655	5,806
Foreign exchange gain (loss), net	(23)	5,305
Other net revenue other than interest income	<u>2,713</u>	<u>8,735</u>
Net revenue other than interest revenue	<u>13,570</u>	<u>19,930</u>
Net revenue	<u>18,077</u>	<u>30,035</u>
Operating expenses		
Employee benefits expenses	8,027	7,600
Depreciation and amortization expense	834	450
Others general and administrative expenses	<u>11,043</u>	<u>11,658</u>
Total operating expenses	<u>19,904</u>	<u>19,708</u>
Income tax expense	-	54
Income (loss) from discontinued operations before write-off	<u>(1,827)</u>	<u>10,273</u>
Write-offs from transactions with related parties	<u>(2,206)</u>	<u>(7,450)</u>
Income (loss) from discontinued operations	<u>\$ (4,033)</u>	<u>\$ 2,823</u>
Income (loss) from discontinued operations attributable to:		
Owners of the Bank	\$ (4,023)	\$ 2,816
Non-controlling interests	<u>(10)</u>	<u>7</u>
	<u>\$ (4,033)</u>	<u>\$ 2,823</u>
Cash inflow from:		
Net cash flows generated from operating activities	\$ 13,177	\$ 158,004
Net cash flows generated from (used in) investing activities	55	(1,362)
Net cash flows generated from (used in) financing activities	-	(574,358)
Effects of exchange rate changes on cash and cash equivalents	<u>1,962</u>	<u>(10,529)</u>
Net cash inflow (outflow)	<u>\$ 15,194</u>	<u>\$ (428,245)</u>

15. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

Investor	Investee	Main Business	% of Ownership December 31		Remark	Audit Review by CPA
			2019	2018		
The Bank	China Bills Finance Co. (CBF)	Bonds underwriting, dealing and brokerage of securities	28.37	28.37	Founded in 1978	Yes
	IBTH	Holding company	100.00	100.00	Founded in 2006 in California	Yes
	IBT Leasing	Leasing	100.00	100.00	Founded in 2011	Yes
	IBTM	Investment consulting	100.00	100.00	Founded in 2000	Yes
	Chun Teng New Century Co., Ltd. (former IBTS)	Investment (former Security Firm)	99.75	99.75	Founded in 1961 (dissolved on November 11, 2016 and still recognized using the equity method)	Yes
IBT Leasing	IBT International Leasing Corp.	Leasing	100.00	100.00	Founded in 2011 in mainland China (commonly held with IBT VII)	Yes
	IBT Tianjin International Leasing Corp.	Leasing	-	100.00	Founded in 2013 in mainland China (commonly held with IBT VII)	Note
	IBT VII Venture Capital Co., Ltd.	Venture capital	100.00	100.00	Founded in 2014	Yes
Chun Teng New Century Co., Ltd (formerly IBTS)	IBTSH	Holding company	100.00	100.00	Founded in 2003 in the British Virgin Islands	Yes
IBTSH	IBTS HK	Investment	100.00	100.00	Founded in 2003 in Hong Kong	Yes
	IBTS Asia	Securities and investment	100.00	100.00	Founded in 2004 in Hong Kong	Yes
IBTH	EverTrust Bank	Banking	91.78	91.78	Founded in 1994 in California	Yes

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

b. Details of subsidiaries that have material non-controlling interests

Name of Subsidiary	Principal Place of Business	Proportion of Ownership and Voting Rights Held by Non-controlling Interests December 31	
		2019	2018
CBF	Taipei	71.63%	71.63%

The summarized financial information below represents amounts before intragroup eliminations:

	December 31	
	2019	2018
<u>CBF</u>		
Equity attributable to:		
Owners of the Bank	\$ 6,767,508	\$ 6,609,502
Non-controlling interests of CBF	<u>17,087,954</u>	<u>16,688,991</u>
	<u>\$ 23,855,462</u>	<u>\$ 23,298,493</u>

	For the Year Ended December 31	
	2019	2018
Net revenue	\$ 2,014,768	\$ 1,977,208
Net profit from continuing operations	\$ 1,244,653	\$ 1,335,419
Other comprehensive income (loss) for the period	<u>370,059</u>	<u>(236,507)</u>
Total comprehensive income for the period	\$ <u>1,614,712</u>	\$ <u>1,098,912</u>
Profit attributable to:		
Owners of the Bank	\$ 353,093	\$ 378,842
Non-controlling interests of CBF	<u>891,560</u>	<u>956,577</u>
	\$ <u>1,244,653</u>	\$ <u>1,335,419</u>
Total comprehensive income attributable to:		
Owners of the Bank	\$ 458,074	\$ 311,748
Non-controlling interests of CBF	<u>1,156,638</u>	<u>787,164</u>
	\$ <u>1,614,712</u>	\$ <u>1,098,912</u>
Net cash inflow (outflow) from:		
Operating activities	\$ 13,618,146	\$ (4,995,237)
Investing activities	(14,369)	(3,714)
Financing activities	<u>(13,620,878)</u>	<u>4,953,282</u>
Net cash outflow	\$ <u>(17,101)</u>	\$ <u>(45,669)</u>
Dividends paid to non-controlling interests of CBF	\$ <u>759,963</u>	\$ <u>683,005</u>

16. OTHER FINANCIAL ASSETS

	December 31	
	2019	2018
Time deposits with original maturities more than 3 months	\$ 46,371	\$ 113,913
Pledged deposits	741,091	527,500
Reserve Account	116,258	49,598
Call loans to securities firms	301,107	614,919
Others	<u>24,676</u>	<u>23,988</u>
	\$ <u>1,229,503</u>	\$ <u>1,329,918</u>

17. PROPERTY AND EQUIPMENT

	December 31	
	2019	2018
<u>Carrying amounts of each class of</u>		
Land	\$ 781,970	\$ 781,970
Buildings	1,324,482	1,369,375
Machinery and computer equipment	349,605	338,826
Transportation equipment	35,942	36,715
Office and other equipment	83,386	103,446
Lease improvement	187,479	233,827
Construction in progress and prepayments for equipment	<u>91,330</u>	<u>87,501</u>
	<u>\$ 2,854,194</u>	<u>\$ 2,951,660</u>

The movements of property and equipment for the years ended December 31, 2019 and 2018 are summarized as follows:

	Freehold Land	Buildings	Machinery and Computer Equipment	Transportation Equipment	Office and Other Equipment	Lease Improvement	Construction in Progress and Prepayments for Equipment	Total
<u>Cost</u>								
Balance at January 1, 2019	\$ 781,970	\$ 1,898,675	\$ 747,969	\$ 77,088	\$ 282,253	\$ 385,137	\$ 87,501	\$ 4,260,593
Additions	-	1,025	37,682	12,628	2,557	4,391	67,112	125,395
Disposals and scrapped	-	(2,429)	(14,800)	(10,556)	(6,020)	(17,249)	-	(51,054)
Reclassification	-	1,578	39,998	-	2,637	4,828	(63,291)	(14,250)
Net exchange differences	-	-	(1,729)	(421)	(1,144)	(3,324)	8	(6,610)
Balance at December 31, 2019	<u>\$ 781,970</u>	<u>\$ 1,898,849</u>	<u>\$ 809,120</u>	<u>\$ 78,739</u>	<u>\$ 280,283</u>	<u>\$ 373,783</u>	<u>\$ 91,330</u>	<u>\$ 4,314,074</u>
<u>Accumulated depreciation</u>								
Balance at January 1, 2019	\$ -	\$ 529,300	\$ 409,143	\$ 40,373	\$ 178,807	\$ 151,310	\$ -	\$ 1,308,933
Disposals and scrapped	-	(960)	(14,555)	(9,381)	(5,956)	(12,832)	-	(43,684)
Depreciation expense	-	46,027	66,224	12,011	24,810	48,953	-	198,025
Reclassification	-	-	-	-	-	427	-	427
Net exchange differences	-	-	(1,297)	(206)	(764)	(1,554)	-	(3,821)
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 574,367</u>	<u>\$ 459,515</u>	<u>\$ 42,797</u>	<u>\$ 196,897</u>	<u>\$ 186,304</u>	<u>\$ -</u>	<u>\$ 1,459,880</u>
<u>Carrying amounts</u>								
Balance at December 31, 2019	<u>\$ 781,970</u>	<u>\$ 1,324,482</u>	<u>\$ 349,605</u>	<u>\$ 35,942</u>	<u>\$ 83,386</u>	<u>\$ 187,479</u>	<u>\$ 91,330</u>	<u>\$ 2,854,194</u>
<u>Cost</u>								
Balance at January 1, 2018	\$ 848,222	\$ 1,944,911	\$ 732,062	\$ 82,406	\$ 241,495	\$ 358,067	\$ 140,912	\$ 4,348,075
Additions	-	-	23,917	21,783	14,688	48,564	191,139	300,091
Disposals and scrapped	(66,252)	(46,236)	(4,921)	(20,720)	(5,191)	(34,837)	(16,638)	(194,795)
Reclassification	-	-	(2,811)	-	30,062	10,487	(227,988)	(190,250)
Net exchange differences	-	-	(278)	(6,381)	1,199	2,856	76	(2,528)
Balance at December 31, 2018	<u>\$ 781,970</u>	<u>\$ 1,898,675</u>	<u>\$ 747,969</u>	<u>\$ 77,088</u>	<u>\$ 282,253</u>	<u>\$ 385,137</u>	<u>\$ 87,501</u>	<u>\$ 4,260,593</u>
<u>Accumulated depreciation</u>								
Balance at January 1, 2018	\$ 48,038	\$ 506,380	\$ 356,323	\$ 47,080	\$ 163,702	\$ 141,600	\$ -	\$ 1,263,123
Disposals and scrapped	(48,038)	(23,492)	(4,341)	(18,987)	(4,869)	(37,775)	-	(137,502)
Depreciation expense	-	46,412	65,908	12,167	21,369	46,115	-	191,971
Reclassification	-	-	(8,492)	-	(2,319)	(5)	-	(10,816)
Net exchange differences	-	-	(255)	113	924	1,375	-	2,157
Balance at December 31, 2018	<u>\$ -</u>	<u>\$ 529,300</u>	<u>\$ 409,143</u>	<u>\$ 40,373</u>	<u>\$ 178,807</u>	<u>\$ 151,310</u>	<u>\$ -</u>	<u>\$ 1,308,933</u>
<u>Carrying amounts</u>								
Balance at December 31, 2018	<u>\$ 781,970</u>	<u>\$ 1,369,375</u>	<u>\$ 338,826</u>	<u>\$ 36,715</u>	<u>\$ 103,446</u>	<u>\$ 233,827</u>	<u>\$ 87,501</u>	<u>\$ 2,951,660</u>

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

Buildings	5-55 years
Machinery and computer equipment	3-25 years
Transportation equipment	3-5 years
Office and other equipment	3-15 years
Lease improvement	5-8 years

18. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	December 31, 2019
<u>Carrying amounts</u>	
Buildings	\$ 477,885
Transportation equipment	<u>7,541</u>
	<u>\$ 485,426</u>
	For the Year Ended December 31, 2019
Additions to right-of-use assets	<u>\$ 166,337</u>
Depreciation charge for right-of-use assets	
Buildings	\$ 159,530
Transportation equipment	<u>6,618</u>
	<u>\$ 166,148</u>

b. Lease liabilities - 2019

	December 31, 2019
Carrying amounts	<u>\$ 498,832</u>
Range of discount rate for lease liabilities was as follows:	
	December 31, 2019
Buildings	1.62%-5.70%
Transportation equipment	1.98%-6.00%

c. Material lease-in activities

Due to rental of buildings, the Group have been entered into various leasehold contracts with others, respectively. These contracts are gradually expiring before the end of October 2028.

As of December 31, 2019 and 2018, refundable deposits paid under operating lease amounted to \$31,523 thousand and \$33,183 thousand.

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

	December 31, 2018
Up to 1 years	\$ 162,811
Over 1 year to 5 years	325,856
Over 5 years	<u>82,714</u>
	<u>\$ 571,381</u>

d. Other lease information

	For the Year Ended December 31, 2019
Expenses relating to short-term leases	<u>\$ 24,165</u>
Expenses relating to low-value asset leases	<u>\$ 3,256</u>
Total cash outflow for leases	<u>\$ (200,304)</u>

19. INTANGIBLE ASSETS

	December 31	
	2019	2018
<u>Carrying amounts of each class of</u>		
Computer software	\$ 1,176,120	\$ 1,287,701
Goodwill	1,142,865	1,166,769
Others	<u>562</u>	<u>2,830</u>
	<u>\$ 2,319,547</u>	<u>\$ 2,457,300</u>

The movements of intangible assets for the year ended December 31, 2019 and 2018 are summarized as follows:

	Computer Software	Goodwill	Others	Total
<u>Cost</u>				
Balance at January 1, 2019	\$ 2,120,054	\$ 1,166,769	\$ 7,506	\$ 3,294,329
Additions	122,345	-	-	122,345
Disposals	(408)	-	-	(408)
Reclassification	(83,111)	-	-	(83,111)
Effect of foreign currency exchange differences	<u>(1,358)</u>	<u>(23,904)</u>	<u>(155)</u>	<u>(25,417)</u>
Balance at December 31, 2019	<u>\$ 2,157,522</u>	<u>\$ 1,142,865</u>	<u>\$ 7,351</u>	<u>\$ 3,307,738</u>

(Continued)

	Computer Software	Goodwill	Others	Total
<u>Accumulated amortization and impairment loss</u>				
Balance at January 1, 2019	\$ 832,353	\$ -	\$ 4,676	\$ 837,029
Amortization	251,824	-	2,270	254,094
Disposals	(408)	-	-	(408)
Reclassification	(101,317)	-	-	(101,317)
Effect of foreign currency exchange differences	<u>(1,050)</u>	<u>-</u>	<u>(157)</u>	<u>(1,207)</u>
Balance at December 31, 2019	<u>\$ 981,402</u>	<u>\$ -</u>	<u>\$ 6,789</u>	<u>\$ 988,191</u>
<u>Carrying amounts</u>				
Balance at December 31, 2019	<u>\$ 1,176,120</u>	<u>\$ 1,142,865</u>	<u>\$ 562</u>	<u>\$ 2,319,547</u>
<u>Cost</u>				
Balance at January 1, 2018	\$ 1,885,101	\$ 1,133,222	\$ 7,289	\$ 3,025,612
Additions	183,566	-	-	183,566
Reclassification	50,430	-	-	50,430
Effect of foreign currency exchange differences	<u>957</u>	<u>33,547</u>	<u>217</u>	<u>34,721</u>
Balance at December 31, 2018	<u>\$ 2,120,054</u>	<u>\$ 1,166,769</u>	<u>\$ 7,506</u>	<u>\$ 3,294,329</u>
<u>Accumulated amortization and impairment loss</u>				
Balance at January 1, 2018	\$ 619,896	\$ -	\$ 2,349	\$ 622,245
Amortization	231,278	-	2,215	233,493
Reclassification	(19,645)	-	-	(19,645)
Effect of foreign currency exchange differences	<u>824</u>	<u>-</u>	<u>112</u>	<u>936</u>
Balance at December 31, 2018	<u>\$ 832,353</u>	<u>\$ -</u>	<u>\$ 4,676</u>	<u>\$ 837,029</u>
<u>Carrying amounts</u>				
Balance at December 31, 2018	<u>\$ 1,287,701</u>	<u>\$ 1,166,769</u>	<u>\$ 2,830</u>	<u>\$ 2,457,300</u> (Concluded)

The goodwill was recognized from IBT Holding Corp.'s purchase of 100% of the stocks of Ever Trust Bank on March 30, 2007. The investment cost exceeded the fair value of net identifiable assets.

When the Group executes the goodwill impairment test, Ever Trust Bank is used as a cash-generating unit, and the recoverable amount is assessed by the value in use of the cash-generating unit. The key assumptions base the expected future cash flows on the actual profit conditions of the cash-generating units. On the assumption of sustainable operations, the Group discounts the net cash flows from those of the operations of the cash-generating units in the next five years in order to calculate the value in use. Under the estimation of the Group, there is no occurrence of impairment.

The computer software and other intangible assets are amortized on a straight-line basis of 3 and 15 years, respectively.

20. OTHER ASSETS

	December 31	
	2019	2018
Refundable deposits	\$ 270,472	\$ 433,155
Life insurance cash surrender value	340,513	344,395
Prepayments	106,004	74,585
Others	<u>199,785</u>	<u>238,084</u>
	<u>\$ 916,774</u>	<u>\$ 1,090,219</u>

21. DUE TO THE CENTRAL BANK AND BANKS

	December 31	
	2019	2018
Due to other banks	\$ 34,030,540	\$ 53,377,161
Deposits from Chunghwa Post Co., Ltd.	7,000,000	-
Call loans from Central Bank	<u>2,408,858</u>	<u>2,152,215</u>
	<u>\$ 43,439,398</u>	<u>\$ 55,529,376</u>

22. BILLS AND BONDS SOLD UNDER REPURCHASE AGREEMENT

	December 31	
	2019	2018
Bills	\$ 61,873,869	\$ 62,123,793
Government bonds	27,297,780	31,013,011
Corporate bonds	51,926,418	43,415,222
Bank debenture	<u>18,455,318</u>	<u>14,894,874</u>
	<u>\$ 159,553,385</u>	<u>\$ 151,446,900</u>
Date of agreements to repurchase	Before December 2020	Before June 2019
Amount of agreements to repurchase	<u>\$ 159,673,835</u>	<u>\$ 151,544,513</u>

23. PAYABLES

	December 31	
	2019	2018
Factored payables	\$ 252,912	\$ 1,821,591
Checks clearing payables	535,095	1,159,621
Accrued expenses	979,218	941,904
Accrued interest	891,220	894,253
Acceptances	220,594	225,582
Investment settlements payable	418,947	107,965
Settlement accounts payable - execution of customer orders	129,703	84,724
Collections for others	117,230	146,221
Others	<u>199,287</u>	<u>254,576</u>
	<u>\$ 3,744,206</u>	<u>\$ 5,636,437</u>

24. DEPOSITS AND REMITTANCES

	December 31	
	2019	2018
Deposits		
Checking	\$ 4,553,278	\$ 5,114,611
Demand	41,890,065	35,746,655
Time	202,575,243	211,109,170
Outward remittances	63,717	6
Savings deposits	<u>16,649,521</u>	<u>9,832,879</u>
	<u>\$ 265,731,824</u>	<u>\$ 261,803,321</u>

25. BANK DEBENTURES PAYABLE

	December 31	
	2019	2018
Subordinate debenture bonds first issued in 2012; fixed 1.85% interest rate; maturity: August 17, 2019; interest paid annually and repay the principal at maturity	\$ -	\$ 1,650,000
Subordinate debenture bonds first issued in 2013; fixed 1.95% interest rate; maturity: May 30, 2020; interest paid annually and repay the principal at maturity	2,300,000	2,300,000
Subordinate debenture bonds first issued in 2014; fixed 1.95% interest rate; maturity: March 27, 2021; interest paid annually and repay the principal at maturity	1,300,000	1,300,000
Subordinate debenture bonds second issued in 2014; fixed 1.85% interest rate; maturity: June 26, 2021; interest paid annually and repay the principal at maturity	1,000,000	1,000,000
Subordinate debenture bonds third issued in 2014; fixed 1.95% interest rate; maturity: September 26, 2021; interest paid annually and repay the principal at maturity	600,000	600,000
		(Continued)

	December 31	
	2019	2018
Subordinate debenture bonds forth issued in 2014; fixed 2.2% interest rate; maturity: May 5, 2022; interest paid annually and repay the principal at maturity	\$ 1,500,000	\$ 1,500,000
Subordinate debenture bonds first issued in 2015; fixed 1.85% interest rate; maturity: December 29, 2022; interest paid annually and repay the principal at maturity	1,000,000	1,000,000
Subordinate debenture bonds A first issued in 2016; fixed 1.70% interest rate; maturity: June 29, 2023; interest paid annually and repay the principal at maturity	1,500,000	1,500,000
Subordinate debenture bonds B first issued in 2016; fixed 1.80% interest rate; maturity: June 29, 2024; interest paid annually and repay the principal at maturity	1,500,000	1,500,000
Subordinate debenture bonds first issued in 2017; fixed 1.97% interest rate; maturity: September 5, 2027; interest paid annually and repay the principal at maturity	2,000,000	2,000,000
Subordinate debenture bonds A second issued in 2017; fixed 4% interest rate; no maturity, interest paid annually	750,000	750,000
Subordinate debenture bonds B second issued in 2017; fixed 1.82% interest rate; maturity: December 27, 2027; interest paid annually and repay the principal at maturity	1,000,000	1,000,000
Subordinate debenture bonds A first issued in 2018; fixed 4% interest rate; no maturity, interest paid annually	700,000	700,000
Subordinate debenture bonds B second issued in 2018; fixed 1.75% interest rate; maturity: June 29, 2028; interest paid annually and repay the principal at maturity	1,050,000	1,050,000
Subordinate debenture bonds first issued in 2019; fixed 1.5% interest rate; maturity: June 6, 2026; interest paid annually and repay the principal at maturity	<u>2,500,000</u>	<u>-</u>
	<u>\$ 18,700,000</u>	<u>\$ 17,850,000</u> (Concluded)

26. OTHER FINANCIAL LIABILITIES

	December 31	
	2019	2018
Bank borrowings	\$ 8,940,610	\$ 9,713,242
Commercial papers payable	500,000	999,881
Structured products	517,749	-
Funds obtained from the government - intended for specific types of loans	<u>2,950,900</u>	<u>4,321,291</u>
	<u>\$ 12,909,259</u>	<u>\$ 15,034,414</u>

a. Bank borrowings

	December 31	
	2019	2018
Short-term borrowings	\$ 4,513,495	\$ 5,068,874
Long-term borrowings	<u>4,427,115</u>	<u>4,644,368</u>
	<u>\$ 8,940,610</u>	<u>\$ 9,713,242</u>
Interest rate interval		
New Taiwan dollars	1.00%-1.55%	1.15%-1.50%
U.S. dollars	3.14%-3.40%	3.71%-5.00%
Renminbi	4.69%-5.94%	4.99%-6.18%

b. Commercial papers payable

	December 31	
	2019	2018
Commercial papers payable	\$ 500,000	\$ 1,000,000
Less: Unamortized discount	<u>-</u>	<u>(119)</u>
	<u>\$ 500,000</u>	<u>\$ 999,881</u>
Interest rate interval	1.19%-1.3%	0.65%-1.23%

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

	December 31	
	2019	2018
Funds obtained from the government - intended for specific types of loans	\$ 2,950,900	\$ 4,321,291

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

27. PROVISIONS

	December 31	
	2019	2018
Provisions for employee benefits	\$ 304,271	\$ 293,645
Reserve for losses on guarantee contracts	1,543,817	1,497,762
Reserve for financing commitments	<u>66,966</u>	<u>78,021</u>
	<u>\$ 1,915,054</u>	<u>\$ 1,869,428</u>

Refer to Note 13 for the details and changes in the reserve for losses on guarantee contracts and financing commitments.

28. RETIREMENT BENEFITS PLANS

Defined Contribution Plan

The pension system under the “Labor Pensions Ordinance” applicable to the Bank and its subsidiaries is the required retirement plan stipulated by the government, except for Ever Trust Bank, which is not more than 10% of the annual salary of the respective employees. A pension of 6% of an employee’s monthly salary is paid to the Labor Insurance Bureau under each individual’s account.

The amount to be paid in accordance with the percentage specified in the proposed plan for the year ended December 31, 2019 and 2018 was recognized in the consolidated statements of comprehensive income in the total amounts of \$47,168 thousand, and \$49,505 thousand, respectively.

Defined Benefit Plan

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

The amounts included in the consolidated balance sheets in respect of the Group’s defined benefit plans were as follows:

	December 31	
	2019	2018
Present value of defined benefit obligation	\$ 601,193	\$ 565,026
Fair value of plan assets	<u>(296,922)</u>	<u>(271,381)</u>
Net defined benefit liability	<u>\$ 304,271</u>	<u>\$ 293,645</u>

Movements in net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2018	<u>\$ 574,324</u>	<u>\$ (278,599)</u>	<u>\$ 295,725</u>
Service cost			
Current service cost	30,894	-	30,894
Net interest expense (income)	<u>5,263</u>	<u>(3,019)</u>	<u>2,244</u>
Recognized in profit or loss	<u>36,157</u>	<u>(3,019)</u>	<u>33,138</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(7,720)	(7,720)
Actuarial loss - changes in demographic assumptions	2,802	-	2,802

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Actuarial loss - changes in financial assumptions	\$ 5,324	\$ -	\$ 5,324
Actuarial gain - experience adjustments	<u>(3,784)</u>	<u>-</u>	<u>(3,784)</u>
Recognized in other comprehensive income	<u>4,342</u>	<u>(7,720)</u>	<u>(3,378)</u>
Employer contributions	-	(12,657)	(12,657)
Benefits paid	(30,614)	30,614	-
Actual payment	<u>(19,183)</u>	<u>-</u>	<u>(19,183)</u>
Balance at December 31, 2018	<u>\$ 565,026</u>	<u>\$ (271,381)</u>	<u>\$ 293,645</u>
Balance at January 1, 2019	<u>\$ 565,026</u>	<u>\$ (271,381)</u>	<u>\$ 293,645</u>
Service cost			
Current service cost	27,631	-	27,631
Net interest expense (income)	<u>4,452</u>	<u>(2,779)</u>	<u>1,673</u>
Recognized in profit or loss	<u>32,083</u>	<u>(2,779)</u>	<u>29,304</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(9,385)	(9,385)
Actuarial loss - changes in demographic assumptions	6,057	-	6,057
Actuarial loss - changes in financial assumptions	4,614	-	4,614
Actuarial gain - experience adjustments	<u>(1,344)</u>	<u>-</u>	<u>(1,344)</u>
Recognized in other comprehensive income	<u>9,327</u>	<u>(9,385)</u>	<u>(58)</u>
Employer contributions	-	(15,690)	(15,690)
Benefits paid	(5,243)	5,243	-
Others	<u>-</u>	<u>(2,930)</u>	<u>(2,930)</u>
Balance at December 31, 2019	<u>\$ 601,193</u>	<u>\$ (296,922)</u>	<u>\$ 304,271</u> (Concluded)

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

- 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.
- 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.
- 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	
	2019	2018
Discount rate(s)	0.75%	1.00%
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	
	2019	2018
Discount rate(s)		
0.25% increase	<u>\$ (10,271)</u>	<u>\$ (10,611)</u>
0.25% decrease	<u>\$ 10,632</u>	<u>\$ 10,988</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 10,272</u>	<u>\$ 10,654</u>
0.25% decrease	<u>\$ (9,978)</u>	<u>\$ (10,634)</u>

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

	December 31	
	2019	2018
Expected contributions to the plans for the next year	<u>\$ 7,243</u>	<u>\$ 14,368</u>
Average duration of the defined benefit obligation	9-9.4 years	9.6-10 years

29. OTHER LIABILITIES

	December 31	
	2019	2018
Guarantee deposits received	\$ 1,838,707	\$ 1,981,734
Advance revenue	28,691	119,378
Others	<u>492,868</u>	<u>299,730</u>
	<u>\$ 2,360,266</u>	<u>\$ 2,400,842</u>

30. EQUITY

a. Capital stock

	December 31	
	2019	2018
Number of stock authorized (in thousands)	<u>3,500,000</u>	<u>3,500,000</u>
Amount of capital stock authorized	<u>\$ 35,000,000</u>	<u>\$ 35,000,000</u>
Number of stocks issued and fully paid (in thousands)		
Common stock	<u>2,413,006</u>	<u>2,413,006</u>
Preferred stock	<u>300,000</u>	<u>300,000</u>
Amount of stocks issued	<u>\$ 27,130,063</u>	<u>\$ 27,130,063</u>

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

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

- 1) Series A preferred stock at 0.94375% plus 3.30625% (total 4.25%) per annum are a 5-year - calculation pursuant to the Interest Rate Swap issued price per share. Interest rate per annum will be reset on the day after the 5.5-year anniversary of the issue date and the day after each subsequent period of 5.5 years hereafter. Series A preferred stock are declared once per year in cash. After the stockholders' approval of the Bank's financial statements at its annual stockholders' meeting, the board may set a record date for the distribution of available dividends from the previous year. Dividend distribution for the years of issuance and redemption shall be calculated pursuant to actual issued days of the given year.
- 2) The Bank has sole discretion on dividend issuance of Series A preferred stock including, but not limited to, its discretion to not declare dividends when no profit is recorded, or insufficient profit is recorded for preferred stock dividends, or preferred stock dividend declaration would render the Bank of International Settlement (BIS) ratio below the level required by the law or relevant authorities, or due other necessary consideration. The Series A preferred stockholders shall not have any objection towards the Bank's cancellation of preferred stock dividend declaration. Undeclared or under declared dividends are not cumulative and are not paid in subsequent years with profit.
- 3) Unless the authorities take over the Bank, order the Bank to suspend, terminate or liquidate its business in accordance with the "Regulations Governing the Capital Adequacy and Capital Category of Banks", Series A preferred stockholders shall have the same priority as the common stockholders in the event of liquidation, both second to tier 2 capital instrument holder, depositor, and common creditor, but capping at the value of issuance.
- 4) Series A preferred stockholders have no voting rights at the annual stockholders' meeting and cannot elect directors. However, the preferred stockholders should have voting rights at the preferred stockholders' meeting and also at the stockholders' meeting when it involves the rights and obligations of the preferred stockholders, and the aforesaid stockholders are eligible for director candidacy. Series A preferred stockholders have voting rights at Series A stockholders' meeting.
- 5) The preferred stock issued by the Bank shall not be converted within one year from the date of issuance. Starting from the day after the expiration of one year, stockholders of convertible preferred stock may apply for the conversion of part or all of the preferred stock held, from preferred stock to common stock during the conversion period (conversion ratio 1:1). After the convertible preferred stock are converted into common stock, their rights and obligations are the

same as the common stock. The issuance of annual dividends for the convertible preferred stock is based on the ratio of the actual number of issued days in the current year to the number of days within the whole year. However, stockholders who converted their preferred stock into common stock before the date of distribution of dividends (interests) in each year shall not participate in the special year of distribution but may participate in the distribution of common stock surplus and additional paid in capital.

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

b. Capital surplus

	December 31	
	2019	2018
May be used to offset a deficit, distributed as dividends, or transferred to capital stock (Note)		
Treasury stock transactions	\$ 3,193	\$ 3,193
Share-based payments	4,537	4,537
Must be used to offset a deficit		
Unclaimed dividends	649	308
May not be used for any purpose		
Share of changes in capital surplus of subsidiaries, associates or joint ventures	<u>1,371</u>	<u>465</u>
	<u>\$ 9,750</u>	<u>\$ 8,503</u>

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

c. Retained earnings and dividend policy

Under the dividends policy as set forth in the amended Articles, where the Bank made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 30% of the remaining profit, except the accumulated legal reserve equals the Bank's paid-in capital, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Board as the basis for proposing a distribution plan, which should be resolved in the stockholders' meeting for distribution of dividends and bonus to stockholders. Legal reserve shall be appropriated until it has reached the Bank's capital surplus. When the legal reserve has exceeded 15% of the Bank's capital surplus, the excess may be distributed in cash. For the policies on distribution of employees' compensation and remuneration of directors, refer to Note 35.

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

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Bank's capital surplus. Legal reserve may be used to offset deficit. If the Bank has no deficit and the legal reserve has exceeded 25% of the Bank's capital surplus, the excess may be transferred to capital or distributed in cash. In addition, the Banking Law limits the appropriation of cash dividends to 15% of the Bank's paid-in capital. But when the legal reserve equals the Bank's paid-in capital, this 15% limit may be waived.

Items referred to under Rule No. 1010012865, Rule No. 1010047490, and Rule No. 1030006415 issued by the FSC and in the directive titled “Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs” should be appropriated to or reversed from a special reserve by the Bank.

Under Rule No. 10510001510 issued by the FSC on May 25, 2016, a public bank shall make a special surplus in the range of 0.5% to 1% of net profit after tax when the bank appropriate earnings of 2016 to 2018. Since 2017, the Bank is allowed to reverse the special reserve at the amount of the costs of employee transfer and arrangement in connection with the development of financial technology.

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

	Appropriation of Earnings	
	For the Year Ended December 31	
	2018	2017
Legal reserve	\$ 183,014	\$ 304,370
Special reserve appropriated (reversed)	415,504	(13,705)
Cash dividends - common stock	-	723,902
Cash dividends - Preferred stock	11,527	-

The appropriation of earnings for 2018 had been proposed by the board on March 19, 2020. The appropriation were as follows:

	Appropriation of Earnings
Legal reserve	\$ 330,130
Special reserve appropriated (reversed)	(234,982)
Cash dividends - common stock	965,203
Preferred stock dividends	127,500

The appropriation of earnings for 2019 are subject to the resolution of the shareholders’ meeting to be held on June 19, 2020.

d. Other equity items

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

	For the Year Ended December 31	
	2019	2018
Balance at January 1	\$ (92,806)	\$ (216,266)
Exchange differences arising on the translating the financial statements of foreign operations	(237,382)	149,013
Income tax related to gains or losses arising on the translating the financial statements of foreign operations	<u>22,715</u>	<u>(25,553)</u>
Balance at December 31	<u>\$ (307,473)</u>	<u>\$ (92,806)</u>

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

	For the Year Ended December 31	
	2019	2018
Balance at January 1 per IAS 39		\$ -
Effect of IFRS 9 retrospective application		144,122
Balance at January 1 per IFRS 9	<u>\$ (67,175)</u>	<u>144,122</u>
Recognized during the period		
Debt instruments	223,138	(190,443)
Equity instruments	169,681	(159,627)
Loss allowance of debt instruments	<u>2,075</u>	<u>211</u>
Other comprehensive income recognized in the period	<u>394,894</u>	<u>(349,849)</u>
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	<u>(87,723)</u>	<u>138,562</u>
Balance at December 31	<u>\$ 239,996</u>	<u>\$ (67,175)</u>

e. Non-controlling interests

	For the Year Ended December 31	
	2019	2018
Balance at January 1		\$ 16,892,050
Effect of IFRS 9 retrospective application		90,927
Balance at January 1 per IFRS 9	<u>\$ 17,129,584</u>	<u>16,982,977</u>
Attribute to non-controlling interests		
Share of profit for the year	926,168	987,694
Unclaimed dividends	2,288	1,174
Exchange differences arising on translation of foreign entities	(10,018)	12,435
Unrealized valuation gain or loss on financial assets at FVTOCI	268,746	(173,591)
Actuarial gains on defined benefit plans	269	3,353
Subsidiary refund capital	-	(1,453)
Subsidiary dividends paid	<u>(759,963)</u>	<u>(683,005)</u>
Balance at December 31	<u>\$ 17,557,074</u>	<u>\$ 17,129,584</u>

31. NET INTEREST

	For the Year Ended December 31	
	2019	2018
<u>Interest revenue</u>		
Discounts and loans	\$ 5,993,123	\$ 5,752,124
Investments in marketable securities	2,099,291	1,995,635
Installment sales and lease	1,018,484	1,155,164
Due from the Central Bank and call loans to banks	335,540	161,238
Others	<u>112,771</u>	<u>119,692</u>
	<u>9,559,209</u>	<u>9,183,853</u>

(Continued)

	For the Year Ended December 31	
	2019	2018
<u>Interest expense</u>		
Deposits	\$ 3,278,193	\$ 2,484,211
Due to the central bank and banks	588,082	709,706
Bank debenture	378,508	423,673
Securities sold under repurchase agreements	1,042,612	868,193
Others	<u>386,942</u>	<u>473,961</u>
	<u>5,674,337</u>	<u>4,959,744</u>
	<u>\$ 3,884,872</u>	<u>\$ 4,224,109</u>
		(Concluded)

32. NET SERVICE FEE INCOME

	For the Year Ended December 31	
	2019	2018
Service fee		
Guarantee business	\$ 872,632	\$ 731,130
Loan business	257,632	152,153
Underwrite business	287,245	245,511
Trust business	20,188	13,004
Lease business	253,271	278,226
Credit examine business	275,176	357,738
Import and export business	23,219	38,740
Factoring business	41,598	83,733
Insurance agent	119,129	9,026
Others	<u>54,499</u>	<u>66,385</u>
	2,204,589	1,975,646
Service charge		
Others	<u>142,710</u>	<u>197,056</u>
	<u>\$ 2,061,879</u>	<u>\$ 1,778,590</u>

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

	For the Year Ended December 31	
	2019	2018
Realized gain or loss		
Bills	\$ 43,460	\$ 71,338
Stocks	104,661	(6,148)
Bonds	30,523	4,146
Derivatives	<u>777,391</u>	<u>880,664</u>
	<u>956,035</u>	<u>950,000</u>
		(Continued)

	For the Year Ended December 31	
	2019	2018
Gains (losses) on valuation		
Bills	\$ 7,071	\$ 19,186
Stocks	24,481	71
Bonds	7,512	3,448
Derivatives	<u>(373,181)</u>	<u>273,174</u>
	<u>(334,117)</u>	<u>295,879</u>
Interest revenue	<u>1,095,986</u>	<u>893,470</u>
	<u>\$ 1,717,904</u>	<u>\$ 2,139,349</u>
		(Concluded)

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

	For the Year Ended December 31	
	2019	2018
Realized gain - debt instruments	\$ 192,957	\$ 45,392
Dividend income	<u>69,759</u>	<u>101,079</u>
	<u>\$ 262,716</u>	<u>\$ 146,471</u>

35. EMPLOYEE BENEFITS EXPENSE

	For the Year Ended December 31	
	2019	2018
Short-term employee benefits		
Salaries and wages	\$ 2,286,834	\$ 2,214,942
Labor insurance and national health insurance	154,324	153,180
Others	208,518	201,059
Post-employment benefits		
Pension expenses	76,472	82,643
Pension benefits	<u>5</u>	<u>-</u>
	<u>\$ 2,726,153</u>	<u>\$ 2,651,824</u>

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

The amounts and accrual rates of employees' compensation and remuneration of directors for the year ended December 31, 2019 and 2018 were as follows:

Accrual rate

	For the Year Ended December 31	
	2019	2018
Employees' compensation	1.25%	1.25%
Remuneration of directors	2.50%	2.50%

Amount

	For the Year Ended December 31	
	2019	2018
Employees' compensation	<u>\$ 15,715</u>	<u>\$ 14,632</u>
Remuneration of directors	<u>\$ 31,430</u>	<u>\$ 29,265</u>

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

The employees' compensation and remuneration of directors for 2018 and 2017, which were approved by the Board on February 27, 2019 and February 22, 2018, respectively, were as follows:

	For the Year Ended December 31			
	2018		2017	
	Cash	Stock	Cash	Stock
Employees' compensation	\$ 14,632	\$ -	\$ 15,919	\$ -
Remuneration of directors	29,265	-	31,838	-

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

The Board approved employees' compensation and remuneration of directors for the year ended December 31, 2019 on March 25, 2020, were as follows:

	2019
Employees' compensation-cash	\$ 15,715
Remuneration of directors	31,430

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

36. DEPRECIATION AND AMORTIZATION EXPENSES

	For the Year Ended December 31	
	2019	2018
Property and equipment	\$ 197,191	\$ 191,521
Right-of-use assets	166,148	-
Intangible assets	<u>254,094</u>	<u>233,493</u>
	<u>\$ 617,433</u>	<u>\$ 425,014</u>

37. OTHER GENERAL AND ADMINISTRATIVE EXPENSE

	For the Year Ended December 31	
	2019	2018
Taxation	\$ 253,958	\$ 229,009
Rental	23,561	226,161
Management fees	41,266	46,645
Computer operating and consulting fees	283,840	233,571
Entertainment	56,368	66,256
Professional services	88,506	117,330
Advertisement	133,173	169,819
Others	<u>372,967</u>	<u>438,592</u>
	<u>\$ 1,253,639</u>	<u>\$ 1,527,383</u>

38. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Year Ended December 31	
	2019	2018
Current tax		
In respect of the current period	\$ 690,752	\$ 607,227
Income tax on unappropriated earnings	12,537	-
In respect of prior periods	<u>(12,123)</u>	<u>6,940</u>
	<u>691,166</u>	<u>614,167</u>
Deferred tax		
In respect of the current period	(9,565)	119,408
Effect of tax rate change	<u>-</u>	<u>(2,627)</u>
	<u>(9,565)</u>	<u>116,781</u>
Income tax expense recognized in profit or loss	<u>\$ 681,601</u>	<u>\$ 730,948</u>

The reconciliation of the income based on income before income tax at the statutory rate and income tax expense was as follows:

	For the Year Ended December 31	
	2019	2018
Profit before tax from continuing operations	<u>\$ 2,712,235</u>	<u>\$ 2,670,478</u>
Income tax expense calculated at the statutory rate	\$ 916,043	\$ 819,548
Realized gain or loss on investment in equity instruments measured at fair value through other comprehensive income	17,545	(27,533)
Nondeductible expenses and tax-exempt income in determining taxable income	(297,481)	(143,433)
Unrecognized loss carryforwards	3,739	4,704
Unrecognized temporary difference	(35,830)	4,187
Deductible loss carryforwards in respect of the current period	(7,594)	(9,199)
Deductible tax amount of overseas income tax	<u>(77,388)</u>	<u>(12,296)</u>
		(Continued)

	For the Year Ended December 31	
	2019	2018
Additional income tax under the Alternative Minimum Tax Act	\$ 6,289	\$ 682
Income tax on unappropriated earnings	12,537	-
Overseas tax	133,180	89,975
Effect of tax rate changes	-	(2,627)
Adjustments for prior years' tax	<u>10,561</u>	<u>6,940</u>
Income tax expense recognized in profit or loss	<u>\$ 681,601</u>	<u>\$ 730,948</u>

(Concluded)

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2019	2018
<u>Deferred tax</u>		
Recognized in other comprehensive income		
Translation of foreign operations	\$ 39,466	\$ (22,262)
Unrealized gain (loss) on financial assets at FVTOCI	(87,023)	19,999
Actuarial gains (loss) on defined benefit plans	(94)	(460)
Effect of tax rate changes	<u>-</u>	<u>9,283</u>
Income tax benefit (expense) recognized in other comprehensive income	<u>\$ (47,651)</u>	<u>\$ 6,560</u>

c. Deferred tax assets and liabilities

For the year ended December 31, 2019

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Other	Closing Balance
Temporary difference					
FVTPL financial assets	\$ 42,091	\$ 10,930	\$ -	\$ (69)	\$ 52,952
Property and equipment	7,365	2,328	-	(201)	9,492
Exchange difference on foreign operations	28,433	-	28,726	-	57,159
FVTOCI financial assets	38,346	-	(48,468)	2,106	(8,016)
Defined benefit plans	49,249	3,026	(94)	(809)	51,372
Doubtful debts	403,218	75,036	-	(7,558)	470,696
Provisions	54,929	(4,714)	-	-	50,215
Asset impairment	6,046	(290)	-	(27)	5,729
Other	<u>42,979</u>	<u>5,978</u>	<u>-</u>	<u>(4,014)</u>	<u>44,943</u>
	<u>\$ 672,656</u>	<u>\$ 92,294</u>	<u>\$ (19,836)</u>	<u>\$ 10,572</u>	<u>\$ 734,542</u>
Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Other	Closing Balance
Temporary difference					
FVTPL financial assets	\$ 4,805	\$ 5,530	\$ -	\$ -	\$ 10,335
FVTOCI financial assets	2,124	-	38,555	13	40,692
Associates	323,346	77,199	-	-	400,545
Exchange difference on foreign operations	<u>10,740</u>	<u>-</u>	<u>(10,740)</u>	<u>-</u>	<u>-</u>
	<u>\$ 341,015</u>	<u>\$ 82,729</u>	<u>\$ 27,815</u>	<u>\$ 13</u>	<u>\$ 451,572</u>

For the year ended December 31, 2018

Deferred Tax Assets	Opening Balance	Retroactive Adjustment	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Other	Closing Balance
Temporary difference						
FVTPL financial assets	\$ 39,726	\$ -	\$ 2,221	\$ -	\$ 144	\$ 42,091
Property and equipment	8,093	-	(995)	-	227	7,365
Exchange difference on foreign operations	35,205	-	-	(6,772)	-	28,433
AFS financial assets	15,826	-	-	(15,826)	-	-
FVTOCI financial assets	-	-	-	39,649	(1,303)	38,346
Defined benefit plans	41,574	-	4,557	2,381	737	49,249
Doubtful debts	326,042	80,305	(691)	-	(2,438)	403,218
Provisions	74,799	-	(19,870)	-	-	54,929
Asset impairment	12,447	-	(6,456)	-	55	6,046
Other	<u>28,622</u>	<u>-</u>	<u>16,557</u>	<u>-</u>	<u>(2,200)</u>	<u>42,979</u>
	<u>\$ 582,334</u>	<u>\$ 80,305</u>	<u>\$ (4,637)</u>	<u>\$ 19,432</u>	<u>\$ (4,778)</u>	<u>\$ 672,656</u>

Deferred Tax Liabilities	Opening Balance	Retroactive Adjustment	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Other	Closing Balance
Temporary difference						
FVTPL financial assets	\$ -	\$ -	\$ 4,805	\$ -	\$ -	\$ 4,805
FVTOCI financial assets	-	-	-	2,132	(8)	2,124
Associates	216,007	-	107,339	-	-	323,346
Exchange difference on foreign operations	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,740</u>	<u>-</u>	<u>10,740</u>
	<u>\$ 216,007</u>	<u>\$ -</u>	<u>\$ 112,144</u>	<u>\$ 12,872</u>	<u>\$ (8)</u>	<u>\$ 341,015</u>

d. Assessment of the income tax returns

The income tax returns of the Bank through 2016 have been assessed by the tax authorities. The income tax returns of the Bank's subsidiary IBTM through 2018 have been assessed. The income tax returns of the Bank's subsidiary IBT Leasing Co., Ltd. through 2017 have been assessed. The income tax returns of other subsidiaries through 2016 have been assessed by the tax authorities, except the Bank's subsidiary CBF for 2015. The Bank disagreed with the tax authorities' assessment of its 2016 tax return and apply to re-examine.

39. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Year Ended December 31	
	2019	2018
Basic earnings per share		
From continuing operations	\$ 0.45	\$ 0.40
From discontinued operations	<u>-</u>	<u>-</u>
Total basic earnings per share	<u>\$ 0.45</u>	<u>\$ 0.40</u>
Diluted earnings per share		
From continuing operations	\$ 0.45	\$ 0.40
From discontinued operations	<u>-</u>	<u>-</u>
Total diluted earnings per share	<u>\$ 0.45</u>	<u>\$ 0.40</u>

Earnings 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	
	2019	2018
Profit for the year attributable to owners of the Bank	\$ 1,100,433	\$ 954,659
Less: Declared preferred stock dividend	<u>11,527</u>	<u>-</u>
Earnings used in the computation of basic and diluted earnings per share	<u>1,088,906</u>	<u>954,659</u>
Less: Profit for the year from discontinued operations used in the computation of basic earnings per share from discontinued operations	<u>(4,023)</u>	<u>2,816</u>
Earnings used in the computation of basic earnings per share from continuing operations	<u>\$ 1,092,929</u>	<u>\$ 951,843</u>

Stock (In Thousand Shares)

	For the Year Ended December 31	
	2019	2018
Weighted average number of common stocks in computation of basic earnings per share	<u>2,413,006</u>	<u>2,413,006</u>
Effect of potentially dilutive common stocks:		
Employees' compensation	2,302	2,107
Convertible preferred stock	<u>27,123</u>	<u>-</u>
	<u>29,425</u>	<u>2,107</u>
Weighted average number of common stocks used in the computation of diluted earnings per share	<u>2,442,431</u>	<u>2,415,113</u>

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

40. RELATED PARTY TRANSACTIONS

The transactions, account balances, income and loss of the Bank and its subsidiaries (which are the related parties of the Bank) are all eliminated upon consolidation, so they are not disclosed in this note. Except for other transactions disclosed in other notes, the transactions between the Group and other related parties are as follows:

- a. The related parties and their relationships with the Bank are summarized as follows:

Related Party	Relationship with The Bank
IBT II Venture Capital Co., Ltd. (IBT II Venture) (dissolved March 31, 2017)	Associates
IBT Education Foundation (IBTEF)	The Bank is the major donor of the foundation
Taiwan Cement Corporation	The Bank's legal director
Yi Chang Investment Co., Ltd.	The Bank's legal director
Ming Shan Investment Co., Ltd.	The Group's legal director
TCC Energy Co., Ltd. (TCC)	Other related party
Others	The Group'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 remittances)

	Ending Balance	Interest Expense	Rate (%)
<u>For the year ended December 31, 2019</u>			
Associates	\$ 2,298	\$ 33	0.00-0.33
Others	<u>3,670,509</u>	<u>63,622</u>	0.00-6.56
	<u>\$ 3,672,807</u>	<u>\$ 63,655</u>	
<u>For the year ended December 31, 2018</u>			
Associates	\$ 265	\$ 4	0.40
Others	<u>2,680,948</u>	<u>47,430</u>	0.00-6.56
	<u>\$ 2,681,213</u>	<u>\$ 47,434</u>	

- 2) Loans

	Maximum Balance	Ending Balance	Interest Revenue	Rate (%)
<u>December 31, 2019</u>				
Others	<u>\$ 430,000</u>	<u>\$ 430,000</u>	<u>\$ 6,204</u>	1.443
<u>December 31, 2018</u>				
Others	<u>\$ 430,000</u>	<u>\$ 430,000</u>	<u>\$ 2,699</u>	1.443

For the Year Ended December 31, 2019							
Category	Name	Maximum Balance (Note)	Ending Balance	Normal Loans	Non- performing Loans	Collateral	Difference of Terms of the Trans- actions with Unrelated Parties
Others	TCC	<u>\$ 430,000</u>	<u>\$ 430,000</u>	<u>\$ 430,000</u>	<u>\$ -</u>	Real estate	None

For the Year Ended December 31, 2018							
Category	Name	Maximum Balance (Note)	Ending Balance	Normal Loans	Non- performing Loans	Collateral	Difference of Terms of the Trans- actions with Unrelated Parties
Others	TCC	<u>\$ 430,000</u>	<u>\$ 430,000</u>	<u>\$ 430,000</u>	<u>\$ -</u>	Real estate	None

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

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

For the Year Ended December 31		
	2019	2018
Others	<u>\$ 21</u>	<u>\$ 28</u>

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

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

For the Year Ended December 31		
	2019	2018
Others	<u>\$ 4,800</u>	<u>\$ 4,800</u>

Other expenses are donations.

5) Rental income and others

For the Year Ended December 31		
	2019	2018
Others	<u>\$ 552</u>	<u>\$ 552</u>

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

c. Compensation of key management personnel

The remuneration of directors and other members of key management personnel for the years ended December 31, 2019 and 2018 were as follows:

	For the Year Ended December 31	
	2019	2018
Short-term employee benefits	\$ 408,070	\$ 445,613
Post-employment benefits	9,919	10,251
Share-based payments	<u>335</u>	<u>-</u>
	<u>\$ 418,324</u>	<u>\$ 455,864</u>

The remuneration of directors and other key management personnel is determined by the remuneration committee based on individual performance and market trends.

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

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

41. PLEDGED ASSETS

	December 31	
	2019	2018
Financial assets at FVTPL	\$ 19,061,425	\$ 15,059,868
Financial assets at FVTOCI	2,394,458	2,140,376
loans	5,760,047	9,067,994
Investments in debt instruments measured at amortized cost	-	166,680
Pledged time deposits	741,091	751,000
Compensation account for payment	<u>116,258</u>	<u>49,598</u>
	<u>\$ 28,073,279</u>	<u>\$ 27,235,516</u>

Under the requirement for joining the Central Bank's Real-time Gross Settlement (RTGS) clearing system, the Bank provided time deposits (parts of other financial assets and due from banks) and negotiable certificates of deposits (part of financial assets at FVTPL and debt instrument investments measured at amortized cost) as collateral for day-term overdrafts. The pledged amount is adjustable based on the respective overdraft amount, and at the end of the day, the unused part can be used for liquidity reserve. The above financial assets were bond investments and were mainly provided as collateral for exchange clearing, interest rate swap contracts, trust compensation, and for EverTrust Bank to issue certificates of deposit in the United States. Besides, the above loans were provided as collateral for EverTrust Bank to apply for credit limit with Federal Home Loan Bank of San Francisco. Restricted assets were provided not merely as collateral for short-term loans, commercial paper issued, contract security deposit and administrative reliefs but were also pledged for Central Bank's bond bidding.

42. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

	December 31	
	2019	2018
Office decorating and contracts of computer software		
Amount of contracts	\$ 126,642	\$ 146,125
Payments for construction in progress and prepayments for equipment	91,330	87,501

- b. Yijingyang Industrial Co., Ltd. allegedly applied to the Bank for loan receivables off-take financing through false transactions, causing damage to the Bank. The Bank filed a criminal complaint against the company and related persons. The official sued in January 2020, and the Bank also filed a lawsuit in the civil court of the Taiwan Taipei District Court in January 2020 in accordance with the law.

43. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

In order to motivate employees and improve their centripetal force, the Bank passed a resolution of the board of directors on March 19, 2020. The 35,000 thousand stocks of treasury shares will be bought back from the Stock Exchange Market from March 20, 2020 to May 19, 2020, and the maximum amount of repurchases will be \$5,874,652 thousand, which will be transferred to employees.

44. TRUST BUSINESS UNDER THE TRUST LAW

Trust-related items are shown in the following balance sheet and trust property list:

Balance Sheet of Trust Accounts

	December 31	
	2019	2018
Trust assets		
Petty cash	\$ 100	\$ 100
Bank deposits	1,665,135	2,799,410
Financial assets	2,875,818	1,072,855
Interest receivable	35	51
Prepayments	1,578	1,267
Real estate	8,238,959	9,165,624
Other assets	<u>26,705</u>	<u>32,292</u>
Total trust assets	<u>\$ 12,808,330</u>	<u>\$ 13,071,599</u>
Trust capital and liability		
Payables	\$ 2,204	\$ 1,542
Unearned receipts	1,266	839
Taxes payable	4,297	4,233
Receipts under custody	-	106
Deposits received	64,658	76,680
Other liabilities	1,024	968
Trust capital	12,572,930	12,828,013
Provisions and accumulated profit and loss	<u>161,951</u>	<u>159,218</u>
Trust capital and liability	<u>\$ 12,808,330</u>	<u>\$ 13,071,599</u>

Income Statements of Trust Accounts

	For the Year Ended December 31	
	2019	2018
Trust revenue		
Interest revenue	\$ 15,513	\$ 1,807
Rent revenue	115,855	57,210
Other revenue	<u>1,798</u>	<u>48</u>
	<u>133,166</u>	<u>59,065</u>
Trust expenses		
Management fees	1,164	598
Fees	106	265
Tax	14,433	6,740
Other expenses	13,015	6,626
Income tax expense	<u>1,456</u>	<u>151</u>
	<u>30,174</u>	<u>14,380</u>
	<u>\$ 102,992</u>	<u>\$ 44,685</u>

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

Trust Property List

	December 31	
	2019	2018
Petty cash	\$ 100	\$ 100
Bank deposits	1,665,135	2,799,410
Stocks	228,378	228,378
Funds	2,647,440	844,477
Land	7,398,368	8,320,001
Real estate	840,591	845,623
Receivables	35	51
Prepayments	1,578	1,267
Other	<u>26,705</u>	<u>32,292</u>
	<u>\$ 12,808,330</u>	<u>\$ 13,071,599</u>

45. FINANCIAL INSTRUMENTS

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

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

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

	December 31			
	2019		2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial assets</u>				
Investments in debt instruments at amortized costs	\$ -	\$ -	\$ 499,939	\$ 501,732
<u>Financial liabilities</u>				
Bank debentures payable	18,700,000	18,808,992	17,850,000	17,906,381

2) The fair value hierarchy

Financial Instrument Items at Fair Value	December 31, 2019			
	Total	Level 1	Level 2	Level 3
<u>Financial liabilities</u>				
Bank debentures payable	\$ 18,808,992	\$ 18,808,992	\$ -	\$ -
Financial Instrument Items at Fair Value	December 31, 2018			
	Total	Level 1	Level 2	Level 3
<u>Financial assets</u>				
Investments in debt instruments at amortized costs	\$ 501,732	\$ -	\$ 501,732	\$ -
<u>Financial liabilities</u>				
Bank debentures payable	17,906,381	17,906,381	-	-

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

Item	December 31, 2019			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss				
Stocks and beneficial certificates	\$ 1,257,942	\$ 554,399	\$ 500,000	\$ 203,543
Bonds	99,992	-	99,992	-
Bills	91,656,052	-	91,656,052	-
Convertible bonds and structured bonds	10,078,449	120,203	1,334,797	8,623,449
Negotiable certificates of deposit	69,631,538	-	69,631,538	-
Financial assets at fair value through other comprehensive income				
Equity instruments	3,003,645	2,018,913	130,028	854,704
Debt instruments	139,109,125	-	139,109,125	-
Liabilities				
Financial liabilities at fair value through profit or loss	4,462	-	4,462	-
<u>Derivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss	189,220	-	189,220	-
Liabilities				
Financial liabilities at fair value through profit or loss	529,120	-	529,120	-
Item	December 31, 2018			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss				
Stocks and beneficial certificates	\$ 359,716	\$ 288,217	\$ -	\$ 71,499
Bonds	99,970	-	99,970	-
Bills	75,261,511	-	75,261,511	-
Convertible bonds and structured bonds	7,813,915	293,692	1,021,828	6,498,395
Negotiable certificates of deposit	67,139,658	-	67,139,658	-
Financial assets at fair value through other comprehensive income				
Equity instruments	2,954,899	1,963,220	135,161	856,518
Debt instruments	146,997,853	-	146,997,853	-
Liabilities				
Financial liabilities at fair value through profit or loss	4,924	-	4,924	-

(Continued)

Item	December 31, 2018			
	Total	Level 1	Level 2	Level 3
<u>Derivative financial instruments</u>				
Assets				
Financial assets at fair value through profit or loss	\$ 837,844	\$ -	\$ 837,844	\$ -
Liabilities				
Financial liabilities at fair value through profit or loss	788,348	-	788,348	-
				(Concluded)

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

In a fair deal, the transaction is fully understood and there is willingness to achieve by the two sides, in exchange of assets or settle of liabilities, fair value is the amount settled. Financial instruments at fair value through profit or loss and financial assets at fair value through other comprehensive 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 and its subsidiaries are estimated based on the forward rates provided by Reuters. Fair values of interest rate swap and cross-currency swap contracts are based on counterparties' quotation, using the Murex⁺ information system to capture market data from Reuters for calculating the fair value assessment of individual contracts. Option trading instruments use option pricing model commonly used in the market (ex: Black-Scholes model) to calculate the fair value.

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

For the year ended December 31, 2019

Financial Assets	Financial Assets at Fair Value Through Profit or Loss		Financial Assets at Fair Value Through Other Comprehensive Income Equity Instruments	Total
	Convertible Bonds	Equity Instruments		
Beginning balance	\$ 6,498,395	\$ 71,499	\$ 856,518	\$ 7,426,412
Recognition in profit or loss - financial assets (liabilities) at fair value through profit or loss	11,954	11,549	-	23,503
Recognition in other comprehensive income - financial assets at fair value through other comprehensive income	-	-	193,597	193,597
Purchases	10,184,500	193,797	1,068	10,379,365
Disposal	(8,071,400)	(73,302)	(282,760)	(8,427,462)
Transfer into Level 3	-	-	86,281	86,281
Ending balance	<u>\$ 8,623,449</u>	<u>\$ 203,543</u>	<u>\$ 854,704</u>	<u>\$ 9,681,696</u>

For the year ended December 31, 2018

Financial Assets	Financial Assets at Fair Value Through Profit or Loss		Financial Assets at Fair Value Through Other Comprehensive Income Equity Instruments	Total
	Convertible Bonds	Equity Instruments		
Beginning balance	\$ 6,891,357	\$ 34,628	\$ -	\$ 6,925,985
Effect of retrospective application (IFRS 9)	-	38,787	1,072,809	1,111,596
Recognition in profit or loss - financial assets (liabilities) at fair value through profit or loss	7,538	(1,916)	-	5,622
Recognition in other comprehensive income - financial assets at fair value through other comprehensive income	-	-	(30,714)	(30,714)
Purchases	8,755,000	-	653,257	9,408,257
Disposal	(9,155,500)	-	(838,834)	(9,994,334)
Ending balance	\$ 6,498,395	\$ 71,499	\$ 856,518	\$ 7,426,412

The assets held at the balance sheet date, which were included in the profit and loss and the unrealized gains and losses on December 31, 2019 and 2018, were gain of \$24,586 thousand and gain of \$5,622 thousand, respectively.

Some of the Group's investment targets were withdrawn for the year ended December 31, 2019. After evaluation, there is no fair market price for reference, so they have been transferred from Level 1 to Level 3. There was no transfer from Level 3 for the year ended December 31, 2018.

4) Transfers between Level 1 and Level 2

The Group has no significant transfers between Level 1 and Level 2 for the year ended December 31, 2019 and 2018.

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

The fair value measurement of financial instruments is reasonable, although the use of different valuation models or parameters may lead to different 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 corporate bonds for asset swaps which have no quoted market prices, they are evaluated using the future cash flows discounted model. In order to calculate the zero coupon yield curve, the Group uses LIBOR rate and U.S. dollar Swap Rate plus Credit Charge. Were there to be a 10% or 1BP change in either direction of the quotes from respective counterparties or in discount rates and all other conditions remained the same, the effects on the income and other comprehensive income in the respective 2019 and 2018 periods would be as follows:

For the year ended December 31, 2019

	Movement: Upward/ Downward	Effect on Profit and Loss		Effect on Other Comprehensive Income	
		Favorable	Unfavorable	Favorable	Unfavorable
Convertible bond	1BP	\$ 1,244	\$ (1,244)	\$ -	\$ -
Equity instruments	10%	20,354	(20,354)	93,844	(93,844)

For the year ended December 31, 2018

	Movement: Upward/ Downward	Effect on Profit and Loss		Effect on Other Comprehensive Income	
		Favorable	Unfavorable	Favorable	Unfavorable
Convertible bond	1BP	\$ 918	\$ (918)	\$ -	\$ -
Equity instruments	10%	7,150	(7,150)	92,563	(92,563)

46. FINANCIAL RISK MANAGEMENT

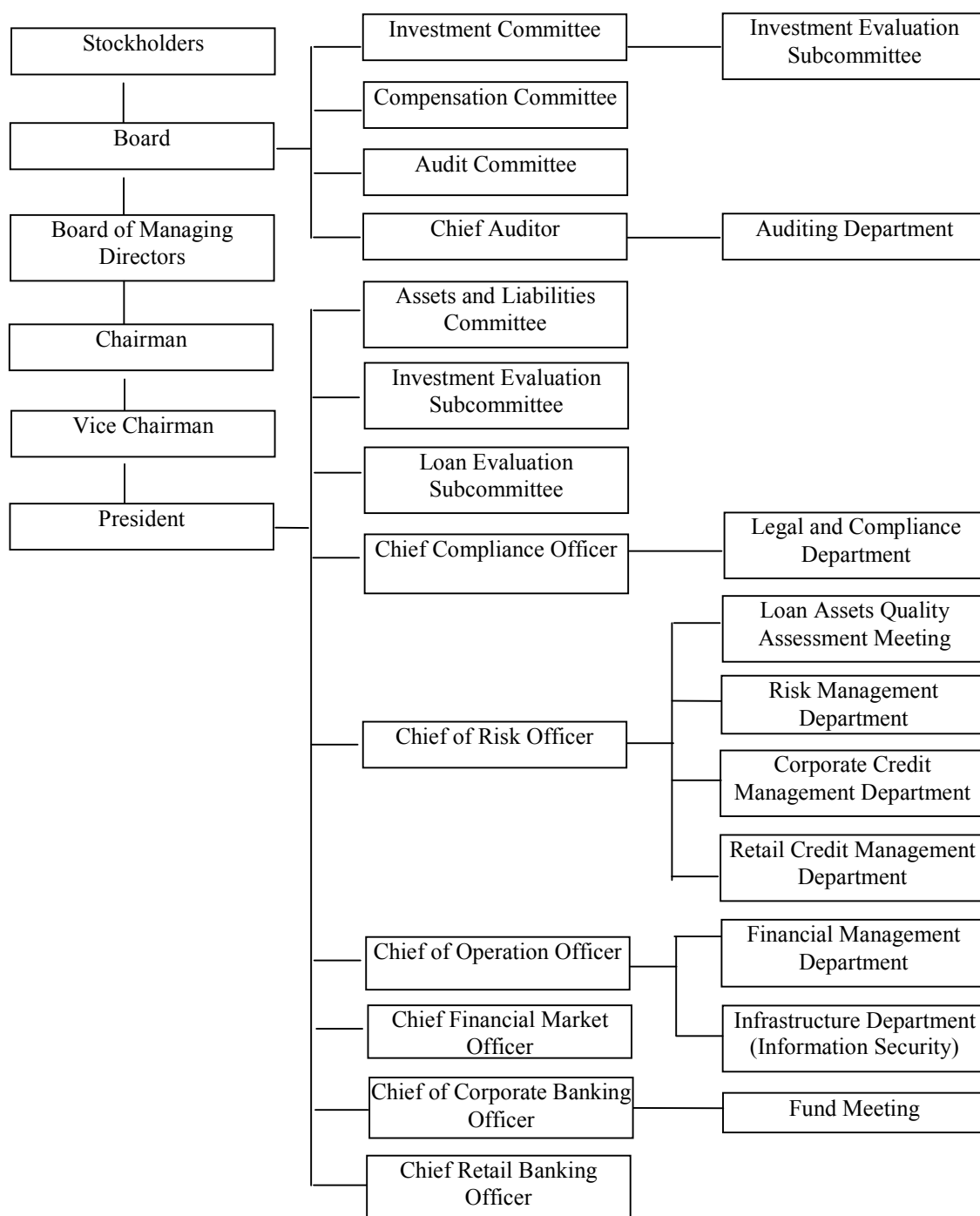
a. Overview

For the potential expected and unexpected risk, the Group establishes a comprehensive risk management system to distribute resource effectively and enhance competitiveness to ensure that all operating risks are controlled in the acceptable extent. The Group continues to engage actively in the capital adequacy ratio with the regulators and monitors to meet the III international requirements of the Basel Commission.

b. Risk management framework

Risk management framework of the Bank and its important individual in control are expressed as follows:

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



- 1) Assets and Liabilities Committee: It has responsibility for oversight and review of significant issues, policies relating to management of assets and liabilities, liquidity risk, interest rate sensitivity, market risk, review the asset and liability allocation and capital adequacy. It held 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 assessment meetings 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 5-8, 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.
- iv. Track the status of customers still in operating which were full recognized as loss.

China Bills Finance Corporation’s (CBF) Board of Directors has the ultimate responsibility for risk framework decisions unit and oversees the implementation of the risk management. Business risk management which is headed by the president is comprised of Financial Assets and Liabilities Management Committee, Business Committee and the Investment Commission for the joint implementation of market risk, credit risk and operational risk control, and the other set of business and oversight of the audit office, and the business risk control management unit case. To effectively manage the overall risk and risks associated with integration of information, CBF has defined risk assessment methods and has summarized risk positions for the risk management group responsible for implementing the risk management operations.

c. Credit risk

1) Sources and definition of credit risk

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

2) Strategy/objectives/policies and procedures

- a) Credit risk management strategy: The Bank are set as the implement the relevant provisions of the principles of credit risk management requirements and establish the Bank’s credit risk management mechanism to ensure that the 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 minimized potential financial losses and pursue optimal reward.

Sound risk management systems and control processes, and strengthened information integration, analysis and early warning validation, make credit management and monitoring to ensure compliance with laws and regulations, the Bank's standards, and serve to maintain 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 the banking book and the trading book, including 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 credit risk, 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 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) Assets and Liabilities Committee: Holds asset/liability management meeting to inspect asset/liability management, liquidity risk, interest rate sensitivity risk management, market risk, BIS management and in charge of making decisions on policies.
- d) Loan Evaluation Subcommittee: Reviews the loan cases rendered by the corporate credit management department and retail credit management department. After passing the provisions, they are still need to be submitted to the competent level for review.
- e) Loan Assets Quality Evaluation Meeting: In charge of making policies and strategies for identifying the possibilities of loss on credit assets. The Bank evaluates the adequacy of the allowance for credit assets.

- f) The Risk Management Department: Independent risk management unit which is in charge of risk management and responsible for the related operations of credit risks. It also makes sure the Bank follows the BASEL regulations. It is also responsible for the preparation of risk management reports presented to appropriate management, and plans to establish monitoring tools for credit risk measurement.
 - g) Corporate Credit Department: Supervises the establishment of corporate finance risk identification, measurement, monitoring and management, preparation of regulatory review of credit grading, devising and enhancement of deed lists, deed for credit and guarantee amount control, proper release and other release matters.
 - h) Retail Credit Management Department: Manages personal financial risk, identifies, measures, monitors the allowance for bad debts, and prepares for bad debts presentation, loss assessment and post-loan management.
- 4) The scope and characteristics of credit risk reports and measurement system

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

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

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

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

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

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

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

6) Maximum exposure to credit risk

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

Off-balance Sheet Item	Maximum Exposure Amount	
	December 31, 2019	December 31, 2018
Financial guarantees and irrevocable documentary letter of credit		
Contract amounts	\$ 129,913,751	\$ 121,652,586
Maximum exposure amounts	129,913,751	121,652,586
Loan commitments	52,430,535	51,883,120

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 Group does not concentrate on single customer or counterparty in trading but have similar counterparty, industry and geographic region on the loan business (including loan commitments and guarantees and commercial bond issuing commitments).

On December 31, 2019 and 2018, the Group's significant concentration of credit risk were summarized as follows (only the top three are shown below):

a) By industry

Credit Risk Profile by Industry Sector	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%
Finance and insurance	\$ 80,703,164	26	\$ 81,904,093	27
Manufacturing	66,421,881	22	76,092,650	25
Real estate	59,667,556	20	59,805,579	20

b) By counterparty

Credit Risk Profile by Industry Sector	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%
Private sector	\$ 168,455,809	86	\$ 183,749,738	92
Natural person	28,502,648	14	16,540,441	8

c) By geographical area

Credit Risk Profile by Industry Sector	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%
Domestic	\$ 123,721,500	63	\$ 122,863,558	61
Other Asia area	37,043,347	19	34,140,109	17
America	27,253,098	14	35,143,990	18

8) Credit quality and impairment assessment of financial assets

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

The related financial asset impairment valuation is as follows:

a) Credit business (including loan commitments and guarantees)

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

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

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

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

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

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

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

b) Credit risk management for investments in debt instruments

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

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

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

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

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

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

December 31, 2019

Category	Expected Loss Rate	Gross Carrying Amount
Performing	0.0189%-0.393%	\$ 136,955,987
Doubtful	0.2008%-0.227%	1,400,040
In default	-	-

December 31, 2018

Category	Expected Loss Rate	Gross Carrying Amount
Performing	0.0014%-0.405%	\$ 146,682,749
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, 2019 and 2018, grouped by credit rating, is reconciled are summarized as follows:

For the year ended December 31, 2019

	Credit Rating		
	Performing (12-month ECLs)	Doubtful (Lifetime ECLs)	Total
Balance at January 1, 2019	\$ 35,671	\$ -	\$ 35,671
Changes in credit rating			
Performing to doubtful	(923)	923	-
Default to write off	4,895	7,213	12,108
New financial assets purchased	2,756	-	2,756
Derecognition of financial assets	(3,167)	-	(3,167)
Change in model or risk parameters	(873)	-	(873)
Exchange rate or other changes	<u>(87)</u>	<u>-</u>	<u>(87)</u>
Balance at December 31, 2019	<u>\$ 38,272</u>	<u>\$ 8,136</u>	<u>\$ 46,408</u>

For the year ended December 31, 2018

	Credit Rating
	Performing (12-month ECLs)
Allowance for Impairment Loss	
Balance at January 1, 2018 per IAS 39	\$ -
Adjustment on initial application of IFRS 9	<u>44,061</u>
Balance at January 1, 2018 per IFRS 9	44,061
New financial assets purchased	3,394
Derecognition of financial assets	(11,625)
Change in model or risk parameters	(378)
Exchange rate or other changes	<u>219</u>
Balance at December 31, 2018	<u>\$ 35,671</u>

In addition to the above, the credit quality analysis of the remaining financial assets of the Bank is as follows:

a) Credit analysis for receivables and discounts and loans

December 31, 2019					
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Impairment Provided in Accordance with Law	Total
Receivables	\$ 16,348,342	\$ 190,010	\$ 425,106	\$ -	\$ 16,963,458
Allowance for credit losses	(196,173)	(35,928)	(226,869)	-	(458,970)
Impairment provided in accordance with law Non-accrual Loans	-	-	-	(21,314)	(21,314)
Net total	<u>\$ 16,152,169</u>	<u>\$ 154,082</u>	<u>\$ 198,237</u>	<u>\$ (21,314)</u>	<u>\$ 16,483,174</u>
December 31, 2019					
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Impairment Provided in Accordance with Law	Total
Discounts and loans	\$ 177,477,719	\$ 16,398,011	\$ 3,082,728	\$ -	\$ 196,958,458
Allowance for credit losses	(265,977)	(77,304)	(403,522)	-	(746,803)
Impairment provided in accordance with law Non-accrual Loans	-	-	-	(1,965,426)	(1,965,426)
Net total	<u>\$ 177,211,742</u>	<u>\$ 16,320,707</u>	<u>\$ 2,679,206</u>	<u>\$ (1,965,426)</u>	<u>\$ 194,246,229</u>
December 31, 2018					
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Impairment Provided in Accordance with Law	Total
Receivables	\$ 20,765,683	\$ 304,253	\$ 371,269	\$ -	\$ 21,441,205
Allowance for credit losses	(218,853)	(111,931)	(227,909)	-	(558,693)
Impairment provided in accordance with law Non-accrual Loans	-	-	-	(52,561)	(52,561)
Net total	<u>\$ 20,546,830</u>	<u>\$ 192,322</u>	<u>\$ 143,360</u>	<u>\$ (52,561)</u>	<u>\$ 20,829,951</u>
December 31, 2018					
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Impairment Provided in Accordance with Law	Total
Discounts and loans	\$ 183,751,973	\$ 15,147,609	\$ 1,390,597	\$ -	\$ 200,290,179
Allowance for credit losses	(203,195)	(49,620)	(334,761)	-	(587,576)
Impairment provided in accordance with law Non-accrual Loans	-	-	-	(2,364,553)	(2,364,553)
Net total	<u>\$ 183,548,778</u>	<u>\$ 15,097,989</u>	<u>\$ 1,055,836</u>	<u>\$ (2,364,553)</u>	<u>\$ 197,338,050</u>

b) Credit analysis for marketable securities

	December 31, 2019	
	At FVTOCI - Debt Instruments	At Amortized Cost
Gross carrying amount	\$ 138,356,027	\$ -
Allowance for impairment loss	(46,408)	-
Amortized cost	138,309,619	\$ -
Fair value adjustment	799,506	-
	<u>\$ 139,109,125</u>	

	December 31, 2018	
	At FVTOCI - Debt Instruments	At Amortized Cost
Gross carrying amount	\$ 146,682,749	\$ 499,939
Allowance for impairment loss	(35,671)	-
Amortized cost	146,647,078	\$ 499,939
Fair value adjustment	(350,775)	-
	<u>\$ 146,997,853</u>	

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

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

As of December 31, 2019 and 2018, the Group had no financial assets which were overdue but not impaired.

d. Liquidity risk

1) Source and definition of liquidity risk

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

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

2) Management strategy and principles of liquidity risk

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

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

- c) Capital management should include regular review of the asset and liability structure, and proper configuration of assets and liabilities, and should take into account the realization of assets and the stability of financing sources to plan combinations of funding sources to ensure the Group's liquidity.
- d) To establish an appropriate information system to measure, monitor and report liquidity risk.
- e) The setting of the measurement systems or models should include important factors which affect the currency risks of the Bank'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 Group should regularly conduct stress tests to evaluate the assumptions in the liquidity position and ensure that banks have sufficient liquidity to withstand stress scenarios; assessment should be made to view liquidity risk management indicators and reasonableness of limits.
- h) Develop appropriate action plans to respond to possible occurrence of liquidity crisis, and regularly review such plans to ensure that the action plans are in line with the banking operating environment and conditions, and can continue to play its role effectively.

As of December 31, 2019 and 2018, the liquidity reserve ratio was 45.89% and 45.61%, 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, 2019	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Due to Central Bank and banks	\$ 33,236,111	\$ 3,203,287	\$ -	\$ -	\$ 7,000,000	\$ 43,439,398
Financial liabilities at fair value through profit or loss	4,462	-	-	-	-	4,462
Bills and bonds sold under repurchase agreements	120,253,258	38,101,977	1,019,705	298,895	-	159,673,835
Payables	1,980,590	223,488	655,705	801,963	82,460	3,744,206
Deposits and remittances	59,938,891	87,304,453	35,541,433	51,156,436	31,790,611	265,731,824
Bank debentures payable	-	-	2,300,000	-	16,400,000	18,700,000
Other financial liabilities	2,254,831	2,475,778	824,186	2,906,201	4,448,263	12,909,259
Lease liabilities	13,625	26,616	38,988	75,071	398,865	553,165
	<u>\$ 217,681,768</u>	<u>\$ 131,335,599</u>	<u>\$ 40,380,017</u>	<u>\$ 55,238,566</u>	<u>\$ 60,120,199</u>	<u>\$ 504,756,149</u>
December 31, 2018	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Due to the Central Bank and banks	\$ 48,781,709	\$ 6,747,667	\$ -	\$ -	\$ -	\$ 55,529,376
Financial liabilities at fair value through profit or loss	4,924	-	-	-	-	4,924
Bills and bonds sold under repurchase agreements	125,561,932	24,799,314	980,470	202,797	-	151,544,513
Payables	2,183,750	431,407	2,048,855	933,391	39,034	5,636,437
Deposits and remittances	75,701,417	71,367,790	46,562,669	42,107,083	26,064,362	261,803,321
Bank notes payable	-	-	-	1,650,000	16,200,000	17,850,000
Other financial liabilities	2,154,084	1,762,372	1,079,679	3,110,559	6,927,720	15,034,414
	<u>\$ 254,387,816</u>	<u>\$ 105,108,550</u>	<u>\$ 50,671,673</u>	<u>\$ 48,003,830</u>	<u>\$ 49,231,116</u>	<u>\$ 507,402,985</u>

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

December 31, 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	134,012	220,821	59,724	23,383	-	437,940
Others	2,191	78	972	106	-	3,347
	142,897	226,291	63,439	24,490	-	457,117
Non-deliverable						
Interest rate swap contracts	-	-	-	16,182	55,821	72,003
	<u>\$ 142,897</u>	<u>\$ 226,291</u>	<u>\$ 63,439</u>	<u>\$ 40,672</u>	<u>\$ 55,821</u>	<u>\$ 529,120</u>
December 31, 2018	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Deliverable						
Forward contracts	\$ 11,258	\$ 1,022	\$ 1,669	\$ 25,214	\$ -	\$ 39,163
Currency swap contracts	335,349	55,470	215,891	13,171	-	619,881
Others	961	-	-	-	-	961
	347,568	56,492	217,560	38,385	-	660,005
Non-deliverable						
Interest rate swap contracts	-	1,647	4,000	1,334	121,362	128,343
	<u>\$ 347,568</u>	<u>\$ 58,139</u>	<u>\$ 221,560</u>	<u>\$ 39,719</u>	<u>\$ 121,362</u>	<u>\$ 788,348</u>

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

December 31, 2019	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Unused letters of credit	\$ 403,001	\$ 826,879	\$ 132,285	\$ -	\$ -	\$ 1,362,165
Other guarantees	43,119,200	72,169,983	8,528,891	4,684,122	49,390	128,551,586
Loan commitments	1,379,509	2,759,017	4,138,525	8,277,050	35,876,434	52,430,535
	<u>\$ 44,901,710</u>	<u>\$ 75,755,879</u>	<u>\$ 12,799,701</u>	<u>\$ 12,961,172</u>	<u>\$ 35,925,824</u>	<u>\$ 182,344,286</u>
December 31, 2018	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Unused letters of credit	\$ 604,084	\$ 840,096	\$ 328,568	\$ -	\$ 7,389	\$ 1,780,137
Other guarantees	41,321,550	65,333,900	7,089,769	5,998,775	128,455	119,872,449
Loan commitments	1,613,326	2,311,305	3,467,107	6,934,213	37,557,069	51,883,120
	<u>\$ 43,538,960</u>	<u>\$ 68,485,401</u>	<u>\$ 10,885,444</u>	<u>\$ 12,932,988</u>	<u>\$ 37,692,913</u>	<u>\$ 173,535,706</u>

e. Market risk

1) Source and definition of market risk

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

2) Market risk management strategy and process

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

The Bank makes the profit majorly by doing trading business through knowing well correctly how market risk of factors fluctuate. (e.g., market price, exchange rate, interest rate). More violent the market risk factors fluctuate, the bigger the opportunity of the implicit profit is. When preparing the Annual Trading Budget Report of the trading business, the Bank will refer to the overall economic and industrial analysis of the Bank itself and also the other similar business. After discussed to the full and stipulated by the president, the trading department and the market risk management

department, it is submitted to the Assets and Liabilities Committee and the Board 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 disposal. 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) Assets and Liabilities Committee: In charge of stipulating market risk management policy and monitoring the operating of market risk management. The Bank assembles related departments to hold an assets-and-liabilities assessment meeting to review the market risk management policy and the next year proposal of product parts quotas and annual stop-loss of the trading business expected to be submitted to the Board.
- 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 and rate changes can cover all possible fluctuation in one day. Based on this assumption, the Value at Risk of financial assets and liabilities in the table have one in hundred days possibility more than the amount in the table due to the fluctuation of interest, rate and stock prices. Annual average value, maximum value and minimum value are calculated based on daily Value at Risk. The total market risk value of the bank is less than the sum of the fair value risk value, rate risk value and price risk value of interest changes.

O-Bank

	December 31					
	2019			2018		
	Average	High	Low	Average	High	Low
Currency exchange rate risk	\$ 1,507	\$ 4,271	\$ 20	\$ 960	\$ 7,992	\$ 105
Fair value risk resulting from interest rate	1,421	5,410	121	2,551	8,991	-
Fair value resulting from stock price	5,999	14,831	812	7,114	14,004	321

6) Foreign currency rate risk information

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

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

	December 31, 2019		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary item			
USD	\$ 2,739,381	30.1107	\$ 82,484,755
JPY	2,524,040	0.2770	699,261
HKD	7,807,860	3.8680	30,200,802
EUR	25,308	33.7536	854,220
AUD	1,652	21.0967	34,842
RMB	2,516,282	4.3218	10,874,917
<u>Financial liabilities</u>			
Monetary item			
USD	3,567,802	30.1107	107,429,113
JPY	1,483,011	0.2770	410,853
HKD	4,926,752	3.8680	19,056,676
EUR	14,796	33.7536	499,413
AUD	7,009	21.0967	147,871
RMB	1,811,762	4.3218	7,830,108

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

f. Banking book interest risk

1) Source and definition of banking book interest risk

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

2) Banking book interest risk management strategy and process

The Bank controls this interest 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 banking book interest risk within the limit.

3) Banking book interest risk management organization and framework

- a) The Board of Directors: It is the top bank book interest risk supervising organization. The product part quotas and total annual stop-loss quotas of the trading business market risk monitored and managed by the Bank and approved by the Board are the top stipulation in banking book interest risk.
- b) Assets and Liabilities Committee: In charge of stipulating bank book interest risk management policy and monitoring the operating of banking book interest risk management. The Bank assembles related departments to hold an assets-and-liabilities assessment meeting to review the banking book interest risk management conditions and the result of interest pressure test once a month.

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

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

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, net income interest rate sensitivity warning limit: Interest rate rise/fall 25bps, 50bps, 75bps, 100bps.

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

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

The Risk Management Department calculates the exposure amount of each trading departments and traders and 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			
	2019		2018	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>				
Due from banks (part of cash and cash equivalents and other financial assets)	\$ 1,083,859	2.69	\$ 1,094,656	2.33
Call loans to banks	14,720,683	1.56	9,580,197	1.34
Due from the Central Bank	5,087,055	0.63	4,327,135	0.67
Financial assets at FVTPL	66,204,070	0.64	45,155,273	0.62
Bills and bonds purchased under resell agreements	34,904	0.16	358,849	0.21
Discounts and loans	178,218,274	2.65	176,133,124	2.58
Financial assets at FVTOCI	37,853,046	1.89	45,677,257	1.57
Investments in debt instruments at amortized costs	271,215	1.15	499,876	1.15
Receivables	1,232,168	2.45	2,178,908	2.37
(Continued)				

	For the Year Ended December 31			
	2019		2018	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-bearing liabilities</u>				
Due to the Central Bank and banks	\$ 25,504,367	1.94	\$ 34,530,412	1.74
Demand deposits	46,431,809	0.48	37,420,897	0.48
Time deposits	193,697,613	1.37	177,495,807	1.17
Bills and bonds sold under repurchase agreements	4,082,774	0.50	5,262,897	0.73
Bank debentures payable	18,671,233	2.03	20,373,836	2.08
Other financial liabilities	3,670,516	-	4,946,764	-
				(Concluded)

China Bills Finance Corporation (CBF)

	December 31			
	2019		2018	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>				
Cash and cash equivalents (including certificate of deposits)	\$ 818,427	0.12	\$ 812,169	0.16
Call loans to banks	35,342	0.20	9,945	0.21
Financial assets at fair value through profit or loss - bonds and bills	92,696,926	0.61	89,719,489	0.58
FTVOCI - debt instruments	97,982,784	1.35	97,039,689	1.33
Financial instruments at fair value through profit or loss - hybrid financial assets	7,691,212	1.55	6,467,912	1.51
Securities purchased under resell agreements	1,197,135	0.34	3,984,373	0.35
<u>Interest-bearing liabilities</u>				
Due to other banks	16,404,175	0.77	17,717,031	0.62
Bank overdraft	2,046	1.78	1,910	1.75
Securities sold under repurchase agreements	159,903,209	0.64	157,117,047	0.53
Commercial paper issued, net	865,753	0.62	1,568,219	0.56

47. CAPITAL MANAGEMENT

a. Strategies to maintain capital adequacy

The Group'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 is determined 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.

c. Capital adequacy ratio

O-Bank

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

Items \ Year			December 31, 2018	
			Standalone Capital Adequacy Ratio	Consolidated Capital Adequacy Ratio
Eligible capital	Common equity		\$ 23,857,101	\$ 42,039,566
	Other Tier 1 capital		750,999	2,248,225
	Tier 2 capital		4,518,127	7,639,991
	Eligible capital		29,126,227	51,927,782
Risk-weighted assets	Credit risk	Standardized approach	196,614,687	308,063,174
		Internal rating based approach	-	-
		Securitization	-	-
	Operational risk	Basic indicator approach	8,071,238	9,260,225
		Standardized/alternative standardized approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standardized approach	8,099,200	76,233,338
		Internal model approach	-	-
	Total risk-weighted assets		212,785,125	393,556,737
Capital adequacy ratio			13.69%	13.19%
Ratio of common equity to risk-weighted assets			11.21%	10.68%
Ratio of Tier 1 capital to risk-weighted assets			11.56%	11.25%
Leverage ratio			7.16%	6.86%

Note 1: Eligible capital and risk-weighted assets 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, in 2019 and 2018, the Bank’s standalone and consolidated capital adequacy ratio shall not be lower than 10.5% and 9.875%, respectively. The ratio of Tier 1 capital shall not be lower than 8.5% and 7.875%, respectively. The ratio of common equity shall not be lower than 7.0% and 6.375%, respectively. Should any actual ratios be lower than the requirements, the central competent authority has the right to constrain the earnings distribution.

China Bills Finance Corporation

Items		Year	December 31, 2019	December 31, 2018
Eligible capital	Tier 1 capital		\$ 23,198,939	\$ 22,793,703
	Tier 2 capital		108,144	-
	Tier 3 capital		295,820	144,775
	Eligible capital		23,602,903	22,938,478
Risk-weighted assets	Credit risk		120,219,765	114,285,372
	Operational risk		3,993,818	4,145,623
	Market risk		61,676,900	59,619,238
	Total risk-weighted assets		185,890,483	178,050,233
Capital adequacy ratio (Note)			12.70%	12.88%
Ratio of Tier 1 capital to risk-weighted assets (Note)			12.48%	12.80%
Ratio of Tier 2 capital to risk-weighted assets (Note)			0.06%	-
Ratio of Tier 3 capital to risk-weighted assets (Note)			0.16%	0.08%
Ratio of common shareholders' equity to total assets (Note)			6.80%	6.73%

Note: 1) Capital adequacy ratio = Eligible capital ÷ Risk-weighted assets.

- 2) The amount of total assets mentioned above is calculated by summarizing all assets on the balance sheet.
- 3) The capital adequacy ratio (CAR) should be computed at the end of June and December. In quarterly report, the capital adequacy ratio disclosed is the data of related period (the end of June or December).
- 4) The calculation method of eligible capital and risk-weighted assets should follow the “bills finance company’s capital adequacy management approach” and “calculation and description of bills finance capital and risk assets”.

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

O-Bank

a. Credit risk

- 1) Asset quality of loans: See Table 5.

2) Concentration of credit extensions

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 (LCD and component 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

December 31, 2018

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

b. Market risk

Interest Rate Sensitivity Balance Sheet (New Taiwan Dollars)
December 31, 2019

(In Thousands of New Taiwan Dollars or in %)

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	\$ 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%

December 31, 2018

(In Thousands of New Taiwan Dollars or in %)

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	\$ 153,895,676	\$ 3,701,113	\$ 5,156,795	\$ 59,203,989	\$ 221,957,573
Interest rate-sensitive liabilities	80,313,253	45,671,299	41,035,656	45,437,973	212,458,181
Interest rate-sensitive gap	73,582,423	(41,970,186)	(35,878,861)	13,766,016	9,499,392
Net worth					29,476,185
Ratio of interest rate-sensitive assets to liabilities					104.47%
Ratio of interest rate sensitivity gap to net worth					32.23%

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, 2019

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

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	\$ 1,395,585	\$ 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%

December 31, 2018

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

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	\$ 1,496,271	\$ 15,499	\$ 36,800	\$ 968,185	\$ 2,516,755
Interest rate-sensitive liabilities	1,892,767	520,320	87,390	-	2,500,477
Interest rate-sensitive gap	(396,496)	(504,821)	(50,590)	968,185	16,278
Net worth					64,062
Ratio of interest rate-sensitive assets to liabilities					100.65%
Ratio of interest rate sensitivity gap to net worth					25.41%

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, 2019	For the Year Ended December 31, 2018
Return on total assets	Before income tax	0.36	0.36
	After income tax	0.33	0.30
Return on equity	Before income tax	3.71	3.68
	After income tax	3.37	3.12
Net income ratio		20.74	20.18

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

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

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

Note 4: Income before (after) income tax represents income for the years ended December 31, 2019 and 2018.

2) Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities (New Taiwan Dollars)
December 31, 2019

(In Thousands of New Taiwan Dollars)

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 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

December 31, 2018

(In Thousands of New Taiwan Dollars)

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 261,684,702	\$ 66,366,860	\$ 21,782,255	\$ 22,834,590	\$ 18,588,439	\$ 19,785,994	\$ 112,326,564
Main capital outflow on maturity	299,504,646	31,670,930	36,010,964	52,474,249	41,206,123	49,853,927	88,288,453
Gap	(37,819,944)	34,695,930	(14,228,709)	(29,639,659)	(22,617,684)	(30,067,933)	24,038,111

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

Maturity Analysis of Assets and Liabilities (U.S. Dollars)
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

December 31, 2018

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 3,865,995	\$ 1,551,474	\$ 698,979	\$ 509,652	\$ 324,982	\$ 780,908
Main capital outflow on maturity	4,008,431	1,858,382	1,012,637	522,411	207,076	407,925
Gap	(142,436)	(306,908)	(313,658)	(12,759)	117,906	372,983

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

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

Maturity Analysis of Overseas Assets and Liabilities (U.S. Dollars)
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

December 31, 2018

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 1,071,742	\$ 487,386	\$ 155,816	\$ 43,623	\$ 20,899	\$ 364,018
Main capital outflow on maturity	1,071,400	510,060	289,780	90,435	45,654	135,471
Gap	342	(22,674)	(133,964)	(46,812)	(24,755)	228,547

China Bills Finance Corporation

a. Asset quality

Item	Year	December 31, 2019	December 31, 2018
Balance of guarantees and endorsement credits overdue within 3 months		\$ -	\$ -
Nonperforming debts (include overdue receivables)		-	-
Credits under observation		-	-
Overdue receivables		-	-
Ratio of nonperforming debts		0.00%	0.00%
Ratio of nonperforming debts and credits under observation		0.00%	0.00%
Required provision for credit losses and reserve for losses on guarantees		1,207,848	1,045,899
Actual provision for credit losses and reserve for losses on guarantees		1,325,077	1,310,077

b. The principal operation

Item	Year	December 31, 2019	December 31, 2018
Balance of guarantees and endorsement securities		\$ 108,292,200	\$ 104,434,900
Ratio of guarantees and endorsement securities to net worth (Note)		4.94	4.77
Short-term bills and bonds sold under repurchase agreements		\$ 156,809,643	\$ 147,142,872
Ratio of short-term bills and bonds sold under repurchase agreements to net worth (Note)		7.15	6.72

c. The provision policy losses and allowance for doubtful accounts please refer to Note 13.

d. Concentrations of credit extensions

Item	Year	December 31, 2019		December 31, 2018	
Credit to common interest party		\$ -		\$ -	
Ratio of credit extensions to common interest parties		-		-	
Ratio of credit extensions secured by pledged shares		23.02		19.80	
Loan concentration by industry (ratio of top three industry to which credit line issued to credit extension balance)	Type of Industry	%		Type of Industry	%
	Finance and insurance industry	33.51		Finance and insurance industry	36.16
	Manufacturing industry	22.00		Manufacturing industry	22.25
	Real estate industry	24.02		Real estate industry	22.94

Note 1: Ratio of credit extensions to common interest parties: Credit to common interest party ÷ Total credit.

Note 2: Ratio of credit extensions secured by pledged stocks: Credit with stocks pledged ÷ Total credit.

Note 3: Total credit included guarantees, endorsement notes and overdue credit (including overdue receivables, accounts receivable, and notes receivable.)

e. Interest rate sensitivity information of the balance sheet

December 31, 2019

(In Millions of New Taiwan Dollars, %)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	\$ 82,919	\$ 8,734	\$ 7,245	\$ 94,970	\$ 193,868
Interest rate-sensitive liabilities	169,877	1,017	297	-	171,191
Interest rate-sensitive gap	(86,958)	7,717	6,948	94,970	22,677
Net worth					23,855
Ratio of interest rate-sensitive assets to liabilities (%)					113.25
Ratio of interest rate sensitivity gap to net worth (%)					95.06

December 31, 2018

(In Millions of New Taiwan Dollars, %)

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

Note 1: Interest rate-sensitive assets and liabilities mean the revenues or costs of interest-earning assets and interest-bearing liabilities affected by interest rate changes.

Note 2: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities (in New Taiwan dollars).

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

f. The use of funding sources table

December 31, 2019

(In Millions of New Taiwan Dollars)

Period		1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year
Items						
Cash used in	Bills	\$ 33,932	\$ 44,304	\$ 3,974	\$ 253	\$ -
	Bonds	2,203	2,135	4,760	6,992	94,970
	Due from banks	245	-	-	-	-
	Call loans	-	-	-	-	-
	Securities purchased under resell agreements	100	-	-	-	-
	Total	36,480	46,439	8,734	7,245	94,970
Cash provided by	Borrowing	14,501	-	-	-	-
	Securities sold under repurchase agreements	117,328	38,048	1,017	297	-
	Eligible capital	-	-	-	-	23,855
	Total	131,829	38,048	1,017	297	23,855
Net cash flows		(95,349)	8,391	7,717	6,948	71,115
Accumulated cash flows		(95,349)	(86,958)	(79,241)	(72,293)	(1,178)

December 31, 2018

(In Millions of New Taiwan Dollars)

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

g. Matters requiring special notation

Causes	December 31, 2019	December 31, 2018
Within the past year, a responsible person or professional employee violated the law in the course of business, resulting in an indictment by a prosecutor	None	None
Within the past year, a fine was levied on for violations of the Act Governing Bills Finance Business and the other laws	None	None
Within the past year, misconduct occurred, resulting in the Ministry of Finance's imposing strict corrective measures	None	None
Within the past year, the individual loss or total loss from employee fraud, accidental and material events, or failure to abide by the "Guidelines for Maintenance of Soundness of Financial Institutions" which exceeded NT\$50 million dollars	None	None
Other	None	None

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

49. CASH FLOWS INFORMATION

Changes in Liabilities from Financing Activities

For the year ended December 31, 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	542,298	(172,883)	166,337	(36,920)	498,832
Other financial liabilities	15,034,414	(2,125,274)	-	119	12,909,259
Other liabilities	<u>2,400,842</u>	<u>(40,612)</u>	<u>-</u>	<u>36</u>	<u>2,360,266</u>
	<u>\$ 35,827,554</u>	<u>\$ (1,488,769)</u>	<u>\$ 166,337</u>	<u>\$ (36,765)</u>	<u>\$ 34,468,357</u>

For the year ended December 31, 2018

	January 1, 2018	Cash Inflow (Outflow)	None Cash		December 31, 2018
			Other		
Bank debentures payable	\$ 20,400,000	\$ (2,550,000)	\$ -	\$ -	\$ 17,850,000
Other financial liabilities	22,337,877	(7,303,463)	-	-	15,034,414
Other liabilities	<u>2,477,851</u>	<u>(71,251)</u>	<u>(5,758)</u>		<u>2,400,842</u>
	<u>\$ 45,215,728</u>	<u>\$ (9,924,714)</u>	<u>\$ (5,758)</u>		<u>\$ 35,285,256</u>

50. ADDITIONAL DISCLOSURES

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

- 1) Financing provided: The Group - not applicable; investees - Table 1 (attached)
- 2) Endorsement/guarantee provided: The Group - not applicable; investees - Table 2 (attached)
- 3) Marketable securities held: The Group - not applicable; investees - Table 3 (attached)
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 10% of the paid-in capital: None
- 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 nonperforming loans - Table 4 (attached)
- 10) Information of applying for authorization of securitized product type according to the "Regulations of Financial Assets Securitization or Regulations of Real Estate Securitization": None

- 11) Other significant transactions which may affect the decisions of users of financial reports: None
- 12) Related information and total stockholding circumstances of “Name, locations and other information of investees on which the Group exercises significant influence.” Table 6 (attached)
- 13) Derivative instrument transactions: Note 8 to the financial statements.
- b. Investment in mainland China: Table 7 (attached)

51. OPERATING SEGMENT FINANCIAL INFORMATION

The Group provides CODM to assess segment performance, focusing on the nature of business operations, assets and profit and loss. The accounting policies of each operating segment are described in Note 4 the same significant accounting policies. The Group shall be reported to the operating divisions are as follows:

- a. Bank: Business ruled in Law of Bank Article 71.
- b. Overseas: Overseas banking business.
- c. Leasing: Leasing business.
- d. Bills: Bills related Business approved by the competent authority.
- e. Others: Other non-core businesses.

The following was an analysis of the Group’s revenue and results by reportable segment.

	Bank	Overseas	Leasing	Bills	Others	Adjustments and Eliminations	Consolidated
For the year ended December 31, 2019							
Net interest							
From unaffiliated segment	\$ 1,960,682	\$ 1,043,047	\$ 704,638	\$ 176,315	\$ (33)	\$ 333	\$ 3,884,982
From other segment	(3,232)	-	4	-	203	2,915	(110)
	<u>\$ 1,957,450</u>	<u>\$ 1,043,047</u>	<u>\$ 704,642</u>	<u>\$ 176,315</u>	<u>\$ 170</u>	<u>\$ 3,248</u>	<u>\$ 3,884,872</u>
Net revenue other than interest							
From unaffiliated segment	\$ 3,311,854	\$ 47,300	\$ 329,474	\$ 1,873,418	\$ 11,210	\$ -	\$ 5,573,256
From other segment	35,911	-	(5,347)	(34,965)	5,220	(1,146,996)	(1,146,177)
	<u>\$ 3,347,765</u>	<u>\$ 47,300</u>	<u>\$ 324,127</u>	<u>\$ 1,838,453</u>	<u>\$ 16,430</u>	<u>\$ (1,146,996)</u>	<u>\$ 4,427,079</u>
Income from continuing operation	<u>\$ 1,100,433</u>	<u>\$ 420,604</u>	<u>\$ 369,377</u>	<u>\$ 1,244,653</u>	<u>\$ 1,014</u>	<u>\$ (1,105,447)</u>	<u>\$ 2,030,634</u>
Identifiable assets	<u>\$ 320,332,662</u>	<u>\$ 28,636,176</u>	<u>\$ 13,854,997</u>	<u>\$ 197,539,559</u>	<u>\$ 232,563</u>	<u>\$ 104,059</u>	<u>\$ 560,700,016</u>
Depreciation and amortization	<u>\$ 512,931</u>	<u>\$ 56,471</u>	<u>\$ 39,459</u>	<u>\$ 24,484</u>	<u>\$ 1,075</u>	<u>\$ (16,987)</u>	<u>\$ 617,433</u>
Capital expenditure	<u>\$ 97,152</u>	<u>\$ 1,655</u>	<u>\$ 16,472</u>	<u>\$ 10,116</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 125,395</u>

	Bank	Overseas	Leasing	Bills	Others	Adjustments and Eliminations	Consolidated
For the year ended December 31, 2018							
Net interest							
From unaffiliated segment	\$ 2,191,721	\$ 980,290	\$ 719,689	\$ 341,365	\$ 24	\$ (8,980)	\$ 4,224,109
From other segment	<u>(10,200)</u>	<u>-</u>	<u>336</u>	<u>1,243</u>	<u>445</u>	<u>8,176</u>	<u>-</u>
	<u>\$ 2,181,521</u>	<u>\$ 980,290</u>	<u>\$ 720,025</u>	<u>\$ 342,608</u>	<u>\$ 469</u>	<u>\$ (804)</u>	<u>\$ 4,224,109</u>
Net revenue other than interest							
From unaffiliated segment	\$ 2,516,644	\$ 42,667	\$ 266,344	\$ 1,664,667	\$ 15,591	\$ -	\$ 4,505,913
From other segment	<u>31,718</u>	<u>-</u>	<u>-</u>	<u>(30,068)</u>	<u>(925)</u>	<u>(908,834)</u>	<u>(908,109)</u>
	<u>\$ 2,548,362</u>	<u>\$ 42,667</u>	<u>\$ 266,344</u>	<u>\$ 1,634,599</u>	<u>\$ 14,666</u>	<u>\$ (908,834)</u>	<u>\$ 3,597,804</u>
Income from continuing operation	<u>\$ 954,659</u>	<u>\$ 377,280</u>	<u>\$ 140,702</u>	<u>\$ 1,335,419</u>	<u>\$ (510)</u>	<u>\$ (868,020)</u>	<u>\$ 1,939,530</u>
Identifiable assets	<u>\$ 320,219,718</u>	<u>\$ 27,310,825</u>	<u>\$ 14,408,102</u>	<u>\$ 199,531,032</u>	<u>\$ 216,392</u>	<u>\$ 155,505</u>	<u>\$ 561,841,574</u>
Depreciation and amortization	<u>\$ 382,934</u>	<u>\$ 18,427</u>	<u>\$ 15,005</u>	<u>\$ 8,426</u>	<u>\$ 222</u>	<u>\$ -</u>	<u>\$ 425,014</u>
Capital expenditure	<u>\$ 231,412</u>	<u>\$ 54,096</u>	<u>\$ 10,784</u>	<u>\$ 1,998</u>	<u>\$ 3</u>	<u>\$ 1,798</u>	<u>\$ 300,091</u>

Note 1: Explanation:

- a. Issuing entity: 0.
 - b. Invested companies were sequentially numbered from No. 1.
- Note 2: Loan type: Business "1"; short-term financial intermediation "2".

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

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

(Concluded)

O-BANK AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED FOR THE YEAR ENDED DECEMBER 31, 2019 (In Thousands of New Taiwan Dollars)

No. (Note 1)	Endorser/ Guarantor	Endorsee/Guaranteee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 3)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries (Note 4)	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship (Note 2)										
1	IBT Leasing	IBT International Leasing Corp. IBT VII Venture Capital Co., Ltd.	b b	\$ 18,888,376 18,888,376	\$ 15,220,159 80,000	\$ 12,238,345 80,000	\$ 4,307,911 80,000	\$ - -	518.34 3.39	\$ 28,332,563 28,332,563	No No	No No	Yes No

Note 1: Explanation:

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

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

- a. Trading partner.
- b. Directly owns over 50% of the common stocks of the subsidiary.
- c. The Bank and subsidiary own over 50% ownership of the investee company.
- d. A parent company that own over 50% ownership of the company directly or through a subsidiary.
- e. Guaranteed by the Bank according to the construction contract.
- f. An investee company, for which the guarantees were provided based on the Bank's proportionate share in the investee company.

Note 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 AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2019			Note
				Stocks/Units (Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value
IBT Holdings	Stocks EverTrust Bank	Subsidiaries	Investments accounted for using the equity method	10,714	US\$ 174,519	91.78	US\$ 174,519
	Closed type beneficiary certificate O-Bank Real Estate Investment Trust “Successful One”	-	Financial asset at FVTOCI	3,059	29,978	1.02	29,978
IBT Management Corp.	Stocks Thunder Tiger Biotechnology Co., Ltd	-	Financial asset at FVTPL	1,791	53,592	7.49	53,592
	TaiRx Co., Ltd	-	Financial asset at FVTPL	511	9,813	0.84	9,813
	Mimoto (Samoa) Co., Ltd.	-	Financial asset at FVTPL	25,974	24,419	2.41	24,419
	Houdou Pinshan (Cayman) Co., Ltd.	-	Financial asset at FVTPL	500	13,286	2.17	13,286
	Gatetech Technology Co., Ltd.	-	Financial asset at FVTOCI	102	969	0.18	969
IBT Leasing Co., Ltd.	Closed type beneficiary certificate O-Bank Real Estate Investment Trust “Successful One”	-	Financial asset at FVTOCI	12,260	120,148	4.09	120,148
IBT VII Venture Capital Co., Ltd.	Stocks IBT International Leasing Corp. IBT VII Venture Capital Co., Ltd.	Subsidiaries Subsidiaries	Investments accounted for using the equity method Investments accounted for using the equity method	- 65,000	2,211,898 454,526	95.00 100.00	2,211,898 454,526
	Closed type beneficiary certificate O-Bank Real Estate Investment Trust “Successful One”	-	Financial asset at FVTOCI	14,000	137,200	4.67	137,200
	Stocks IBT International Leasing Corp. TAIRX Corp.	Subsidiaries -	Investments accounted for using the equity method Financial asset at FVTPL	- 3,818	116,416 73,348	5.00 6.25	116,416 73,348
	Meridigen Corp. Femcosteel Tech Co., Ltd.	- -	Financial asset at FVTPL Financial asset at FVTPL	500 1,298	8,266 35,241	0.55 3.10	8,266 35,241
	Shihlian China Holdings Corp. New Applied Materials Co., Ltd. Polaris Co., Ltd.	- - -	Financial asset at FVTPL Financial asset at FVTPL Financial asset at FVTPL	9,135 539 140	43,089 13,881 2,462	0.21 0.92 0.04	43,089 13,881 2,462

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2019			Note
				Stocks/Units (Thousands)	Carrying Amount	Percentage of Ownership (%)	
	BioResource International, Inc.	-	Financial asset at FVTPL	1,105	\$ 76,735	5.91	Note 2
	Chipwell tech corporation	-	Financial asset at FVTPL	391	2,339	2.61	Note 2
	Biocontrol Gene Vaccine Co., Ltd.	-	Financial asset at FVTPL	1,008	1,285	0.98	Note 2
	Reber Genetics Co., Ltd.	-	Financial asset at FVTPL	2,322	8,869	2.20	Note 2
	Kaohsiung Rapid Transit Corporation All Rights Reserved.	-	Financial asset at FVTPL	3,845	46,573	1.38	

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

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

(Concluded)

O-BANK AND SUBSIDIARIES

SALES OF NONPERFORMING LOANS
FOR THE YEAR ENDED DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. Sales of nonperforming loans

Trade Date	Trade Name	Creditor Composition Content	Book Value	Price	Dispose of Profit and Loss	With Agreed Conditions	The Relationship Between the Transaction Object and The Bank
June 21, 2019 August 12, 2019	TANG, YIU PONG NOBLE GATE GROUP LIMITED	Residential mortgage Commercial mortgage	\$ 116,525 74,840	\$ 116,525 74,840	\$ - -	None None	None None

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

O-BANK AND SUBSIDIARIES

NON-PERFORMING LOANS AND ACCOUNTS RECEIVABLE
DECEMBER 31, 2019 AND 2018

(In Thousands of New Taiwan Dollars or in %)

Period		December 31, 2019					December 31, 2018				
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	\$ 1,083,937	\$ 82,689,386	1.31	\$ 1,019,122	94.02	\$ 21,623	\$ 85,631,246	0.03	\$ 1,036,438	4,793.22
	Unsecured	230,128	71,322,123	0.32	1,117,229	485.48	-	85,108,167	-	1,480,041	-
	Housing mortgage (Note 4)	-	17,466,495	-	240,775	-	-	8,074,049	-	121,111	-
	Cash card	-	-	-	-	-	-	-	-	-	-
Consumer banking	Small-scale credit loans	11,334	4,928,748	0.23	48,448	427.47	5,714	3,245,770	0.18	33,214	581.27
	Secured	-	-	-	-	-	-	-	-	-	-
	Unsecured	-	-	-	-	-	-	-	-	-	-
Total lending business		1,325,399	176,406,752	0.75	2,425,574	183.01	27,337	182,059,232	0.02	2,670,804	9,769.92
Credit cards	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
	Factored accounts receivable without recourse (Note 5)	-	1,585,725	-	-	-	-	4,714,725	-	50,500	-
		Exempt from Reporting the Total Balance of Overdue Loans	Exempt from Reporting the Total Balance of Overdue Loans	Exempt from Reporting the Total Balance of Overdue Loans	Exempt from Reporting the Total Balance of Overdue Loans	Exempt from Reporting the Total Balance of Overdue Loans	Exempt from Reporting the Total Balance of Overdue Loans	Exempt from Reporting the Total Balance of Overdue Loans	Exempt from Reporting the Total Balance of Overdue Loans	Exempt from Reporting the Total Balance of Overdue Loans	Exempt from Reporting the Total Balance of Overdue Loans
Exempt amount - due to debt negotiation and performance (Note 6)		\$ -	-	-	\$ -	-	\$ -	-	-	\$ -	-
Debt settlement plan and rehabilitative program (Note 7)		-	734	-	-	-	-	-	-	-	-
Total			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: As required by the Banking Bureau in its letter dated July 19, 2005 (Ref. No. 0945000494), factored accounts receivable without recourse are reported as nonperforming receivables within three months after the factoring or insurance companies refuse to indemnify banks for any liabilities on these accounts.

Note 6: According to the letter of the Bank of China Ref. No. 09510001270 dated April 25, 2006, the letters of credit and the information disclosure requirements as required by the "Unsecured Debt Negotiation Mechanism for Consumer Financial Cases of the Republic of China Banking Association" should include supplemental disclosures of related matters.

Note 7: According to the letter of the Bank of China Ref. No. 09700318940 dated September 15, 2008 and the letter of the Bank of China Ref. No. 10500134790 dated September 20, 2016 regarding the "Consumer Debt Clearance Regulations" for pre-negotiation, rehabilitation and liquidation cases, credit reporting and the information disclosure requirements should include supplemental disclosures of related matters.

O-BANK AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEE OVER WHICH THE BANK EXERCISES SIGNIFICANT INFLUENCE
FOR THE YEAR ENDED DECEMBER 31, 2019
(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 (%)	
<u>Financial institution</u>									
Investments accounted for using the equity method									
China Bills Finance Corp.	Taipei City, Taiwan	Bonds underwriting, dealing and brokerage of securities	28.37	\$ 6,700,500	\$ 353,093	382,532	-	382,532	28.48
IBT Holdings Corp.	California, America	Holding company	100.00	5,294,014	385,991	10,869	-	10,869	100.00
IBT Leasing Co., Ltd.	Taipei City, Taiwan	Leasing company	100.00	2,361,173	363,808	264,300	-	264,300	100.00
IBT Management Corp.	Taipei City, Taiwan	Investment consulting	100.00	226,457	(2,589)	13,400	-	13,400	100.00
<u>Non-financial institution</u>									
Investments accounted for using the equity method									
Chun Teng New Century Co., Ltd.	Taipei City, Taiwan	Securities investment consulting	99.75	338,027	(1,823)	318,281	-	318,281	99.75
Financial assets at FVTOCI									
Taiwan Mobile Payment Co., Ltd.	Taipei City, Taiwan	Information Software Services Industry	0.50	1,691	-	300	-	300	0.50
Dio Investment Ltd.	Cayman Island	Coffee retail	8.82	52,281	-	6,997	-	6,997	8.82
Shihlien China Holdings Co., Ltd.	Hong Kong	Chemical Industries	1.21	246,127	-	52,182	-	52,182	1.21
Shengzhuang Holdings Limited	Cayman Island	Chemical material manufacturing	2.18	22,305	-	244	-	244	2.18

O-BANK AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2019
(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	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019
					Outflow	Inflow (Note 8)					
Shinlien Chemical Industrial Jiangsu Co.	Production of glass materials	\$ 24,088,586 (US\$ 800,000)	Note 1 c.	\$ 207,704 (US\$ 6,898)	\$ -	\$ -	\$ 207,704 (US\$ 6,898)	1.39	\$ -	\$ 207,704 (US\$ 6,898)	\$ -
Shinlien Brine Huaian Co.	Production of glass materials	963,543 (US\$ 32,000)	Note 1 c.	10,027 (US\$ 333)	-	-	10,027 (US\$ 333)	1.39	-	10,027 (US\$ 333)	-
Suzhou Dio F&B Management Co., Ltd.	Coffee retailing	463,675 (US\$ 15,399)	Note 1 c.	60,221 (US\$ 2,000)	-	-	60,221 (US\$ 2,000)	2.60	-	60,221 (US\$ 2,000)	-
Ou Suomiluo Food Co., Ltd.	Coffee retailing	43,231 (RMB 10,000)	Note 1 c.	15,055 (US\$ 500)	-	-	15,055 (US\$ 500)	2.09	-	15,055 (US\$ 500)	-
Beijing Shengzhuang Co., Ltd.	Cosmetic OEM	236,746 (RMB 54,300)	Note 1 c.	60,221 (US\$ 2,000)	-	-	60,221 (US\$ 2,000)	2.175	-	60,221 (US\$ 2,000)	-
Shanghai Douniushi F&B Management Co., Ltd.	Restaurant retailing	130,379 (US\$ 4,330)	Note 1 c.	17,615 (US\$ 585)	-	17,615 (US\$ 585)	-	-	-	-	-
Topping Cuisine International Holding, Ltd.	Food retailing	156,576 (US\$ 5,200)	Note 1 c.	17,615 (US\$ 585)	-	17,615 (US\$ 585)	-	-	-	-	-
Shanghai Dou Mao Food Management Co., Ltd.	Trading	6,022 (US\$ 200)	Note 1 c.	120 (US\$ 4)	-	120 (US\$ 4)	-	-	-	-	-
Beauty Essential International, Ltd.	Cosmetic retailing	90,332 (US\$ 3,000)	Note 1 c.	23,667 (US\$ 786)	-	23,667 (US\$ 786)	-	-	-	-	-
Meike information technology	Cosmetic retailing information technology	51,188 (US\$ 1,700)	Note 1 c.	-	482 (US\$ 16)	482 (US\$ 16)	-	-	-	-	-

(Continued)

Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$353,228 (US\$11,731)	\$353,228 (US\$11,731)	Note 3

IBT Leasing Co., Ltd.

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019
					Outflow	Inflow					
IBT International Leasing Corp.	Leasing	\$ 1,957,197 (US\$ 65,000)	Note 1 d.	\$ 1,589,847 (US\$ 52,800)	\$ -	\$ -	\$ 1,589,847 (US\$ 52,800)	100.00	\$ 313,191 (Notes 2 and 6)	\$ 2,211,898 (Note 6)	\$ -

Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$1,589,847 (US\$52,800)	\$1,589,847 (US\$52,800)	Note 4

IBT Management Corp.

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019
					Outflow (Note 8)	Inflow					
Shanghai Douniushi F&B Management Co., Ltd.	Restaurant retailing	\$ 130,379 (US\$ 4,330)	Note 1 c.	\$ -	\$ 2,168 (US\$ 72)	\$ -	\$ 2,168 (US\$ 72)	2.17	\$ -	\$ 2,168 (US\$ 72)	\$ -
Topping Cuisine International Holding, Ltd.	Food retailing	156,576 (US\$ 5,200)	Note 1 c.	-	12,767 (US\$ 424)	-	12,767 (US\$ 424)	2.17	-	12,767 (US\$ 424)	-
Shanghai Dou Mao Food Management Co., Ltd.	Trading	6,022 (US\$ 200)	Note 1 c.	-	211 (US\$ 7)	-	211 (US\$ 7)	2.17	-	211 (US\$ 7)	-
Beauty Essential International, Ltd.	Cosmetic retailing	90,332 (US\$ 3,000)	Note 1 c.	-	20,626 (US\$ 685)	-	20,626 (US\$ 685)	2.64	-	20,626 (US\$ 685)	-
Meike information technology	Cosmetic retailing information technology	51,188 (US\$ 1,700)	Note 1 c.	-	964 (US\$ 32)	-	964 (US\$ 32)	2.41	-	964 (US\$ 32)	-

(Continued)

Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$36,736 (US\$1,200)	Note 9	Note 9

IBT VII Venture Capital Co., Ltd.

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019
					Outflow	Inflow					
IBT International Leasing Corp.	Leasing	\$ 1,957,198 (US\$ 65,000)	Note 1 d.	\$ 367,351 (US\$ 12,200)	\$ -	\$ -	\$ 367,351 (US\$ 12,200)	5.00 (Note 5)	\$ 16,484 (Note 2 and 6)	\$ 116,416 (Note 6)	\$ -

Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$367,351 (US\$12,200)	\$367,351 (US\$12,200)	\$272,716 (Note 7)

Note 1: There were five investment approaches stated as follows.

- Investment in mainland China by remittance via a third country.
- Indirect investment in mainland China via setting a company in a third country.
- Indirect investment in mainland China via investing in a current company in a third country. (Via investing Shilien China Holding Co., Limited, Dio Investment, Ltd., Shengzhuang Holding, Ltd., Topping Cuisine International Holding, Ltd., and Beauty Essential International, Ltd.)
- Direct investment in mainland China.
- Others.

Note 2: From financial statements audited by other CPA.

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

Note 4: IBT Leasing Co., Ltd. obtained the documents issued by the Industrial Bureau of the Ministry of Economic Affairs in line with the operational headquarters in September 2018, so it is not under “the regulation of investing or technology-cooperation in China”.

Note 5: IBT Tianjin International Leasing Corp. was merged by IBT Leasing Co., Ltd. of January 1, 2019. IBT Leasing Co., Ltd. holds 95% stock of IBT International Leasing Corp. directly and 5% indirectly through IBT VII Venture Capital Co., Ltd.

Note 6: The accumulated investment amount of IBT Tianjin International Leasing Corp., which recognizes the investment profit and loss and the book value of the investment at the end of the period, is expressed as 95% held by IBT Leasing Co., Ltd. and 5% indirectly through IBT VII Venture Capital Co., Ltd.

(Continued)

Note 7: The original investment is under the limited.

Note 8: In response to operational needs, the Bank sold their investments in mainland China to its subsidiary in November, 2019, IBT Management Corp., and submitted relevant sales materials to the Ministry of Economic Affairs Investment Review Committee for verification. The amount of remittance is mainly based on the verification letter submitted.

Note 9: IBT Management Corp. has not obtained the verification letter from the Investment Review Committee of the Ministry of Economic Affairs as of December 31, 2019.

(Concluded)

O-BANK AND SUBSIDIARIES

BUSINESS RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS AMONG THE BANK AND SUBSIDIARIES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

No.	Transaction Corporation	Counterparty	Nature of Relationship (Note 2)	Description of Transactions			Percentage of Total Revenue or Total Assets
				Financial Statement Account	Amounts	Trading Terms	
0	The Bank	Chun Teng New Century, IBTM, IBTS Financial (HK) Limited, IBTS Asia (HK) Limited, IBT Leasing and IBTV/C7	a	Deposits	\$ 272,148	Note 3	0.05
0	The Bank	Chun Teng New Century, IBTM, IBTS Financial (HK) Limited, IBTS Asia (HK) Limited, IBT Leasing and IBTV/C7	a	Interest expense	3,121	Note 3	0.04
0	The Bank	Chun Teng New Century, IBTM, IBTS Financial (HK) Limited, and IBTS Asia (HK) Limited	a	Payables	486	Note 3	-
0	The Bank	CBF, IBTM and IBT Leasing	a	Other net revenue other than interest	32,442	Note 3	0.39
1	Chun Teng New Century	The Bank	b	Cash and cash equivalents	45,027	Note 3	0.01
1	Chun Teng New Century	The Bank	b	Discontinued operations - interest revenue	174	Note 3	-
1	Chun Teng New Century	The Bank	b	Accounts receivable	35	Note 3	-
1	Chun Teng New Century	IBT Leasing	c	Other net revenue other than interest	709	Note 3	0.01
2	IBTM	The Bank	b	Accounts receivable	14	Note 3	-
2	IBTM	The Bank	b	Cash and cash equivalents	88,626	Note 3	0.02
2	IBTM	The Bank	b	Interest revenue	203	Note 3	-
2	IBTM	The Bank	b	Other operating and administrative expenses	847	Note 3	0.01
2	IBTM	The Bank	b	Interest expense	27	Note 3	-
2	IBTM	IBTV/C7	c	Consultancy service income	6,056	Note 3	0.07
3	CBF	The Bank	b	Other operating and administrative expenses	28,323	Note 3	0.34
3	CBF	The Bank	b	Interest expense	115	Note 3	-

(Continued)

No.	Transaction Corporation	Counterparty	Nature of Relationship (Note 2)	Description of Transactions			Percentage of Total Revenue or Total Assets
				Financial Statement Account	Amounts	Trading Terms	
4	IBTS Financial (HK) Limited	The Bank	b	Cash and cash equivalents	\$ 30,952	Note 3	0.01
4	IBTS Financial (HK) Limited	The Bank	b	Discontinued operations - interest revenue	530	Note 3	-
4	IBTS Financial (HK) Limited	The Bank	b	Accounts receivable	210	Note 3	-
5	IBTS Asia (HK) Limited	The Bank	b	Cash and cash equivalents	104,459	Note 3	0.02
5	IBTS Asia (HK) Limited	The Bank	b	Discontinued operations - interest revenue	2,210	Note 3	0.03
5	IBTS Asia (HK) Limited	The Bank	b	Accounts receivable	227	Note 3	-
6	IBTL	The Bank	b	Cash and cash equivalents	1,106	Note 3	-
6	IBTL	The Bank	b	Interest revenue	2	Note 3	-
6	IBTL	The Bank	b	Interest expense	190	Note 3	-
6	IBTL	The Bank	b	Other operating and administrative expenses	3,077	Note 3	0.04
6	IBTL	Chun Teng New Century	c	Other net revenue other than interest	709	Note 3	0.01
7	IBTV C7	The Bank	b	Cash and cash equivalents	1,978	Note 3	-
7	IBTV C7	The Bank	b	Interest revenue	2	Note 3	-
7	IBTV C7	IBTM	c	Other operating and administrative expenses	6,056	Note 3	0.07

Note 1: Information about the business transactions between the Bank and its subsidiaries were classified as follows:

- a. 0 for the Bank.
- b. Subsidiaries are numbered sequentially starting from the number 1.

Note 2: The types of transactions with related parties were classified as follows:

- a. Parent company to subsidiaries.
- b. Subsidiaries to parent company.
- c. Subsidiaries to subsidiaries.

Note 3: The terms for the transactions between the Bank and related parties are similar to those with unrelated parties.

(Concluded)

O-Bank Co., Ltd.

**Financial Statements for the
Years Ended December 31, 2019 and 2018 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, 2019 and 2018, 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, 2019 and 2018, and 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, 2019. 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, 2019 are as follows:

Allowance for Credit Losses of Loans

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

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 is required to assess the classification of credit-granting assets and recognize allowance for credit losses of loans in accordance with the “Regulations Governing the Procedures for Bad Debts”. 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 “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans”. We also recalculated the amount of the allowance for credit losses on loans and checked that the Bank has met the requirements of the regulations.

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

China Bills Finance Corporation, subsidiary accounted for using equity method, sets aside reserves for guarantee liabilities. It is required to comply, with both the International Financial Reporting Standard 9, “Financial Instruments”, with respect to the evaluation of 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 “Regulations for Evaluating Bad Debts”), with respect to the recognition and classification of liabilities.

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.

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

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

- We understood the internal controls about the estimated impairment of reserve for losses on guarantee contracts and we tested the effectiveness of the operation of the controls.
- We reviewed the assessment schedule of reserve for losses on credit-granting assets, which the management used to assess. 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 regulations.

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, 2019 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 24, 2020

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, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

ASSETS	2019		2018	
	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Note 6)	\$ 3,714,122	1	\$ 3,670,225	1
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS (Note 7)	18,107,334	5	21,684,624	7
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 8 and 39)	80,623,826	24	53,820,259	16
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 9 and 43)	35,244,741	11	48,889,287	15
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST (Notes 39 and 43)	-	-	499,940	-
RECEIVABLES, NET (Notes 10 and 12)	3,233,348	1	6,842,372	2
CURRENT TAX ASSETS	89,717	-	82,212	-
DISCOUNTS AND LOANS, NET (Notes 11, 12 and 38)	173,981,178	52	179,388,428	54
INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD, NET (Note 13)	14,920,171	5	14,120,402	4
OTHER FINANCIAL ASSETS (Notes 14 and 39)	517,198	-	614,919	-
PROPERTY AND EQUIPMENT, NET (Note 15)	2,661,050	1	2,757,103	1
RIGHT-OF-USE ASSETS, NET (Note 16)	309,517	-	-	-
INTANGIBLE ASSETS, NET (Note 17)	1,163,114	-	1,274,262	-
DEFERRED TAX ASSETS (Note 36)	288,087	-	164,392	-
OTHER ASSETS (Notes 16, 18 and 40)	399,430	-	531,695	-
TOTAL	<u>\$ 335,252,833</u>	<u>100</u>	<u>\$ 334,340,120</u>	<u>100</u>
LIABILITIES AND EQUITY				
LIABILITIES				
Due to the Central Bank and banks (Note 19)	\$ 28,938,529	9	\$ 28,984,872	9
Financial liabilities at fair value through profit or loss (Note 8)	519,880	-	780,811	-
Bills and bonds sold under repurchase agreements (Note 20)	2,863,548	1	4,400,442	1
Payables (Note 21)	2,681,645	1	4,834,006	2
Current tax liabilities	46,360	-	-	-
Deposits and remittances (Notes 22 and 38)	243,645,080	73	240,461,299	72
Bank debentures payable (Note 23)	18,700,000	5	17,850,000	5
Other financial liabilities (Note 24)	3,468,649	1	4,321,291	1
Provisions (Notes 12, 25 and 26)	370,856	-	328,048	-
Lease liabilities (Note 16)	313,446	-	-	-
Deferred income tax liabilities (Note 36)	400,449	-	333,990	-
Other liabilities (Note 27)	45,188	-	56,233	-
Total liabilities	<u>301,993,630</u>	<u>90</u>	<u>302,350,992</u>	<u>90</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK (Note 28)				
Capital				
Common stock	24,130,063	7	24,130,063	7
Preferred stock	3,000,000	1	3,000,000	1
Total capital	<u>27,130,063</u>	<u>8</u>	<u>27,130,063</u>	<u>8</u>
Capital surplus	9,750	-	8,503	-
Retained earnings				
Legal reserve	3,367,681	1	3,184,667	1
Special reserve	1,631,335	1	1,215,831	1
Unappropriated earnings	1,187,851	-	610,045	-
Total retained earnings	<u>6,186,867</u>	<u>2</u>	<u>5,010,543</u>	<u>2</u>
Other equity	(67,477)	-	(159,981)	-
Total equity	<u>33,259,203</u>	<u>10</u>	<u>31,989,128</u>	<u>10</u>
TOTAL	<u>\$ 335,252,833</u>	<u>100</u>	<u>\$ 334,340,120</u>	<u>100</u>

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

O-BANK CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
NET INTEREST					
INTEREST REVENUE (Notes 29 and 38)	\$ 5,763,585	109	\$ 5,505,554	116	5
INTEREST EXPENSE (Notes 29 and 38)	<u>(3,806,134)</u>	<u>(72)</u>	<u>(3,324,033)</u>	<u>(70)</u>	15
Net interest	<u>1,957,451</u>	<u>37</u>	<u>2,181,521</u>	<u>46</u>	(10)
NET REVENUE OTHER THAN INTEREST INCOME					
Net service fee income (Notes 30 and 38)	808,793	15	610,128	13	33
Gain on financial assets or liabilities measured at fair value through profit or loss (Note 31)	908,385	17	1,385,777	29	(34)
Realized gains on financial assets at fair value through other comprehensive income (Note 32)	133,451	2	78,990	2	69
Foreign exchange gain (loss), net	293,516	6	(536,618)	(11)	155
Reversal of impairment loss on assets	1,284	-	1,910	-	(33)
Share of profit of associates subsidiaries and accounted for using equity method (Note 13)	1,098,480	21	880,415	18	25
Other net revenue other than interest revenue (Note 38)	<u>103,855</u>	<u>2</u>	<u>127,760</u>	<u>3</u>	(19)
Net revenue other than interest	<u>3,347,764</u>	<u>63</u>	<u>2,548,362</u>	<u>54</u>	31
TOTAL NET REVENUE	<u>5,305,215</u>	<u>100</u>	<u>4,729,883</u>	<u>100</u>	12
BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION (Note 12)	<u>(921,016)</u>	<u>(17)</u>	<u>(453,038)</u>	<u>(9)</u>	103
OPERATING EXPENSES					
Employee benefits expenses (Note 33)	1,701,727	32	1,633,518	35	4
Depreciation and amortization expense (Note 34)	512,931	10	382,934	8	34
Other general and administrative expense (Notes 35 and 38)	<u>959,449</u>	<u>18</u>	<u>1,133,707</u>	<u>24</u>	(15)
Total operating expenses	<u>3,174,107</u>	<u>60</u>	<u>3,150,159</u>	<u>67</u>	1

(Continued)

O-BANK CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX	\$ 1,210,092	23	\$ 1,126,686	24	7
INCOME TAX EXPENSE (Note 36)	<u>109,659</u>	<u>2</u>	<u>172,027</u>	<u>4</u>	(36)
NET PROFIT FOR THE YEAR	<u>1,100,433</u>	<u>21</u>	<u>954,659</u>	<u>20</u>	15
OTHER COMPREHENSIVE INCOME					
Components of other comprehensive income that will not be reclassified to profit or loss:					
Gains (losses) on remeasurements of defined benefit plans	(412)	-	1,077	-	(138)
Revaluation gains (losses) on investments in equity instruments measured at fair value through other comprehensive income	85,932	2	(127,365)	(3)	167
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method	<u>83,856</u>	<u>1</u>	<u>(30,934)</u>	<u>-</u>	371
	<u>169,376</u>	<u>3</u>	<u>(157,222)</u>	<u>(3)</u>	208
Components of other comprehensive income that will be reclassified to profit or loss:					
Exchange differences on translation of financial statements of foreign operations	(237,382)	(4)	149,013	3	(259)
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	95,117	2	(90,021)	(2)	206

(Continued)

O-BANK CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
Gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	\$ 130,096	2	\$ (100,201)	(2)	230
Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Note 36)	<u>22,715</u>	<u>-</u>	<u>(25,553)</u>	<u>(1)</u>	189
	<u>10,546</u>	<u>-</u>	<u>(66,762)</u>	<u>(2)</u>	116
Other comprehensive income (loss) for the year, net of income tax	<u>179,922</u>	<u>3</u>	<u>(223,984)</u>	<u>(5)</u>	180
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,280,355</u>	<u>24</u>	<u>\$ 730,675</u>	<u>15</u>	75
EARNINGS PER SHARE (Note 37)					
Basic	<u>\$0.45</u>		<u>\$0.40</u>		
Diluted	<u>\$0.45</u>		<u>\$0.40</u>		

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

(Concluded)

O-BANK CO., LTD.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	Capital Stock (Note 28)				Other Equity (Notes 9 and 28)					Total Equity		
	Common Stocks	Preferred Stocks	Total	Capital Surplus (Note 28)	Retained Earnings (Notes 9 and 28)			Exchange Differences on the Translation of Financial Statements of Foreign Operations	Unrealized Gains (Losses) on Available-for- sale Financial Assets		Unrealized Gains (Losses) on Financial Assets Measures at Fair Value Through Other Comprehensive	
					Legal Reserve	Special Reserve	Unappropriated Earnings					Total
BALANCE AT JANUARY 1, 2018	\$ 24,130,063	\$ -	\$ 24,130,063	\$ 7,730	\$ 2,880,297	\$ 1,229,536	\$ 1,014,567	\$ 5,124,400	\$ (216,266)	\$ 236,666	\$ -	\$ 29,282,593
Effect of retrospective application	-	-	-	-	-	-	(208,457)	(208,457)	-	(236,666)	144,112	(301,011)
BALANCE AT JANUARY 1, 2018 AS RESTATED	24,130,063	-	24,130,063	7,730	2,880,297	1,229,536	806,110	4,915,943	(216,266)	-	144,112	28,981,582
Appropriation of 2017 earnings	-	-	-	-	304,370	-	(304,370)	-	-	-	-	-
Legal reserve	-	-	-	-	-	(13,705)	13,705	-	-	-	-	-
Special reserve	-	-	-	-	-	-	(723,902)	(723,902)	-	-	-	(723,902)
Cash dividends distributed by the Bank	-	-	-	-	-	-	-	-	-	-	-	-
Changes in capital surplus from investments in subsidiaries accounted for using the equity method	-	-	-	465	-	-	-	-	-	-	-	465
Unclaimed dividends	-	-	-	308	-	-	-	-	-	-	-	308
Net profit for the year ended December 31, 2018	-	-	-	-	-	-	954,659	954,659	-	-	-	954,659
Other comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	-	2,405	2,405	123,460	-	(349,849)	(223,984)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	-	957,064	957,064	123,460	-	(349,849)	730,675
Issuance of shares	-	3,000,000	3,000,000	-	-	-	-	-	-	-	-	3,000,000
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	(138,562)	(138,562)	-	-	138,562	-
BALANCE AT DECEMBER 31, 2018	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 of 2018 earnings	-	-	-	-	183,014	-	(183,014)	-	-	-	-	-
Legal reserve	-	-	-	-	-	415,504	(415,504)	-	-	-	-	-
Special reserve	-	-	-	-	-	-	(11,527)	(11,527)	-	-	-	(11,527)
Cash dividends of preferred stock distributed by the Bank	-	-	-	-	-	-	-	-	-	-	-	-
Changes in capital surplus from investments in subsidiaries accounted for using the equity method	-	-	-	906	-	-	-	-	-	-	-	906
Unclaimed dividends	-	-	-	341	-	-	-	-	-	-	-	341
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	-	-	-	-	-	-	-	-	-	-	-	-
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)	-	\$ (87,723)	\$ 33,259,203

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, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit from continuing operations before tax	\$ 1,210,092	\$ 1,126,686
Adjustments to reconcile profit (loss):		
Depreciation expense	268,936	160,032
Amortization expense	243,995	222,902
Expect credit losses/recognition of provisions	919,732	451,128
Net (gain) loss on financial assets or liabilities at fair value through profit or loss	(908,385)	(1,385,777)
Interest expense	3,806,134	3,324,033
Interest revenue	(5,763,585)	(5,505,554)
Dividends income	(25,572)	(50,847)
Net change in other provisions	-	983
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	(1,098,480)	(875,470)
Loss on disposal of property and equipment	5,886	20
Gain on disposal of investments	(107,879)	(28,143)
Gain on lease modification	(22)	-
Changes in operating assets and liabilities:		
Due from the Central Bank and call loans to banks	(759,752)	(1,663,780)
Financial assets at fair value through profit or loss	(26,156,113)	(7,589,283)
Financial assets at fair value through other comprehensive income	13,954,290	163,621
Investments in debt instruments measured at amortized cost	500,000	-
Receivables	3,726,768	(546,365)
Discounts and loans	4,483,080	(17,210,345)
Due to the Central Bank and banks	(46,343)	(5,910,047)
Bills and bonds sold under repurchase agreements	(1,536,894)	(11,445,488)
Payables	(2,141,164)	483,800
Deposits and remittances	3,183,781	57,439,908
Provisions	600	(26,432)
Cash inflow (outflow) generated from operations	(6,240,895)	11,135,582
Interest received	5,692,121	5,272,750
Dividends received	329,193	328,052
Interest paid	(3,809,980)	(3,073,861)
Income taxes paid	(105,325)	(201,328)
Net cash flows generated from (used in) operating activities	(4,134,886)	13,461,195
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from capital reduction of investments accounted for using equity method	-	572,905
Acquisition of property and equipment	(97,152)	(231,412)
Proceeds from disposal of property and equipment	634	9,303
Increase in fundable deposits	-	(263,871)
Decrease in fundable deposits	128,674	-
Acquisition of intangible assets	(113,882)	(164,254)

(Continued)

O-BANK CO., LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
Increase in other financial assets	\$ -	\$ (614,919)
Decrease in other financial assets	398,828	-
Increase in other assets	-	(16,451)
Decrease in other assets	<u>3,591</u>	<u>-</u>
Net cash flows generated from (used in) investing activities	<u>320,693</u>	<u>(708,699)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuing bank debentures	2,500,000	1,750,000
Repayments of bank debentures	(1,650,000)	(4,300,000)
Increase in long-term debt	874,210	1,063,417
Repayments of long-term debt	(2,244,601)	(2,739,908)
Payments of lease liabilities	(104,852)	-
Increase in other financial liabilities	517,749	-
Decrease in other liabilities	(11,045)	(171,398)
Cash dividends paid	(11,527)	(723,902)
Proceeds from issuing shares	<u>-</u>	<u>3,000,000</u>
Net cash flows used in financing activities	<u>(130,066)</u>	<u>(2,121,791)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(47,779)</u>	<u>44,978</u>
NET INCREASE (DECREASE) IN CASH	(3,992,038)	10,675,683
CASH AT BEGINNING OF THE YEAR	<u>17,482,201</u>	<u>6,806,518</u>
CASH AT END OF THE YEAR	<u>\$ 13,490,163</u>	<u>\$ 17,482,201</u>

Reconciliation of the amounts in the statements of cash flows with the equivalent items reported in the balance sheets at December 31, 2019 and 2018:

	December 31	
	2019	2018
Cash and cash equivalents reported in the balance sheets	\$ 3,714,122	\$ 3,670,225
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	9,474,934	13,811,976
Other items that meet the definition of cash and cash equivalents in IAS 7	<u>301,107</u>	<u>-</u>
Cash and cash equivalents at end of the year	<u>\$ 13,490,163</u>	<u>\$ 17,482,201</u>

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

(Concluded)

O-BANK CO., LTD.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

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

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

As of December 31, 2019, the Bank has eight main departments - Business Department, Principal Investment Department, Treasury Department, Securities Trading Department, Corporate and Institutional Banking Department, Corporate Finance Department, Consumer Lending Department and Digital Wealth Management Department. It also has five domestic branches - Taipei Vieshow branch, Zhongxiao Dunhua branch, Hsinchu branch, Taichung branch and Kaohsiung branch. In addition, it has an Offshore Banking Unit, Hong Kong branch, and Tianjin representative office.

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

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

As of December 31, 2019 and 2018, the Bank had 1,004 and 918 employees, respectively.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board and authorized for issue on March 19, 2020.

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

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Public Banks and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Public Banks and the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Bank’s accounting policies:

- IFRS 16 “Leases”

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

Definition of a lease

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

The Bank as lessee

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

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

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

The Bank also applies the following practical expedients:

- 1) The Bank applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- 2) The Bank accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

The lessee's weighted average incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 1.74%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	\$ 328,895
Less: Recognition exemption for short-term leases	(2,744)
Less: Recognition exemption for leases of low-value assets	<u>(16,705)</u>
Undiscounted amounts on January 1, 2019	<u>\$ 309,446</u>
Discounted amounts using the incremental borrowing rate on January 1, 2019	<u>\$ 296,144</u>
Lease liabilities recognized on January 1, 2019	<u>\$ 296,144</u>

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

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
Right-of-use assets	\$ <u>-</u>	\$ 296,144	<u>\$ 296,144</u>
Total effect on assets		<u>\$ 296,144</u>	
Lease liabilities	\$ <u>-</u>	\$ 296,144	<u>\$ 296,144</u>
Total effect on liabilities		<u>\$ 296,144</u>	

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

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

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

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

Note 3: The Bank shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

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

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.

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 44 for the maturity analysis of assets and liabilities.

Foreign Currencies

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

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

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

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

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

Investments Accounted for Using the Equity Method

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

Investments in subsidiaries

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

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

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

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

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

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

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

Investments in associates

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

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

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

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

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

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

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

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

Financial Instruments

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

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

Financial assets

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

a. Measurement categories

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

1) Financial assets at FVTPL

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

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 43.

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 43.

- 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 Tangible and Intangible Assets Other than Goodwill

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

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

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

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

Provisions

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

Onerous contracts

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

Interest and Service Revenue Recognition

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

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

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

Leases

2019

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

The Bank as lessee

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

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

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

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

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

2018

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

The Bank as lessee

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

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

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

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

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

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

c. Staff preferential deposit

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

Share-based Payment Arrangements

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

Taxation

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

a. Current tax

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

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

b. Deferred tax

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

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

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

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

c. Current and deferred tax for the period

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

Cash and Cash Equivalents

The cash and cash equivalent items in the balance sheet include cash on hand, demand deposits, and short-term and highly liquid investments that can be converted into fixed amount of cash at any time. They have little risk of change in value. For the statements of cash flows, the cash and cash equivalents account refers to the accounts in the balance sheets titled cash and cash equivalents, due from the Central Bank and call loans to banks, bills and bonds purchased under resell agreements, 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 estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Estimated Impairment of Loans and Financial Guarantee Contracts

The impairment of loans and financial guarantee contracts 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	
	2019	2018
Cash on hand and petty cash	\$ 50,944	\$ 106,349
Checking for clearing	535,060	1,159,621
Due from banks	3,125,118	2,404,255
Cash in transit	<u>3,000</u>	<u>-</u>
	<u>\$ 3,714,122</u>	<u>\$ 3,670,225</u>

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

	December 31	
	2019	2018
Reserves for deposits - Type A	\$ 2,573,579	\$ 1,560,003
Reserves for deposits - Type B	5,124,527	4,808,616
Reserves for deposits - Financial	900,268	1,500,954
Call loans to banks	9,474,934	13,811,976
Others	<u>34,026</u>	<u>3,075</u>
	<u>\$ 18,107,334</u>	<u>\$ 21,684,624</u>

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

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2019	2018
<u>Financial assets mandatorily classified as at FVTPL</u>		
Hybrid financial assets		
Convertible bonds - domestic (include asset swap contracts)	\$ 726,682	\$ 102,440
Convertible bonds - overseas (include asset swap contracts)	-	308,774
Structured debt	<u>608,116</u>	<u>610,614</u>
	<u>1,334,798</u>	<u>1,021,828</u>
Derivative financial assets		
Currency swap contracts	160,241	737,996
Forward contracts	7,189	20,262
Interest rate swap contracts	7,610	39,083
Currency option contracts - call	<u>2,882</u>	<u>-</u>
	<u>177,922</u>	<u>797,341</u>
Non-derivative financial assets		
Negotiable certificates of deposit	54,581,688	51,739,597
Commercial papers	24,192,589	-
Stocks and beneficiary certificates	336,829	161,524
Government bonds	<u>-</u>	<u>99,969</u>
	<u>79,111,106</u>	<u>52,001,090</u>
	<u>\$ 80,623,826</u>	<u>\$ 53,820,259</u>
Derivative financial instruments		
Currency swap contracts	\$ 429,360	\$ 613,305
Forward contracts	15,830	39,163
Interest rate swap contracts	72,003	128,343
Currency option contracts - put	<u>2,687</u>	<u>-</u>
	<u>\$ 519,880</u>	<u>\$ 780,811</u>

The Bank engages in derivative transactions, including forward contracts, currency swap contracts and currency option contracts, mainly for accommodating customers' needs and managing the exposure positions. As 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, 2019 and 2018 were follows:

	December 31	
	2019	2018
Interest rate swap contracts	\$ 10,976,643	\$ 16,774,933
Currency swap contracts	52,387,421	83,002,915
Forward contracts	3,796,613	6,062,944
Currency option contracts		
Call	851,940	-
Put	586,190	-

Refer to Note 39 for information relating to financial assets at FVTPL pledged as security.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2019	2018
Investments in equity instruments at FVTOCI	\$ 947,038	\$ 1,064,763
Investments in debt instruments at FVTOCI		
Government bonds	10,163,730	23,570,269
Bank debentures	14,413,232	14,302,331
Corporate bonds	8,371,789	8,782,008
Overseas government bonds	<u>1,348,952</u>	<u>1,169,916</u>
	<u>\$ 35,244,741</u>	<u>\$ 48,889,287</u>

a. Investments in equity instruments at FVTOCI

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

The Bank disposed stock classified as at FVTOCI for management on investment positions for the years end December 31, 2019 and 2018. The fair value of stocks classified as at FVTOCI that were disposed of was \$1,310,927 thousand and \$3,954,456 thousand and the accumulated gain or loss related to the sold assets of \$60,590 thousand gain and \$164,083 thousand loss, respectively, was transferred from other equity-unrealized valuation gain or loss on Financial assets at FVTOCI to retained earnings.

Dividends income from FVTOCI of \$25,572 thousand and \$50,847 thousand were recognized in profit or loss for the years end December 31, 2019 and 2018. The dividends related to investments held at the end of the reporting period were \$12,799 thousand and \$26,461 thousand.

b. Investments in debt instruments at FVTOCI

- 1) Refer to Note 39 for information relating to investments in debt instruments at FVTOCI pledged as security.
- 2) Refer to Note 44 for information relating to the credit risk management and impairment assessment of investments in debt instruments at FVTOCI.
- 3) The Bank has sold investments in debt instruments at FVTOCI on the condition of buying them back were in the amount of \$2,810,000 thousand and \$4,400,000 thousand, on December 31, 2019 and 2018, respectively.

10. RECEIVABLES, NET

	December 31	
	2019	2018
Accounts receivable	\$ 193,932	\$ 165,340
Investment settlements receivable	7,476	208,682
Income receivable	1,830	4,987
Interest receivable	787,937	757,432
Dividends receivable	1,125	-
Acceptances receivable	220,594	216,343
Factored receivables	1,585,725	4,714,725
Others	<u>482,828</u>	<u>856,976</u>
	3,281,447	6,924,485
Less: Allowance for possible losses	<u>48,099</u>	<u>82,113</u>
Receivables, net	<u>\$ 3,233,348</u>	<u>\$ 6,842,372</u>

The changes in gross carrying amount on receivables for the years ended December 31, 2019 and 2018 were as follows:

	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	1,713,681	98,251	1,739	1,813,671
Derecognition of financial assets	(5,372,410)	(62,665)	(1,778)	(5,436,853)
Exchange rate or other changes	<u>(29,779)</u>	<u>(2,668)</u>	<u>12,591</u>	<u>(19,856)</u>
Balance at December 31, 2019	<u>\$ 3,129,203</u>	<u>\$ 106,462</u>	<u>\$ 45,782</u>	<u>\$ 3,281,447</u>

	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Total
Balance at January 1, 2018	\$ 5,913,973	\$ 16,632	\$ 42,335	\$ 5,972,940
Transfers				
To 12-month ECLs	1,630	(1,630)	-	-
To lifetime ECLs	(2,002)	2,002	-	-
To credit-impaired financial assets	(763)	-	763	-
New financial assets purchased	5,938,129	57,452	2,420	5,998,001
Derecognition of financial assets	(5,025,248)	(6,726)	(19,289)	(5,051,263)
Exchange rate or other changes	<u>3,433</u>	<u>47</u>	<u>1,327</u>	<u>4,807</u>
Balance at December 31, 2018	<u>\$ 6,829,152</u>	<u>\$ 67,777</u>	<u>\$ 27,556</u>	<u>\$ 6,924,485</u>

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

Refer to Note 44 for the impairment loss analysis of receivables.

11. DISCOUNTS AND LOANS, NET

	December 31	
	2019	2018
Accounts receivable financing	\$ 284,150	\$ 508,098
Short-term	47,821,366	49,334,714
Medium-term	104,204,562	118,972,231
Long-term	23,392,774	13,151,025
Guaranteed overdraft	69	15,660
Export bill negotiated	-	50,167
Overdue loans	<u>703,831</u>	<u>27,337</u>
	176,406,752	182,059,232
Less: Allowance for credit losses	<u>2,425,574</u>	<u>2,670,804</u>
	<u>\$ 173,981,178</u>	<u>\$ 179,388,428</u>

The changes in gross carrying amount on discount and loans for the years ended December 31, 2019 and 2018 were as follows:

	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Total
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	97,256,872	9,885,556	2,096,694	109,239,122
Derecognition of financial assets	(100,855,233)	(10,966,554)	(337,636)	(112,159,423)
Write-offs	-	-	(1,145,679)	(1,145,679)
Exchange rate or other changes	<u>(766,330)</u>	<u>(480,505)</u>	<u>(339,665)</u>	<u>(1,586,500)</u>
Balance at December 31, 2019	<u>\$ 158,371,378</u>	<u>\$ 15,043,738</u>	<u>\$ 2,991,636</u>	<u>\$ 176,406,752</u>
Balance at January 1, 2018	\$ 151,286,438	\$ 12,238,616	\$ 1,647,976	\$ 165,173,030
Transfers				
To 12-month ECLs	279,020	(279,020)	-	-
To lifetime ECLs	(963,153)	963,153	-	-
To credit-impaired financial assets	(358,872)	-	358,872	-
New financial assets purchased	109,321,385	10,642,242	232,537	120,196,164
Derecognition of financial assets	(93,949,766)	(8,822,090)	(511,153)	(103,283,009)
Write-offs	(1,308)	(220)	(353,701)	(355,229)
Exchange rate or other changes	<u>383,185</u>	<u>(64,804)</u>	<u>9,895</u>	<u>328,276</u>
Balance at December 31, 2018	<u>\$ 165,996,929</u>	<u>\$ 14,677,877</u>	<u>\$ 1,384,426</u>	<u>\$ 182,059,232</u>

The balance of the overdue loans of the Bank as of December 31, 2019 and 2018 no longer include the calculation of interest. The unrecognized interest revenue on the above loans amounted to \$11,150 thousand and \$511 thousand for the years ended December 31, 2019 and 2018, respectively. For the years ended December 31, 2019 and 2018, 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 44 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, 2019 and 2018 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, 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	2,028	134	376	2,538	-	2,538
Derecognition of financial assets	(5,052)	(73)	(99)	(5,224)	-	(5,224)
Change in model or risk parameters	(23)	(3)	286	260	-	260
Difference between IFRS 9 and “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans”	-	-	-	-	(31,113)	(31,113)
Exchange rate or other changes	-	-	(341)	(341)	(134)	(475)
Balance at December 31, 2019	<u>\$ 2,242</u>	<u>\$ 140</u>	<u>\$ 24,403</u>	<u>\$ 26,785</u>	<u>\$ 21,314</u>	<u>\$ 48,099</u>

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

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

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, 2018 per IAS 39	\$ 12,606	\$ 20	\$ 24,650	\$ 37,276	\$ 43,861	\$ 81,137
Adjustment on initial application of IFRS 9	94	-	-	94	-	94
Balance at January 1, 2018 per IFRS 9	12,700	20	24,650	37,370	43,861	81,231
Transfers						
To 12-month ECLs	2	(2)	-	-	-	-
To lifetime ECLs	(4)	4	-	-	-	-
To credit-impaired financial assets	(1)	-	1	-	-	-
New financial assets purchased	5,047	77	618	5,742	-	5,742
Derecognition of financial assets	(12,449)	(9)	(2,124)	(14,582)	-	(14,582)
Change in model or risk parameters	(3)	(3)	9	3	-	3
Difference between IFRS 9 and “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans”	-	-	-	-	8,558	8,558
Withdrawal after write-offs	-	-	392	392	-	392
Exchange rate or other changes	-	-	627	627	142	769
Balance at December 31, 2018	<u>\$ 5,292</u>	<u>\$ 87</u>	<u>\$ 24,173</u>	<u>\$ 29,552</u>	<u>\$ 52,561</u>	<u>\$ 82,113</u>

Allowance for Discounts and Loans	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans”	Total
Balance at January 1, 2018 per IAS 39	\$ 510,007	\$ 77,583	\$ 539,987	\$ 1,127,577	\$ 1,288,312	\$ 2,415,889
Adjustment on initial application of IFRS 9	<u>71,417</u>	<u>10,864</u>	<u>75,616</u>	<u>157,897</u>	-	<u>157,897</u>
Balance at January 1, 2018 per IFRS 9	581,424	88,447	615,603	1,285,474	1,288,312	2,573,786
Transfers						
To 12-month ECLs	4,980	(4,980)	-	-	-	-
To lifetime ECLs	(3,071)	3,071	-	-	-	-
To credit-impaired financial assets	(541)	-	541	-	-	-
New financial assets purchased	108,555	21,996	154,255	284,806	-	284,806
Derecognition of financial assets	(294,128)	(35,732)	(93,617)	(423,477)	-	(423,477)
Change in model or risk parameters	(197,732)	(44,991)	(12,875)	(255,598)	-	(255,598)
Difference between IFRS 9 and “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans”	-	-	-	-	815,432	815,432
Write-offs	(1,308)	(220)	(353,701)	(355,229)	-	(355,229)
Withdrawal after write-offs	-	-	10,336	10,336	-	10,336
Exchange rate or other changes	<u>3,242</u>	<u>495</u>	<u>6,799</u>	<u>10,536</u>	<u>10,212</u>	<u>20,748</u>
Balance at December 31, 2018	<u>\$ 201,421</u>	<u>\$ 28,086</u>	<u>\$ 327,341</u>	<u>\$ 556,848</u>	<u>\$ 2,113,956</u>	<u>\$ 2,670,804</u>

Reserve for Losses on Guarantee Contracts and Financing Commitments	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans”	Total
Balance at January 1, 2018 per IAS 39	\$ 14,206	\$ 2,263	\$ -	\$ 16,469	\$ 109,566	\$ 126,035
Adjustment on initial application of IFRS 9	<u>61,822</u>	<u>19,144</u>	<u>-</u>	<u>80,966</u>	<u>-</u>	<u>80,966</u>
Balance at January 1, 2018 per IFRS 9	76,028	21,407	-	97,435	109,566	207,001
Transfers						
To 12-month ECLs	277	(277)	-	-	-	-
New financial assets purchased	29,438	6,950	-	36,388	-	36,388
Derecognition of financial assets	(50,252)	(16,056)	-	(66,308)	-	(66,308)
Change in model or risk parameters	(12,136)	(1,046)	-	(13,182)	-	(13,182)
Difference between IFRS 9 and “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans”	-	-	-	-	75,256	75,256
Exchange rate or other changes	<u>121</u>	<u>-</u>	<u>-</u>	<u>121</u>	<u>1,207</u>	<u>1,328</u>
Balance at December 31, 2018	<u>\$ 43,476</u>	<u>\$ 10,978</u>	<u>\$ -</u>	<u>\$ 54,454</u>	<u>\$ 186,029</u>	<u>\$ 240,483</u>

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2019	2018
Investments in subsidiaries	<u>\$ 14,920,171</u>	<u>\$ 14,120,402</u>

a. Investments in subsidiaries

	December 31	
	2019	2018
Domestic listed company		
China Bills Finance Corp.	\$ 6,700,500	\$ 6,542,494
Domestic unlisted company		
IBT Holdings Corp.	5,294,014	4,976,750
Chun Teng New Century Co., Ltd. (former IBT Securities Co., Ltd.)	338,027	353,262
IBT Leasing Co., Ltd.	2,361,173	2,036,163
IBT Management Corp.	<u>226,457</u>	<u>211,733</u>
	<u>\$ 14,920,171</u>	<u>\$ 14,120,402</u>

	Proportion of Ownership and Voting Rights	
	December 31	
	2019	2018
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. 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	
	2019	2018
Domestic listed company		
China Bills Finance Corp.	\$ 353,093	\$ 378,842
Domestic unlisted company		
Chun Teng New Century Co., Ltd.	(1,823)	10,247
IBT Holdings Corp.	385,991	346,189
IBT Leasing Co., Ltd.	363,808	140,702
IBT Management Corp.	<u>(2,589)</u>	<u>(510)</u>
	1,098,480	875,470
Gain on disposal of investments accounted for using the equity method	<u>-</u>	<u>4,945</u>
	<u>\$ 1,098,480</u>	<u>\$ 880,415</u>

The investments in subsidiaries and associates accounted for using the equity method, the share of profit or loss of associates and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2019 and 2018 was based on each of financial statements which have been audited for the same years.

14. OTHER FINANCIAL ASSETS

	December 31	
	2019	2018
Call loans to securities firms	\$ 301,107	\$ 614,919
Others	<u>216,091</u>	<u>-</u>
	<u>\$ 517,198</u>	<u>\$ 614,919</u>

15. PROPERTY AND EQUIPMENT, NET

	December 31	
	2019	2018
<u>Carrying amounts of each class</u>		
Land	\$ 698,633	\$ 698,633
Buildings	1,347,472	1,390,808
Machinery and computer equipment	322,908	312,438
Transportation equipment	23,778	24,387
Lease improvement	118,848	159,169
Office and other equipment	68,672	86,789
Construction in progress and prepayments for equipment	<u>80,739</u>	<u>84,879</u>
	<u>\$ 2,661,050</u>	<u>\$ 2,757,103</u>

	December 31,
	2019
For own used	\$ 2,290,909
Assets leased under operating leases	<u>370,141</u>
	<u>\$ 2,661,050</u>

a. For own used - 2019

	Land	Buildings	Machinery and Computer Equipment	Transportation Equipment	Lease Improvement	Office and Other Equipment	Construction in Progress and Prepayments for Equipment	Total
<u>Cost</u>								
Balance at January 1, 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
Disposal	-	(2,134)	(5,603)	(6,131)	(11,040)	(2,665)	-	(27,573)
Reclassification	(41,429)	(109,263)	39,998	-	-	-	(60,654)	(171,348)
Effect of foreign currency exchange differences	-	-	(125)	(65)	(596)	(188)	(7)	(981)
Balance at December 31, 2019	<u>572,250</u>	<u>1,533,081</u>	<u>687,180</u>	<u>50,002</u>	<u>241,487</u>	<u>212,579</u>	<u>80,739</u>	<u>3,377,318</u>

(Continued)

	Land	Buildings	Machinery and Computer Equipment	Transportation Equipment	Lease Improvement	Office and Other Equipment	Construction in Progress and Prepayments for Equipment	Total
<u>Accumulated depreciation</u>								
Balance at January 1, 2019	\$ -	\$ 422,319	\$ 312,561	\$ 24,041	\$ 91,303	\$ 127,270	\$ -	\$ 977,494
Depreciation expense	-	7,891	57,394	7,810	38,214	19,291	-	130,600
Disposals	-	(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
<u>Carrying amounts</u>								
Balance at December 31, 2019	<u>\$ 572,250</u>	<u>\$ 1,103,714</u>	<u>\$ 322,908</u>	<u>\$ 23,778</u>	<u>\$ 118,848</u>	<u>\$ 68,672</u>	<u>\$ 80,739</u>	<u>\$ 2,290,909</u>

(Concluded)

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 - 2019

	Land	Buildings	Total
<u>Cost</u>			
Balance at January 1, 2019	\$ 84,954	\$ 227,585	\$ 312,539
Disposal	-	(295)	(295)
Additions	-	453	453
Reclassification	<u>41,429</u>	<u>110,841</u>	<u>152,270</u>
Balance at December 31, 2019	<u>\$ 126,383</u>	<u>\$ 338,584</u>	<u>\$ 464,967</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2019	-	58,463	58,463
Depreciation expense	-	36,480	36,480
Disposal	-	(117)	(117)
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 94,826</u>	<u>\$ 94,826</u>
<u>Carrying amounts</u>			
Balance at December 31, 2019	<u>\$ 126,383</u>	<u>\$ 243,758</u>	<u>\$ 370,141</u>

Operating leases relate to leases of land and building with lease terms between 1 to 5 years. All operating lease contracts contain market review clauses in the event that the lessees exercise their options to extend. The lessees do not have bargain purchase options to acquire the assets at the expiry of the lease periods.

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

	December 31, 2019
Year 1	\$ 21,529
Year 2	8,313
Year 3	8,072
Year 4	7,735
Year 5	<u>4,512</u>
	<u>\$ 50,161</u>

The above items of property, plant and equipment leased under operating leases are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings 25-50 years

c. 2018

	Land	Buildings	Machinery and Computer Equipment	Transportation Equipment	Lease Improvement	Office and Other Equipment	Construction in Progress and Prepayments for Equipment	Total
<u>Cost</u>								
Balance at January 1, 2018	\$ 698,633	\$ 1,872,203	\$ 604,374	\$ 52,317	\$ 211,638	\$ 173,607	\$ 140,878	\$ 3,753,650
Additions	-	-	14,383	9,291	11,363	7,858	188,517	231,412
Disposal	-	(613)	-	(13,300)	(2,582)	(106)	(6,873)	(23,474)
Reclassification	-	-	6,045	-	29,176	32,507	(237,717)	(169,989)
Effect of foreign currency exchange differences	-	-	197	120	877	193	74	1,461
Balance at December 31, 2018	<u>698,633</u>	<u>1,871,590</u>	<u>624,999</u>	<u>48,428</u>	<u>250,472</u>	<u>214,059</u>	<u>84,879</u>	<u>3,793,060</u>
<u>Accumulated depreciation</u>								
Balance at January 1, 2018	-	436,467	255,668	29,446	56,315	111,599	-	889,495
Depreciation expense	-	44,446	56,768	7,813	35,307	15,698	-	160,032
Disposals and Reclassification	-	(131)	-	(13,300)	(619)	(101)	-	(14,151)
Effect of foreign currency exchange differences	-	-	125	82	300	74	-	581
Balance at December 31, 2018	-	<u>480,782</u>	<u>312,561</u>	<u>24,041</u>	<u>91,303</u>	<u>127,270</u>	-	<u>1,035,957</u>
<u>Carrying amounts</u>								
Balance at December 31, 2018	<u>\$ 698,633</u>	<u>\$ 1,390,808</u>	<u>\$ 312,438</u>	<u>\$ 24,387</u>	<u>\$ 159,169</u>	<u>\$ 86,789</u>	<u>\$ 84,879</u>	<u>\$ 2,757,103</u>

16. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	December 31, 2019
<u>Carrying amounts</u>	
Buildings	<u>\$ 309,517</u>

	For the Year Ended December 31, 2019
Additions to right-of-use assets	<u>\$ 126,593</u>
Depreciation charge for right-of-use assets Buildings	<u>\$ 101,856</u>
b. Lease liabilities - 2019	
	December 31, 2019
Carrying amounts	<u>\$ 313,446</u>
Range of discount rate for lease liabilities was as follows:	
	December 31, 2019
Buildings	1.621%-5.125%
c. Material lease-in activities - 2019	
Due to rental of buildings, the Bank have been entered into various leasehold contracts with others. These contracts are gradually expiring before the end of 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 \$27,721 thousand on December 31, 2019.	
d. Other lease information	
	For the Year Ended December 31, 2019
Expenses relating to short-term leases	<u>\$ 4,284</u>
Expenses relating to low-value asset leases	<u>\$ -</u>
Total cash outflow for leases	<u>\$ (109,136)</u>

17. INTANGIBLE ASSETS

	December 31	
	2019	2018
<u>Carrying amounts of each class</u>		
Computer software	<u>\$ 1,163,114</u>	<u>\$ 1,274,262</u>

The movements of intangible assets are summarized as follows:

	Computer Software
<u>Cost</u>	
Balance at January 1, 2019	\$ 1,954,770
Additions	113,882
Reclassification	19,077
Disposal	(218)
Effect of foreign currency exchange differences	<u>(534)</u>
Balance at December 31, 2019	<u>\$ 2,086,977</u>
<u>Accumulated amortization and impairment loss</u>	
Balance at January 1, 2019	\$ 680,508
Amortization	243,995
Reclassification	(218)
Effect of foreign currency exchange differences	<u>(422)</u>
Balance at December 31, 2019	<u>\$ 923,863</u>
<u>Carrying amounts</u>	
Balance at December 31, 2019	<u>\$ 1,163,114</u>
<u>Cost</u>	
Balance at January 1, 2018	\$ 1,716,574
Additions	164,254
Reclassification	73,101
Effect of foreign currency exchange differences	<u>841</u>
Balance at December 31, 2018	<u>\$ 1,954,770</u>
<u>Accumulated amortization and impairment loss</u>	
Balance at January 1, 2018	\$ 468,398
Amortization	222,902
Reclassification	(11,430)
Effect of foreign currency exchange differences	<u>638</u>
Balance at December 31, 2018	<u>\$ 680,508</u>
<u>Carrying amounts</u>	
Balance at December 31, 2018	<u>\$ 1,274,262</u>

18. OTHER ASSETS

	December 31	
	2019	2018
Refundable deposits	\$ 219,698	\$ 348,372
Prepayments	48,793	55,320
Others	<u>130,939</u>	<u>128,003</u>
	<u>\$ 399,430</u>	<u>\$ 531,695</u>

19. DUE TO THE CENTRAL BANK AND BANKS

	December 31	
	2019	2018
Due to other banks	\$ 19,529,671	\$ 26,832,657
Call loans from Central Bank	2,408,858	2,152,215
Deposits from Chunghwa Post Co., Ltd.	<u>7,000,000</u>	<u>-</u>
	<u>\$ 28,938,529</u>	<u>\$ 28,984,872</u>

20. BILLS AND BONDS SOLD UNDER REPURCHASE AGREEMENT

	December 31	
	2019	2018
Government bonds	<u>\$ 2,863,548</u>	<u>\$ 4,400,442</u>
Date of agreements to repurchase	From January 6 to January 17, 2020	From January 2 to January 29, 2019
Amount of agreements to repurchase	\$ 2,864,192	\$ 4,401,641

21. PAYABLES

	December 31	
	2019	2018
Checks clearing payables	\$ 535,060	\$ 1,159,621
Investment settlements payable	102,794	52,009
Accrued interest	728,922	739,778
Accrued expenses	706,696	673,906
Collections for others	29,470	36,711
Factored receivables	252,912	1,821,591
Acceptances	220,594	216,343
Others	<u>105,197</u>	<u>134,047</u>
	<u>\$ 2,681,645</u>	<u>\$ 4,834,006</u>

22. DEPOSITS AND REMITTANCES

	December 31	
	2019	2018
Deposits		
Checking	\$ 1,291,303	\$ 2,162,352
Demand	38,067,331	31,290,353
Time	187,573,208	197,175,709
Savings deposits	16,649,521	9,832,879
Outward remittances	<u>63,717</u>	<u>6</u>
	<u>\$ 243,645,080</u>	<u>\$ 240,461,299</u>

23. BANK DEBENTURES PAYABLE

	December 31	
	2019	2018
Subordinate debenture bonds first issued in 2012; fixed 1.85% interest rate; maturity: August 17, 2019; interest paid annually and repay the principal at maturity	\$ -	\$ 1,650,000
Subordinate debenture bonds first issued in 2013; fixed 1.95% interest rate; maturity: May 30, 2020; interest paid annually and repay the principal at maturity	2,300,000	2,300,000
Subordinate debenture bonds first issued in 2014; fixed 1.95% interest rate; maturity: March 27, 2021; interest paid annually and repay the principal at maturity	1,300,000	1,300,000
Subordinate debenture bonds second issued in 2014; fixed 1.85% interest rate; maturity: June 26, 2021; interest paid annually and repay the principal at maturity	1,000,000	1,000,000
Subordinate debenture bonds third issued in 2014; fixed 1.95% interest rate; maturity: September 26, 2021; interest paid annually and repay the principal at maturity	600,000	600,000
Subordinate debenture bonds forth issued in 2014; fixed 2.2% interest rate; maturity: May 5, 2022; interest paid annually and repay the principal at maturity	1,500,000	1,500,000
Subordinate debenture bonds first issued in 2015; fixed 1.85% interest rate; maturity: December 29, 2022; interest paid annually and repay the principal at maturity	1,000,000	1,000,000
Subordinate debenture bonds A first issued in 2016; fixed 1.70% interest rate; maturity: June 29, 2023; interest paid annually and repay the principal at maturity	1,500,000	1,500,000
Subordinate debenture bonds B first issued in 2016; fixed 1.80% interest rate; maturity: June 29, 2024; interest paid annually and repay the principal at maturity	1,500,000	1,500,000
Subordinate debenture bonds first issued in 2017; fixed 1.97% interest rate; maturity: September 5, 2027; interest paid annually and repay the principal at maturity	2,000,000	2,000,000
Subordinate debenture bonds A second issued in 2017; fixed 4% interest rate; no maturity, interest paid annually	750,000	750,000

(Continued)

	December 31	
	2019	2018
Subordinate debenture bonds B second issued in 2017; fixed 1.82% interest rate; maturity: December 27, 2027; interest paid annually and repay the principal at maturity	\$ 1,000,000	\$ 1,000,000
Subordinate debenture bonds A first issued in 2018; fixed 4% interest rate; no maturity, interest paid annually	700,000	700,000
Subordinate debenture bonds B second issued in 2018; fixed 1.75% interest rate; maturity: June 29, 2028; interest paid annually and repay the principal at maturity	1,050,000	1,050,000
Subordinate debenture bonds first issued in 2019; fixed 1.5% interest rate; maturity: June 6, 2026; interest paid annually and repay the principal at maturity	<u>2,500,000</u>	<u>-</u>
	<u>\$ 18,700,000</u>	<u>\$ 17,850,000</u> (Concluded)

24. OTHER FINANCIAL LIABILITIES

	December 31	
	2019	2018
Funds obtained from the government - intended for specific types of loans	\$ 2,950,900	\$ 4,321,291
Structured commodity	<u>517,749</u>	<u>-</u>
	<u>\$ 3,468,649</u>	<u>\$ 4,321,291</u>

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

25. PROVISIONS

	December 31	
	2019	2018
Provisions for employee benefits	\$ 88,577	\$ 87,565
Reserve for losses on guarantee contracts	215,313	173,517
Reserve for financing commitments	<u>66,966</u>	<u>66,966</u>
	<u>\$ 370,856</u>	<u>\$ 328,048</u>

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

26. RETIREMENT BENEFIT PLANS

Defined Contribution Plan

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

The amount to be paid in accordance with the percentage specified in the proposed plan for the years ended December 31, 2019 and 2018 was recognized in the statements of comprehensive income in the total amounts of \$53,036 thousand and \$51,095 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	
	2019	2018
Present value of defined benefit obligation	\$ 198,373	\$ 195,051
Fair value of plan assets	<u>(109,796)</u>	<u>(107,486)</u>
Net defined benefit liabilities	<u>\$ 88,577</u>	<u>\$ 87,565</u>

Movements 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, 2018	<u>\$ 211,468</u>	<u>\$ (105,140)</u>	<u>\$ 106,328</u>
Service cost			
Current service cost	2,990	-	2,990
Net interest expense (income)	<u>2,379</u>	<u>(1,198)</u>	<u>1,181</u>
Recognized in profit or loss	<u>5,369</u>	<u>(1,198)</u>	<u>4,171</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(3,013)	(3,013)
Changes in demographic assumptions	2,802	-	2,802

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Changes in financial assumptions	\$ 2,384	\$ -	\$ 2,384
Experience adjustments	<u>(3,250)</u>	<u>-</u>	<u>(3,250)</u>
Recognized in other comprehensive income	<u>1,936</u>	<u>(3,013)</u>	<u>(1,077)</u>
Employer contributions	-	(2,674)	(2,674)
Benefits paid	(4,539)	4,539	-
Actual payment	<u>(19,183)</u>	<u>-</u>	<u>(19,183)</u>
Balance at December 31, 2018	<u>\$ 195,051</u>	<u>\$ (107,486)</u>	<u>\$ 87,565</u>
Balance at January 1, 2019	<u>\$ 195,051</u>	<u>\$ (107,486)</u>	<u>\$ 87,565</u>
Service cost			
Current service cost	2,349	-	2,349
Net interest expense (income)	<u>1,951</u>	<u>(1,088)</u>	<u>863</u>
Recognized in profit or loss	<u>4,300</u>	<u>(1,088)</u>	<u>3,212</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(3,853)	(3,853)
Changes in demographic assumptions	400	-	400
Changes in financial assumptions	4,613	-	4,613
Experience adjustments	<u>(748)</u>	<u>-</u>	<u>(748)</u>
Recognized in other comprehensive income	<u>4,265</u>	<u>(3,853)</u>	<u>412</u>
Employer contributions	-	(2,612)	(2,612)
Benefits paid	<u>(5,243)</u>	<u>5,243</u>	<u>-</u>
Balance at December 31, 2019	<u>\$ 198,373</u>	<u>\$ (109,796)</u>	<u>\$ 88,577</u> (Concluded)

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	
	2019	2018
Discount rate(s)	0.75%	1.00%
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	
	2019	2018
Discount rate(s)		
0.25% increase	<u>\$ (4,614)</u>	<u>\$ (4,783)</u>
0.25% decrease	<u>\$ 4,776</u>	<u>\$ 4,958</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 4,618</u>	<u>\$ 4,808</u>
0.25% decrease	<u>\$ (4,486)</u>	<u>\$ (4,663)</u>

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

	December 31	
	2019	2018
Expected contributions to the plans for the next year	<u>\$ 2,661</u>	<u>\$ 2,685</u>
Average duration of the defined benefit obligation	9.4 years	10 years

27. OTHER LIABILITIES

	December 31	
	2019	2018
Guarantee deposits received	\$ 6,587	\$ 21,658
Advance revenue	28,659	33,894
Others	<u>9,942</u>	<u>681</u>
	<u>\$ 45,188</u>	<u>\$ 56,233</u>

28. EQUITY

a. Capital stock

	December 31	
	2019	2018
Number of stock authorized (in thousands)	<u>3,500,000</u>	<u>3,500,000</u>
Amount of capital stock authorized	<u>\$ 35,000,000</u>	<u>\$ 35,000,000</u>
Number of stocks issued and fully paid (in thousands)		
Common stock	<u>2,413,006</u>	<u>2,413,006</u>
Preferred stock	<u>300,000</u>	<u>300,000</u>
Amount of stocks issued	<u>\$ 27,130,063</u>	<u>\$ 27,130,063</u>

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

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

- 1) Series A preferred stock at 0.94375% plus 3.30625% (total 4.25%) per annum are a 5-year - calculation pursuant to the Interest Rate Swap issued price per share. Interest rate per annum will be reset on the day after the 5.5-year anniversary of the issue date and the day after each subsequent period of 5.5 years hereafter. Series A preferred stock are declared once per year in cash. After the stockholders' approval of the Bank's financial statements at its annual stockholders' meeting, the Board may set a record date for the distribution of available dividends from the previous year. Dividend distribution for the years of issuance and redemption shall be calculated pursuant to actual issued days of the given year.
- 2) The Bank has sole discretion on dividend issuance of Series A preferred stock including, but not limited to, its discretion to not declare dividends when no profit is recorded, or insufficient profit is recorded for preferred stock dividends, or preferred stock dividend declaration would render the Bank of International Settlement (BIS) ratio below the level required by the law or relevant authorities, or due other necessary consideration. The Series A preferred stockholders shall not have any objection towards the Bank's cancellation of preferred stock dividend declaration. Undeclared or under declared dividends are not cumulative and are not paid in subsequent years with profit.
- 3) Unless the authorities take over the Bank, order the Bank to suspend, terminate or liquidate its business in accordance with the "Regulations Governing the Capital Adequacy and Capital Category of Banks", Series A preferred stockholders shall have the same priority as the common stockholders in the event of liquidation, both second to tier 2 capital instrument holder, depositor, and common creditor, but capping at the value of issuance.
- 4) Series A preferred stockholders have no voting rights at the annual stockholders' meeting and cannot elect directors. However the preferred stockholders should have voting rights at the preferred stockholders' meeting, and also at the stockholders' meeting when it involves the rights and obligations of the preferred stockholders, and the aforesaid stockholders are eligible for director candidacy. Series A preferred stockholders have voting rights at Series A stockholders' meeting.

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

b. Capital surplus

	December 31	
	2019	2018
<u>May be used to offset a deficit, distributed as dividends, or transferred to capital stock (Note)</u>		
Treasury stock transactions	\$ 3,193	\$ 3,193
Share-based payments	4,537	4,537
<u>Must be used to offset a deficit</u>		
Unclaimed dividends	649	308
<u>May not be used for any purpose</u>		
Share of changes in capital surplus of subsidiaries, associates or joint ventures	<u>1,371</u>	<u>465</u>
	<u>\$ 9,750</u>	<u>\$ 8,503</u>

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

c. Retained earnings and dividend policy

Under the dividends policy as set forth in the amended Articles, where the Bank made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 30% of the remaining profit, except the accumulated legal reserve equals the Bank's paid-in capital, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Board as the basis for proposing a distribution plan, which should be resolved in the stockholders' meeting for distribution of dividends and bonus to stockholders. Legal reserve shall be appropriated until it has reached the Bank's capital surplus. When the legal reserve has exceeded 15% of the Bank's capital surplus, the excess may be distributed in cash. For the policies on distribution of employees' compensation and remuneration of directors, refer to Note 33.

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

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Bank's capital surplus. Legal reserve may be used to offset deficit. If the Bank has no deficit and the legal reserve has exceeded 25% of the Bank's capital surplus, the excess may be transferred to capital or distributed in cash. In addition, the Banking Law limits the appropriation of cash dividends to 15% of the Bank's paid-in capital. But when the legal reserve equals the Bank's paid-in capital, this 15% limit may be waived.

Items referred to under Rule No. 1010012865, Rule No. 1010047490, and Rule No. 1030006415 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Bank.

Under Rule No. 10510001510 issued by the FSC on May 25, 2016, a public bank shall make a special surplus in the range of 0.5% to 1% of net profit after tax when the bank appropriate earnings of 2016 to 2018. Since 2017, the Bank is allowed to reverse the special reserve at the amount of the costs of employee transfer and arrangement in connection with the development of financial technology.

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

	For the Year Ended December 31	
	2018	2017
	Appropriation of Earnings	Appropriation of Earnings
Legal reserve	\$ 183,014	\$ 304,370
Special reserve appropriated (reversed)	415,504	(13,705)
Cash dividends - common stock	-	723,902
Cash dividends - preferred stock	11,527	-

The appropriation of earnings for 2019 had been proposed by the Board on March 19, 2020. The appropriation were as follows:

	Appropriation of Earnings
Legal reserve	\$ 330,130
Special reserve	(234,982)
Cash dividends - common stock	965,203
Cash dividends - preferred stock	127,500

The appropriation of earnings for 2019 are subject to the resolution of the shareholders' meeting to be held on June 19, 2020.

d. Other equity items

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

	For the Year Ended December 31	
	2019	2018
Balance at January 1	\$ (92,806)	\$ (216,266)
Exchange differences arising on the translating the financial statements of foreign operations	(237,382)	149,013
Income tax related to gains arising on the translating the financial statements of foreign operations	<u>22,715</u>	<u>(25,553)</u>
Balance at December 31	<u><u>\$ (307,473)</u></u>	<u><u>\$ (92,806)</u></u>

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

	For the Year Ended December 31	
	2019	2018
Balance at January 1 per IAS 39		\$ -
Effect of IFRS 9 retrospective application		<u>144,112</u>
Balance at January 1 per IFRS 9	<u>\$ (67,175)</u>	<u>144,112</u>
Recognized during the period		
Debt instruments	223,138	(190,443)
Equity instruments	169,681	(159,627)
Loss allowance of debt instruments	<u>2,075</u>	<u>221</u>
Other comprehensive income recognized in the period	<u>394,894</u>	<u>(349,849)</u>
Cumulative unrealized loss (gain) of equity instruments transferred to retained earnings due to disposal	<u>(87,723)</u>	<u>138,562</u>
Balance at December 31	<u><u>\$ 239,996</u></u>	<u><u>\$ (67,175)</u></u>

29. NET INTEREST

	For the Year Ended December 31	
	2019	2018
<u>Interest revenue</u>		
Discounts and loans	\$ 4,710,269	\$ 4,532,874
Investments in marketable securities	717,321	722,263
Due from the Central Bank and call loans to banks	259,590	154,865
Factoring	30,228	51,715
Others	<u>46,177</u>	<u>43,837</u>
	<u>5,763,585</u>	<u>5,505,554</u>
<u>Interest expense</u>		
Deposits	2,921,856	2,255,451
Securities sold under repurchase agreements	20,569	38,466
Bank debenture	378,507	423,673
Due to the Central Bank and banks	460,969	599,180
Others	<u>24,233</u>	<u>7,263</u>
	<u>3,806,134</u>	<u>3,324,033</u>
	<u><u>\$ 1,957,451</u></u>	<u><u>\$ 2,181,521</u></u>

30. NET SERVICE FEE INCOME

	For the Year Ended December 31	
	2019	2018
Service fee		
Import and export business	\$ 23,219	\$ 38,740
Loan business	238,243	131,407
Guarantee business	186,444	114,503
Credit examining business	275,176	357,738
Acceptance business	1,174	1,381
Factoring business	41,461	83,733
Trust business	20,188	13,004
Non-investment insurance commission	116,583	8,864
Others	<u>41,053</u>	<u>41,048</u>
	<u>943,541</u>	<u>790,418</u>
Service charge		
Remittance	1,628	1,550
Custody	2,318	1,769
Interbank	15,956	14,140
Reward program	44,102	80,975
Others	<u>70,744</u>	<u>81,856</u>
	<u>134,748</u>	<u>180,290</u>
	<u>\$ 808,793</u>	<u>\$ 610,128</u>

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

	For the Year Ended December 31	
	2019	2018
Realized gain or loss		
Stocks	\$ 98,100	\$ 28,362
Bonds	831	(6,061)
Derivatives	<u>731,366</u>	<u>918,679</u>
	<u>830,297</u>	<u>940,980</u>
Gains (losses) on valuation		
Stocks	7,606	2,894
Bonds	10,075	1,620
Derivatives	(353,949)	175,225
Others	<u>555</u>	<u>1,848</u>
	<u>(335,713)</u>	<u>181,587</u>
Interest revenue	<u>413,801</u>	<u>263,210</u>
	<u>\$ 908,385</u>	<u>\$ 1,385,777</u>

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

	For the Year Ended December 31	
	2019	2018
Realized income - debt instruments	\$ 107,879	\$ 28,143
Dividend income	<u>25,572</u>	<u>50,847</u>
	<u>\$ 133,451</u>	<u>\$ 78,990</u>

33. EMPLOYEE BENEFITS EXPENSE

	For the Year Ended December 31	
	2019	2018
Short-term employee benefits		
Salaries and wages	\$ 1,455,597	\$ 1,384,127
Directors' remuneration and fees	84,824	84,574
Labor insurance and national health insurance	79,219	83,519
Others	26,532	26,615
Post-employment benefits		
Pension	<u>55,555</u>	<u>54,683</u>
	<u>\$ 1,701,727</u>	<u>\$ 1,633,518</u>

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

The amounts and accrual rates of employees' compensation and remuneration of directors for the year ended December 31, 2019 and 2018 were as follows:

Accrual rate

	For the Year Ended December 31	
	2019	2018
Employees' compensation	1.25%	1.25%
Remuneration of directors	2.50%	2.50%

Amount

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

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

	For the Year Ended December 31			
	2018		2017	
	Cash	Stock	Cash	Stock
Employees' compensation	\$ 14,632	\$ -	\$ 15,919	\$ -
Remuneration of directors	29,265	-	31,838	-

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

The Board approved employees' compensation and remuneration of directors for the year ended December 31, 2019 on March 25, 2020, were as follows:

	2019
Employees' compensation-cash	\$ 15,715
Remuneration of directors	31,430

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	
	2019	2018
Property and equipment	\$ 167,080	\$ 160,032
Intangible assets	243,995	222,902
Right-of-use assets	<u>101,856</u>	<u>-</u>
	<u>\$ 512,931</u>	<u>\$ 382,934</u>

35. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	For the Year Ended December 31	
	2019	2018
Rental	\$ 4,284	\$ 136,191
Taxation	195,200	181,132
Computer operating and consulting fees	260,671	214,086
Management fees	35,780	38,519
Entertainment	47,209	54,839
Advertisement	131,346	169,801
Service fees	57,923	72,411
Others	<u>227,036</u>	<u>266,728</u>
	<u>\$ 959,449</u>	<u>\$ 1,133,707</u>

36. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Year Ended December 31	
	2019	2018
Current tax		
In respect of the current year	\$ 139,469	\$ 90,657
Income tax on unappropriated earning	12,537	-
In respect of prior years	<u>(7,826)</u>	<u>(8,596)</u>
	<u>144,180</u>	<u>82,061</u>
Deferred tax		
In respect of the current year	(34,521)	77,809
Effect of tax rate change	<u>-</u>	<u>12,157</u>
	<u>(34,521)</u>	<u>89,966</u>
Income tax expense recognized in profit or loss	<u>\$ 109,659</u>	<u>\$ 172,027</u>

A reconciliation of accounting profit and income tax expense for the years ended December 31, 2019 and 2018 were as follows:

	For the Year Ended December 31	
	2019	2018
Profit before tax from continuing operations	<u>\$ 1,210,092</u>	<u>\$ 1,126,686</u>
Income tax expense calculated at the statutory rate	\$ 242,018	\$ 225,337
Realized gain or loss on investment in equity instruments measured at fair value through other comprehensive income	12,118	(32,817)
Nondeductible expenses and tax-exempt income in determining taxable income	(211,389)	(98,840)
Deductible tax amount of overseas income tax	(77,388)	(12,296)
Additional income tax under the Alternative Minimum Tax Act	6,289	682
Income tax on unappropriated earnings	12,537	-
Unrecognized deductible temporary differences	120	(3,575)
Overseas income taxes	133,180	89,975
Effect of tax rate changes	-	12,157
Adjustments for prior years' tax	<u>(7,826)</u>	<u>(8,596)</u>
Income tax expense recognized in profit or loss	<u>\$ 109,659</u>	<u>\$ 172,027</u>

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

b. Income tax income (expense) recognized in other comprehensive income

	For the Year Ended December 31	
	2019	2018
<u>Deferred tax</u>		
Effect of tax rate change	\$ -	\$ 2,614
Exchange differences on translating the financial statements of foreign operations	<u>22,715</u>	<u>(28,167)</u>
Income tax recognized in other comprehensive income (expense)	<u>\$ 22,715</u>	<u>\$ (25,553)</u>

c. Deferred tax assets and liabilities

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
FVTPL financial assets	\$ 50,173	\$ 888	\$ -	\$ 51,061
Allowance for bad debts	112,204	110,832	-	223,036
Loss reserve	2,015	-	-	2,015
Exchange differences on translating the financial statements of foreign operations	<u>-</u>	<u>-</u>	<u>11,975</u>	<u>11,975</u>
	<u>\$ 164,392</u>	<u>\$ 111,720</u>	<u>\$ 11,975</u>	<u>\$ 288,087</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
FVTPL financial liabilities	\$ 323,250	\$ 77,199	\$ -	\$ 400,449
Exchange differences on translating the financial statements of foreign operations	<u>10,740</u>	<u>-</u>	<u>(10,740)</u>	<u>-</u>
	<u>\$ 333,990</u>	<u>\$ 77,199</u>	<u>\$ (10,740)</u>	<u>\$ 400,449</u>

For the year ended December 31, 2018

	Opening Balance	Retroactive Adjustment	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
FVTPL financial assets	\$ 37,312	\$ -	\$ 12,861	\$ -	\$ 50,173
Allowance for bad debts	84,462	23,699	4,043	-	112,204
Loss reserve	1,546	-	469	-	2,015
Exchange differences on translating the financial statements of foreign operations	<u>14,813</u>	<u>-</u>	<u>-</u>	<u>(14,813)</u>	<u>-</u>
	<u>\$ 138,133</u>	<u>\$ 23,699</u>	<u>\$ 17,373</u>	<u>\$ (14,813)</u>	<u>\$ 164,392</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Associates ventures	\$ 215,911	\$ -	\$ 107,339	\$ -	\$ 323,250
Exchange differences on translating the financial statements of foreign operations	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,740</u>	<u>10,740</u>
	<u>\$ 215,911</u>	<u>\$ -</u>	<u>\$ 107,339</u>	<u>\$ 10,740</u>	<u>\$ 333,990</u>

d. Assessment of the income tax returns

The income tax returns of the Bank through before 2016 have been assessed by the tax authorities. The Bank disagreed with the tax authorities' assessment of its 2016 tax return and apply to re-examine.

37. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Year Ended December 31	
	2019	2018
Basic earnings per share	<u>\$ 0.45</u>	<u>\$ 0.40</u>
Diluted earnings per share	<u>\$ 0.45</u>	<u>\$ 0.40</u>

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

	For the Year Ended December 31	
	2019	2018
<u>Net profit for the year</u>		
Net profit	\$ 1,100,433	\$ 954,659
Less declared preferred stock dividend	<u>11,527</u>	<u>-</u>
Earnings used in the computation of basic and diluted earnings per share	<u>\$ 1,088,906</u>	<u>\$ 954,659</u>
<u>Stock (in thousand shares)</u>		
Weighted average number of common stocks in computation of basic earnings per share	<u>2,413,006</u>	<u>2,413,006</u>
Effect of potentially dilutive common stocks:		
Employees' compensation issued to employees	2,302	2,107
Convertible preferred stock	<u>27,123</u>	<u>-</u>
	<u>29,425</u>	<u>2,107</u>
Weighted average number of common stocks used in the computation of diluted earnings per share	<u>2,442,431</u>	<u>2,415,113</u>

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

38. RELATED PARTY TRANSACTIONS

- a. The related parties and their relationships with the Bank

<u>Related Party</u>	<u>Relationship with the Bank</u>
Chun Teng New Century Co., Ltd. (Original IBT Securities Co., Ltd.) (Chun Teng New Century) (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
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

(Continued)

Related Party	Relationship with the Bank
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

(Concluded)

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

1) Deposits

	Ending Balance	Interest Expense	Rate (%)
<u>For the year ended December 31, 2019</u>			
Subsidiaries	\$ 272,148	\$ 3,121	0.00-2.70
Associates	2,298	33	0.00-0.33
Others	<u>3,670,509</u>	<u>63,622</u>	0.00-6.56
	<u>\$ 3,944,955</u>	<u>\$ 66,776</u>	
<u>For the year ended December 31, 2018</u>			
Subsidiaries	\$ 226,639	\$ 10,200	0.00-3.05
Associates	265	4	0.4
Others	<u>2,680,948</u>	<u>47,430</u>	0.00-6.56
	<u>\$ 2,907,852</u>	<u>\$ 57,634</u>	

2) Loans

	Maximum Balance	Ending Balance	Interest Income	Rate (%)
<u>For the year ended December 31, 2019</u>				
Others	<u>\$ 430,000</u>	<u>\$ 430,000</u>	<u>\$ 6,204</u>	1.443
<u>For the year ended December 31, 2018</u>				
Others	<u>\$ 430,000</u>	<u>\$ 430,000</u>	<u>\$ 2,699</u>	1.443

December 31, 2019							
Category	Name	Maximum Balance (Note 1)	Ending Balance	Normal Loans	Non- performing Loans	Collateral	Difference of Terms of the Trans- actions with Unrelated Parties
Others	TCC	<u>\$ 430,000</u>	<u>\$ 430,000</u>	<u>\$ 430,000</u>	<u>\$ -</u>	Real estate	None
December 31, 2018							
Category	Name	Maximum Balance (Note)	Ending Balance	Normal Loans	Non- performing Loans	Collateral	Difference of Terms of the Trans- actions with Unrelated Parties
Others	TCC	<u>\$ 430,000</u>	<u>\$ 430,000</u>	<u>\$ 430,000</u>	<u>\$ -</u>	Real estate	None

Note 1: The maximum balance of daily totals for each category of loan.

3) Purchases and sales of securities

For the Year Ended December 31, 2019				
Related Party	Purchases	Sales	Sales Under Repurchase Agreements	Purchases Under Resell Agreements
Subsidiaries	<u>\$ 99,598</u>	<u>\$ 49,787</u>	<u>\$ -</u>	<u>\$ -</u>
For the Year Ended December 31, 2018				
Related Party	Purchases	Sales	Sales Under Repurchase Agreements	Purchases Under Resell Agreements
Subsidiaries	<u>\$ 398,981</u>	<u>\$ 449,315</u>	<u>\$ -</u>	<u>\$ -</u>

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

	For the Year Ended December 31	
	2019	2018
Others	<u>\$ 21</u>	<u>\$ 28</u>

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

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

	For the Year Ended December 31	
	2019	2018
Others	<u>\$ 4,800</u>	<u>\$ 4,800</u>

Other expenses are donations.

6) Rental income and others

	For the Year Ended December 31	
	2019	2018
Subsidiaries	\$ 17,256	\$ 14,245
Others	<u>552</u>	<u>552</u>
	<u>\$ 17,808</u>	<u>\$ 14,797</u>

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

c. Compensation of key management personnel

The remuneration of directors and other members of key management personnel for the years ended December 31, 2019 and 2018 were as follows:

	For the Year Ended December 31	
	2019	2018
Short-term employee benefits	\$ 280,592	\$ 291,881
Post-employment benefits	3,898	3,913
Share-based payments	<u>335</u>	<u>-</u>
	<u>\$ 284,825</u>	<u>\$ 295,794</u>

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

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

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

39. PLEDGED ASSETS

	December 31	
	2019	2018
Pledged time deposits	\$ 216,091	\$ 223,500
Financial assets at fair value through profit or loss	15,059,495	11,059,858
Financial assets at fair value through other comprehensive income	182,854	-
Investments in debt instruments measured at amortized costs	<u>-</u>	<u>166,680</u>
	<u>\$ 15,458,440</u>	<u>\$ 11,450,038</u>

Under the requirement for joining the Central Bank's Real-time Gross Settlement (RTGS) clearing system, the Bank provided time deposits (part of other financial assets and due from banks) and negotiable certificates of deposits (part of financial assets at FVTPL) 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, 2019 and 2018, the Bank had commitments as follows:

	December 31	
	2019	2018
Office decorating and contracts of computer software		
Amount of contracts	\$ 110,327	\$ 143,503
Payments for construction in progress and prepayments for equipment	68,050	84,879

- b. The Bank as lessee

Due to the rental of buildings, the Bank had entered into various leasehold contracts with others, respectively. These contracts are gradually expiring before the end of July 2026.

As of December 31, 2018, refundable deposits paid under operating lease amounted to \$28,275 thousand.

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

	December 31, 2018
Up to 1 years	\$ 86,719
Over 1 year to 5 years	172,620
Over 5 years	<u>38,949</u>
	<u>\$ 298,288</u>

- c. Yijingyang Industrial Co., Ltd. allegedly applied to the Bank for loan receivables off-take financing through false transactions, causing damage to the Bank. The Bank filed a criminal complaint against the company and related persons. The official sued in January 2020, and the bank also filed a lawsuit in the civil court of the Taiwan Taipei District Court in January 2020 in accordance with the law.

41. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

In order to motivate employees and improve their centripetal force, the Bank passed a resolution of the board of directors on March 19, 2020. The 35,000 thousand stocks of treasury shares will be bought back from the Stock Exchange Market from March 20, 2020 to May 19, 2020, and the maximum amount of purchases will be \$5,874,652 thousand, which will be transferred to employees.

42. TRUST BUSINESS UNDER THE TRUST LAW

Balance Sheet of Trust Accounts

	December 31	
	2019	2018
Trust assets		
Petty cash	\$ 100	\$ 100
Bank deposits	1,665,135	2,799,410
Financial assets	2,875,818	1,072,855
Interest receivable	35	51
Prepayments	1,578	1,267
Real estate	8,238,959	9,165,624
Other assets	<u>26,705</u>	<u>32,292</u>
Total trust assets	<u>\$ 12,808,330</u>	<u>\$ 13,071,599</u>
Trust capital and liability		
Payables	\$ 2,204	\$ 1,542
Unearned receipts	1,266	839
Taxes payable	4,297	4,233
Receipts under custody	-	106
Deposits received	64,658	76,680
Other liabilities	1,024	968
Trust capital	12,572,930	12,828,013
Provisions and accumulated profit and loss	<u>161,951</u>	<u>159,218</u>
Trust capital and liability	<u>\$ 12,808,330</u>	<u>\$ 13,071,599</u>

Income Statements of Trust Accounts

	For the Year Ended December 31	
	2019	2018
Trust revenue		
Interest revenue	\$ 15,513	\$ 1,807
Rent revenue	115,855	57,210
Other revenue	<u>1,798</u>	<u>48</u>
	<u>133,166</u>	<u>59,065</u>
Trust expenses		
Management fees	1,164	598
Fees	106	265
Tax	14,433	6,740
Other expenses	13,015	6,626
Income tax expense	<u>1,456</u>	<u>151</u>
	<u>30,174</u>	<u>14,380</u>
	<u>\$ 102,992</u>	<u>\$ 44,685</u>

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

Trust Property List

	December 31	
	2019	2018
Petty cash	\$ 100	\$ 100
Bank deposits	1,665,135	2,799,410
Stocks	228,378	228,378
Funds	2,647,440	844,477
Land	7,398,368	8,320,001
Real estate	840,591	845,623
Receivables	35	51
Prepayments	1,578	1,267
Other	<u>26,705</u>	<u>32,292</u>
	<u>\$ 12,808,330</u>	<u>\$ 13,071,599</u>

43. FINANCIAL INSTRUMENTS

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

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

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

	December 31			
	2019		2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial assets</u>				
Investment in debt instruments at amortized costs	\$ -	\$ -	\$ 499,940	\$ 501,732
<u>Financial liabilities</u>				
Bank debentures payable	18,700,000	18,808,992	17,850,000	17,906,381

2) The fair value hierarchy

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

Financial Instrument Items at Fair Value	December 31, 2018			
	Total	Level 1	Level 2	Level 3
<u>Financial assets</u>				
Investment in debt instruments at amortized costs	\$ 501,732	\$ -	\$ 501,732	\$ -

Financial liabilities

Bank debentures payable	17,906,381	17,906,381	-	-
-------------------------	------------	------------	---	---

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

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

- 1) The fair value hierarchy of the financial instruments as of December 31, 2019 and 2018 were as follows:

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

Item	December 31, 2018			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at FVTPL				
Stocks and beneficial certificates	\$ 161,524	\$ 121,654	\$ -	\$ 39,870
Bonds	99,969	-	99,969	-
Convertible bonds and structured bonds	1,021,828	-	1,021,828	-
Negotiable certificates of deposit	51,739,597	-	51,739,597	-
Financial assets at FVTOCI				
Equity instruments	1,064,763	539,943	-	524,820
Debt instruments	47,824,524	-	47,824,524	-
<u>Derivative financial instruments</u>				
Assets				
Financial assets at FVTPL	797,341	-	797,341	-
Liabilities				
Financial liabilities at FVTPL	780,811	-	780,811	-

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

For the year ended December 31, 2019

Financial Assets	Financial Assets at FVTPL - Equity Instruments	Financial Assets at FVTOCI - Equity Instruments	Total
Beginning balance	\$ 39,870	\$ 524,820	\$ 564,690
Recognition in profit or loss - financial assets at FVTPL	(1,083)	-	(1,083)
Recognition in other comprehensive income - financial assets at FVTOCI	-	131,342	131,342
Transfer into Level 3	-	86,281	86,281
Disposal	<u>(38,787)</u>	<u>(420,038)</u>	<u>(458,825)</u>
Ending balance	<u>\$ -</u>	<u>\$ 322,405</u>	<u>\$ 322,405</u>

For the year ended December 31, 2018

Financial Assets	Financial Assets at FVTPL - Equity Instruments	Financial Assets at FVTOCI - Equity Instruments	Total
Beginning balance	\$ -	\$ -	\$ -
Effect of retrospective application (IFRS 9)	38,788	775,837	814,625
Recognition in profit or loss - financial assets at FVTPL	1,082	-	1,082
Recognition in other comprehensive income - financial assets at FVTOCI	-	(56,205)	(56,205)
Purchases	-	616,173	616,173
Disposal	<u>-</u>	<u>(810,985)</u>	<u>(810,985)</u>
Ending balance	<u>\$ 39,870</u>	<u>\$ 524,820</u>	<u>\$ 564,690</u>

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. There was no transfer from Level 3 for the year ended December 31, 2018.

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, 2019 and 2018.

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

The fair value measurement of financial instruments is reasonable, although the use of different valuation models or parameters may lead to different results. For bonds and convertible corporate bonds for asset swaps which have no quoted market prices, they are evaluated using valuation models. Were there to be a 10% or 1bp change in either direction of the quotes from respective counterparties or in discount rates and all other conditions remained the same, the effects on the income and other comprehensive income in the respective 2019 and 2018 periods would be as follows:

For the 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)

For the year ended December 31, 2018

Item	Effect on Profit and Loss		Effect on Other Comprehensive Income	
	Favorable	Unfavorable	Favorable	Unfavorable
Financial assets at FVTPL Non-derivative financial instruments	\$ 3,987	\$ (3,987)	\$ -	\$ -
Financial assets at FVTOCI Non-derivative financial instruments	-	-	52,482	(52,482)

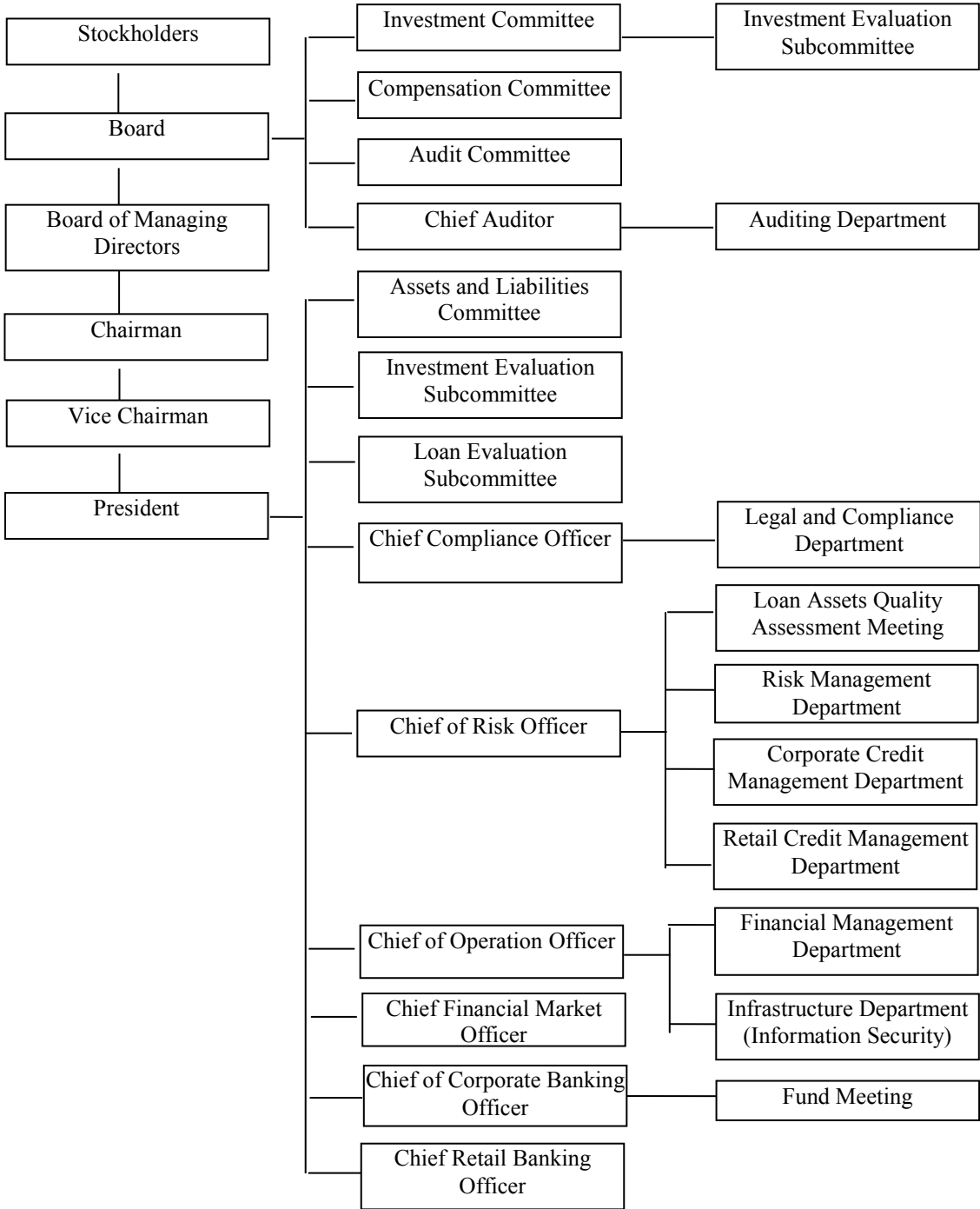
44. FINANCIAL RISK MANAGEMENT

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

b. Risk management framework

The ultimate responsibility for setting the Bank’s risk management rests with the board of directors. The Auditing Department, Audit Committee, Investment Committee and Compensation Committee are set up under the board of directors. Assets and Liabilities Committee, Investment Evaluation Subcommittee, and Loan Evaluation Subcommittee, which are under the President, will hold capital meetings and quality evaluation of assets meetings for discussing and considering risk management proposals regularly. The risk management department is responsible for establishing a bank-wide risk mechanism to supervise and monitor the effectiveness of risk management across the Bank.



- 1) Assets and Liabilities Committee: Responsible for overseeing and reviewing of significant issues and policies relating to management of assets and liabilities, liquidity risk, interest rate sensitivity, market risk, as well as review the allocation of asset and liability and capital adequacy. It holds assets and liabilities management meeting once a month.
- 2) Loan Evaluation Subcommittee: Responsible for reviewing and approving the loan cases rendered by the Corporate Credit Management Department and Retail Credit Management Department. After approval, the provisions should still be submitted to the competent authority for review based on regulations.
- 3) Investment Evaluation Subcommittee: Responsible for assessing and reviewing the investment cases forwarded by the ministry of investment, which shall still be submitted to the Investment Review Committee as required and also need to be submitted to the standing committee for consideration and approval.
- 4) Assets assessment meetings of loan and investment assets held for various businesses:
 - a) Loan assets quality assessment meeting
 - i. Assess the status of credit asset quality and decide/review the strategy and course of action to be taken.
 - ii. Assess the probable loss of loan assets and review the adequacy of allowance provision for bad debts, and guarantee liabilities.
 - iii. The abovementioned assessment of loan assets shall be submitted to the board of directors with the consent of general manager after the resolution of the allowance for bad debts and guarantees.
 - b) Investment assets quality assessment meeting
 - i. Assess the current status of each 5-8 investment asset quality, and choose the strategy and course of actions to be taken.
 - ii. Discuss the investment results provided by evaluation staff. The composition of evaluation results is consisted of each investor's period, industries, economic recycle and evaluation methods referred to suggested by accounting principles.
 - iii. Assess the probable loss of investment assets and discuss the recognition of investment loss case, as well as submit the proposal to the board of directors.
 - iv. Tracking of investors who are still in operation, but their investments have generated losses.
 - 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.

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

- a) Credit risk management strategy: The Bank implements the relevant provisions of the principles of credit risk management and establishes the credit risk management mechanism to ensure that credit risk control is within effective but affordable range, and also to maintain adequate capital, execute sound management of the Bank credit risk, and achieve operational and management objectives.
- b) Credit risk management objectives: Through appropriate risk management strategies, policies and procedures, application of the principle of risk diversification, implementation of the Bank's credit risk management, to minimize potential financial losses and pursue optimal rewards.

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

- c) Credit risk management policy: 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, new types of credit businesses become increasingly complex; thus, before undertaking existing and new credit businesses, business executives should be fully aware of the complexity involved in the business of credit risk and other cases or transactions to be able to identify any possibility of having an event of default.

ii. Risk measurement

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

The risk rating scales are used evaluate the probabilities of default and major operational difficulties of investees in the next year. Risk ratings need to be scaled when individual credit and investment accounts are approved. The continuous change in the credit status is due to the change in credit or investment household. Therefore, risk rating scales must be frequently reevaluated and updated for verification according to its credit changes.

- ii) The purpose of portfolio management:

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

iii. Risk communication

- i) Internal reporting: Risk management unit should establish appropriate credit risk reporting mechanism for regular statistical reporting and the preparation of a variety of business risk management reports which contain actual, consistent, and real-time credit risk reporting information to ensure any exceptions can be acted on immediately, and as a reference for decision-making. The content of above communication may include asset quality, portfolio rating classification status, and all kinds of exception reports.
- ii) External disclosure: To comply with the principles of requirements for capital adequacy supervisory review and market discipline, the business director of credit risk level should prepare reports in the format specified by the competent authority showing contents, methods and frequency for providing information on the credit risk of the Bank'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, which serve as timely detection of problems on assets or transactions, and immediate action to cope with the possible breach.
- ii) Besides monitoring the individual credit risk, the Bank also deal with credit portfolio monitoring and management.
- iii) Establish stringent credit processes, credit standards and loan management; the project includes the credit factors that should be considered for new credit and credit transfer period, commitment to the periodic review of credit, maintenance of credit records and the proportion of various types of loans in the credit portfolio.
- iv) Establish quota management system to avoid excessive concentration of credit risk on nationalities, industry types, same group, same relations, etc.
- v) Establish collateral management system to ensure that collaterals can be effectively managed.

3) Credit risk management and framework

- a) Board of Directors: Responsible for authorizing and reviewing the credit risk management strategies and approving the credit risk management framework. The strategy reflects the level of risk that the Bank can tolerate and the level of profitability that the Bank expects to achieve under various credit risks.
- b) Audit Committee: Responsible for the stipulation and amendment on issues relating to internal control framework, effectiveness of internal control framework, acquisition or disposal of assets or derivatives, monitoring of directors' self-interest issues, appointment or dismissal of the CPA and internal auditors, and other important issues ruled by the FSC.
- c) Assets and Liabilities Committee: Holds asset/liability management meeting to inspect asset/liability management, liquidity risk, interest rate sensitivity risk management, market risk, BIS management and in charge of making decisions on policies.
- d) Loan Evaluation Subcommittee: Reviews the loan cases rendered by the corporate credit management department and retail credit management department. After passing the provisions, they are still need to be submitted to the competent level for review.

- e) Loan Assets Quality Evaluation Meeting: In charge of making policies and strategies for identifying the possibilities of loss on credit assets. The Bank evaluates the adequacy of the allowance for credit assets.
 - f) The Risk Management Department: Independent risk management unit which is in charge of risk management and responsible for the related operations of credit risks. It also makes sure the Bank follows the BASEL regulations. It is also responsible for the preparation of risk management reports presented to appropriate management, and plans to establish monitoring tools for credit risk measurement.
 - g) Corporate Credit Department: Supervises the establishment of corporate finance risk identification, measurement, monitoring and management, preparation of regulatory review of credit grading, devising and enhancement of deed lists, deed for credit and guarantee amount control, proper release and other release matters.
 - h) Retail Credit Management Department: Manages personal financial risk, identifies, measures, monitors the allowance for bad debts, and prepares for bad debts presentation, loss assessment and post-loan management.
- 4) The scope and characteristics of credit risk reports and measurement system

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

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

In order to understand the risk appetite and its changes in the financial environment and the impact on capital adequacy, the Bank handles its credit according to the “Regulation on Stress Test Operation for Banks” and “Bank Credit Risk Stress Test Guidelines” issued by the 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, 2019	December 31, 2018
Financial guarantees and irrevocable documentary letter of credit		
Contract amounts	\$ 21,501,289	\$ 17,086,108
Maximum exposure amounts	21,501,289	17,086,108
Loan commitments	52,430,535	51,883,120

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, 2019 and 2018, 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, 2019		December 31, 2018	
	Amount	%	Amount	%
Manufacturing	\$ 42,597,881	24	\$ 52,856,650	29
Financial intermediary	41,283,654	23	40,740,842	22
Real estate	-	-	29,325,877	16
private	28,502,648	16	-	-

b) By counterparty

Credit Risk Profile by Industry Sector	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%
Private sector	\$ 147,904,104	84	\$ 165,518,791	91
Natural person	28,502,648	16	16,540,441	9

c) By geographical area

Credit Risk Profile by Industry Sector	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%
Domestic	\$ 123,721,500	70	\$ 122,863,558	67
Other Asia area	27,253,098	15	35,143,990	19
America	16,491,642	9	15,909,162	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 banks, financial asset at FVTPL, bills and bond purchased under resell agreements, refundable deposits, operating deposits and settlement funds 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.

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, 2019

Category	Expected Loss Rate	Gross Carrying Amount
Performing	0.0284%	\$ 34,040,029
Doubtful	-	-
In default	-	-

December 31, 2018

Category	Expected Loss Rate	Gross Carrying Amount
Performing	0.0231%	\$ 47,698,318
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, 2019 and 2018, grouped by credit rating, is reconciled as follows:

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

	<u>Credit Rating</u>
	Performing (12-month ECLs)
Allowance for Impairment Loss	
Balance at January 1, 2018 per IAS 39	\$ -
Adjustment on initial application of IFRS 9	<u>12,717</u>
Balance at January 1, 2018 per IFRS 9	12,717
Changes in credit rating	
Normal to abnormal	-
Abnormal to default	-
Default to write off	-
New financial assets purchased	3,394
Derecognition of financial assets	(4,926)
Change in model or risk parameters	(378)
Exchange rate or other changes	<u>219</u>
Balance at December 31, 2018	<u>\$ 11,026</u>

a) Credit analysis for receivables and discounts and loans

December 31, 2019					
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Difference Between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing /Non-accrual Loans	Total
Receivables	\$ 3,129,203	\$ 106,462	\$ 45,782	\$ -	\$ 3,281,447
Allowance for credit losses	(2,242)	(140)	(24,403)	-	(26,785)
Difference Between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	-	-	-	(21,314)	(21,314)
Net total	<u>\$ 3,126,961</u>	<u>\$ 106,322</u>	<u>\$ 21,379</u>	<u>\$ (21,314)</u>	<u>\$ 3,233,348</u>
December 31, 2019					
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Difference Between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing /Non-accrual Loans	Total
Discounts and loans	\$ 158,371,378	\$ 15,043,738	\$ 2,991,636	\$ -	\$ 176,406,752
Allowance for credit losses	(224,015)	(61,680)	(372,894)	-	(658,589)
Difference Between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	-	-	-	(1,766,985)	(1,766,985)
Net total	<u>\$ 158,147,363</u>	<u>\$ 14,982,058</u>	<u>\$ 2,618,742</u>	<u>\$ (1,766,985)</u>	<u>\$ 173,981,178</u>

December 31, 2018					
	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	\$ 6,829,152	\$ 67,777	\$ 27,556	\$ -	\$ 6,924,485
Allowance for credit losses	(5,292)	(87)	(24,173)	-	(29,552)
Difference Between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	-	-	-	(52,561)	(52,561)
Net total	<u>\$ 6,823,860</u>	<u>\$ 67,690</u>	<u>\$ 3,383</u>	<u>\$ (52,561)</u>	<u>\$ 6,842,372</u>

December 31, 2018					
	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	\$ 165,996,929	\$ 14,677,877	\$ 1,384,426	\$ -	\$ 182,059,232
Allowance for credit losses	(201,421)	(28,086)	(327,341)	-	(556,848)
Difference Between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	-	-	-	(2,113,956)	(2,113,956)
Net total	<u>\$ 165,795,508</u>	<u>\$ 14,649,791</u>	<u>\$ 1,057,085</u>	<u>\$ (2,113,956)</u>	<u>\$ 179,388,428</u>

b) Credit analysis for marketable securities

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

	December 31, 2018	
	At FVTOCI	At Amortized Cost
Gross carrying amount	\$ 47,698,318	\$ 499,940
Allowance for impairment loss	(11,026)	-
Amortized cost	47,687,292	<u>\$ 499,940</u>
Fair value adjustment	<u>137,232</u>	
	<u>\$ 47,824,524</u>	

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

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

As of December 31, 2019 and 2018, 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, 2019 and 2018, the liquidity reserve ratio was 45.89% and 45.61%, 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, 2019	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Due to 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	1,099,136	207,640	546,657	789,987	38,225	2,681,645
Deposits and remittances	55,308,120	81,785,638	27,045,841	51,156,436	28,349,045	243,645,080
Bank debentures payable	-	-	2,300,000	-	16,400,000	18,700,000
Lease liabilities	7,902	16,310	23,088	45,978	234,721	327,999
Other financial liabilities	517,749	28,545	27,385	229,487	2,665,483	3,468,649
	<u>\$ 78,532,341</u>	<u>\$ 85,241,420</u>	<u>\$ 29,942,971</u>	<u>\$ 52,221,888</u>	<u>\$ 54,687,474</u>	<u>\$ 300,626,094</u>
December 31, 2018	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Due to the Central Bank and banks	\$ 22,237,205	\$ 6,747,667	\$ -	\$ -	\$ -	\$ 28,984,872
Bills and bonds sold under repurchase agreements	4,401,641	-	-	-	-	4,401,641
Payables	1,735,964	264,712	2,039,123	790,470	3,737	4,834,006
Deposits and remittances	70,825,593	66,852,904	38,112,365	42,107,083	22,563,354	240,461,299
Bank debentures payable	-	-	-	1,650,000	16,200,000	17,850,000
Other financial liabilities	8,743	2,667	100,600	881,576	3,327,705	4,321,291
	<u>\$ 99,209,146</u>	<u>\$ 73,867,950</u>	<u>\$ 40,252,088</u>	<u>\$ 45,429,129</u>	<u>\$ 42,094,796</u>	<u>\$ 300,853,109</u>

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

December 31, 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
	<u>142,236</u>	<u>226,291</u>	<u>63,439</u>	<u>15,911</u>	<u>-</u>	<u>447,877</u>
Non-deliverable						
Interest rate swap contracts	-	-	-	16,182	55,821	72,003
	<u>\$ 142,236</u>	<u>\$ 226,291</u>	<u>\$ 63,439</u>	<u>\$ 32,093</u>	<u>\$ 55,821</u>	<u>\$ 519,880</u>
December 31, 2018	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Deliverable						
Forward contracts	\$ 11,258	\$ 1,022	\$ 1,669	\$ 25,214	\$ -	\$ 39,163
Currency swap contracts	335,349	55,470	215,891	6,595	-	613,305
	<u>346,607</u>	<u>56,492</u>	<u>217,560</u>	<u>31,809</u>	<u>-</u>	<u>652,468</u>
Non-deliverable						
Interest rate swap contracts	-	1,647	4,000	1,334	121,362	128,343
	<u>\$ 346,607</u>	<u>\$ 58,139</u>	<u>\$ 221,560</u>	<u>\$ 33,143</u>	<u>\$ 121,362</u>	<u>\$ 780,811</u>

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

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

December 31, 2018	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Unused letters of credit	\$ 472,506	\$ 840,096	\$ 328,568	\$ -	\$ 7,389	\$ 1,648,559
Other guarantees	8,115,650	3,938,500	1,067,569	2,187,375	128,455	15,437,549
Loan commitments	<u>1,613,326</u>	<u>2,311,405</u>	<u>3,467,107</u>	<u>6,934,213</u>	<u>37,557,069</u>	<u>51,883,120</u>
	<u>\$ 10,201,482</u>	<u>\$ 7,090,001</u>	<u>\$ 4,863,244</u>	<u>\$ 9,121,588</u>	<u>\$ 37,692,913</u>	<u>\$ 68,969,228</u>

e. Market risk

1) Source and definition of market risk

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

2) Market risk management strategy and process

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

The Bank makes the profit majorly by doing trading business through knowing well correctly how market risk of factors fluctuate. (e.g., market price, exchange rate, interest rate). More violent the market risk factors fluctuate, the bigger the opportunity of the implicit profit is. When preparing the Annual Trading Budget Report of the trading business, the Bank will refer to the overall economic and industrial analysis of the Bank itself and also the other similar business. After discussed to the full and stipulated by the president, the trading department and the market risk management department, it is submitted to the Assets and Liabilities Committee and the Board 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) Assets and Liabilities Committee: In charge of stipulating market risk management policy and monitoring the operating of market risk management. The Bank assembles related departments to hold an assets-and-liabilities assessment meeting to review the market risk management policy and the next year proposal of product parts quotas and annual stop-loss of the trading business expected to be submitted to the Board.

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

O-Bank

	December 31					
	2019			2018		
	Average	High	Low	Average	High	Low
Currency exchange rate risk	\$ 1,507	\$ 4,271	\$ 20	\$ 960	\$ 7,992	\$ 105
Fair value risk resulting from interest rate	1,421	5,410	121	2,551	8,991	-
Fair value resulting from stock price	5,999	14,831	812	7,114	14,004	321

6) Foreign currency rate risk information

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

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

December 31, 2019			
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary item			
USD	\$ 1,504,313	30.1107	\$ 45,295,960
JPY	2,524,038	0.2770	699,260
HKD	7,776,680	3.8680	30,080,198
EUR	25,306	33.7536	854,152
AUD	1,652	21.0967	34,842
RMB	294,229	4.3218	1,271,606
Investments accounted for using the equity method			
USD	168,634	30.1107	5,077,693
<u>Financial liabilities</u>			
Monetary item			
USD	2,304,962	30.1107	69,404,090
JPY	1,483,011	0.2770	410,853
HKD	4,926,752	3.8680	19,056,676
EUR	14,796	33.7536	499,413
AUD	7,009	21.0967	147,871
RMB	457,306	4.3218	1,976,395
December 31, 2018			
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary item			
USD	\$ 2,479,798	30.7459	\$ 76,243,712
JPY	1,384,565	0.2781	385,058
HKD	8,878,133	3.9254	34,849,964
EUR	18,763	35.2119	660,664
AUD	2,318	21.6701	50,231
RMB	352,820	4.4700	1,577,100
Investments accounted for using the equity method			
USD	153,991	30.7459	4,734,592

(Continued)

	December 31, 2018		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial liabilities</u>			
Monetary item			
USD	\$ 2,571,184	30.7459	\$ 79,053,455
JPY	1,344,156	0.2781	373,821
HKD	6,513,703	3.9254	25,568,700
EUR	10,228	35.2119	360,130
AUD	8,661	21.6701	187,679
RMB	978,219	4.4700	4,372,624
			(Concluded)

f. Banking book interest risk

1) Source and definition of banking book interest risk

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

2) Banking book interest risk management strategy and process

The Bank controls this interest 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 banking book interest risk within the limit.

3) Banking book interest risk management organization and framework

- a) The Board of Directors: It is the top bank book interest risk supervising organization. The product part quotas and total annual stop-loss quotas of the trading business market risk monitored and managed by the Bank and approved by the Board are the top stipulation in banking book interest risk.
- b) Assets and Liabilities Committee: In charge of stipulating banking book interest risk management policy and monitoring the operating of banking book interest risk management. The Bank assembles related departments to hold an assets-and-liabilities assessment meeting to review the banking book interest risk management conditions and the result of interest pressure test once a month.
- c) Risk Management Department: In charge of banking book interest risk management. According to the Bank's regulation, the department is in charge of every operation related to banking book interest risk management, including planning of banking book interest risk limits, statistics, reporting and monitoring.

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

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 banking book interest risk.

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

The Risk Management Department calculates the exposure amount of each trading departments and traders and 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			
	2019		2018	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>				
Due from banks (part of cash and cash equivalents and other financial assets)	\$ 1,083,859	2.69	\$ 1,094,656	2.33
Call loans to banks	14,720,683	1.56	9,580,197	1.34
Due from the Central Bank	5,087,055	0.63	4,327,135	0.67
Financial assets at FVTPL	66,204,070	0.64	45,155,273	0.62
Bills and bonds purchased under resell agreements	34,904	0.16	358,849	0.21
Discounts and loans	178,218,274	2.65	176,133,124	2.58
Financial assets at FVTOCI	37,853,046	1.89	45,677,257	1.57
Investment in debt instruments at amortized costs	271,215	1.15	499,876	1.15
Receivables	1,232,168	2.45	2,178,908	2.37
<u>Interest-bearing liabilities</u>				
Due to the Central Bank and banks	25,504,367	1.94	34,530,412	1.74
Demand deposits	46,431,809	0.48	37,420,897	0.48
Time deposits	193,697,613	1.37	177,495,807	1.17
Bill and bonds sold under repurchase agreements	4,082,774	0.50	5,262,897	0.73
Bank debentures payable	18,671,233	2.03	20,373,836	2.08
Other financial liabilities	3,670,516	-	4,946,764	-

45. 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 taken for capital assessment program are regular calculation, analysis, monitoring and reporting on various capital ratio and leverage ratio, allocating annually each business's capital adequacy ratio target and regularly tracking the target achievement rate in the capital ratio or when leverage ratio has deteriorated because of the circumstances.

c. Capital adequacy ratio

O-Bank

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

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

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

Items \ Year		December 31, 2018	
		Standalone Capital Adequacy Ratio	Consolidated Capital Adequacy Ratio
Eligible capital	Common equity	\$ 23,857,101	\$ 42,039,566
	Other Tier 1 capital	750,999	2,248,225
	Tier 2 capital	4,518,127	7,639,991
	Eligible capital	29,126,227	51,927,782
Risk-weighted assets	Credit risk	Standardized approach	196,614,687
		Internal rating based approach	-
		Securitization	-
	Operational risk	Basic indicator approach	8,071,238
		Standardized/alternative standardized approach	-
		Advanced measurement approach	-
	Market risk	Standardized approach	8,099,200
		Internal model approach	-
	Total risk-weighted assets		212,785,125
Capital adequacy ratio		13.69%	13.19%
Ratio of common equity to risk-weighted assets		11.21%	10.68%
Ratio of Tier 1 capital to risk-weighted assets		11.56%	11.25%
Leverage ratio		7.16%	6.86%

Note 1: Eligible capital and risk-weighted assets 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, in 2019 and 2018, the Bank’s standalone and consolidated capital adequacy ratio shall not be lower than 10.5% and 9.875%, respectively. The ratio of Tier 1 capital shall not be lower than 8.5% and 7.875%, respectively. The ratio of common equity shall not be lower than 7.0% and 6.375%, respectively. Should any actual ratios be lower than the requirements, the central competent authority has the right to constrain the earnings distribution.

46. 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 5.

2) Concentration of credit extensions

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 (LCD and component 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

December 31, 2018

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

b. Market risk

Interest Rate Sensitivity Balance Sheet (New Taiwan Dollars)
December 31, 2019

(In Thousands of New Taiwan Dollars or in %)

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	\$ 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%

December 31, 2018

(In Thousands of New Taiwan Dollars or in %)

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	\$ 153,895,676	\$ 3,701,113	\$ 5,156,795	\$ 59,203,989	\$ 221,957,573
Interest rate-sensitive liabilities	80,313,253	45,671,299	41,035,656	45,437,973	212,458,181
Interest rate-sensitive gap	73,582,423	(41,970,186)	(35,878,861)	13,766,016	9,499,392
Net worth					29,476,185
Ratio of interest rate-sensitive assets to liabilities					104.47%
Ratio of interest rate sensitivity gap to net worth					32.23%

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, 2019

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

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	\$ 1,395,585	\$ 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%

December 31, 2018

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

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	\$ 1,496,271	\$ 15,499	\$ 36,800	\$ 968,185	\$ 2,516,755
Interest rate-sensitive liabilities	1,892,767	520,320	87,390	-	2,500,477
Interest rate-sensitive gap	(396,496)	(504,821)	(50,590)	968,185	16,278
Net worth					64,062
Ratio of interest rate-sensitive assets to liabilities					100.65%
Ratio of interest rate sensitivity gap to net worth					25.41%

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, 2019	For the Year Ended December 31, 2018
Return on total assets	Before income tax	0.36	0.36
	After income tax	0.33	0.30
Return on equity	Before income tax	3.71	3.68
	After income tax	3.37	3.12
Net income ratio		20.74	20.18

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, 2019 and 2018.

2) Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities (New Taiwan Dollars) December 31, 2019

(In Thousands of New Taiwan Dollars)

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 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

December 31, 2018

(In Thousands of New Taiwan Dollars)

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 261,684,702	\$ 66,366,860	\$ 21,782,255	\$ 22,834,590	\$ 18,588,439	\$ 19,785,994	\$ 112,326,564
Main capital outflow on maturity	299,504,646	31,670,930	36,010,964	52,474,249	41,206,123	49,853,927	88,288,453
Gap	(37,819,944)	34,695,930	(14,228,709)	(29,639,659)	(22,617,684)	(30,067,933)	24,038,111

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

Maturity Analysis of Assets and Liabilities (U.S. Dollars) 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

December 31, 2018

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 3,865,995	\$ 1,551,474	\$ 698,979	\$ 509,652	\$ 324,982	\$ 780,908
Main capital outflow on maturity	4,008,431	1,858,382	1,012,637	522,411	207,076	407,925
Gap	(142,436)	(306,908)	(313,658)	(12,759)	117,906	372,983

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

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

Maturity Analysis of Overseas Assets and Liabilities (U.S. Dollars)
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

December 31, 2018

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 1,071,742	\$ 487,386	\$ 155,816	\$ 43,623	\$ 20,899	\$ 364,018
Main capital outflow on maturity	1,071,400	510,060	289,780	90,435	45,654	135,471
Gap	342	(22,674)	(133,964)	(46,812)	(24,755)	228,547

47. CASH FLOWS INFORMATION

Changes in Liabilities from Financing Activities

For the year ended December 31, 2019

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

For the year ended December 31, 2018

	January 1, 2018	Cash Inflow (Outflow)	None Cash Other	December 31, 2018
Bank debentures payable	\$ 20,400,000	\$ (2,550,000)	\$ -	\$ 17,850,000
Other financial liabilities	5,997,782	(1,676,491)	-	4,321,291
Other liabilities	227,631	(171,398)	-	56,233
	<u>\$ 26,625,413</u>	<u>\$ (4,397,889)</u>	<u>\$ -</u>	<u>\$ 22,227,524</u>

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 \$300 million or 10% of the paid-in capital: None
 - 5) Acquisition of individual real estate at costs of at least \$300 million or 10% of the paid-in capital: None
 - 6) Disposal of individual real estate at costs of at least \$300 million or 10% of the paid-in capital: None
 - 7) Allowance of service fees to related parties amounting to at least \$5 million: None
 - 8) Receivables from related parties amounting to at least \$300 million or 10% of the paid-in capital: None
 - 9) Sale of nonperforming loans: Table 4 (attached)
 - 10) Information of applying for authorization of securitized product type according to the “Regulations of Financial Assets Securitization or Regulations of Real Estate Securitization”: None
 - 11) Other significant transactions which may affect the decisions of users of individual financial reports: None
 - 12) Related information and total stockholding circumstances of “Name, locations and other information of investees on which the Bank exercises significant influence.” Table 6 (attached)
 - 13) Derivative instrument transactions: Note 8 to the financial statements.
- c. Investment in mainland China: Table 7 (attached)

O-BANK CO., LTD.

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

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing (Note 2)	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral	Financing Limit for Each Borrower (Notes 3 and 5)	Aggregate Financing Limits (Notes 4 and 5)	Note	
1	IBT Leasing	Lei Xin Construction	Account receivable - short-term accommodations	No	\$ 91,560	\$ 54,380	\$ 54,380	2-8	2	\$ -	Working capital turnover	\$ 5,438	Real estate	\$ 236,105	\$ 944,419		
		Kaiju Aluminum Industry Co., Ltd.	Account receivable - short-term accommodations	No	8,601	-	-	2-8	1	30,000	Working capital turnover	-	-	Real estate	236,105	2,361,047	
		Kaiju Aluminum Industry Co., Ltd.	Account receivable - short-term accommodations	No	8,601	-	-	2-8	2	-	Working capital turnover	-	-	Real estate	236,105	944,419	
		General Energy Solutions	Account receivable - short-term accommodations	No	2,324	-	-	2-8	2	-	Working capital turnover	-	-	Margin	236,105	944,419	
		San Rong Fisheries Corp.	Account receivable - short-term accommodations	No	13,080	-	-	2-8	2	-	Working capital turnover	-	-	-	236,105	944,419	
		Shanyue development Co., Ltd.	Account receivable - short-term accommodations	No	165,000	-	-	2-8	2	-	Working capital turnover	-	-	Real estate	236,105	944,419	
		Kuang Ming shipping Corp.	Account receivable - short-term accommodations	No	167,100	120,000	110,000	2-8	2	-	Working capital turnover	-	1,782	Performance bond	236,105	944,419	
		Inhon Communication Co., Ltd.	Account receivable - short-term accommodations	No	66,587	22,433	22,433	2-8	2	-	Working capital turnover	-	460	Margin	236,105	944,419	
		Huimin Environmental Tech. Corp.	Account receivable - short-term accommodations	No	30,000	2,882	2,882	2-8	2	-	Working capital turnover	-	37	-	236,105	944,419	
		Power Home Construction	Account receivable - short-term accommodations	No	82,500	58,644	58,644	2-8	2	-	Working capital turnover	-	762	Real estate	236,105	944,419	
		Neo solar power	Account receivable - short-term accommodations	No	43,994	15,089	15,089	2-8	1	77,159	Working capital turnover	-	121	Margin	236,105	2,361,047	
		Shinex Machinery Engineering Inc.	Account receivable - short-term accommodations	No	15,668	-	-	2-8	2	-	Working capital turnover	-	-	-	236,105	944,419	
		An Chieh Bao Corp.	Account receivable - short-term accommodations	No	51,030	29,691	29,691	2-8	2	-	Working capital turnover	-	308	Margin	236,105	944,419	
		Advanced Wireless and Antenna Inc.	Account receivable - short-term accommodations	No	28,231	7,403	7,403	2-8	2	-	Working capital turnover	-	52	Margin	236,105	944,419	
2	IBT International Leasing Corp.	Yuan Mao Construction Co., Ltd.	Account receivable - short-term accommodations	No	120,000	98,400	98,400	2-8	2	-	Working capital turnover	1,771	Stock	236,105	944,419		
		Tanoko Recreation Management Co., Ltd.	Account receivable - short-term accommodations	No	70,000	64,205	64,205	2-8	2	-	Working capital turnover	835	Stock	-	236,105	944,419	
		Qingdao Liansheng Industry Co., Ltd.	Entrusted loans	Yes	80,986	-	-	6-16	2	-	Working capital turnover	-	-	-	232,831	931,325	
		Shanghai Kuang Di Entertainment Co., Ltd.	Entrusted loans	No	18,808	-	-	6-16	2	-	Working capital turnover	-	-	-	232,831	931,325	
		Zhangjiayie Zhongjun Real Estate Co., Ltd.	Entrusted loans	No	60,523	33,288	33,288	6-16	2	-	Working capital turnover	666	Real estate	38,853	232,831	931,325	
		Suzhou Dong Sheng Machine Co., Ltd.	Entrusted loans	No	40,010	19,274	19,274	6-16	2	-	Working capital turnover	77	Real estate	34,178	232,831	931,325	
		Suzhou Leading Car Service Co., Ltd.	Entrusted loans	No	49,716	39,733	39,733	6-16	2	-	Working capital turnover	133	Margin	6,485	232,831	931,325	
		Nanjing Fortland automobile leasing Co., Ltd.	Entrusted loans	No	49,716	39,733	39,733	6-16	2	-	Working capital turnover	133	Margin	6,485	232,831	931,325	
		Shanghai Qaoyou Garment Co., Ltd.	Entrusted loans	No	11,990	-	-	6-16	2	-	Working capital turnover	-	-	-	232,831	931,325	
		Qiangsheng (Shanghai) Multimedia Co., Ltd.	Entrusted loans	No	45,657	-	-	6-16	2	-	Working capital turnover	-	-	-	232,831	931,325	
		Shanghai Meijiaqi Electronics Co., Ltd.	Entrusted loans	No	19,088	-	-	6-16	2	-	Working capital turnover	-	-	232,831	931,325		

(Continued)

Note 1: Explanation:

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

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

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

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

(Concluded)

O-BANK CO., LTD.

**ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2019**
(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 Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship (Note 2)								Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries (Note 4)	
1	IBT Leasing	IBT International Leasing Corp. IBT VII Venture Capital Co., Ltd.	b b	\$ 18,888,376 18,888,376	\$ 15,220,159 80,000	\$ 12,238,345 80,000	\$ 4,307,911 80,000	\$ - -	518.34 3.39	\$ 28,332,563 28,332,563	No No	Yes No

Note 1: Explanation:

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

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

- a. Trading partner.
- b. Directly owns over 50% of the common stocks of the subsidiary.
- c. The Bank and subsidiary own over 50% ownership of the investee company.
- d. A parent company that own over 50% ownership of the company directly or through a subsidiary.
- e. Guaranteed by the Bank according to the construction contract.
- f. An investee company, for which the guarantees were provided based on the Bank's proportionate share in the investee company.

Note 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, 2019

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2019			Note
				Stocks/Units (Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value
IBT Holdings	Stocks EverTrust Bank	Subsidiaries	Investments accounted for using the equity method	10,714	US\$ 174,519	91.78	US\$ 174,519
	Closed type beneficiary certificate O-Bank Real Estate Investment Trust “Successful One”	-	Financial asset at FVTOCI	3,059	29,978	1.02	29,978
IBT Management Corp.	Stocks Thunder Tiger Biotechnology Co., Ltd	-	Financial asset at FVTPL	1,791	53,592	7.49	53,592
	TaiRx Co., Ltd	-	Financial asset at FVTPL	511	9,813	0.84	9,813
	Mimoto (Samoa) Co., Ltd.	-	Financial asset at FVTPL	25,974	24,419	2.41	24,419
	Houdou Pinshan (Cayman) Co., Ltd.	-	Financial asset at FVTPL	500	13,286	2.17	13,286
	Gatech Technology Co., Ltd.	-	Financial asset at FVTOCI	102	969	0.18	969
IBT Leasing Co., Ltd.	Closed type beneficiary certificate O-Bank Real Estate Investment Trust “Successful One”	-	Financial asset at FVTOCI	12,260	120,148	4.09	120,148
IBT VII Venture Capital Co., Ltd.	Stocks IBT International Leasing Corp. IBT VII Venture Capital Co., Ltd.	Subsidiaries Subsidiaries	Investments accounted for using the equity method Investments accounted for using the equity method	- 65,000	2,211,898 454,526	95.00 100.00	2,211,898 454,526
	Closed type beneficiary certificate O-Bank Real Estate Investment Trust “Successful One”	-	Financial asset at FVTOCI	14,000	137,200	4.67	137,200
	Stocks IBT International Leasing Corp. TAIRX Corp.	Subsidiaries -	Investments accounted for using the equity method Financial asset at FVTPL	- 3,818	116,416 73,348	5.00 6.25	116,416 73,348
	Meridigen Corp.	-	Financial asset at FVTPL	500	8,266	0.55	8,266
	Fencosteel Tech Co., Ltd.	-	Financial asset at FVTPL	1,298	35,241	3.10	35,241
	Shihlian China Holdings Corp.	-	Financial asset at FVTPL	9,135	43,089	0.21	43,089
	New Applied Materials Co., Ltd.	-	Financial asset at FVTPL	539	13,881	0.92	13,881
	Polaris Co., Ltd.	-	Financial asset at FVTPL	140	2,462	0.04	2,462
	BioResource International, Inc.	-	Financial asset at FVTPL	1,105	76,735	5.91	76,735
	Chipwell tech corporation	-	Financial asset at FVTPL	391	2,339	2.61	2,339
							Note 1
							Note 2

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2019			Note
				Stocks/Units (Thousands)	Carrying Amount	Percentage of Ownership (%)	
	Biocontrol Gene Vaccine Co., Ltd. Reber Genetics Co., Ltd. Kaohsiung Rapid Transit Corporation All Rights Reserved.	-	Financial asset at FVTPL Financial asset at FVTPL Financial asset at FVTPL	1,008	US\$ 1,285	0.98	US\$ 1,285 8,869 46,573
				2,322	8,869	2.20	
				3,845	46,573	1.38	

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

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

(Concluded)

O-BANK AND SUBSIDIARIES

SALES OF NONPERFORMING LOANS
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. Sales of nonperforming loans

Trade Date	Trade Name	Creditor Composition Content	Book Value	Price	Dispose of Profit and Loss	With Agreed Conditions	The Relationship Between the Transaction Object and The Bank
June 21, 2019 August 12, 2019	TANG, YIU PONG NOBLE GATE GROUP LIMITED	Residential mortgage Commercial mortgage	\$ 116,525 74,840	\$ 116,525 74,840	\$ - -	None None	None None

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

O-BANK CO., LTD.

NON-PERFORMING LOANS AND ACCOUNTS RECEIVABLE
DECEMBER 31, 2019 AND 2018

(In Thousands of New Taiwan Dollars or in %)

Period		December 31, 2019					December 31, 2018				
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	\$ 1,083,937	\$ 82,689,386	1.31	\$ 1,019,122	94.02	\$ 21,623	\$ 85,631,246	0.03	\$ 1,036,438	4,793.22
	Unsecured	230,128	71,322,123	0.32	1,117,229	485.48	-	85,108,167	-	1,480,041	-
	Housing mortgage (Note 4)	-	17,466,495	-	240,775	-	-	8,074,049	-	121,111	-
	Cash card	-	-	-	-	-	-	-	-	-	-
Consumer banking	Small-scale credit loans	11,334	4,928,748	0.23	48,448	427.47	5,714	3,245,770	0.18	33,214	581.27
	Secured	-	-	-	-	-	-	-	-	-	-
Total lending business	Unsecured	-	-	-	-	-	-	-	-	-	-
	Other	1,325,399	176,406,752	0.75	2,425,574	183.01	27,337	182,059,232	0.02	2,670,804	9,769.92
Credit cards	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
		-	-	-	-	-	-	-	-	-	-
	Factored accounts receivable without recourse (Note 5)	-	1,585,725	-	17,004	-	-	4,714,725	-	50,500	-
		Exempt from Reporting the Total Balance of Overdue Loans		Exempt from Reporting the Total Balance of Overdue Account Receivable		Exempt from Reporting the Total Balance of Overdue Loans		Exempt from Reporting the Total Balance of Overdue Account Receivable			
Exempt amount - due to debt negotiation and performance (Note 6)		\$ -		\$ -		\$ -		\$ -			
Debt settlement plan and rehabilitative program (Note 7)		734		-		-		-			
total		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."

Note 2: Ratio of nonperforming loans: Nonperforming loans ÷ Outstanding loan balance.

Note 3: Ratio of nonperforming credit card receivables: Nonperforming credit card receivables ÷ Outstanding credit card receivables balance.

Note 4: Coverage ratio of loans: Allowance for possible losses for loans ÷ Nonperforming loans.

Note 5: Coverage ratio of credit card receivables: Allowance for possible losses for credit card receivables ÷ Nonperforming credit card receivables.

Note 6: 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 7: As required by the Banking Bureau in its letter dated July 19, 2005 (Ref. No. 0945000494), factored accounts receivable without recourse are reported as nonperforming receivables within three months after the factoring or insurance companies refuse to indemnify banks for any liabilities on these accounts.

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

Note 9: According to the letter of the Bank of China Ref. No. 09700318940 dated September 15, 2008 and the letter of the Bank of China Ref. No. 10500134790 dated September 20, 2016 regarding the "Consumer Debt Clearance Regulations" for pre-negotiation, rehabilitation and liquidation cases, credit reporting and the information disclosure requirements should include supplemental disclosures of related matters.

O-BANK CO., LTD.

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEE OVER WHICH THE BANK EXERCISES SIGNIFICANT INFLUENCE
FOR THE YEAR ENDED DECEMBER 31, 2019
(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 (%)	
<u>Financial institution</u>									
Investments accounted for using the equity method									
China Bills Finance Corp.	Taipei City, Taiwan	Bonds underwriting, dealing and brokerage of securities	28.37	\$ 6,700,500	\$ 353,093	382,532	-	382,532	28.48
IBT Holdings Corp.	California, America	Holding company	100.00	5,294,014	385,991	10,869	-	10,869	100.00
IBT Leasing Co., Ltd.	Taipei City, Taiwan	Leasing company	100.00	2,361,173	363,808	264,300	-	264,300	100.00
IBT Management Corp.	Taipei City, Taiwan	Investment consulting	100.00	226,457	(2,589)	13,400	-	13,400	100.00
<u>Non-financial institution</u>									
Investments accounted for using the equity method									
Chun Teng New Century Co., Ltd.	Taipei City, Taiwan	Securities investment consulting	99.75	338,027	(1,823)	318,281	-	318,281	99.75
Financial assets at FV/TOCI									
Taiwan Mobile Payment Co., Ltd.	Taipei City, Taiwan	Information Software Services Industry	0.50	1,691	-	300	-	300	0.50
Dio Investment Ltd.	Cayman Island	Coffee retail	8.82	52,281	-	6,997	-	6,997	8.82
Shihlien China Holdings Co., Ltd.	Hong Kong	Chemical industries	1.21	246,127	-	52,182	-	52,182	1.21
Shengzhuang Holdings Limited	Cayman Island	Chemical material manufacturing	2.18	22,305	-	244	-	244	2.18

O-BANK CO., LTD.

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2019

(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	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019
					Outflow	Inflow (Note 8)					
Shinlien Chemical Industrial Jiangsu Co.	Production of glass materials	\$ 24,088,586 (US\$ 800,000)	Note 1 c.	\$ 207,704 (US\$ 6,898)	\$ -	\$ -	\$ 207,704 (US\$ 6,898)	1.39	\$ -	\$ 207,704 (US\$ 6,898)	\$ -
Shinlien Brine Huanan Co.	Production of glass materials	963,543 (US\$ 32,000)	Note 1 c.	10,027 (US\$ 333)	-	-	10,027 (US\$ 333)	1.39	-	10,027 (US\$ 333)	-
Suzhou Dio F&B Management Co., Ltd.	Coffee retailing	463,675 (US\$ 15,399)	Note 1 c.	60,221 (US\$ 2,000)	-	-	60,221 (US\$ 2,000)	2.60	-	60,221 (US\$ 2,000)	-
Ou Suomiluo Food Co., Ltd.	Coffee retailing	43,231 (RMB 10,000)	Note 1 c.	15,055 (US\$ 500)	-	-	15,055 (US\$ 500)	2.09	-	15,055 (US\$ 500)	-
Beijing Shengzhuang Co., Ltd.	Cosmetic OEM	236,746 (RMB 54,300)	Note 1 c.	60,221 (US\$ 2,000)	-	-	60,221 (US\$ 2,000)	2.175	-	60,221 (US\$ 2,000)	-
Shanghai Douniushi F&B Management Co., Ltd.	Restaurant retailing	130,379 (US\$ 4,330)	Note 1 c.	17,615 (US\$ 585)	-	17,615 (US\$ 585)	-	-	-	-	-
Topping Cuisine International Holding, Ltd.	Food retailing	156,576 (US\$ 5,200)	Note 1 c.	17,615 (US\$ 585)	-	17,615 (US\$ 585)	-	-	-	-	-
Shanghai Dou Mao Food Management Co., Ltd.	Trading	6,022 (US\$ 200)	Note 1 c.	120 (US\$ 4)	-	120 (US\$ 4)	-	-	-	-	-
Beauty Essential International, Ltd.	Cosmetic retailing	90,332 (US\$ 3,000)	Note 1 c.	23,667 (US\$ 786)	-	23,667 (US\$ 786)	-	-	-	-	-
Meike information technology	Cosmetic retailing information technology	51,188 (US\$ 1,700)	Note 1 c.	-	482 (US\$ 16)	482 (US\$ 16)	-	-	-	-	-

(Continued)

Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$353,228 (US\$11,731)	\$353,228 (US\$11,731)	Note 3

IBT Leasing Co., Ltd.

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019
					Outflow	Inflow					
IBT International Leasing Corp.	Leasing	\$ 1,957,198 (US\$ 65,000)	Note 1 d.	\$ 1,589,847 (US\$ 52,800)	\$ -	\$ -	\$ 1,589,847 (US\$ 52,800)	100.00	\$ 313,191 (Notes 2 and 6)	\$ 2,211,898 (Note 6)	\$ -

Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$1,589,847 (US\$52,800)	\$1,589,847 (US\$52,800)	Note 4

IBT Management Corp.

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019
					Outflow (Note 8)	Inflow					
Shanghai Douniushi F&B Management Co., Ltd.	Restaurant retailing	\$ 130,379 (US\$ 4,330)	Note 1 c.	\$ -	\$ 2,168 (US\$ 72)	\$ -	\$ 2,168 (US\$ 72)	2.17	\$ -	\$ 2,168 (US\$ 72)	\$ -
Topping Cuisine International Holding, Ltd.	Food retailing	156,576 (US\$ 5,200)	Note 1 c.	-	12,767 (US\$ 424)	-	12,767 (US\$ 424)	2.17	-	12,767 (US\$ 424)	-
Shanghai Dou Mao Food Management Co., Ltd.	Trading	6,022 (US\$ 200)	Note 1 c.	-	211 (US\$ 7)	-	211 (US\$ 7)	2.17	-	211 (US\$ 7)	-
Beauty Essential International, Ltd.	Cosmetic retailing	90,332 (US\$ 3,000)	Note 1 c.	-	20,626 (US\$ 685)	-	20,626 (US\$ 685)	2.64	-	20,626 (US\$ 685)	-
Meike information technology	Cosmetic retailing information technology	51,188 (US\$ 1,700)	Note 1 c.	-	964 (US\$ 32)	-	964 (US\$ 32)	2.41	-	964 (US\$ 32)	-

(Continued)

Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$36,736 (US\$1,200)	Note 9	Note 9

IBT VII Venture Capital Co., Ltd.

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019
					Outflow	Inflow					
IBT International Leasing Corp.	Leasing	\$ 1,957,198 (US\$ 65,000)	Note 1 d.	\$ 367,351 (US\$ 12,200)	\$ -	\$ -	\$ 367,351 (US\$ 12,200)	5.00 (Note 5)	\$ 16,484 (Note 2 and 6)	\$ 116,416 (Note 6)	\$ -

Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$367,351 (US\$12,200)	\$378,751 (US\$12,200)	\$272,716 (Note 7)

Note 1: There were five investment approaches stated as follows.

- Investment in mainland China by remittance via a third country.
- Indirect investment in mainland China via setting a company in a third country.
- Indirect investment in mainland China via investing in a current company in a third country. (Via investing Shilien China Holding Co., Limited, Dio Investment, Ltd., Shengzhuang Holding, Ltd., Topping Cuisine International Holding, Ltd., and Beauty Essential International, Ltd.)
- Direct investment in mainland China.
- Others.

Note 2: From financial statements audited by other CPA.

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

Note 4: IBT Leasing Co., Ltd. obtained the documents issued by the Industrial 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 5: 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 6: 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.

(Continued)

Note 7: The original investment is within the limit.

Note 8: In response to operational needs, the Bank sold their investments in mainland China to its subsidiary, IBT Management Corp., in November 2019 and submitted relevant sales documents to the Ministry of Economic Affairs Investment Review Committee for verification. The amount of remittance is mainly based on the verification letter submitted.

Note 9: IBT Management Corp. has not obtained the verification letter from the Investment Review Committee of the Ministry of Economic Affairs as of December 31, 2019.

(Concluded)

O-BANK CO., LTD.

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

Item	Statement Index
Major Accounting Items in Assets and Liabilities	
Statement of financial assets at FVTPL	1
Statement of discounts and loans	2
Statement of financial assets at FVTOCI	3
Statement of changes in investments accounted for using equity method	4
Statement of change in right-of use assets	5
Statement of lease liabilities	6
Major Accounting Items in Profit or Loss	
Statement of interest revenue	7
Statement of interest expense	8
Statement of gains on financial assets or liabilities measured at FVTPL	9
Statement of other net revenue other than interest revenue	10
Statement of employee benefits expense	11

O-BANK CO., LTD.**STATEMENT OF FINANCIAL ASSETS AT FVTPL
DECEMBER 31, 2019****(Amounts in Thousands of USD and NTD, Except 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	Note
						Unit Price	Total Amount		
Hybrid financial assets									
Convertible bonds - domestic					\$			\$	
China Airlines 6	Expired on January 30, 2021	50,000,000	50,000,000		50,000		50,678	678	
China Airlines 6	Expired on January 30, 2021	30,000,000	30,000,000		30,000		30,406	406	
Eva Airlines 3	Expired on October 27, 2020	40,000,000	40,000,000		40,000		39,954	(46)	
Eva Airlines 3	Expired on October 27, 2020	20,000,000	20,000,000		20,000		19,977	(23)	
Eva Airlines 3	Expired on October 27, 2020	20,000,000	20,000,000		20,000		19,977	(23)	
Eva Airlines 3	Expired on October 27, 2020	10,000,000	10,000,000		10,000		9,988	(12)	
Eva Airlines 3	Expired on October 27, 2020	20,000,000	20,000,000		20,000		19,977	(23)	
Eva Airlines 3	Expired on October 27, 2020	20,000,000	20,000,000		20,000		19,977	(23)	
Eva Airlines 3	Expired on October 27, 2020	30,000,000	30,000,000		30,000		29,966	(34)	
Eva Airlines 3	Expired on October 27, 2020	20,000,000	20,000,000		20,000		19,957	(43)	
Eva Airlines 3	Expired on October 27, 2020	30,000,000	30,000,000		30,000		29,936	(64)	
Eva Airlines 3	Expired on October 27, 2020	20,000,000	20,000,000		20,000		19,957	(43)	
Eva Airlines 3	Expired on October 27, 2020	20,000,000	20,000,000		20,000		19,957	(43)	
Eva Airlines 3	Expired on October 27, 2020	20,000,000	20,000,000		20,000		19,957	(43)	
Eva Airlines 3	Expired on October 27, 2020	20,000,000	20,000,000		20,000		19,957	(43)	
Ennoconn 3	Expired on February 26, 2022	210,000,000	210,000,000		210,000		213,399	3,399	
Ennoconn 3	Expired on February 26, 2022	18,600,000	18,600,000		18,600		18,900	300	
Ennoconn 3	Expired on February 26, 2022	21,800,000	21,800,000		21,800		22,152	352	
Ennoconn 3	Expired on February 26, 2022	5,300,000	5,300,000		5,300		5,385	85	
Ennoconn 3	Expired on February 26, 2022	20,000,000	20,000,000		20,000		20,323	323	
Ennoconn 3	Expired on February 26, 2022	40,000,000	40,000,000		40,000		40,647	647	
Ennoconn 3	Expired on February 26, 2022	6,000,000	6,000,000		6,000		6,096	96	
Ennoconn 3	Expired on February 26, 2022	10,000,000	10,000,000		10,000		10,183	183	
Ennoconn 3	Expired on February 26, 2022	8,000,000	8,000,000		8,000		8,144	144	
Ennoconn 3	Expired on February 26, 2022	20,000,000	20,000,000		20,000		20,323	323	
Ennoconn 3	Expired on February 26, 2022	10,300,000	10,300,000		10,300		10,466	166	
					720,000		726,682	6,682	
Structured debt									
HSBC Float 09/01/22	Expired on September 1, 2022	-	-		602,215		608,116	5,901	
Derivative financial assets									
Foreign exchange forward contracts		-	-		-		160,241	160,241	
Forward contracts		-	-		-		7,189	7,189	
Foreign currency option contracts - call		-	-		1,029		2,882	1,853	
Interest rate swap contracts		-	-		-		7,610	7,610	
					1,029		177,922	176,893	
Non-derivative financial assets									
Negotiable certificates of deposit		-	-	0.2-0.628	54,595,000		54,581,688	(13,312)	(Continued)

Item	Remark	Shares/Units (In Thousands)	Total Face Value (In Thousands)	Rate (%)	Acquisition Cost	Fair Value		Changes in Fair Value Attributable to Credit Risk	Note
						Unit Price	Total Amount		
Commercial papers					\$			\$	
Fina Finance and Trading 1081219-1090114	Expired on January 14, 2020	-	-		199,951		199,954		3
Taipei financial center 1081230-1090120	Expired on January 20, 2020	-	-		299,895		299,901		6
Taishin Securities 1081211-1090110	Expired on January 10, 2020	-	-		199,968		199,968		-
Fubon Securities 1081213-1090110	Expired on January 10, 2020	-	-		499,921		499,920		(1)
E.SUN Securities 1081213-1090108	Expired on January 8, 2020	-	-		119,985		119,984		(1)
Taishin Securities 1081213-1090107	Expired on January 7, 2020	-	-		49,995		49,995		-
Taishin Securities 1081216-1090107	Expired on January 7, 2020	-	-		259,972		259,971		(1)
First Securities 1081216-1090113	Expired on January 13, 2020	-	-		69,985		69,985		-
CTBC Securities 1081218-1090110	Expired on January 10, 2020	-	-		319,947		319,948		1
Hotai 1081218-1090117	Expired on January 17, 2020	-	-		99,970		99,972		2
First Securities 1081220-1090115	Expired on January 15, 2020	-	-		84,978		84,979		1
SHIN KONG Securities 1081223-1090116	Expired on January 16, 2020	-	-		149,958		149,960		2
First Securities 1081223-1090117	Expired on January 17, 2020	-	-		69,980		69,981		1
Fina Finance and Trading 1081226-1090120	Expired on January 20, 2020	-	-		299,894		299,901		7
CTBC Securities 1081226-1090117	Expired on January 17, 2020	-	-		199,940		199,943		3
CTBC Securities 1081226-1090114	Expired on January 14, 2020	-	-		69,983		69,984		1
CTBC Securities 1081227-1090114	Expired on January 17, 2020	-	-		129,962		129,963		1
First Securities 1081227-1090116	Expired on January 14, 2020	-	-		29,993		29,993		-
JiHSUN SCL 1081230-1090221	Expired on January 16, 2020	-	-		199,945		199,947		2
Hotai 1081231-1090226	Expired on February 21, 2020	-	-		299,707		299,714		7
ASE 1081219-1090116	Expired on February 26, 2020	-	-		49,946		49,947		1
ASE 1081225-1090121	Expired on January 16, 2020	-	-		99,972		99,974		2
Foxconn 1081118-1090214	Expired on January 21, 2020	-	-		399,851		399,860		9
Yulon 1081122-1090220	Expired on February 14, 2020	-	-		499,585		499,593		8
TPC 1080925-1090219	Expired on February 20, 2020	-	-		49,952		49,953		1
TPC 1081022-1090310	Expired on February 19, 2020	-	-		2,997,387		2,997,257		(130)
TPC 1081022-1090310	Expired on March 10, 2020	-	-		998,802		998,656		(146)
CPC 1081025-1090417	Expired on March 10, 2020	-	-		998,792		998,655		(137)
CPC 1081025-1090417	Expired on April 17, 2020	-	-		499,064		498,891		(173)
AIDC 1081203-1090106	Expired on April 17, 2020	-	-		499,057		498,891		(166)
President Securities 1081213-1090113	Expired on January 6, 2020	-	-		199,981		199,980		(1)
AIDC 1081217-1090120	Expired on January 13, 2020	-	-		299,936		299,936		-
Yuantia Securities Finance 1081220-1090106	Expired on January 20, 2020	-	-		399,858		399,867		9
Yuantia Securities 1081220-1090106	Expired on January 6, 2020	-	-		299,974		299,971		(3)
Yuantia Securities Finance 1081225-1090108	Expired on January 6, 2020	-	-		179,985		179,983		(2)
Yuantia Securities 1081226-1090109	Expired on January 8, 2020	-	-		79,990		79,990		-
Yuantia Securities 1081227-1090109	Expired on January 9, 2020	-	-		199,972		199,972		-
CPC 1080802-1090116	Expired on January 9, 2020	-	-		199,970		199,971		1
CPC 1080802-1090116	Expired on January 16, 2020	-	-		499,870		499,868		(2)
CPC 1080802-1090116	Expired on January 16, 2020	-	-		499,869		499,869		-

(Continued)

Item	Remark	Shares/Units (In Thousands)	Total Face Value (In Thousands)	Rate (%)	Acquisition Cost	Fair Value		Changes in Fair Value Attributable to Credit Risk	Note
						Unit Price	Total Amount		
TPC 1081025-1090312	Expired on March 12, 2020	-	-	-	\$ 299,631	\$	299,583	\$	(48)
TPC 1081025-1090312	Expired on March 12, 2020	-	-	-	299,630		299,583		(47)
TPC 1081025-1090312	Expired on March 12, 2020	-	-	-	399,505		399,444		(61)
Yulon 1081101-1090113	Expired on January 13, 2020	-	-	-	99,977		99,979		2
Taiwan railways 1081119-1090513	Expired on May 13, 2020	-	-	-	498,882		498,573		(309)
Taiwan railways 1081119-1090513	Expired on May 13, 2020	-	-	-	498,877		498,574		(303)
Taiwan railways 1081121-1090519	Expired on May 19, 2020	-	-	-	139,672		139,579		(93)
Yulon 1081126-1090116	Expired on January 16, 2020	-	-	-	99,973		99,974		1
EASYRENT 1081129-1090227	Expired on February 27, 2020	-	-	-	299,668		299,678		10
Foxconn 1081203-1090302	Expired on March 2, 2020	-	-	-	499,416		499,418		2
Hotai 1081203-1090302	Expired on March 2, 2020	-	-	-	129,846		129,849		3
IBF Securities 1081206-1090103	Expired on January 3, 2020	-	-	-	199,993		199,991		(2)
Yulon 1081209-1090207	Expired on February 7, 2020	-	-	-	199,856		199,865		9
Taishin D.A. Finance 1081212-1090212	Expired on February 12, 2020	-	-	-	99,920		99,923		3
Concord Securities 1081212-1090102	Expired on January 2, 2020	-	-	-	199,996		199,993		(3)
Hotai 1081216-1090115	Expired on January 15, 2020	-	-	-	199,948		199,951		3
Hotai 1081217-1090316	Expired on March 16, 2020	-	-	-	199,705		199,705		-
Fortune Motors 1081218-1090113	Expired on January 13, 2020	-	-	-	199,955		199,957		2
Fortune Motors 1081218-1090114	Expired on January 14, 2020	-	-	-	199,952		199,955		3
JIH SUN Financial Holding 1081220-1090117	Expired on January 17, 2020	-	-	-	99,972		99,972		-
Yuantia Securities Finance 1081223-1090109	Expired on January 9, 2020	-	-	-	249,965		249,964		(1)
Yuantia Securities Finance 1081223-1090110	Expired on January 10, 2020	-	-	-	269,957		269,956		(1)
Yuantia Securities Finance 1081224-1090107	Expired on January 7, 2020	-	-	-	479,950		479,946		(4)
Yuantia Securities Finance 1081224-1090114	Expired on January 14, 2020	-	-	-	119,973		119,973		-
Yuantia Securities 1081224-1090106	Expired on January 6, 2020	-	-	-	199,982		199,980		(2)
Concord Securities 1081226-1090113	Expired on January 13, 2020	-	-	-	99,976		99,978		2
KGI Securities 1081231-1090108	Expired on January 8, 2020	-	-	-	499,939		499,936		(3)
First Securities 1081231-1090121	Expired on January 21, 2020	-	-	-	69,975		69,975		-
Taishin D.A. Finance 1081209-1090106	Expired on January 6, 2020	-	-	-	99,991		99,990		(1)
Taishin Financial 1081009-1090107	Expired on January 7, 2020	-	-	-	4,999		4,999		-
CTBC 1081107-1090207	Expired on February 7, 2020	-	-	-	9,993		9,993		-
IBF Securities 1081206-1090103	Expired on January 3, 2020	-	-	-	449,984		449,979		(5)
Eximbank 1081211-1090311	Expired on March 11, 2020	-	-	-	19,976		19,973		(3)
CUB Securities 1081213-1090106	Expired on January 6, 2020	-	-	-	229,980		229,978		(2)
IBF Securities 1081218-1090110	Expired on January 10, 2020	-	-	-	299,950		299,952		2
CUB Securities 1081220-1090117	Expired on January 17, 2020	-	-	-	49,986		49,986		-
Hotai 1081220-1090117	Expired on January 17, 2020	-	-	-	69,979		69,980		1
CUB Securities 1081224-1090115	Expired on January 15, 2020	-	-	-	399,902		399,902		-
CUB Securities 1081224-1090121	Expired on January 21, 2020	-	-	-	399,860		399,860		-
Hotai 1081225-1090121	Expired on January 21, 2020	-	-	-	49,981		49,982		1
IBF Securities 1081226-1090116	Expired on January 16, 2020	-	-	-	249,928		249,934		6
Mega Securities 1081227-1090110	Expired on January 10, 2020	-	-	-	399,936		399,936		-
Hotai 1080919-1090114	Expired on January 14, 2020	-	-	-	99,976		99,977		1
Hotai 1081108-1090108	Expired on January 8, 2020	-	-	-	99,987		99,987		-
Fortune Motors 1081213-1090107	Expired on January 7, 2020	-	-	-	299,968		299,966		(2)
Fortune Motors 1081213-1090108	Expired on January 8, 2020	-	-	-	299,963		299,961		(2)
EASYRENT 1081216-1090114	Expired on January 14, 2020	-	-	-	199,952		199,953		1
					24,194,124		24,192,589		(1,535)

(Continued)

Item	Remark	Shares/Units (In Thousands)	Total Face Value (In Thousands)	Rate (%)	Acquisition Cost	Fair Value		Changes in Fair Value Attributable to Credit Risk	Note
						Unit Price	Total Amount		
Stock and beneficiary certificates of listed company					\$	\$	\$	\$	
Beijing Universal Chain Food		68,000	2,989,806,000		2,990	43.65	2,968	(22)	
China General Plastics		160,000	3,402,606,000		3,403	20.8	3,328	(75)	
Hsin Kuang Steel		844,000	26,395,520,000		26,396	31.5	26,586	190	
Turvo International		53,000	3,737,974,000		3,738	72.8	3,858	120	
Compeq Manufacturing		160,000	6,497,653,000		6,498	45.1	7,216	718	
Taiwan Semiconductor Manufacturing		6,000	1,994,796,000		1,995	331	1,986	(9)	
Realtek Semiconductor		80,000	18,277,893,000		18,278	235	18,800	522	
Elite Material		78,000	9,476,576,000		9,477	137	10,686	1,209	
MediaTek		4,000	1,516,628,000		1,517	443.5	1,774	257	
Aerospace Industrial Development		38,000	1,355,882,000		1,356	35.9	1,364	8	
Sinbon Electronics		35,000	3,637,037,000		3,637	124	4,340	703	
Novatek Microelectronics		80,000	17,584,276,000		17,584	219	17,520	(64)	
Tripod Technology		32,000	3,800,094,000		3,800	125.5	4,016	216	
Win Semiconductors		54,000	16,616,780,000		16,617	294	15,876	(741)	
Grand Process Technology		78,000	21,442,404,000		21,442	278.5	21,723	281	
Argosy Research		120,000	7,271,246,000		7,271	67.6	8,112	841	
AURAS Technology		5,000	1,025,533,000		1,026	220	1,100	74	
Alltop Technology		20,000	1,560,719,000		1,561	80.7	1,614	53	
LOTES		65,000	16,298,252,000		16,298	322.5	20,963	4,665	
Senao Networks		7,000	922,137,000		922	121.5	851	(71)	
Primax Electronics		20,000	1,316,670,000		1,317	63.4	1,268	(49)	
Wistron Information Technology and Services		20,000	2,136,326,000		2,136	105.5	2,110	(26)	
Innodisk		40,000	6,385,544,000		6,386	173	6,920	534	
TOPCO SCIENTIFIC		53,000	5,893,501,000		5,894	105.5	5,592	(302)	
Chailease Holding Company		70,000	9,624,983,000		9,625	138	9,660	35	
SIMPLO Technology		32,000	8,609,790,000		8,610	303	9,696	1,086	
MARKETECH International		224,000	17,999,437,000		17,999	85.6	19,174	1,175	
ITEQ		10,000	1,304,518,000		1,305	127.5	1,275	(30)	
Powertech Technology		601,000	60,015,504,000		60,016	99.8	59,980	(36)	
Lanner Electronics Inc.		57,000	3,864,732,000		3,865	68.5	3,904	39	
Taiwan Union Technology		16,000	2,117,854,000		2,118	148	2,368	250	
Taiwan Surface Mounting Technology		88,000	9,903,526,000		9,904	117	10,295	391	
Fitech		60,000	7,378,426,000		7,378	118	7,080	(298)	
Sitronix Technology		8,000	1,350,409,000		1,350	167.5	1,340	(10)	
Allied Circuit		12,000	1,169,554,000		1,170	106	1,272	102	
Fulgent Sun International (Holding)		28,000	3,484,817,000		3,485	134	3,752	267	
Century Iron And Steel Industrial		228,000	16,648,666,000		16,649	72.2	16,462	(187)	
					325,013		336,829	11,816	
					\$	\$	\$	\$	
					80,437,381		80,623,826	186,445	

Note: The Bank pledges the negotiable certificates of deposit amount of \$15,060,000 thousand as the collateral for the trust compensation reserve, bond settlement reserve and interest rate swap for the year ended December 31, 2019.

(Concluded)

O-BANK CO., LTD.**STATEMENT OF DISCOUNTS AND LOANS****DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars)**

Item	Amount
Short-term	
Loan	\$ 19,701,380
Secured loan	<u>28,119,986</u>
	<u>47,821,366</u>
Medium-term	
Loan	54,768,140
Secured loan	<u>49,436,422</u>
	<u>104,204,562</u>
Long-term	
Loan	1,485,868
Secured loan	<u>21,906,906</u>
	<u>23,392,774</u>
Accounts receivable financing	<u>284,150</u>
Secured overdrafts	<u>69</u>
Overdue loans	<u>703,831</u>
	<u>176,406,752</u>
Less: Allowance for credit losses	<u>2,425,574</u>
Discounts and loans, net	<u>\$ 173,981,178</u>

O-BANK CO., LTD.**STATEMENT OF FINANCIAL ASSETS AT FVTOCI****DECEMBER 31, 2019****(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		Note
							Unit Price	Total Amount	
Stock of listed company - domestic									
Asia Cement Co., Ltd.		2,100	\$	0.06	\$ 91,812	\$	47.95	\$ 100,695	
Formosa Plastics Co., Ltd.		350	-	0.01	34,621	-	99.80	34,930	
Makalot Industrial Co., Ltd.		243	-	0.11	45,366	-	157.50	38,320	
Kung Long Batteries Industrial Co., Ltd.		160	-	0.2	24,466	-	149.00	23,840	
Hon Hai Precision Ind. Co., Ltd.		171	-	-	13,535	-	90.80	15,527	
Taiwan Semiconductor Manufacturing Co., Ltd.		300	-	-	75,201	-	331.00	99,300	
ARGAN Precision Co., Ltd.		10	-	0.01	43,297	-	5,000.00	50,000	
Sinbon Electronics Co., Ltd.		230	-	0.2	27,950	-	124.00	28,520	
Novatek Microelectronics Co., Ltd.		120	-	0.02	26,394	-	219.00	26,280	
WPG Holdings Co., Ltd.		645	-	0.04	25,330	-	39.10	25,219	
Chailase Holding Co., Ltd.		700	-	0.05	89,687	-	138.00	96,600	
Powertech Technology Co., Ltd.		710	-	0.09	72,319	-	99.80	70,858	
					569,978			610,089	
Stock of listed company in OTC - domestic									
Simple Technology Co., Ltd.		48	-	0.03	14,782	-	303.00	14,544	
Stock of unlisted company - domestic									
Taiwanpay Co., Ltd.		300	-	0.50	3,000	-	5.64	1,691	
Stock of unlisted company - foreign									
Dio Investment Ltd.		6,997	-	8.82	74,687	-		52,280	
Shihlien China Holding Co., Ltd.		52,182	-	1.21	227,528	-		246,128	
Shengzhuang Holdings Limited		244	-	2.18	60,031	-		22,306	
					362,246	-		320,714	
Government bonds									
A01105	Expired on March 7, 2022	-	2,250,000		2,253,816	-		2,285,675	
A02106	Expired on March 6, 2023	-	1,500,000		1,520,475	-		1,527,281	
A03106	Expired on March 3, 2024	-	2,500,000		2,549,431	-		2,595,053	
A01109	Expired on September 24, 2022	-	800,000		808,782	-		812,667	
A01202	Expired on May 24, 2022	-	300,000		303,795	-		305,153	
A02110	Expired on September 18, 2023	-	300,000		310,965	-		313,036	
A04109	Expired on June 12, 2020	-	200,000		200,142	-		200,631	
A06102	Expired on January 23, 2022	-	450,000		450,378	-		452,201	
A06105	Expired on April 21, 2022	-	900,000		901,443	-		904,710	
A89113	Expired on November 14, 2020	-	300,000		310,351	-		312,550	
A92103	Expired on February 18, 2023	-	50,000		52,730	-		53,013	
A99108R	Expired on September 21, 2020	-	400,000		400,818	-		401,760	
					10,063,126	-		10,163,730	
Foreign government bond									
HKTB 003/18/20	Expired on March 18, 2020	-	HK\$ 100,000		385,420	-		385,220	
HKTB 004/15/20	Expired on April 15, 2020	-	HK\$ 100,000		384,836	-		384,620	
HKTB 001/15/20	Expired on January 15, 2020	-	HK\$ 50,000		193,271	-		193,277	
HKTB 002/19/20	Expired on February 19, 2020	-	HK\$ 100,000		385,825	-		385,835	
					1,349,352	-		1,348,952	
Corporate bonds									
P07 HSBC 1	Expired on March 28, 2021	-	NT\$ 200,000		200,000	78		199,822	
ASBBNK Float 06/14/23	Expired on June 14, 2023	-	US\$ 500		15,099	6		15,346	
BZLNZ 3 1/2 02/20/24	Expired on February 20, 2024	-	US\$ 5,000		150,339	59		158,693	
RABOBK Float 01/10/23	Expired on January 10, 2023	-	US\$ 10,000		298,406	117		301,956	
WSTP Float 01/11/23	Expired on January 11, 2023	-	US\$ 5,000		149,552	38		151,694	
BNP 23-AUG-2021 FRN MTN	Expired on August 23, 2021	-	US\$ 15,000		451,661	115		456,359	

(Continued)

Item	Remark	Shares/Units (In Thousands)	Total Face Value	Percentage of Ownership (%)	Acquisition Cost	Allowance for Losses	Fair Value		Note
							Unit Price	Total Amount	
CTINAT Float 06/09/22	Expired on June 9, 2012	-	US\$ 20,000		\$ 602,609	\$ 235		\$ 609,791	
EIBKOR Float 07/05/22	Expired on July 5, 2012	-	US\$ 10,000		301,107	5		304,781	
KDB Float 10/30/22	Expired on October 30, 2012	-	US\$ 25,000		752,768	14		762,967	
ACAFP 4.1/4.01/25/29	Expired on January 25, 2029	-	US\$ 5,000		150,554	59		150,711	
ICBCAS Float 06/11/24	Expired on January 11, 2024	-	US\$ 5,000		150,554	40		152,326	
BCHINA Float 04/17/22	Expired on April 17, 2012	-	US\$ 3,000		90,332	24		90,963	
WOORIB Float 05/21/24	Expired on May 21, 2024	-	US\$ 5,000		150,554	40		151,173	
MAYMK Float 08/16/24	Expired on August 16, 2024	-	US\$ 5,000		150,554	60		151,339	
ICBCAS Float 09/16/24	Expired on September 16, 2024	-	US\$ 5,000		150,554	59		151,949	
FIB BOCTB	Expired on June 30, 2020	-	CNY 100,000		432,182	114		432,945	
BOCOM 2.85 03/21/24	Expired on March 21, 2024	-	HK\$ 66,000		255,363	67		257,107	
BCHINA Float 08/08/22	Expired on August 8, 2022	-	US\$ 2,000		60,221	16		60,940	
ANZNK Float 01/25/22	Expired on January 25, 2022	-	US\$ 10,000		302,610	77		305,162	
ASBBNK Float 06/14/23	Expired on June 14, 2023	-	US\$ 10,000		303,295	119		306,917	
ANZ Float 06/01/21	Expired on June 1, 2021	-	US\$ 15,000		452,284	116		456,164	
BZLNZ Float 09/14/21	Expired on September 14, 2021	-	US\$ 10,000		301,753	77		304,428	
BFCM Float 07/20/23	Expired on July 20, 2023	-	US\$ 23,000		693,941	272		703,490	
CM Float 06/16/22	Expired on June 16, 2022	-	US\$ 10,000		300,460	77		303,683	
CBAAU Float 03/16/23	Expired on March 16, 2023	-	US\$ 4,000		120,113	31		121,890	
RABOBK Float 01/10/23	Expired on January 10, 2023	-	US\$ 10,000		298,412	117		301,955	
EIBKOR Float 06/01/23	Expired on June 1, 2023	-	US\$ 2,000		60,280	1		61,127	
MOGAU 2.4.01/21/20	Expired on January 21, 2020	-	US\$ 7,000		210,794	56		210,819	
MACQUARIE BANK	Expired on July 29, 2020	-	US\$ 10,000		301,285	80		302,585	
NAB Float 01/10/22	Expired on January 10, 2022	-	US\$ 15,000		452,139	115		457,044	
SOCGEN Float 04/08/21	Expired on April 8, 2021	-	US\$ 1,000		30,307	12		30,496	
TD Float 12/14/20	Expired on December 14, 2020	-	US\$ 10,000		301,136	77		303,002	
WSTP Float 02/26/24	Expired on February 26, 2024	-	US\$ 10,000		303,125	77		306,510	
ACAFP Float 06/10/20	Expired on June 10, 2020	-	US\$ 5,000		150,463	59		151,015	
INTNED Float 08/15/21	Expired on August 15, 2021	-	US\$ 21,000		633,091	162		638,120	
WOORIB Float 12/02/21	Expired on December 2, 2021	-	US\$ 10,000		301,107	80		304,811	
CTINAT Float 06/09/22	Expired on June 9, 2022	-	US\$ 5,000		150,554	59		152,448	
ABNANY Float 07/19/22	Expired on July 19, 2022	-	US\$ 25,000		752,768	295		759,722	
KEBHB Float 09/14/22	Expired on September 14, 2022	-	US\$ 25,000		752,768	297		759,544	
BCHINA Float 04/17/23	Expired on April 17, 2023	-	US\$ 10,000		301,107	80		304,664	
ICBCAS Float 04/16/23	Expired on April 16, 2023	-	US\$ 20,000		602,214	236		609,321	
SHNHAN Float 06/15/23	Expired on June 15, 2023	-	US\$ 10,000		301,329	77		304,188	
KEBHNK Float 07/26/23	Expired on July 26, 2023	-	US\$ 5,000		150,554	59		151,588	
ICBCAS Float 06/11/24	Expired on June 11, 2024	-	US\$ 5,000		150,554	40		152,326	
BOCOM Float 03/21/22	Expired on March 21, 2022	-	US\$ 10,000		301,107	80		303,059	
ICBCAS Float 04/25/24	Expired on April 25, 2024	-	US\$ 3,000		90,332	24		91,414	
WOORIB Float 05/21/24	Expired on May 21, 2024	-	US\$ 3,000		90,600	24		90,704	
BNKEA Float 06/10/20	Expired on June 10, 2020	-	US\$ 10,000		301,107	119		301,497	
MAYMK Float 08/16/24	Expired on August 16, 2024	-	US\$ 10,000		301,106	119		302,677	
Corporate bonds					14,275,104	4,260		14,413,232	
B618B9	Expired on February 6, 2020	-	NT\$ 400,000		400,270	102		400,355	
B6449	Expired on November 30, 2020	-	NT\$ 100,000		100,342	40		100,535	
B644A7	Expired on June 7, 2021	-	NT\$ 100,000		99,971	40		100,217	
B69101	Expired on July 13, 2020	-	NT\$ 250,000		250,000	252		250,357	
B903WM	Expired on May 14, 2021	-	NT\$ 100,000		100,000	39		100,125	
B94166	Expired on April 20, 2023	-	NT\$ 150,000		150,000	59		150,291	
B64474	Expired on January 14, 2020	-	NT\$ 200,000		200,044	79		200,071	
B69101	Expired on July 13, 2020	-	NT\$ 250,000		250,000	209		250,357	
B69107	Expired on June 13, 2024	-	NT\$ 300,000		300,000	209		299,483	
B71885	Expired on August 19, 2020	-	NT\$ 300,000		300,000	118		301,412	
B71889	Expired on September 20, 2024	-	NT\$ 50,000		50,061	20		50,586	
B86901	Expired on January 11, 2020	-	NT\$ 200,000		199,990	167		200,021	
B903VA	Expired on December 15, 2020	-	NT\$ 300,000		302,323	85		302,905	
B903VA	Expired on July 22, 2020	-	NT\$ 150,000		150,693	59		150,834	
B903WC	Expired on April 25, 2024	-	NT\$ 100,000		101,957	40		102,632	

(Continued)

Item	Remark	Shares/Units (In Thousands)	Total Face Value	Percentage of Ownership (%)	Acquisition Cost	Allowance for Losses	Fair Value		Note
							Unit Price	Total Amount	
B903WN	Expired on May 16, 2023	-	NT\$ 50,000		\$ 50,000	\$		\$ 50,200	
B903WV	Expired on November 15, 2025	-	NT\$ 200,000		200,000			201,628	
B903WY	Expired on April 26, 2026	-	NT\$ 400,000		400,000			400,408	
B903X0	Expired on July 15, 2024	-	NT\$ 500,000		500,000			499,411	
B903X6	Expired on December 16, 2024	-	NT\$ 500,000		500,000			499,632	
B903X7	Expired on December 16, 2026	-	NT\$ 100,000		100,000			99,320	
B94166	Expired on April 20, 2023	-	NT\$ 150,000		150,000			150,291	
B9A101	Expired on January 9, 2023	-	NT\$ 300,000		300,000			300,704	
B50155	Expired on September 20, 2021	-	NT\$ 100,000		99,271			99,903	
B94265	Expired on May 26, 2021	-	NT\$ 100,000		100,119			100,236	
B99901	Expired on September 26, 2020	-	NT\$ 50,000		50,000			50,127	
B50155	Expired on September 20, 2021	-	NT\$ 200,000		198,541			199,806	
B50158	Expired on May 18, 2023	-	NT\$ 300,000		300,000			299,201	
B94265	Expired on May 26, 2021	-	NT\$ 100,000		100,119			100,236	
B99901	Expired on September 26, 2020	-	NT\$ 200,000		200,000			200,509	
B9A501	Expired on April 26, 2024	-	NT\$ 300,000		300,000			299,618	
B86001	Expired on November 20, 2020	-	NT\$ 250,000		251,047			251,789	
B86001	Expired on November 20, 2020	-	NT\$ 250,000		251,047			251,789	
CENEXP Float 10/30/24	Expired on November 20, 2020	-	US\$ 7,500		225,830			226,226	
HIGHWAY Float 11/25/22	Expired on October 30, 2024	-	US\$ 7,000		210,775			212,850	
MOGAU Float 03/27/24	Expired on November 25, 2022	-	US\$ 10,000		303,957			307,942	
WHARF 3.61 05/20/21	Expired on March 27, 2024	-	US\$ 10,000		303,589			306,633	
MS Float 01/20/22	Expired on May 20, 2021	-	US\$ 10,000		302,501			303,149	
	Expired on January 20, 2022	-			8,352,447			8,371,789	
					<u>\$ 34,990,035</u>			<u>\$ 35,244,741</u>	
					<u>\$ 9,655</u>				

Note 1: The Bank pledges the amount of \$180,000 thousand of government bonds as the collateral for the trust compensation reserve, bond settlement reserve and interest rate swap for the year ended December 31, 2019.

Note 2: The book value of the transaction with conditions for repurchase is the amount of \$2,832,758 thousand.

(Concluded)

O-BANK CO., LTD.

**STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2019**
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investees	Balance, January 1, 2019		Additions in Investment		Decrease in Investment		Balance, December 31, 2019		Net Assets Value		Note
	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Unit Price (NT\$)	Total Amount	
China Bills Finance Corp	380,982	\$ 6,542,494	-	\$ 458,981	-	\$ 300,975	380,982	\$ 6,700,500	15.00	\$ 5,714,730	Note 1
Chun Teng New Century Co., Ltd.	318,281	353,262	-	-	-	15,235	318,281	338,027	1.06	338,027	Note 2
IBT Holdings Corp.	10,869	4,976,750	-	430,841	-	113,577	10,869	5,294,014	487.07	5,294,014	Note 3
IBT Leasing Co., Ltd.	264,300	2,036,163	-	392,013	-	67,003	264,300	2,361,173	8.93	2,361,173	Note 4
IBT Management Corp.	13,400	211,733	-	17,313	-	2,589	13,400	226,457	16.90	226,457	Note 5
		<u>\$ 14,120,402</u>		<u>\$ 1,299,148</u>		<u>\$ 499,379</u>		<u>\$ 14,920,171</u>		<u>\$ 13,934,401</u>	

Note 1: In the current period, investment income, actuarial gains of defined benefit plan, capital surplus, unrealized losses on financial assets and disposal of financial assets were \$353,093 thousand, \$107 thousand, \$906 thousand, \$77,742 thousand and \$27,133 thousand, respectively; declared cash dividend was \$300,975 thousand.

Note 2: In the current period, investment loss, exchange differences on translating the financial statements of foreign operations, and unrealized losses on financial assets were \$1,823 thousand, \$6,344 thousand and \$7,067 thousand, respectively.

Note 3: In the current period, increase in investment income and unrealized gains on financial assets were \$385,991 thousand and \$44,850 thousand, respectively; exchange differences on translating the financial statements of foreign operations were \$113,577 thousand.

Note 4: In the current period, increase in investment income and unrealized gains on financial assets were \$363,808 thousand and \$28,205 thousand, respectively; exchange differences on translating the financial statements of foreign operations were \$67,003 thousand.

Note 5: In the current period, unrealized gains on financial assets were \$17,313 thousand; decrease in investment loss was \$2,589 thousand.

O-BANK CO., LTD.
STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Balance at January 1, 2019 (Note)	Increase	Decrease	Balance at December 31, 2019
Cost				
Buildings	\$ 296,144	\$ 126,593	\$ (11,364)	\$ 411,373
Accumulated depreciation				
Buildings	<u>-</u>	<u>101,856</u>	<u>-</u>	<u>101,856</u>
	<u>\$ 296,144</u>	<u>\$ 24,737</u>	<u>\$ (11,364)</u>	<u>\$ 309,517</u>

Note: Effect of retrospective application.

O-BANK CO., LTD.**STATEMENT OF LEASE LIABILITIES****DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars)**

Item	Period	Discount Rate (%)	Balance at December 31, 2019
Buildings	January 1, 2019 to July 31, 2026	1.621-5.125	<u>\$ 313,446</u>

O-BANK CO., LTD.**STATEMENT OF INTEREST REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)**

Item	Amount
Discounts and loans	
Short-term	\$ 1,515,240
Medium-term	2,908,348
Long-term	<u>286,681</u>
	<u>4,710,269</u>
Investments in marketable securities	
Financial assets at fair value through comprehensive income	714,209
Investments in debt instruments at amortized cost	<u>3,112</u>
	<u>717,321</u>
Due from the Central Bank and call loans to banks	
Call loans to banks	229,214
Due from the Central Bank	<u>30,376</u>
	<u>259,590</u>
Others (Note)	<u>76,405</u>
	<u>\$ 5,763,585</u>

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, 2019
(In Thousands of New Taiwan Dollars)**

Item	Amount
Deposits	
Time deposits	\$ 2,623,178
Demand deposits	193,649
Time savings deposits	39,663
Demand savings deposits	44,498
Demand savings deposits of employee	<u>20,868</u>
	2,921,856
Interest payable on bank debentures payable	378,507
Due to the Central Bank and banks	460,969
Others (Note)	<u>44,802</u>
	<u>\$ 3,806,134</u>

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, 2019
 (In Thousands of New Taiwan Dollars)**

Item	Amount
Realized gain profit or loss	
Stocks	
Stocks and beneficiary certificates	\$ 98,100
Bonds	
Government bonds	902
Bonds issued under repurchase agreements and outright sells	(71)
	<u>831</u>
Derivatives	
Forward contracts	31,482
Currency swap contracts	714,332
Cross-currency swap contracts	780
Option contracts	10,132
Interest rate swap contracts	(37,565)
Asset swap contracts	12,205
	<u>731,366</u>
	<u>830,297</u>
Gains (losses) on valuation	
Stocks	
Stocks and beneficiary certificates	7,606
Bonds	
Convertible bonds	10,075
Derivatives	
Forward contracts	18,028
Currency swap contracts	(400,953)
Cross-currency swap contracts	-
Option contracts	1,102
Interest rate swap contracts	24,920
Asset swap contracts	2,954
	<u>(353,949)</u>
Others	
Negotiable certificates of deposit	2,091
Financing commercial promissory notes	(1,536)
	<u>555</u>
	<u>(355,713)</u>
Interest revenue	<u>413,801</u>
	<u>\$ 908,385</u>

O-BANK CO., LTD.**STATEMENT OF OTHER NET REVENUE OTHER THAN INTEREST REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)**

Item	Amount
Rental	\$ 20,579
Remuneration of directors and supervisors	15,203
Agency business	65,561
Service fees	6,140
Others (Note)	<u>(3,628)</u>
	<u>\$ 103,855</u>

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, 2019
(In Thousands of New Taiwan Dollars)

Item	Employee Benefits Expenses	Net revenue Other Than Interest	Other General and Administrative Expense	Total
Salaries and wages	\$ 1,455,597	\$ -	\$ -	\$ 1,455,597
Labor insurance and national health insurance	79,219	-	-	79,219
Directors' remuneration and fees	84,824	-	-	84,824
Pension	55,555	-	-	55,555
Others (Note 1)	<u>26,532</u>	<u>-</u>	<u>11,641</u>	<u>38,173</u>
	<u>\$ 1,701,727</u>	<u>\$ -</u>	<u>\$ 11,641</u>	<u>\$ 1,713,368</u>

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

Note 2: As of December 31, 2019 and 2018, the Bank had 967 and 922 employees, respectively; of which there were 12 and 12 non-employee directors, respectively.

Note 3: The average employee benefit expense for the year was \$1,705 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 \$1,722 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 \$1,524 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 \$1,521 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: 0.20% calculated as [(Average salary costs - Average salary costs for the previous year) ÷ Average salary costs for the previous year].

ALL FOR YOU

www.o-bank.com

