

O-Bank and Subsidiaries

**Consolidated Financial Statements for the
Nine Months Ended September 30, 2020 and 2019 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Stockholders
O-Bank

Introduction

We have reviewed the accompanying consolidated balance sheets of O-Bank (the "Bank") and its subsidiaries (collectively referred to as the "Group") as of September 30, 2020 and 2019, the related consolidated statements of comprehensive income for the three months ended September 30, 2020 and 2019 and for the nine months ended September 30, 2020 and 2019, the consolidated statements of changes in equity and cash flows for the nine months ended September 30, 2020 and 2019, and the related notes to the consolidated financial statements, including a summary of significant accounting policies "(collectively referred to as the "consolidated financial statements")". Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Publicly Held Bills Finance Companies, and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Basis for Qualified Conclusion

As disclosed in Notes 15 and 16 to the consolidated financial statements, the financial statements of some non-significant subsidiaries and investments accounted for using the equity method included in the consolidated financial statements referred to in the first paragraph were not reviewed. As of September 30, 2020 and 2019, combined total assets of these non-significant subsidiaries were NT\$1,086,999 thousand and NT\$906,969 thousand, respectively, representing 0.18% and 0.16%, respectively, of the consolidated total assets, and combined total liabilities of these subsidiaries were NT\$250,142 thousand and NT\$146,299 thousand, respectively, representing 0.05% and 0.03%, respectively, of the consolidated total liabilities; for the three months ended September 30, 2020 and 2019 and for the nine months ended September 30, 2020 and 2019, the amounts of combined comprehensive income (loss) of these subsidiaries were NT\$(1,857) thousand and NT\$(24,651) thousand, NT\$(18,904) thousand and NT\$23,698 thousand, respectively, representing (0.21%), (4.99%), (0.88%) and 0.98%, respectively, of the consolidated total comprehensive

income. As of September 30, 2020, the amounts of investments accounted for using the equity method was NT\$863,564 thousand, representing 0.15% of the consolidated total assets.

Qualified Conclusion

Based on our reviews, except for the adjustments, if any, as might have been determined to be necessary had the financial statements of the non-significant subsidiaries and the investments accounted for using the equity method described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not give a true and fair view of the consolidated financial position of the Group as of September 30, 2020 and 2019, and of its consolidated financial performance for the three months ended September 30, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the nine months ended September 30, 2020 and 2019 in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Publicly Held Bills Finance Companies, and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

November 4, 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 review such consolidated financial statements are those generally applied in the Republic of China.

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

O-BANK AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

	September 30, 2020 (Reviewed)		December 31, 2019 (Audited)		September 30, 2019 (Reviewed)	
	Amount	%	Amount	%	Amount	%
ASSETS						
CASH AND CASH EQUIVALENTS (Note 6)	\$ 8,560,396	2	\$ 6,570,002	1	\$ 6,843,618	1
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS (Note 7)	19,576,030	3	19,311,763	4	22,693,174	4
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 8 and 42)	171,739,616	29	172,913,193	31	167,442,850	30
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 9, 42 and 46)	169,792,092	29	142,112,770	25	136,944,017	24
BILLS AND BONDS PURCHASED UNDER RESELL AGREEMENTS (Note 10)	7,322,042	1	100,013	-	2,190,130	-
RECEIVABLES, NET (Notes 11 and 13)	14,441,372	3	16,483,174	3	21,517,160	4
CURRENT TAX ASSETS	376,882	-	422,886	-	421,433	-
DISCOUNTS AND LOANS, NET (Notes 12, 13, 41 and 42)	191,333,494	32	194,246,229	35	196,690,740	35
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET (Note 16)	863,564	-	-	-	-	-
OTHER FINANCIAL ASSETS (Notes 17 and 42)	1,395,559	-	1,229,503	-	1,547,696	-
PROPERTY AND EQUIPMENT, NET (Notes 18 and 43)	2,702,314	1	2,854,194	1	2,855,401	1
RIGHT-OF-USE ASSETS, NET (Note 19)	421,007	-	485,426	-	540,855	-
INTANGIBLE ASSETS, NET (Note 20)	2,222,939	-	2,319,547	-	2,372,691	1
DEFERRED TAX ASSETS	773,271	-	734,542	-	658,843	-
OTHER ASSETS (Notes 19 and 21)	<u>956,711</u>	<u>-</u>	<u>916,774</u>	<u>-</u>	<u>958,332</u>	<u>-</u>
TOTAL	<u>\$ 592,477,289</u>	<u>100</u>	<u>\$ 560,700,016</u>	<u>100</u>	<u>\$ 563,676,940</u>	<u>100</u>
LIABILITIES AND EQUITY						
LIABILITIES						
Deposits From the Central Bank and other banks (Note 22)	\$ 46,438,619	8	\$ 43,439,398	8	\$ 45,089,241	8
Financial liabilities at fair value through profit or loss (Note 8)	535,931	-	533,582	-	281,036	-
Bills and bonds sold under repurchase agreements (Note 23)	179,908,518	30	159,553,385	29	167,610,826	30
Payables (Note 24)	2,451,471	1	3,687,621	1	5,934,456	1
Current tax liabilities	187,191	-	46,361	-	117,758	-
Deposits and remittances (Notes 25 and 41)	272,812,288	46	265,731,824	47	257,276,518	46
Bank debentures payable (Note 26)	16,400,000	3	18,700,000	3	18,700,000	3
Other financial liabilities (Note 27)	17,230,236	3	12,909,259	2	12,445,664	2
Provisions (Notes 13, 28 and 29)	2,023,194	-	1,915,054	-	1,919,937	-
Lease liabilities (Note 19)	433,009	-	498,832	-	552,699	-
Deferred tax liabilities	567,532	-	451,572	-	449,756	-
Other liabilities (Note 30)	<u>2,341,929</u>	<u>-</u>	<u>2,416,851</u>	<u>1</u>	<u>2,521,765</u>	<u>1</u>
Total liabilities	<u>541,329,918</u>	<u>91</u>	<u>509,883,739</u>	<u>91</u>	<u>512,899,656</u>	<u>91</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK						
Total capital						
Common stock	24,130,063	4	24,130,063	4	24,130,063	4
Preferred stock	<u>3,000,000</u>	<u>1</u>	<u>3,000,000</u>	<u>1</u>	<u>3,000,000</u>	<u>1</u>
Total capital	<u>27,130,063</u>	<u>5</u>	<u>27,130,063</u>	<u>5</u>	<u>27,130,063</u>	<u>5</u>
Capital surplus	<u>10,510</u>	<u>-</u>	<u>9,750</u>	<u>-</u>	<u>9,751</u>	<u>-</u>
Retained earnings						
Legal reserve	3,697,811	1	3,367,681	1	3,367,681	1
Special reserve	1,396,353	-	1,631,335	-	1,631,335	-
Unappropriated earnings	<u>955,342</u>	<u>-</u>	<u>1,187,851</u>	<u>-</u>	<u>1,180,194</u>	<u>-</u>
Total retained earnings	<u>6,049,506</u>	<u>1</u>	<u>6,186,867</u>	<u>1</u>	<u>6,179,210</u>	<u>1</u>
Other equity	<u>(151,771)</u>	<u>-</u>	<u>(67,477)</u>	<u>-</u>	<u>96,200</u>	<u>-</u>
Treasury shares	<u>(38,304)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total equity attributable to owners of the Bank	<u>33,000,004</u>	<u>6</u>	<u>33,259,203</u>	<u>6</u>	<u>33,415,224</u>	<u>6</u>
NON-CONTROLLING INTERESTS	<u>18,147,367</u>	<u>3</u>	<u>17,557,074</u>	<u>3</u>	<u>17,362,060</u>	<u>3</u>
Total equity (Note 31)	<u>51,147,371</u>	<u>9</u>	<u>50,816,277</u>	<u>9</u>	<u>50,777,284</u>	<u>9</u>
TOTAL	<u>\$ 592,477,289</u>	<u>100</u>	<u>\$ 560,700,016</u>	<u>100</u>	<u>\$ 563,676,940</u>	<u>100</u>

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

(With Deloitte & Touche review report dated November 4, 2020)

O-BANK AND SUBSIDIARIES

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
INTEREST REVENUE (Notes 32 and 41)	\$ 1,772,840	83	\$ 2,390,127	121	\$ 5,946,235	99	\$ 7,270,568	113
INTEREST EXPENSE (Notes 32 and 41)	(751,793)	(35)	(1,427,595)	(72)	(3,061,160)	(51)	(4,330,278)	(67)
NET INTEREST	1,021,047	48	962,532	49	2,885,075	48	2,940,290	46
TOTAL NET REVENUE OTHER THAN INTEREST REVENUE								
Service fee income, net (Notes 33 and 41)	559,554	26	459,390	23	1,536,206	26	1,536,745	24
Gains (losses) on financial assets or liabilities measured at fair value through profit or loss (Note 34)	(266,323)	(12)	492,633	25	263,941	4	2,116,637	33
Realized gains on financial assets at fair value through other comprehensive income (Note 35)	216,981	10	104,737	5	393,684	7	225,586	3
Foreign exchange gain (loss), net	579,057	27	(83,215)	(4)	864,660	14	(516,847)	(8)
Reversal of impairment loss (impairment loss on assets) on assets	287	-	(1,335)	-	(5,350)	-	(8,196)	-
Other net revenue other than interest	20,925	1	33,784	2	69,370	1	122,218	2
Total net revenue other than interest revenue	1,110,481	52	1,005,994	51	3,122,511	52	3,476,143	54
NET REVENUE	2,131,528	100	1,968,526	100	6,007,586	100	6,416,433	100
BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION (Note 13)	(36,111)	(2)	(47,428)	(3)	(464,476)	(8)	(556,079)	(9)
OPERATING EXPENSES								
Employee benefits expenses (Notes 29, 36 and 41)	672,075	32	710,818	36	1,975,168	33	2,087,341	33
Depreciation and amortization expenses (Note 37)	157,337	7	156,324	8	468,711	8	462,633	7
Other general and administrative expenses (Notes 38 and 41)	280,740	13	301,814	15	810,133	13	930,763	14
Total operating expenses	1,110,152	52	1,168,956	59	3,254,012	54	3,480,737	54
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX	985,265	46	752,142	38	2,289,098	38	2,379,617	37
INCOME TAX EXPENSE (Note 39)	208,257	9	202,233	10	510,430	9	617,819	10

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O-BANK AND SUBSIDIARIES

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
INCOME FROM CONTINUING OPERATIONS	\$ 777,008	37	\$ 549,909	28	\$ 1,778,668	29	\$ 1,761,798	27
INCOME (LOSS) FROM DISCONTINUED OPERATIONS (Note 14)	(1,330)	-	(1,780)	-	(11,722)	-	(3,947)	-
NET PROFIT FOR THE PERIOD	<u>775,678</u>	<u>37</u>	<u>548,129</u>	<u>28</u>	<u>1,766,946</u>	<u>29</u>	<u>1,757,851</u>	<u>27</u>
OTHER COMPREHENSIVE INCOME (LOSS)								
Components of other comprehensive income (loss) that will not be reclassified to profit or loss:								
Gains (losses) on remeasurements of defined benefit plans	-	-	-	-	111	-	(41)	-
Revaluation gains (losses) on investments in equity instruments measured at fair value through other comprehensive income	(5,886)	-	276	-	33,532	1	243,893	4
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 39)	-	-	-	-	(22)	-	8	-
Total components of other comprehensive income (loss) that will not be reclassified to profit or loss, net of tax	<u>(5,886)</u>	<u>-</u>	<u>276</u>	<u>-</u>	<u>33,621</u>	<u>1</u>	<u>243,860</u>	<u>4</u>
Components of other comprehensive income (loss) that will be reclassified to profit or loss:								
Exchange differences on translation of financial statements of foreign operations	(122,470)	(6)	(94,986)	(5)	(330,041)	(5)	14,825	-
Gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	235,408	11	33,310	2	723,180	12	486,760	8

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O-BANK AND SUBSIDIARIES

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Note 39)	\$ (17,467)	(1)	\$ 7,300	-	\$ (40,812)	(1)	\$ (76,774)	(1)
Components of other comprehensive income (loss) that will be reclassified to profit or loss, net of tax	95,471	4	(54,376)	(3)	352,327	6	424,811	7
Other comprehensive income (loss) for the period, net of tax	89,585	4	(54,100)	(3)	385,948	7	668,671	11
TOTAL COMPREHENSIVE INCOME	<u>\$ 865,263</u>	<u>41</u>	<u>\$ 494,029</u>	<u>25</u>	<u>\$ 2,152,894</u>	<u>36</u>	<u>\$ 2,426,522</u>	<u>38</u>
NET PROFIT								
ATTRIBUTABLE TO:								
Owners of the Bank	\$ 441,424	21	\$ 311,366	16	\$ 895,622	15	\$ 1,049,676	16
Non-controlling interests	334,254	15	236,763	12	871,324	14	708,175	11
	<u>\$ 775,678</u>	<u>36</u>	<u>\$ 548,129</u>	<u>28</u>	<u>\$ 1,766,946</u>	<u>29</u>	<u>\$ 1,757,851</u>	<u>27</u>
TOTAL COMPREHENSIVE INCOME								
ATTRIBUTABLE TO:								
Owners of the Bank	\$ 432,445	20	\$ 191,624	10	\$ 871,048	15	\$ 1,436,375	22
Non-controlling interests	432,818	21	302,405	15	1,281,846	21	990,147	16
	<u>\$ 865,263</u>	<u>41</u>	<u>\$ 494,029</u>	<u>25</u>	<u>\$ 2,152,894</u>	<u>36</u>	<u>\$ 2,426,522</u>	<u>38</u>
EARNINGS PER SHARE								
(Note 40)								
From continuing and discontinued operations								
Basic	<u>\$0.18</u>		<u>\$0.13</u>		<u>\$0.32</u>		<u>\$0.43</u>	
Diluted	<u>\$0.16</u>		<u>\$0.13</u>		<u>\$0.28</u>		<u>\$0.43</u>	
From continuing operations								
Basic	<u>\$0.18</u>		<u>\$0.13</u>		<u>\$0.32</u>		<u>\$0.43</u>	
Diluted	<u>\$0.16</u>		<u>\$0.13</u>		<u>\$0.28</u>		<u>\$0.43</u>	

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

(With Deloitte & Touche review report dated November 4, 2020)

(Concluded)

O-BANK AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Bank (Notes 9 and 31)											Total Equity		
	Capital Stock		Total	Capital Surplus	Retained Earnings				Other Equity		Treasury Stock		Owner of the Bank	Non-controlling Interests (Note 31)
	Common Stock (In Thousands)	Preferred Stock (In Thousands)			Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating of Foreign Financial Statements of Foreign Operations	Unrealized Gains (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income				
BALANCE AT JANUARY 1, 2019	\$ 24,130,063	\$ 3,000,000	\$ 27,130,063	\$ 8,503	\$ 3,184,667	\$ 1,215,831	\$ 610,045	\$ 5,010,543	\$ (92,806)	\$ (67,175)	\$ -	\$ 31,989,128	\$ 17,129,584	\$ 49,118,712
Appropriation and distribution of 2018 earnings :														
Legal reserve	-	-	-	-	183,014	-	(183,014)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	415,504	(415,504)	-	-	-	-	-	-	-
Cash dividends of preferred stock distributed by the Bank	-	-	-	-	-	-	(11,527)	(11,527)	-	-	-	(11,527)	-	(11,527)
Unclaimed dividends	-	-	-	341	-	-	-	-	-	-	-	341	2,292	2,633
Changes in capital surplus from investments in subsidiaries accounted for using the equity method	-	-	-	907	-	-	-	-	-	-	-	907	-	907
Cash dividends distributed by subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	(759,963)	(759,963)
Net profit for the nine months ended September 30, 2019	-	-	-	-	-	-	1,049,676	1,049,676	-	-	-	1,049,676	708,175	1,757,851
Other comprehensive income (loss) for the nine months ended September 30, 2019	-	-	-	-	-	-	(9)	(9)	12,920	373,788	-	386,699	281,972	668,671
Total comprehensive income for the nine months ended September 30, 2019	-	-	-	-	-	-	1,049,667	1,049,667	12,920	373,788	-	1,436,375	990,147	2,426,522
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	130,527	130,527	-	(130,527)	-	-	-	-
BALANCE AT SEPTEMBER 30, 2019	\$ 24,130,063	\$ 3,000,000	\$ 27,130,063	\$ 9,751	\$ 3,367,681	\$ 1,631,335	\$ 1,180,194	\$ 6,179,210	\$ (79,886)	\$ 176,086	\$ -	\$ 33,415,224	\$ 17,362,060	\$ 50,777,284
BALANCE AT JANUARY 1, 2020	\$ 24,130,063	\$ 3,000,000	\$ 27,130,063	\$ 9,750	\$ 3,367,681	\$ 1,631,335	\$ 1,187,851	\$ 6,186,867	\$ (307,473)	\$ 239,996	\$ -	\$ 33,259,203	\$ 17,557,074	\$ 50,816,277
Reversal of special reserve	-	-	-	-	-	(234,982)	234,982	-	-	-	-	-	-	-
Appropriation and distribution of 2019 earnings :														
Legal reserve appropriated	-	-	-	-	330,130	-	(330,130)	-	-	-	-	-	-	-
Cash dividends of common stock distributed by the Bank	-	-	-	-	-	-	(965,203)	(965,203)	-	-	-	(965,203)	-	(965,203)
Cash dividends of preferred stock distributed by the Bank	-	-	-	-	-	-	(127,500)	(127,500)	-	-	-	(127,500)	-	(127,500)
Unclaimed dividends	-	-	-	336	-	-	-	-	-	-	-	336	1,071	1,407
Changes in capital surplus from investments in subsidiaries accounted for using the equity method	-	-	-	424	-	-	-	-	-	-	-	424	-	424
Cash dividends distributed by subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	(692,624)	(692,624)
Net profit for the nine months ended September 30, 2020	-	-	-	-	-	-	895,622	895,622	-	-	-	895,622	871,324	1,766,946
Other comprehensive income (loss) for the nine months ended September 30, 2020	-	-	-	-	-	-	25	25	(274,024)	249,425	-	(24,574)	410,522	385,948
Total comprehensive income (loss) for the nine months ended September 30, 2020	-	-	-	-	-	-	895,647	895,647	(274,024)	249,425	-	871,048	1,281,846	2,152,894
Purchase of treasury stock	-	-	-	-	-	-	-	-	-	-	(38,304)	(38,304)	-	(38,304)
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	59,695	59,695	-	(59,695)	-	-	-	-
BALANCE AT SEPTEMBER 30, 2020	\$ 24,130,063	\$ 3,000,000	\$ 27,130,063	\$ 10,510	\$ 3,697,811	\$ 1,396,353	\$ 955,342	\$ 6,049,506	\$ (581,497)	\$ 429,726	\$ (38,304)	\$ 33,000,004	\$ 18,147,367	\$ 51,147,371

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

(With Deloitte & Touche review report dated November 4, 2020)

O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit from continuing operations before tax	\$ 2,289,098	\$ 2,379,617
Loss from discontinued operations before tax	(11,722)	(3,947)
Adjustments to reconcile profit (loss):		
Depreciation expense	266,026	274,014
Amortization expense	203,130	189,082
Expect credit losses/recognition of provisions	469,826	564,275
Net gain on financial assets or liabilities at fair value through profit or loss	(263,829)	(2,119,904)
Interest expense	3,061,160	4,330,278
Interest income	(5,946,828)	(7,271,491)
Dividends income	(176,856)	(65,207)
Loss (gain) on disposal of property and equipment	738	(465)
Gain on disposal of investments	(216,828)	(163,559)
Changes in operating assets and liabilities:		
Due from the Central Bank and call loans to banks	(2,005,421)	1,438,316
Financial assets at fair value through profit or loss	1,116,860	(13,790,742)
Financial assets at fair value through other comprehensive income	(26,294,847)	13,904,788
Investments in debt instruments measured at amortized cost	-	500,000
Bills and bonds purchased under resell agreements	(7,222,029)	(1,198,767)
Receivables	1,343,545	(736,920)
Discounts and loans	2,570,712	158,162
Due to from the Central Bank and other banks	2,999,221	(10,440,135)
Financial liabilities at fair value through profit or loss	2,349	(512,236)
Bills and bonds sold under repurchase agreement	20,355,133	16,163,926
Payables	(977,665)	391,966
Deposits and remittances	7,080,464	(4,526,803)
Provisions	(36,327)	18,434
Cash outflow used in operations	(1,394,090)	(517,318)
Interest received	6,479,417	7,338,744
Dividends received	186,048	66,923
Interest paid	(3,310,277)	(4,377,653)
Income taxes paid	(246,365)	(435,715)
Net cash flows generated from operating activities	<u>1,714,733</u>	<u>2,074,981</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments accounted for using the equity method	(863,564)	-
Acquisition of property and equipment	(59,264)	(71,063)
Proceeds from disposal of property and equipment	165	3,656
Increase in refundable deposits	(35,002)	-
Decrease in refundable deposits	-	180,083

(Continued)

O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2020	2019
Acquisition of intangible assets	\$ (86,188)	\$ (94,015)
Decrease in other financial assets	115,361	403,126
Increase in other assets	<u>(4,935)</u>	<u>(48,196)</u>
Net cash flows (used in) generated from investing activities	<u>(933,427)</u>	<u>373,591</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	1,024,373	-
Decrease in short-term borrowings	-	(642,761)
Increase in commercial paper	4,462,000	-
Decrease in commercial paper	-	(500,000)
Proceeds from issuing bank debentures	-	2,500,000
Repayments of bank debentures	(2,300,000)	(1,650,000)
Repayments of long-term borrowings	(586,912)	(360,043)
Repayment of the principal portion of lease liabilities	(136,346)	(115,438)
Decrease in other financial liabilities	(577,240)	(1,086,065)
Increase in other liabilities	-	87,096
Decrease in other liabilities	(74,833)	-
Dividends paid to owners of the Bank	(1,092,703)	(11,527)
Payments to acquire treasury shares	(38,304)	-
Dividends paid to non-controlling interest	<u>(692,624)</u>	<u>(759,963)</u>
Net cash flows used in financing activities	<u>(12,589)</u>	<u>(2,538,701)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	<u>(238,060)</u>	<u>(147,929)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	530,657	(238,058)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		
	<u>17,550,472</u>	<u>23,961,422</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		
	<u>\$ 18,081,129</u>	<u>\$ 23,723,364</u>

(Continued)

O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets as of September 30, 2020 and 2019:

	<u>September 30</u>	
	2020	2019
Cash and cash equivalents reported in the consolidated balance sheets	\$ 8,560,396	\$ 6,843,618
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	8,938,209	16,258,842
Other items qualifying for cash and cash equivalents under the definition of IAS 7	<u>582,524</u>	<u>620,904</u>
Cash and cash equivalents at the end of the period	<u>\$ 18,081,129</u>	<u>\$ 23,723,364</u>

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

(With Deloitte & Touche review report dated November 4, 2020)

(Concluded)

O-BANK AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. GENERAL INFORMATION

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

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

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

As of September 30, 2020, the Bank has eight main departments - Business Department, Principal Investment Department, Treasury Department, Securities Trading Department, Corporate and Institutional Banking Department, Corporate Finance Department, Consumer Lending Department and Wealth Management Department. It also has four domestic branches - 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. 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 September 30, 2020, December 31, 2019 and September 30, 2019, the Bank and its subsidiaries (the "Group") had 1,451, 1,527 and 1,523 employees, respectively.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on November 4, 2020.

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

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

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

- b. New IFRSs in issued but not yet endorsed and issued into effect by the FSC

<u>New IFRSs</u>	<u>Effective Date Announced by IASB (Note 1)</u>
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, the Regulations Governing the Preparation of Financial Reports by Publicly Held Bills Finance Companies, and IAS 34 "Interim Financial Reporting" as endorsed and issued into effect by the FSC.

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

Basis of Preparation

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

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

Basis of Consolidation

Principles for preparing consolidated financial statements

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

Refer to Note 15 and Table 5 for the list of main business activities and ownership percentages of subsidiaries.

Other Significant Accounting and Reporting Policies

Except as described in the following paragraphs, other significant accounting and reporting policies used in the preparation of these consolidated financial statements are the same as those disclosed in the consolidated financial statements for the year ended December 31, 2019.

a. Employee benefits

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

b. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

The effect of a change in tax-rate resulting from a change in tax law for an interim period is recognized consistently with the accounting for the transaction itself which gives rise to the tax consequence, and this is recognized in profit or loss, other comprehensive income or directly in equity in full in the period in which the change in tax rate occurs.

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Estimated Impairment of Loans and Financial Guarantee Contract

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

6. CASH AND CASH EQUIVALENTS

	September 30, 2020	December 31, 2019	September 30, 2019
Cash on hand and petty cash	\$ 107,513	\$ 89,949	\$ 92,573
Checking for clearing	27,931	535,095	76,467
Due from banks	<u>8,424,952</u>	<u>5,944,958</u>	<u>6,674,578</u>
	<u>\$ 8,560,396</u>	<u>\$ 6,570,002</u>	<u>\$ 6,843,618</u>

The cash and cash equivalents of the consolidated cash flows and the related adjustments of the consolidated balance sheets as of December 31, 2019 are as follows. For the adjustments as of September 30, 2020 and 2019, refer to the consolidated statements of cash flows.

	December 31, 2019
Cash and cash equivalents in the consolidated balance sheets	\$ 6,570,002
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	10,679,363
Other items qualifying for cash and cash equivalents under the definition of IAS 7	<u>301,107</u>
Cash and cash equivalents in the consolidated statements of cash flows	<u>\$ 17,550,472</u>

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

	September 30, 2020	December 31, 2019	September 30, 2019
Reserves for deposits - Type A	\$ 3,667,249	\$ 2,573,579	\$ 696,016
Reserves for deposits - Type B	5,440,569	5,124,527	5,041,582
Due from Central Bank - Financial	1,500,877	900,268	645,510
Call loans to banks	8,938,209	10,679,363	16,258,842
Others	<u>29,126</u>	<u>34,026</u>	<u>51,224</u>
	<u>\$ 19,576,030</u>	<u>\$ 19,311,763</u>	<u>\$ 22,693,174</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

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Financial assets mandatorily classified as at FVTPL</u>			
Hybrid financial assets			
Convertible bonds - domestic (include assets swap contracts)	\$ 11,082,931	\$ 9,470,333	\$ 9,161,668
Structured debt	<u>589,224</u>	<u>608,116</u>	<u>624,878</u>
	<u>11,672,155</u>	<u>10,078,449</u>	<u>9,786,546</u>

(Continued)

	September 30, 2020	December 31, 2019	September 30, 2019
Derivative financial assets			
Currency swap contracts	\$ 165,777	\$ 171,375	\$ 195,289
Forward contracts	18,211	7,189	43,913
Interest rate swap contracts	10,208	7,610	10,163
Currency option contracts - call	17,677	2,882	4,662
Promised purchase contracts	<u>-</u>	<u>164</u>	<u>-</u>
	<u>211,873</u>	<u>189,220</u>	<u>254,027</u>
Non-derivative financial assets			
Bills	114,956,454	91,656,052	90,929,958
Negotiable certificates of deposit	44,098,826	69,631,538	65,903,892
Stocks and beneficiary certificates	800,308	1,257,942	468,993
Government bonds	<u>-</u>	<u>99,992</u>	<u>99,434</u>
	<u>159,855,588</u>	<u>162,645,524</u>	<u>157,402,277</u>
	<u>\$ 171,739,616</u>	<u>\$ 172,913,193</u>	<u>\$ 167,442,850</u>

Held-for-trading financial liabilities

Derivative financial instruments			
Currency swap contracts	\$ 463,752	\$ 437,940	\$ 186,458
Forward contracts	20,742	15,830	3,469
Interest rate swap contracts	22,759	72,003	85,651
Currency option contracts - put	16,360	2,687	4,668
Others	<u>12,220</u>	<u>660</u>	<u>620</u>
	<u>535,833</u>	<u>529,120</u>	<u>280,866</u>
Non-derivative financial liabilities			
Commercial paper contracts	<u>98</u>	<u>4,462</u>	<u>170</u>
	<u>\$ 535,931</u>	<u>\$ 533,582</u>	<u>\$ 281,036</u>

(Concluded)

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

The contract amounts (or notional amounts) of outstanding derivative transactions as of September 30, 2020, December 31, 2019 and September 30, 2019 were as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
Interest rate swap contracts	\$ 14,908,489	\$ 19,594,243	\$ 20,006,732
Currency swap contracts	62,197,631	54,299,506	56,442,830
Forward contracts	4,379,288	3,796,613	4,998,712
Currency option contracts			
Buy	1,107,952	851,940	625,089
Sell	662,492	586,190	625,089
Promised purchase contracts	12,300,000	750,000	450,000

As of September 30, 2020, December 31, 2019 and September 30, 2019, financial assets at fair value through profit and loss under agreement to repurchase were in the face amount of \$73,930,300 thousand, \$62,715,800 thousand and \$72,608,149 thousand, respectively.

Refer to Note 42 for information relating to financial assets at fair value through profit or loss pledged as security.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	September 30, 2020	December 31, 2019	September 30, 2019
Investments in equity instruments at FVTOCI	\$ 5,019,495	\$ 3,003,645	\$ 1,888,508
Investments in debt instruments at FVTOCI			
Government bonds	21,256,748	33,722,794	32,464,271
Bank debentures	38,841,604	34,814,733	34,394,924
Corporate bonds	70,983,470	64,389,574	62,829,329
Overseas government bonds	2,167,000	3,297,940	2,373,496
Mortgage backed securities	1,087,315	2,884,084	2,993,489
Negotiable certificates of deposit	<u>30,436,460</u>	<u>-</u>	<u>-</u>
	<u>\$ 169,792,092</u>	<u>\$ 142,112,770</u>	<u>\$ 136,944,017</u>

a. Investments in equity instruments at FVTOCI

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

The Group disposed stock classified as at FVTOCI for invested management purpose for the nine months end September 30, 2020 and 2019. The fair value of stocks classified as at FVTOCI which had to be disposed of were \$2,115,619 thousand and \$1,837,977 thousand and the accumulated loss and gain related to the sold assets of \$59,695 thousand gain and \$130,527 thousand gain, respectively, were transferred from other equity-unrealized valuation gain or loss on financial assets at FVTOCI to retained earnings.

Dividends income from FVTOCI of \$176,856 thousand and \$65,207 thousand were recognized in profit or loss for the nine months ended September 30, 2020 and 2019. The dividends related to investments held at the end of the reporting period were \$173,905 thousand and \$57,478 thousand, respectively.

b. Investments in debt instruments at FVTOCI

- 1) Refer to Note 42 for information relating to investments in debt instruments at FVTOCI pledged as security.
- 2) Refer to Note 46 for information relating to the credit risk management and impairment assessment of investments in debt instruments at FVTOCI.
- 3) Investments in debt instruments at FVTOCI under agreement to repurchase were in the face amount of \$94,006,620 thousand, \$92,927,159 thousand, and \$89,292,127 thousand, as of on September 30, 2020, December 31, 2019 and September 30, 2019, respectively.

10. BILLS AND BONDS PURCHASED UNDER RESELL AGREEMENTS

The Group's bills and bonds purchased under resale agreements are all government bonds. As of September 30, 2020, December 31, 2019 and September 30, 2019, the bonds purchased under agreements to resell were in the amount of \$7,324,012 thousand, \$100,030 thousand and \$2,191,210 thousand, respectively. As of September 30, 2020, December 31, 2019 and September 30, 2019, bonds purchased under agreements to resell were sold under agreements to repurchase in the face amount of \$7,320,000 thousand, \$100,000 thousand and \$2,117,000 thousand, respectively.

11. RECEIVABLES, NET

	September 30, 2020	December 31, 2019	September 30, 2019
Lease payment receivable	\$ 11,526,214	\$ 12,236,876	\$ 12,001,298
Factored receivable	1,004,450	1,585,725	2,531,669
Interest receivable	1,186,465	1,719,054	1,822,997
Accounts receivable	765,600	1,064,051	1,211,870
Investment settlements receivable	532,012	29,993	4,543,606
Acceptances receivable	221,774	220,594	228,823
Settlement accounts receivable - trusteeship	84,934	118,092	92,129
Others	<u>154,695</u>	<u>677,925</u>	<u>269,511</u>
	15,476,144	17,652,310	22,701,903
Less: Unrealized interest revenue	606,105	688,852	678,399
Allowance for credit losses	<u>428,667</u>	<u>480,284</u>	<u>506,344</u>
Receivables, net	<u>\$ 14,411,372</u>	<u>\$ 16,483,174</u>	<u>\$ 21,517,160</u>

The changes in gross carrying amount on receivables (less unrealized interest revenue) for the nine months ended September 30, 2020 and 2019 were as follows:

	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit- impaired Financial Assets)	Total
Balance at January 1, 2020	\$ 16,348,342	\$ 190,010	\$ 425,106	\$ 16,963,458
Transfers				
To 12-month ECLs	8,384	(8,370)	(14)	-
To lifetime ECLs	(139,753)	139,753	-	-
To credit-impaired financial assets	(40,949)	(33,059)	74,008	-
New financial assets purchased or originated	10,104,349	11,651	217	10,116,217
Derecognition of financial assets	(11,657,469)	(155,482)	(222,165)	(12,035,116)
Write-offs	-	-	(58,227)	(58,227)
Exchange rate or other changes	<u>(111,716)</u>	<u>(1,724)</u>	<u>(2,853)</u>	<u>(116,293)</u>
Balance at September 30, 2020	<u>\$ 14,511,188</u>	<u>\$ 142,779</u>	<u>\$ 216,072</u>	<u>\$ 14,870,039</u>

(Continued)

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

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

	September 30, 2020	December 31, 2019	September 30, 2019
Short-term	\$ 56,324,750	\$ 52,637,640	\$ 65,863,003
Medium-term	108,139,337	117,968,744	112,401,587
Long-term	28,336,966	25,364,024	19,685,957
Accounts receivables financing	135,652	284,150	346,777
Export bill negotiated	-	-	2,035
Guaranteed overdraft	119,197	69	76
Overdue loans	<u>982,778</u>	<u>703,831</u>	<u>1,261,317</u>
	194,038,680	196,958,458	199,560,752
Less: Allowance for credit losses	<u>2,705,186</u>	<u>2,712,229</u>	<u>2,870,012</u>
	<u>\$ 191,333,494</u>	<u>\$ 194,246,229</u>	<u>\$ 196,690,740</u>

The changes in gross carrying amount on discounts and loans for the nine months ended September 30, 2020 and 2019 were as follows:

	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit- impaired Financial Assets)	Total
Balance at January 1, 2020	\$ 177,477,719	\$ 16,398,011	\$ 3,082,728	\$ 196,958,458
Transfers				
To 12-month ECLs	229,379	(214,341)	(15,038)	-
To lifetime ECLs	(1,284,446)	1,284,446	-	-
To credit-impaired financial assets	(60,651)	(212,921)	273,572	-
New financial assets purchased or originated	80,887,511	8,028,273	830,541	89,746,325
Derecognition of financial assets	(81,336,593)	(8,730,747)	(793,925)	(90,861,265)
Write-offs	-	-	(325,040)	(325,040)
Exchange rate or other changes	<u>(1,284,167)</u>	<u>(143,846)</u>	<u>(51,785)</u>	<u>(1,479,798)</u>
Balance at September 30, 2020	<u>\$ 174,628,752</u>	<u>\$ 16,408,875</u>	<u>\$ 3,001,053</u>	<u>\$ 194,038,680</u>
Balance at January 1, 2019	\$ 183,751,973	\$ 15,147,609	\$ 1,390,597	\$ 200,290,179
Transfers				
To 12-month ECLs	1,829,355	(1,829,355)	-	-
To lifetime ECLs	(2,969,282)	2,969,282	-	-
To credit-impaired financial assets	(815,232)	(756)	815,988	-
New financial assets purchased or originated	84,329,482	8,242,271	1,824,840	94,396,593
Derecognition of financial assets	(85,066,293)	(8,815,059)	(211,054)	(94,092,406)
Write-offs	-	-	(585,498)	(585,498)
Exchange rate or other changes	<u>(81,406)</u>	<u>(265,505)</u>	<u>(101,205)</u>	<u>(448,116)</u>
Balance at September 30, 2019	<u>\$ 180,978,597</u>	<u>\$ 15,448,487</u>	<u>\$ 3,133,668</u>	<u>\$ 199,560,752</u>

The balance of the overdue loans of the Group as of September 30, 2020, December 31, 2019 and September 30, 2019 no longer include the calculation of interest. The unrecognized interest revenue on the above loans amounted to \$27,244 thousand and \$7,430 thousand for the nine months ended September 30, 2020 and 2019, respectively. For the nine months ended September 30, 2020 and 2019, the Group wrote off credits only upon completing the required legal procedures.

Refer to Note 42 for information relating to discounts and loan assets pledged as security.

The Group provides an appropriate allowance for doubtful debts based on the assessment of discounts and loans. Refer to Note 13 for the details and changes in the allowance for doubtful debts of discounts and loans.

Refer to Note 46 for the impairment loss analysis of discounts and loans.

13. ALLOWANCE FOR CREDIT LOSSES AND PROVISIONS

The change in allowance for credit loss and provisions for the nine months ended September 30, 2020 and 2019 were as follows:

Allowance for Receivables	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and Local Requirements	Total
Balance at January 1, 2020	\$ 196,173	\$ 35,928	\$ 226,869	\$ 458,970	\$ 21,314	\$ 480,284
Transfers						
To 12-month ECLs	2,702	(2,696)	(6)	-	-	-
To lifetime ECLs	(11,047)	11,047	-	-	-	-
To credit-impaired financial assets	(1)	(29,753)	29,754	-	-	-
New financial assets purchased or originated	11,377	19,594	305	31,276	-	31,276
Derecognition of financial assets	(4,799)	(115)	(39,166)	(44,080)	-	(44,080)
Change in model or risk parameters	541	1	53	595	-	595
Difference between IFRS 9 and local requirements	-	-	-	-	(9,805)	(9,805)
Write-offs	-	-	(58,227)	(58,227)	-	(58,227)
Withdrawal after write-offs	-	-	32,916	32,916	-	32,916
Exchange rate or other changes	(1,416)	(331)	(2,381)	(4,128)	(164)	(4,292)
Balance at September 30, 2020	<u>\$ 193,530</u>	<u>\$ 33,675</u>	<u>\$ 190,117</u>	<u>\$ 417,322</u>	<u>\$ 11,345</u>	<u>\$ 428,667</u>

Allowance for Discounts and Loans	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and Local Requirements	Total
Balance at January 1, 2020	\$ 265,977	\$ 77,304	\$ 403,522	\$ 746,803	\$ 1,965,426	\$ 2,712,229
Transfers						
To 12-month ECLs	7,726	(1,300)	(6,426)	-	-	-
To lifetime ECLs	(4,841)	4,841	-	-	-	-
To credit-impaired financial assets	(171)	(1,800)	1,971	-	-	-
New financial assets purchased or originated	292,681	25,232	369,462	687,375	-	687,375
Derecognition of financial assets	(84,429)	(14,511)	(83,607)	(182,547)	-	(182,547)
Change in model or risk parameters	162,909	52,200	144,482	359,591	-	359,591
Difference between IFRS 9 and local requirements	-	-	-	-	(522,396)	(522,396)
Write-offs	-	-	(325,040)	(325,040)	-	(325,040)
Withdrawal after write-offs	-	-	6,237	6,237	-	6,237
Exchange rate or other changes	(4,150)	(762)	(5,487)	(10,399)	(19,864)	(30,263)
Balance at September 30, 2020	<u>\$ 635,702</u>	<u>\$ 141,204</u>	<u>\$ 505,114</u>	<u>\$ 1,282,020</u>	<u>\$ 1,423,166</u>	<u>\$ 2,705,186</u>

Reserve for Losses on Guarantees and Financing Quota Preparation	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and Local Requirements	Total
Balance at January 1, 2020	\$ 75,284	\$ 4,380	\$ -	\$ 79,664	\$ 1,531,119	\$ 1,610,783
Transfers						
To 12-month ECLs	111	(111)	-	-	-	-
To lifetime ECLs	(254)	254	-	-	-	-
New financial assets purchased or originated	106,282	7,768	-	114,050	-	114,050
Derecognition of financial assets	(34,558)	(2,643)	-	(37,201)	-	(37,201)
Change in model or risk parameters	10,068	2,180	-	12,248	-	12,248
Difference between IFRS 9 and local requirements	-	-	-	-	55,370	55,370
Withdrawal after write-offs	-	-	-	-	3,686	3,686
Exchange rate or other changes	(576)	(14)	-	(590)	(192)	(782)
Balance at September 30, 2020	<u>\$ 156,357</u>	<u>\$ 11,814</u>	<u>\$ -</u>	<u>\$ 168,171</u>	<u>\$ 1,589,983</u>	<u>\$ 1,758,154</u>

Allowance for Receivables	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and Local Requirements	Total
Balance at January 1, 2019	\$ 218,853	\$ 111,931	\$ 227,909	\$ 558,693	\$ 52,561	\$ 611,254
Transfers						
To 12-month ECLs	5,254	(5,254)	-	-	-	-
To lifetime ECLs	(9,096)	9,096	-	-	-	-
To credit-impaired financial assets	(51)	(107,790)	107,841	-	-	-
New financial assets purchased or originated	1,924	39,616	40,836	82,376	-	82,376
Derecognition of financial assets	(25,018)	(70)	(222)	(25,310)	-	(25,310)
Change in model or risk parameters	(21)	(19)	12	(28)	-	(28)
Difference between IFRS 9 and local requirements	-	-	-	-	(22,182)	(22,182)
Write-offs	-	-	(138,547)	(138,547)	-	(138,547)
Withdrawal after write-offs	-	-	7,403	7,403	-	7,403
Exchange rate or other changes	(3,378)	696	(6,006)	(8,688)	66	(8,622)
Balance at September 30, 2019	<u>\$ 188,467</u>	<u>\$ 48,206</u>	<u>\$ 239,226</u>	<u>\$ 475,899</u>	<u>\$ 30,445</u>	<u>\$ 506,344</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	14,076	(14,076)	-	-	-	-
To lifetime ECLs	(5,942)	5,942	-	-	-	-
To credit-impaired financial assets	(894)	(216)	1,110	-	-	-
New financial assets purchased or originated	124,226	13,093	794,486	931,805	-	931,805
Derecognition of financial assets	(89,429)	(25,030)	(85,422)	(199,881)	-	(199,881)
Change in model or risk parameters	25,500	4,448	2,830	32,778	-	32,778
Difference between IFRS 9 and local requirements	-	-	-	-	(275,554)	(275,554)
Write-offs	-	-	(585,498)	(585,498)	-	(585,498)
Withdrawal after write-offs	-	-	2,403	2,403	-	2,403
Exchange rate or other changes	204	271	1,843	2,318	9,512	11,830
Balance at September 30, 2019	<u>\$ 270,936</u>	<u>\$ 34,052</u>	<u>\$ 466,513</u>	<u>\$ 771,501</u>	<u>\$ 2,098,511</u>	<u>\$ 2,870,012</u>

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

14. DISCONTINUED OPERATIONS

Chun Teng New Century Co., Ltd. (the former IBTS) decided to transfer operating rights and property of brokerage of securities to SinoPac Securities Corp. Ltd. approved by the temporary stockholders' meeting on May 25, 2016. Total price of transfer was \$390,000 thousand, and set the business transfer date was set on September 26, 2016.

The subsidiary ended the securities business on September 23, 2016, and was dissolved and liquidated on November 11, 2016 which had been approved by the board of directors' in their meeting on October 17, 2016.

From September 30, 2016, the self-operating and new financial assets business of the operating department of the subsidiary has ended and conformed to the discontinued operations definition of IFRS 5. Hence, the consolidated financial report regarded the operating department above as discontinued operations.

The details and cash flows information of discontinued operations are exhibited below:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Interest revenue	\$ 146	\$ 867	\$ 1,646	\$ 3,226
Interest expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net interest	<u>146</u>	<u>867</u>	<u>1,646</u>	<u>3,226</u>
Net revenue other than interest				
Service fee income, net	-	7	-	37
Gain (loss) on financial assets and liabilities measured at fair value through profit or loss	2,154	2,015	(112)	3,267
Foreign exchange gain (loss), net	-	(1)	11	10
Gain on financial assets and liabilities at fair value through other comprehensive income	-	-	-	3,180
Other net revenue other than interest	<u>22</u>	<u>386</u>	<u>(256)</u>	<u>2,117</u>
Total net revenue other than interest	<u>2,176</u>	<u>2,407</u>	<u>(357)</u>	<u>8,611</u>
Net revenue	<u>2,322</u>	<u>3,274</u>	<u>1,289</u>	<u>11,837</u>
Operating expenses				
Employee benefits expenses	1,561	1,877	5,713	6,099
Depreciation and amortization expense	146	155	445	463
Others general and administrative expenses	<u>1,982</u>	<u>2,456</u>	<u>6,315</u>	<u>7,456</u>
Total operating expenses	<u>3,689</u>	<u>4,488</u>	<u>12,473</u>	<u>14,018</u>
Income tax expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Loss from discontinued operations before elimination	(1,367)	(1,214)	(11,814)	(2,181)
Elimination of transactions with related parties	<u>37</u>	<u>(566)</u>	<u>(538)</u>	<u>(1,766)</u>
Loss from discontinued operations	<u>\$ (1,330)</u>	<u>\$ (1,780)</u>	<u>\$ (11,722)</u>	<u>\$ (3,947)</u>
Loss from discontinued operations attributable to:				
Owners of the Bank	\$ (1,327)	\$ (1,776)	\$ (11,692)	\$ (3,937)
Non-controlling interests	<u>(3)</u>	<u>(4)</u>	<u>(30)</u>	<u>(10)</u>
	<u>\$ (1,330)</u>	<u>\$ (1,780)</u>	<u>\$ (11,722)</u>	<u>\$ (3,947)</u>

(Continued)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Net cash flows used in operating activities	\$ (9,993)	\$ (47,378)	\$ (12,804)	\$ (26,762)
Net cash flows generated from investing activities	41	20	39	7
Net cash flows generated from (used in) financing activities	-	-	-	-
Effects of exchange rate changes on cash and cash equivalents	<u>3,059</u>	<u>1,723</u>	<u>4,081</u>	<u>(656)</u>
Net cash outflow	<u>\$ (6,893)</u>	<u>\$ (45,635)</u>	<u>\$ (8,684)</u>	<u>\$ (27,411)</u> (Concluded)

15. SUBSIDIARIES

a. Subsidiary included in consolidated financial statements:

Investor	Investee	Main Business	% of Ownership			Remark	Audited by CPA
			September 30, 2020	December 31, 2019	September 30, 2019		
The Bank	China Bills Finance Co. (CBF)	Bonds underwriting, dealing and brokerage of securities	28.37	28.37	28.37	Founded in 1978	Yes
	IBT Holding Corp. (IBTH)	Holding company	100.00	100.00	100.00	Founded in 2006 in California	Yes
	IBT Leasing	Leasing	100.00	100.00	100.00	Founded in 2011	Yes
	IBTM	Investment consulting	100.00	100.00	100.00	Founded in 2000	No
	Chun Teng New Century Co., Ltd. (former IBTS)	Investment (former Security Firm)	99.75	99.75	99.75	Founded in 1961 (dissolved on November 11, 2016 and still recognized using the equity method)	No
IBT Leasing	IBT International Leasing Corp.	Leasing	100.00	100.00	100.00	Founded in 2011 in mainland China (commonly held with IBT VII)	Yes
	IBT VII Venture Capital Co., Ltd.	Venture capital	100.00	100.00	100.00	Founded in 2014	No
Chun Teng New Century Co., Ltd. (formerly IBTS)	IBTS Holding B.V.I. Limited (IBTSH)	Holding company	100.00	100.00	100.00	Founded in 2003 in the British Virgin Islands	No
IBTSH	IBTS Financial (HK) Limited	Investment	100.00	100.00	100.00	Founded in 2003 in Hong Kong	No
	IBTS Asia (HK) Limited	Securities and investment	100.00	100.00	100.00	Founded in 2004 in Hong Kong	No
IBTH	EverTrust Bank	Banking	91.78	91.78	91.78	Founded in 1994 in California	Yes

b. Details of subsidiaries that have material non-controlling interests

Name of Subsidiary	Principal Place of Business	Proportion of Ownership and Voting Rights Held by Non-controlling Interests		
		September 30, 2020	December 31, 2019	September 30, 2019
CBF	Taipei	71.63%	71.63%	71.63%

The summarized financial information below represents amounts before intragroup eliminations:

	September 30, 2020	December 31, 2019	September 30, 2019
CBF			
Equity attributable to:			
Owners of CBF	\$ 7,000,750	\$ 6,767,508	\$ 6,687,185
Non-controlling interests of CBF	<u>17,676,892</u>	<u>17,087,954</u>	<u>16,885,138</u>
	<u>\$ 24,677,642</u>	<u>\$ 23,855,462</u>	<u>\$ 23,572,323</u>
		For the Nine Months Ended September 30	
		2020	2019
Net revenue		<u>\$ 1,861,976</u>	<u>\$ 1,522,761</u>
Net profit from continuing operations		\$ 1,193,993	\$ 949,382
Other comprehensive income for the period		<u>593,622</u>	<u>382,188</u>
Total comprehensive income for the period		<u>\$ 1,787,615</u>	<u>\$ 1,331,570</u>
Profit attributable to:			
Owners of CBF		\$ 338,721	\$ 269,348
Non-controlling interests of CBF		<u>855,272</u>	<u>680,034</u>
		<u>\$ 1,193,993</u>	<u>\$ 949,382</u>
Total comprehensive income attributable to:			
Owners of CBF		\$ 507,125	\$ 377,770
Non-controlling interests of CBF		<u>1,280,490</u>	<u>953,800</u>
		<u>\$ 1,787,615</u>	<u>\$ 1,331,570</u>
Net cash inflow (outflow) from:			
Operating activities		\$ (3,980,718)	\$ 10,195,293
Investing activities		(4,175)	(6,811)
Financing activities		<u>3,980,808</u>	<u>(9,123,723)</u>
Net cash (outflow) inflow		<u>\$ (4,085)</u>	<u>\$ 1,064,759</u>
Dividends paid to non-controlling interests of CBF		<u>\$ 692,624</u>	<u>\$ 759,963</u>

16. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET

Investments in Associates

**September 30,
2020**

Associates - Beijing Sunshine Consumer Finance Co., Ltd., \$ 863,564

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

Investment was accounted for using the equity method, and the share of profit or loss and other comprehensive income of this investment were calculated based on financial statements which have not been reviewed. Management believes there is no material impact on the equity method of accounting or the calculation of the share of profit or loss and other comprehensive income from the financial statements of Beijing Sunshine Consumer Finance Co., Ltd., which have not been reviewed.

17. OTHER FINANCIAL ASSETS

	September 30, 2020	December 31, 2019	September 30, 2019
Time deposits with original maturities more than 3 months	\$ 16,893	\$ 46,371	\$ 70,162
Pledged time deposits	738,978	741,091	745,294
Compensation account for payment	15,500	116,258	86,068
Call loans to securities firms	582,524	301,107	620,904
Others	<u>41,664</u>	<u>24,676</u>	<u>25,268</u>
	<u>\$ 1,395,559</u>	<u>\$ 1,229,503</u>	<u>\$ 1,547,696</u>

18. PROPERTY AND EQUIPMENT

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Carrying amounts of each class of</u>			
Land	\$ 781,970	\$ 781,970	\$ 781,970
Buildings	1,296,448	1,324,482	1,333,500
Machinery and computer equipment	322,141	349,605	345,192
Transportation equipment	31,415	35,942	38,957
Office and other equipment	69,219	83,386	88,668
Lease improvement	159,478	187,479	202,235
Construction in progress and prepayments for equipment	<u>41,643</u>	<u>91,330</u>	<u>64,879</u>
	<u>\$ 2,702,314</u>	<u>\$ 2,854,194</u>	<u>\$ 2,855,401</u>

The movements of property and equipment for the nine months ended September 30, 2020 and 2019 are summarized as follows:

	Land	Buildings	Machinery and Computer Equipment	Transportation Equipment	Office and Other Equipment	Lease Improvement	Construction in Progress and Prepayments for Equipment	Total
<u>Cost</u>								
Balance at January 1, 2020	\$ 781,970	\$ 1,898,849	\$ 809,120	\$ 78,739	\$ 280,283	\$ 373,783	\$ 91,330	\$ 4,314,074
Additions	-	6,581	15,395	4,245	3,981	4,002	25,060	59,264
Disposals and scrapped	-	-	(12,693)	(2,371)	(843)	-	-	(15,907)
Reclassification	-	-	10,403	-	108	7,459	(74,598)	(56,628)
Effect of foreign currency exchange differences	-	-	(1,061)	(331)	(2,388)	(4,946)	(149)	(8,875)
Balance at September 30, 2020	<u>\$ 781,970</u>	<u>\$ 1,905,430</u>	<u>\$ 821,164</u>	<u>\$ 80,282</u>	<u>\$ 281,141</u>	<u>\$ 380,298</u>	<u>\$ 41,643</u>	<u>\$ 4,291,928</u>
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2020	\$ -	\$ 574,367	\$ 459,515	\$ 42,797	\$ 196,897	\$ 186,304	\$ -	\$ 1,459,880
Disposals and scrapped	-	-	(12,084)	(2,084)	(836)	-	-	(15,004)
Depreciation expense	-	34,615	52,345	8,277	17,843	37,895	-	150,975
Reclassification	-	-	88	-	-	(732)	-	(644)
Effect of foreign currency exchange differences	-	-	(841)	(123)	(1,982)	(2,647)	-	(5,593)
Balance at September 30, 2020	<u>\$ -</u>	<u>\$ 608,982</u>	<u>\$ 499,023</u>	<u>\$ 48,867</u>	<u>\$ 211,922</u>	<u>\$ 220,820</u>	<u>\$ -</u>	<u>\$ 1,589,614</u>
Balance at September 30, 2020	<u>\$ 781,970</u>	<u>\$ 1,296,448</u>	<u>\$ 322,141</u>	<u>\$ 31,415</u>	<u>\$ 69,219</u>	<u>\$ 159,478</u>	<u>\$ 41,643</u>	<u>\$ 2,702,314</u>
<u>Cost</u>								
Balance at January 1, 2019	\$ 781,970	\$ 1,898,675	\$ 747,969	\$ 77,088	\$ 282,253	\$ 385,137	\$ 87,501	\$ 4,260,593
Additions	-	99	15,705	12,783	1,157	3,887	37,432	71,063
Disposals and scrapped	-	(2,429)	(9,846)	(10,596)	(5,392)	(6,209)	(526)	(34,998)
Reclassification	-	-	40,536	-	2,650	427	(59,561)	(15,948)
Effect of foreign currency exchange differences	-	-	(822)	(168)	(226)	1,335	33	152
Balance at September 30, 2019	<u>\$ 781,970</u>	<u>\$ 1,896,345</u>	<u>\$ 793,542</u>	<u>\$ 79,107</u>	<u>\$ 280,442</u>	<u>\$ 384,577</u>	<u>\$ 64,879</u>	<u>\$ 4,280,862</u>
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2019	\$ -	\$ 529,300	\$ 409,143	\$ 40,373	\$ 178,807	\$ 151,310	\$ -	\$ 1,308,933
Disposals and scrapped	-	(960)	(9,821)	(9,428)	(5,389)	(6,209)	-	(31,807)
Depreciation expense	-	34,505	49,283	9,213	18,760	36,712	-	148,473
Reclassification	-	-	537	-	(640)	(3)	-	(106)
Effect of foreign currency exchange differences	-	-	(792)	(8)	236	532	-	(32)
Balance at September 30, 2019	<u>\$ -</u>	<u>\$ 562,845</u>	<u>\$ 448,350</u>	<u>\$ 40,150</u>	<u>\$ 191,774</u>	<u>\$ 182,342</u>	<u>\$ -</u>	<u>\$ 1,425,461</u>
Balance at September 30, 2019	<u>\$ 781,970</u>	<u>\$ 1,333,500</u>	<u>\$ 345,192</u>	<u>\$ 38,957</u>	<u>\$ 88,668</u>	<u>\$ 202,235</u>	<u>\$ 64,879</u>	<u>\$ 2,855,401</u>

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

Buildings	5-55 years
Machinery and computer equipment	3-25 years
Transportation equipment	3-5 years
Office and other equipment	3-15 years
Lease improvement	5-8 years

19. LEASE ARRANGEMENTS

a. Right-of-use assets

	September 30, 2020	December 31, 2019	September 30, 2019	
<u>Carrying amounts</u>				
Buildings	\$ 408,802	\$ 477,885	\$ 529,922	
Transportation equipment	9,222	7,541	10,933	
Office equipment	<u>2,983</u>	<u>-</u>	<u>-</u>	
	<u>\$ 421,007</u>	<u>\$ 485,426</u>	<u>\$ 540,855</u>	
	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Additions to right-of-use assets			<u>\$ 49,976</u>	<u>\$ 168,562</u>
Depreciation charge for right-of-use assets				
Buildings	\$ 35,668	\$ 39,681	\$ 108,591	\$ 120,726
Transportation equipment	1,917	1,945	5,621	4,815
Office equipment	<u>333</u>	<u>-</u>	<u>839</u>	<u>-</u>
	<u>\$ 37,918</u>	<u>\$ 41,626</u>	<u>\$ 115,051</u>	<u>\$ 125,541</u>

Except for the aforementioned addition and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets during the nine months ended September 30, 2020 and 2019.

b. Lease liabilities

	September 30, 2020	December 31, 2019	September 30, 2019
Carrying amounts	<u>\$ 433,009</u>	<u>\$ 498,832</u>	<u>\$ 552,699</u>

Range of discount rate for lease liabilities was as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
Buildings	0.44%-5.70%	1.62%-5.70%	1.62%-5.70%
Transportation equipment	2.28%-6.00%	1.98%-6.00%	1.98%-6.00%
Office equipment	1.71%-2.76%	-	-

c. Material lease-in activities

Due to the rental of buildings, the Group had entered into various leasehold contracts with others, respectively. These contracts are gradually expiring before the end of October 2028. As of September 30, 2020, December 31, 2019 and September 30, 2019, refundable deposits paid under operating lease amounted to \$29,985 thousand, \$31,523 thousand and \$35,160 thousand, respectively.

d. Other lease information

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Expenses relating to short-term leases	\$ 8,006	\$ 3,344	\$ 14,530	\$ 10,480
Expenses relating to low-value asset leases	\$ 877	\$ 692	\$ 2,297	\$ 2,468
Total cash outflow for leases			\$ (153,173)	\$ (129,548)

20. INTANGIBLE ASSETS

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Carrying amounts of each class of</u>			
Computer software	\$ 1,117,112	\$ 1,176,120	\$ 1,193,506
Goodwill	1,105,816	1,142,865	1,178,032
Others	11	562	1,153
	\$ 2,222,939	\$ 2,319,547	\$ 2,372,691

The changes in of intangible assets for the nine months ended September 30, 2020 and 2019 are summarized as follows:

	Computer Software	Goodwill	Others	Total
<u>Cost</u>				
Balance at January 1, 2020	\$ 2,157,522	\$ 1,142,865	\$ 7,351	\$ 3,307,738
Additions	86,188	-	-	86,188
Disposals	(182)	-	-	(182)
Reclassification	57,618	-	-	57,618
Effect of foreign currency exchange differences	(1,432)	(37,049)	(240)	(38,721)
Balance at September 30, 2020	\$ 2,299,714	\$ 1,105,816	\$ 7,111	\$ 3,412,641
<u>Accumulated amortization and impairment</u>				
Balance at January 1, 2020	\$ 981,402	\$ -	\$ 6,789	\$ 988,191
Amortization	202,584	-	546	203,130
Disposals	(182)	-	-	(182)
Effect of foreign currency exchange differences	(1,202)	-	(235)	(1,437)
Balance at September 30, 2020	\$ 1,182,602	\$ -	\$ 7,100	\$ 1,189,702

(Continued)

	Computer Software	Goodwill	Others	Total
<u>Carrying amounts</u>				
Balance at September 30, 2020	<u>\$ 1,117,112</u>	<u>\$ 1,105,816</u>	<u>\$ 11</u>	<u>\$ 2,222,939</u>
<u>Cost</u>				
Balance at January 1, 2019	\$ 2,120,054	\$ 1,166,769	\$ 7,506	\$ 3,294,329
Additions	94,015	-	-	94,015
Disposals	(360)	-	-	(360)
Reclassification	(1,665)	-	-	(1,665)
Effect of foreign currency exchange differences	<u>219</u>	<u>11,263</u>	<u>73</u>	<u>11,555</u>
Balance at September 30, 2019	<u>\$ 2,212,263</u>	<u>\$ 1,178,032</u>	<u>\$ 7,579</u>	<u>\$ 3,397,874</u>
<u>Accumulated amortization and impairment</u>				
Balance at January 1, 2019	\$ 832,353	\$ -	\$ 4,676	\$ 837,029
Amortization	187,376	-	1,706	189,082
Disposals	(360)	-	-	(360)
Reclassification	(791)	-	-	(791)
Effect of foreign currency exchange differences	<u>179</u>	<u>-</u>	<u>44</u>	<u>223</u>
Balance at September 30, 2019	<u>\$ 1,018,757</u>	<u>\$ -</u>	<u>\$ 6,426</u>	<u>\$ 1,025,183</u>
<u>Carrying amounts</u>				
Balance at September 30, 2019	<u>\$ 1,193,506</u>	<u>\$ 1,178,032</u>	<u>\$ 1,153</u>	<u>\$ 2,372,691</u> (Concluded)

The goodwill was recognized from IBT Holding Corp.'s purchase of 100% of the stocks of Ever Trust Bank on March 30, 2007. The investment cost exceeded the fair value of net identifiable assets.

When the Group executes the goodwill impairment test, Ever Trust Bank was used as a cash-generating unit, and the recoverable amount is assessed by the value in use of the cash-generating unit. The key assumptions base the expected future cash flows on the actual profit conditions of the cash-generating units. On the assumption of sustainable operations, the Group discounts the net cash flows from those of the operations of the cash-generating units in the next five years in order to calculate the value in use. Under the estimation of the Group, there is no occurrence of impairment.

The computer software and other intangible assets are amortized on a straight-line basis of 3 and 15 years, respectively.

21. OTHER ASSETS

	September 30, 2020	December 31, 2019	September 30, 2019
Refundable deposits	\$ 305,474	\$ 270,472	\$ 253,072
Life insurance cash surrender value	333,579	340,513	349,980
Prepayments	141,785	106,004	149,893
Others	<u>175,873</u>	<u>199,785</u>	<u>205,387</u>
	<u>\$ 956,711</u>	<u>\$ 916,774</u>	<u>\$ 958,332</u>

22. DEPOSITS FROM THE CENTRAL BANK AND OTHER BANKS

	September 30, 2020	December 31, 2019	September 30, 2019
Call loans from banks	\$ 36,525,997	\$ 34,030,540	\$ 35,295,171
Deposits from Chunghwa Post Co., Ltd.	7,000,000	7,000,000	7,000,000
Call loans from the Central Bank	<u>2,912,622</u>	<u>2,408,858</u>	<u>2,794,070</u>
	<u>\$ 46,438,619</u>	<u>\$ 43,439,398</u>	<u>\$ 45,089,241</u>

23. BILLS AND BONDS SOLD UNDER REPURCHASE AGREEMENTS

	September 30, 2020	December 31, 2019	September 30, 2019
Bills	\$ 72,933,487	\$ 61,873,869	\$ 72,433,247
Government bonds	27,926,347	27,297,780	21,274,687
Corporate bonds	58,078,755	51,926,418	49,425,047
Bank debentures	<u>20,969,929</u>	<u>18,455,318</u>	<u>24,477,845</u>
	<u>\$ 179,908,518</u>	<u>\$ 159,553,385</u>	<u>\$ 167,610,826</u>
Date of agreements to repurchase	Before August 2021	Before December 2020	Before August 2020
Amount of agreements to repurchase	\$ 179,985,197	\$ 159,673,835	\$ 167,713,923

24. PAYABLES

	September 30, 2020	December 31, 2019	September 30, 2019
Investment settlements payable	\$ 337,769	\$ 418,947	\$ 1,784,867
Settlement accounts payable - trusteeship	83,267	129,703	92,100
Acceptances	221,774	220,594	228,823
Accrued interest	633,322	891,220	837,641
Accrued expenses	827,136	979,218	827,216
Collections payable	95,690	117,230	129,098
Factored payables	63,806	252,912	1,602,797
Checks for clearing	27,931	535,095	76,467
Others	<u>160,776</u>	<u>142,702</u>	<u>396,243</u>
	<u>\$ 2,451,471</u>	<u>\$ 3,687,621</u>	<u>\$ 5,975,252</u>

25. DEPOSITS AND REMITTANCES

	September 30, 2020	December 31, 2019	September 30, 2019
Deposits			
Checking	\$ 6,701,058	\$ 4,553,278	\$ 4,836,926
Demand	51,413,258	41,890,065	41,089,231
Time	197,769,168	202,575,243	200,750,182
Export remittances	12,831	63,717	452
Savings deposits	<u>16,915,973</u>	<u>16,649,521</u>	<u>10,599,727</u>
	<u>\$ 272,812,288</u>	<u>\$ 265,731,824</u>	<u>\$ 257,276,518</u>

26. BANK DEBENTURES PAYABLE

	September 30, 2020	December 31, 2019	September 30, 2019
Subordinate bonds first issued in 2013; fixed 1.95% interest rate; maturity: May 30, 2020; interest paid annually and repayment of the principal at maturity	\$ -	\$ 2,300,000	\$ 2,300,000
Subordinate bonds first issued in 2014; fixed 1.95% interest rate; maturity: March 27, 2021; interest paid annually and repayment of the principal at maturity	1,300,000	1,300,000	1,300,000
Subordinate bonds second issued in 2014; fixed 1.85% interest rate; maturity: June 26, 2021; interest paid annually and repayment of the principal at maturity	1,000,000	1,000,000	1,000,000
Subordinate bonds third issued in 2014; fixed 1.95% interest rate; maturity: September 26, 2021; interest paid annually and repayment of the principal at maturity	600,000	600,000	600,000

(Continued)

	September 30, 2020	December 31, 2019	September 30, 2019
Subordinate bonds first issued in 2014; fixed 2.2% interest rate; maturity: May 5, 2022; interest paid annually and repayment of the principal at maturity	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000
Subordinate bonds first issued in 2015; fixed 1.85% interest rate; maturity: December 29, 2022; interest paid annually and repayment of the principal at maturity	1,000,000	1,000,000	1,000,000
Subordinate bonds type A first issued in 2016; fixed 1.70% interest rate; maturity: June 29, 2023; interest paid annually and repayment of the principal at maturity	1,500,000	1,500,000	1,500,000
Subordinate bonds type B first issued in 2016; fixed 1.80% interest rate; maturity: June 29, 2024; interest paid annually and repayment of the principal at maturity	1,500,000	1,500,000	1,500,000
Subordinate bonds first issued in 2017; fixed 1.97% interest rate; maturity: September 5, 2027; interest paid annually and repayment of the principal at maturity	2,000,000	2,000,000	2,000,000
Subordinate bonds type A second issued in 2017; fixed 4% interest rate; no maturity, interest paid annually	750,000	750,000	750,000
Subordinate bonds type B second issued in 2017; fixed 1.82% interest rate; maturity: December 27, 2027; interest paid annually and repayment of the principal at maturity	1,000,000	1,000,000	1,000,000
Subordinate bonds type A first issued in 2018; fixed 4% interest rate; no maturity, interest paid annually	700,000	700,000	700,000
Subordinate bonds type B first issued in 2018; fixed 1.75% interest rate; maturity: June 29, 2028; interest paid annually and repayment of the principal at maturity	1,050,000	1,050,000	1,050,000
Subordinate bonds first issued in 2019; fixed 1.5% interest rate; maturity: June 6, 2026; interest paid annually and repayment of the principal at maturity	<u>2,500,000</u>	<u>2,500,000</u>	<u>2,500,000</u>
	<u>\$ 16,400,000</u>	<u>\$ 18,700,000</u>	<u>\$ 18,700,000</u> (Concluded)

27. OTHER FINANCIAL LIABILITIES

	September 30, 2020	December 31, 2019	September 30, 2019
Bank borrowings	\$ 9,378,071	\$ 8,940,610	\$ 8,710,438
Commercial papers payable	4,960,756	500,000	500,000
Principal of structured products	83,918	517,749	10,183
Funds obtained from the government - intended for specific types of loans	<u>2,807,491</u>	<u>2,950,900</u>	<u>3,225,043</u>
	<u>\$ 17,230,236</u>	<u>\$ 12,909,259</u>	<u>\$ 12,445,664</u>

a. Bank borrowings

	September 30, 2020	December 31, 2019	September 30, 2019
Short-term borrowings	\$ 5,537,868	\$ 4,513,495	\$ 4,426,113
Long-term borrowings	<u>3,840,203</u>	<u>4,427,115</u>	<u>4,284,325</u>
	<u>\$ 9,378,071</u>	<u>\$ 8,940,610</u>	<u>\$ 8,710,438</u>
Interest rate interval			
New Taiwan dollars	1.00%-1.35%	1.00%-1.55%	1.20%-1.60%
U.S. dollars	0.95%-1.76%	3.14%-3.40%	3.43%-3.83%
Renminbi	4.69%-5.70%	4.69%-5.94%	4.99%-6.18%

b. Commercial papers payable

	September 30, 2020	December 31, 2019	September 30, 2019
Commercial papers payable	\$ 4,962,000	\$ 500,000	\$ 500,000
Less: Unamortized discount	<u>(1,244)</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,960,756</u>	<u>\$ 500,000</u>	<u>\$ 500,000</u>
Interest rate interval	0.37%-1.2%	1.19%-1.3%	1.19%-1.26%

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

	September 30, 2020	December 31, 2019	September 30, 2019
Funds obtained from the government - intended for specific types of loans	<u>\$ 2,807,491</u>	<u>\$ 2,950,900</u>	<u>\$ 3,225,043</u>

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

28. PROVISIONS

	September 30, 2020	December 31, 2019	September 30, 2019
Provisions for employee benefits	\$ 265,040	\$ 304,271	\$ 307,795
Provisions for losses on guarantees contracts	1,666,433	1,543,817	1,533,730
Provisions for losses on financing commitment	<u>91,721</u>	<u>66,966</u>	<u>78,412</u>
	<u>\$ 2,023,194</u>	<u>\$ 1,915,054</u>	<u>\$ 1,919,937</u>

Refer to Note 13 for the details and changes in the provision for losses on guarantees and financing commitment.

29. RETIREMENT BENEFIT PLANS

Defined Contribution Plan

The pension system under the "Labor Pensions Ordinance" applicable to the Bank and its subsidiaries is the required retirement plan stipulated by the government, except that of Ever Trust Bank which is not more than 10% of the annual salary of the respective employees. A pension of 6% of an employee's monthly salary is paid to the Labor Insurance Bureau under each individual's account.

The amount to be paid in accordance with the percentage specified in the proposed plan for the three months ended September 30, 2020 and 2019 and the nine months ended September 30, 2020 and 2019 was recognized in the consolidated statements of comprehensive income in the total amounts of \$19,201 thousand, \$18,509 thousand, \$56,227 thousand, and \$51,417 thousand, respectively.

Defined Benefit Plan

The retirement expense recognized under defined benefit plans for the three months ended September 30, 2020 and 2019 and the nine months ended September 30, 2020 and 2019 were calculated using the respective 2019 and 2018 annually determined discount rates as of December 31, 2019 and 2018 and amounted to \$1,799 thousand, \$2,125 thousand, \$5,566 thousand, and \$6,402 thousand, respectively.

30. OTHER LIABILITIES

	September 30, 2020	December 31, 2019	September 30, 2019
Guarantee deposits received	\$ 1,802,278	\$ 1,838,707	\$ 1,892,430
Advance revenue	30,824	28,691	224,361
Payable for custody	24,623	56,585	40,796
Others	<u>484,204</u>	<u>492,868</u>	<u>364,178</u>
	<u>\$ 2,341,929</u>	<u>\$ 2,416,851</u>	<u>\$ 2,521,765</u>

31. EQUITY

a. Capital stock

	September 30, 2020	December 31, 2019	September 30, 2019
Number of stock authorized (in thousands)	<u>3,500,000</u>	<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>	<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>	<u>2,413,006</u>
Preferred stock	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>
Amount of stocks issued	<u>\$ 27,130,063</u>	<u>\$ 27,130,063</u>	<u>\$ 27,130,063</u>

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

On July 7, 2020, the Bank's board of directors resolved to issue new shares in cash. The Bank expects to issue 320,000 thousand common shares with a par value of \$10 and plans to be issued at \$6.35 per share.

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

- 1) The interest rate of Series A preferred stock shall be based on the 5-year Interest Rate Swap (IRS) rate on the pricing date and the interest shall be calculated on the issue price per share; the interest rate is initially set at 0.94375% plus 3.30625% (total 4.25%) per annum. The interest Rate Swap issued price per share. Interest rate per annum will be reset on the day after the 5.5-year anniversary of the issue date and the day after each subsequent period of 5.5 years thereafter. Dividends for the Series A preferred stock shall be declared once every year in cash. After the stockholders' approval of the Bank's financial statements at its annual stockholders' meeting, the board of directors may set a record date for the distribution of dividends declared from the previous year. Dividend distribution for the years of issuance and redemption shall be calculated pursuant to actual issued days of the given year.
- 2) The Bank has sole discretion on dividend issuance of Series A preferred stock including, but not limited to, its discretion to not declare dividends when no profit is recorded, or insufficient profit is recorded for preferred stock dividends, or preferred stock dividend declaration would render the Bank of International Settlement (BIS) ratio below the level required by the law or relevant authorities, or due other necessary consideration. The Series A preferred stockholders shall not have any objection towards the Bank's cancellation of preferred stock dividend declaration. Undeclared or under declared dividends are not cumulative and are not paid in subsequent years with profit.
- 3) Unless the authorities take over the Bank, order the Bank to suspend, terminate or liquidate its business in accordance with the "Regulations Governing the Capital Adequacy and Capital Category of Banks", Series A preferred stockholders shall have the same priority as the common stockholders in the event of liquidation, both second to tier 2 capital instrument holder, depositor, and common creditor, but will be capped at the value of issuance.

- 4) Series A preferred stockholders have no voting rights at the annual stockholders' meeting and cannot elect directors. However, the preferred stockholders should have voting rights at the preferred stockholders' meeting and also at the stockholders' meeting when it involves the rights and obligations of the preferred stockholders, and the aforesaid stockholders are eligible for director candidacy. Series A preferred stockholders have voting rights at Series A stockholders' meeting.
- 5) The preferred stock issued by the Bank shall not be converted within one year from the date of issuance. Starting from the day after the expiration of one year, stockholders of convertible preferred stock may apply for the conversion of part or all of the preferred stock held, from preferred stock to common stock during the conversion period (conversion ratio 1:1). After the convertible preferred stock are converted into common stock, their rights and obligations are the same as the common stock. The issuance of annual dividends for the convertible preferred stock is based on the ratio of the actual number of issued days in the current year to the number of days within the whole year. However, stockholders who converted their preferred stock into common stock before the date of distribution of dividends (interests) in each year shall not participate in the distribution in that year but may participate in the distribution of common stock surplus and additional paid in capital.
- 6) When the Bank issues new shares for cash, Series A preferred stockholders have the same subscription rights as the common stockholders.

b. Capital surplus

	September 30, 2020	December 31, 2019	September 30, 2019
May be used to offset a deficit, distributed as dividends, or transferred to capital stock (Note)			
Treasury share transactions	\$ 3,193	\$ 3,193	\$ 3,193
Stock-based payments	4,537	4,537	4,537
Must be used to offset a deficit			
Unclaimed dividends	985	649	649
May not be used for any purpose			
Share of changes in capital surplus of associates or joint ventures	<u>1,795</u>	<u>1,371</u>	<u>1,372</u>
	<u>\$ 10,510</u>	<u>\$ 9,750</u>	<u>\$ 9,751</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 dividends policy

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

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

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

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

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

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

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

For the policies on distribution of employees' compensation and remuneration of directors, please refer to Note 36.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Bank's paid-in capital. Legal reserve may be used to offset deficit. If the Bank has no deficit and the legal reserve has exceeded 25% of the Bank's paid-in capital, the excess may be transferred to capital or distributed in cash. In addition, the Banking Law limits the appropriation of cash dividends to 15% of the Bank's paid-in capital.

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

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

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

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

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

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

d. Other equity items

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

	<u>For the Nine Months Ended September 30</u>	
	<u>2020</u>	<u>2019</u>
Balance at January 1	\$ (307,473)	\$ (92,806)
Exchange differences arising on translating the financial statements of foreign operations	(309,372)	22,591
Income tax related to gains arising on translating the financial statements of foreign operations	<u>35,348</u>	<u>(9,671)</u>
Balance at September 30	<u>\$ (581,497)</u>	<u>\$ (79,886)</u>

- 2) Unrealized gains (losses) on financial assets at FVOCI

	<u>For the Nine Months Ended September 30</u>	
	<u>2020</u>	<u>2019</u>
Balance at January 1	\$ 239,996	\$ (67,175)
Recognized during the period		
Unrealized gain (loss) - debt instruments	209,312	234,861
Unrealized gain (loss) - equity instruments	37,738	137,404
Loss allowance of debt instruments	<u>2,375</u>	<u>1,523</u>
Other comprehensive income recognized in the period	<u>249,425</u>	<u>373,788</u>
Cumulative unrealized gain (loss) of equity instruments transferred to retained earnings due to disposal	<u>(59,695)</u>	<u>(130,527)</u>
Balance at September 30	<u>\$ 429,726</u>	<u>\$ 176,086</u>

e. Non-controlling interests

	For the Nine Months Ended September 30	
	2020	2019
Balance at January 1	\$ 17,557,074	\$ 17,129,584
Attribute to non-controlling interests		
Shares of profit for the period	871,324	708,175
Capital surplus	1,071	2,292
Exchange differences arising on translation of foreign entities	(15,712)	4,257
Unrealized gains and losses on FVTOCI	426,170	277,738
Actuarial profit and loss of defined benefit plans	64	(23)
Cash dividends distributed by subsidiary	<u>(692,624)</u>	<u>(759,963)</u>
Balance at September 30	<u>\$ 18,147,367</u>	<u>\$ 17,362,060</u>

f. Treasury stock

Unit: In Thousands of Shares

	For the Nine Months Ended September 30, 2020
Number of shares at January 1, 2020	-
Increase during the period	<u>5,737</u>
Number of shares at September 30, 2020	<u>5,737</u>

On March 19, 2020, the Bank's board of directors proposed to acquire treasury stocks transfer to employees. The acquiring period is from March 20, 2020 to May 19, 2020. As of September 30, 2020, the Bank had acquired 5,737 thousand shares of treasury stocks for \$38,304 thousand.

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

32. NET INTEREST

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
<u>Interest revenue</u>				
Discounts and loans	\$ 1,081,176	\$ 1,574,236	\$ 3,710,763	\$ 4,683,692
Investments in securities	426,007	490,766	1,399,605	1,520,851
Installment sales and leases	234,224	243,436	676,325	756,710
Due from the Central Bank and call loans to banks	10,252	59,725	95,384	224,050
Others	<u>21,181</u>	<u>21,964</u>	<u>64,158</u>	<u>85,265</u>
	<u>1,772,840</u>	<u>2,390,127</u>	<u>5,946,235</u>	<u>7,270,568</u>

(Continued)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
<u>Interest expense</u>				
Deposits	\$ 429,187	\$ 812,223	\$ 1,777,928	\$ 2,503,791
Due to the Central Bank and other banks	33,629	150,446	199,789	481,558
Bank debentures	83,341	98,509	266,357	283,973
Bills and bonds sold under repurchase agreements	147,483	273,978	598,475	767,668
Others	<u>58,153</u>	<u>92,439</u>	<u>218,611</u>	<u>293,288</u>
	<u>751,793</u>	<u>1,427,595</u>	<u>3,061,160</u>	<u>4,330,278</u>
	<u>\$ 1,021,047</u>	<u>\$ 962,532</u>	<u>\$ 2,885,075</u>	<u>\$ 2,940,290</u>
				(Concluded)

33. SERVICE FEE INCOME, NET

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Service fee income				
Guarantee business	\$ 260,184	\$ 224,199	\$ 732,355	\$ 645,204
Loan business	60,454	31,835	104,597	169,717
Underwrite business	118,599	71,399	341,782	222,507
Trust business	11,370	2,658	25,970	16,497
Lease business	69,458	78,158	160,594	185,102
Credit examining business	33,975	36,381	125,034	218,575
Import and export business	3,088	5,721	8,866	18,709
Factoring business	2,518	5,585	13,118	30,764
Insurance agent business	10,622	22,696	62,992	94,549
Others	<u>17,477</u>	<u>13,796</u>	<u>45,237</u>	<u>42,059</u>
	587,745	492,428	1,620,545	1,643,683
Service charge				
Others	<u>28,191</u>	<u>33,038</u>	<u>84,339</u>	<u>106,938</u>
	<u>\$ 559,554</u>	<u>\$ 459,390</u>	<u>\$ 1,536,206</u>	<u>\$ 1,536,745</u>

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Realized gains or losses				
Bills	\$ 37,030	\$ 5,638	\$ 79,549	\$ 32,650
Stocks and beneficiary certificates	52,681	(5,935)	86,203	91,661
Bonds	2,530	2,855	5,437	25,642
Derivatives	<u>(323,912)</u>	<u>257,832</u>	<u>(687,785)</u>	<u>1,148,538</u>
	<u>(231,671)</u>	<u>260,390</u>	<u>(516,596)</u>	<u>1,298,491</u>
Gains (losses) on valuation				
Bills	(16,309)	(6,494)	30,877	9,244
Stocks and beneficiary certificates	(23,911)	(1,078)	(26,898)	22,053
Bonds	2,803	(6,471)	6,718	7,725
Derivatives	<u>(204,281)</u>	<u>(49,607)</u>	<u>39,855</u>	<u>(57,353)</u>
	<u>(241,698)</u>	<u>(63,650)</u>	<u>50,552</u>	<u>(18,331)</u>
Interest revenue	<u>207,046</u>	<u>295,893</u>	<u>729,985</u>	<u>836,477</u>
	<u>\$ (266,323)</u>	<u>\$ 492,633</u>	<u>\$ 263,941</u>	<u>\$ 2,116,637</u>

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Realized income - debt instruments	\$ 62,194	\$ 64,855	\$ 216,828	\$ 163,559
Dividend revenue	<u>154,787</u>	<u>39,882</u>	<u>176,856</u>	<u>62,027</u>
	<u>\$ 216,981</u>	<u>\$ 104,737</u>	<u>\$ 393,684</u>	<u>\$ 225,586</u>

36. EMPLOYEE BENEFITS EXPENSES

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Short-term employee benefits				
Salaries and wages	\$ 579,526	\$ 591,927	\$ 1,695,073	\$ 1,725,904
Labor insurance and national health insurance	36,989	38,697	105,122	117,900
Others	33,808	59,555	111,844	185,713
Post-employment benefits				
Pension expenses	21,000	20,634	61,793	57,819
Pension benefits	<u>752</u>	<u>5</u>	<u>1,336</u>	<u>5</u>
	<u>\$ 672,075</u>	<u>\$ 710,818</u>	<u>\$ 1,975,168</u>	<u>\$ 2,087,341</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 nine months ended September 30, 2020 and 2019 were as follows:

Accrual rate

	For the Nine Months Ended September 30	
	2020	2019
Employees' compensation	1.25%	1.25%
Remuneration of directors	2.50%	2.50%

Amount

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Employees' compensation	<u>\$ 5,875</u>	<u>\$ 4,996</u>	<u>\$ 12,125</u>	<u>\$ 16,058</u>
Remuneration of directors	<u>\$ 11,750</u>	<u>\$ 9,991</u>	<u>\$ 24,250</u>	<u>\$ 32,116</u>

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

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

	2019		2018	
	Cash	Stock	Cash	Stock
Employees' compensation	\$ 15,715	\$ -	\$ 14,632	\$ -
Remuneration of directors	31,430	-	29,265	-

There are no differences between the 2019 and 2018 actual amounts of employees' compensation and remuneration of directors paid and the amount recognized in the annual consolidated financial statements for the years ended December 31, 2019 and 2018.

Information for the employee' compensation and remuneration of directors proposed by the Board is available at the Market Observation Post System website of the Taiwan Stock Exchange.

37. DEPRECIATION AND AMORTIZATION EXPENSES

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Property and equipment	\$ 49,868	\$ 49,619	\$ 150,530	\$ 148,010
Right-of-use assets	37,918	41,627	115,051	125,541
Intangible assets	<u>69,551</u>	<u>65,078</u>	<u>203,130</u>	<u>189,082</u>
	<u>\$ 157,337</u>	<u>\$ 156,324</u>	<u>\$ 468,711</u>	<u>\$ 462,633</u>

38. OTHER GENERAL AND ADMINISTRATIVE EXPENSE

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Taxation	\$ 57,040	\$ 64,236	\$ 175,477	\$ 198,880
Rental fees	7,926	2,914	13,919	9,519
Management fees	7,395	11,152	31,946	34,307
Computer operating and consulting fees	93,273	64,301	238,379	198,336
Entertainment fees	11,336	14,367	32,665	40,888
Professional services fees	39,948	20,479	83,312	63,212
Advertisement fees	11,908	40,927	29,762	90,976
Others fees	<u>51,914</u>	<u>83,438</u>	<u>204,673</u>	<u>294,645</u>
	<u>\$ 280,740</u>	<u>\$ 301,814</u>	<u>\$ 810,133</u>	<u>\$ 930,763</u>

39. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Current tax				
In respect of the current period	\$ 228,449	\$ 123,585	\$ 488,117	\$ 563,010
Income tax on unappropriated earnings	-	-	-	12,537
Adjustment of prior periods	<u>-</u>	<u>7,750</u>	<u>(18,827)</u>	<u>(682)</u>
	<u>228,449</u>	<u>131,335</u>	<u>469,290</u>	<u>574,865</u>
Deferred tax				
In respect of the current period	<u>(20,192)</u>	<u>70,898</u>	<u>41,140</u>	<u>42,954</u>
Income tax expense recognized in profit or loss	<u>\$ 208,257</u>	<u>\$ 202,233</u>	<u>\$ 510,430</u>	<u>\$ 617,819</u>

b. Income tax recognized in other comprehensive income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
<u>Deferred tax</u>				
Translation of foreign operations	\$ (9,860)	\$ (17,313)	\$ (40,308)	\$ (2,354)
Gains (losses) on remeasurements of defined benefit plans	-	-	22	(8)
Unrealized gains on financial assets at FVTOCI	<u>27,327</u>	<u>10,013</u>	<u>81,120</u>	<u>79,128</u>
Income tax expense (benefit) recognized in other comprehensive income	<u>\$ 17,467</u>	<u>\$ (7,300)</u>	<u>\$ 40,834</u>	<u>\$ 76,766</u>

c. Assessment of the income tax returns

The income tax returns of the Bank through 2018 have been assessed by the tax authorities (except 2017). The income tax returns of the Bank's subsidiary IBTM and IBT VII Venture Capital Co., Ltd. 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 2017 have been assessed by the tax authorities, except the Bank's subsidiary CBF for 2016. The Bank disagreed with the tax authorities assessment of its 2016 tax return and applied for re-examination. The result of the re-examination was consistent with the Bank.

40. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Basic earnings per share				
From continuing operations	\$ 0.18	\$ 0.13	\$ 0.32	\$ 0.43
From discontinued operations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total basic earnings per share	<u>\$ 0.18</u>	<u>\$ 0.13</u>	<u>\$ 0.32</u>	<u>\$ 0.43</u>
Diluted earnings per share				
From continuing operations	\$ 0.16	\$ 0.13	\$ 0.28	\$ 0.43
From discontinued operations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total diluted earnings per share	<u>\$ 0.16</u>	<u>\$ 0.13</u>	<u>\$ 0.28</u>	<u>\$ 0.43</u>

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

Net Profit for the Period

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Profit for the period attributable to owners of the Bank	\$ 441,424	\$ 311,366	\$ 895,622	\$ 1,049,676
Less: Declared preferred stock dividend	<u>-</u>	<u>-</u>	<u>127,500</u>	<u>11,527</u>
Earnings used in the computation of basic earnings per share	441,424	311,366	768,122	1,038,149
Less: Loss for the period from discontinued operations used in the computation of basic earnings per share from discontinued operations	<u>(1,327)</u>	<u>(1,776)</u>	<u>(11,692)</u>	<u>(3,937)</u>
Earnings used in the computation of basic and diluted earnings per share from continuing operations	<u>\$ 442,751</u>	<u>\$ 313,142</u>	<u>\$ 779,814</u>	<u>\$ 1,042,086</u>

Stock (In Thousand Shares)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Weighted average number of common stocks in computation of basic earnings per share	2,407,269	2,413,006	2,409,376	2,413,006
Effect of potentially dilutive common stocks:				
Employees' compensation issued to employees	874	651	2,564	2,481
Convertible preferred stock	<u>300,000</u>	<u>-</u>	<u>300,000</u>	<u>-</u>
Weighted average number of common stocks in the computation of diluted earnings per share	<u>2,708,143</u>	<u>2,413,657</u>	<u>2,711,940</u>	<u>2,415,487</u>

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

41. RELATED PARTY TRANSACTIONS

The transactions, account balances, income and loss of the Bank and its subsidiaries (which are the related parties of the Bank) are all eliminated upon consolidation, so they are not disclosed in this note. Except for other transactions disclosed in other notes, the transactions between the Group and other related parties are as follows:

- a. The related parties and their relationships with the Group are summarized as follows :

<u>Related Party</u>	<u>Relationship with the Bank</u>
IBT II Venture Capital Co., Ltd. (IBT II Venture) (dissolved March 31, 2017)	Associates
IBT Education Foundation (IBTEF)	The Group is the major donor of the foundation
Taiwan Cement Corporation	The Bank's legal director
Yi Chang Investment Co., Ltd.	The Bank's legal director
Ming Shan Investment Co., Ltd.	The Group's legal director
TCC Chemical Corporation (TCC)	Other relatives
Others	The Group's management and their other related party

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

- 1) Deposits (part of deposits and remittances)

	Ending Balance	Interest Expense	Rate (%)
<u>For the nine months ended September 30, 2020</u>			
Associates	\$ 2,076	\$ 1	0.05
Others	<u>5,049,735</u>	<u>38,330</u>	0.00-6.56
	<u>\$ 5,051,811</u>	<u>\$ 38,331</u>	
<u>For the nine months ended September 30, 2019</u>			
Associates	\$ 20,186	\$ 26	0.00-0.35
Others	<u>3,241,069</u>	<u>48,600</u>	0.00-6.56
	<u>\$ 3,261,255</u>	<u>\$ 48,626</u>	

- 2) Loan

	Maximum Balance	Ending Balance	Interest Income	Rate (%)
<u>For the nine months ended September 30, 2020</u>				
Others	<u>\$ 430,000</u>	<u>\$ 430,000</u>	<u>\$ 3,960</u>	1.18
<u>For the nine months ended September 30, 2019</u>				
Others	<u>\$ 430,000</u>	<u>\$ 430,000</u>	<u>\$ 4,641</u>	1.44

September 30, 2020							
Category	Name	Maximum Balance (Note 1)	Ending Balance	Normal Loans	Non-performing Loans	Collateral	Difference of Terms of the Transactions with Unrelated Parties
Others	TCC	<u>\$ 430,000</u>	<u>\$ 430,000</u>	<u>\$ 430,000</u>	<u>\$ -</u>	Real estate	None

December 31, 2019							
Category	Name	Maximum Balance (Note)	Ending Balance	Normal Loans	Non-performing Loans	Collateral	Difference of Terms of the Transactions with Unrelated Parties
Others	TCC	<u>\$ 430,000</u>	<u>\$ 430,000</u>	<u>\$ 430,000</u>	<u>\$ -</u>	Real estate	None

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

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

3) Service fee income (part of service fee income, net)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Others	<u>\$ 6</u>	<u>\$ 3</u>	<u>\$ 30</u>	<u>\$ 20</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 Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Others	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,720</u>	<u>\$ 4,800</u>

Other expenses are donations.

c. Compensation of key management personnel

The remuneration of directors and other members of key management personnel for the three months and the nine months ended September 30, 2020 and 2019 were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Short-term employee benefits	\$ 59,119	\$ 65,850	\$ 179,425	\$ 193,573
Post-employment benefits	2,190	2,723	6,700	7,697
Stock-based payments	<u>-</u>	<u>-</u>	<u>-</u>	<u>335</u>
	<u>\$ 61,309</u>	<u>\$ 68,573</u>	<u>\$ 186,125</u>	<u>\$ 201,605</u>

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

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

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

42. PLEDGED ASSETS

	September 30, 2020	December 31, 2019	September 30, 2019
Financial assets at FVTPL	\$ 12,303,300	\$ 19,061,425	\$ 17,056,372
Financial assets at FVTOCI	9,781,809	2,394,458	2,293,593
Discounts and loans	5,610,981	5,760,047	8,067,772
Pledged time deposits	738,978	741,091	745,294
Compensation account for payment	<u>15,500</u>	<u>116,258</u>	<u>86,068</u>
	<u>\$ 28,450,568</u>	<u>\$ 28,073,279</u>	<u>\$ 28,249,099</u>

Under the requirement for joining the Central Bank's Real-time Gross Settlement (RTGS) clearing system, the Bank provided time deposits (parts of other financial assets) and negotiable certificates of deposits (part of financial assets at FVTPL and financial assets at FVTOCI) as collateral for day-term overdrafts. The pledged amount is adjustable based on the respective overdraft amount, and at the end of the day, the unused part can be used for liquidity reserve. The above financial assets were debt and equity investments and were mainly provided as collateral for exchange clearing, interest rate swap contracts, trust compensation, and for EverTrust Bank to issue certificates of deposit in the United States. Besides, the above loans were provided as collateral for EverTrust Bank to apply for credit limits with Federal Home Loan Bank of San Francisco. Pledged time deposits and compensation account for payment (both were parts of other financial assets) have been provided as collaterals or short-term loans.

43. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

- a. In addition to those mentioned in other notes, as of September 30, 2020, December 31, 2019 and September 30, 2019, the Group had commitments as follows:

	September 30, 2020	December 31, 2019	September 30, 2019
Office decorating and contracts of computer software			
Amount of contracts	\$ 70,602	\$ 126,642	\$ 109,092
Payments for construction in progress and prepayments for equipment	41,643	91,330	64,879

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

44. TRUST BUSINESS UNDER THE TRUST LAW

Balance Sheet of Trust Accounts

	September 30, 2020	December 31, 2019	September 30, 2019
Trust assets			
Petty cash	\$ 100	\$ 100	\$ 100
Bank deposits	1,733,164	1,665,135	1,742,479
Financial assets	3,199,026	2,875,818	2,727,540
Receivables	35	35	38
Prepayments	2,200	1,578	2,512
Real estate	8,033,802	8,238,959	8,238,959
Other assets	<u>22,189</u>	<u>26,705</u>	<u>27,585</u>
Total trust assets	<u>\$ 12,990,516</u>	<u>\$ 12,808,330</u>	<u>\$ 12,739,213</u>
Trust capital and liabilities			
Payables	\$ 46,295	\$ 2,204	\$ 47,801
Unearned receipts	1,452	1,266	1,136
Taxes payable	6,566	4,297	6,583
Guarantee deposits received	54,736	64,658	67,252
Other liabilities	521	1,024	461
Trust capital	12,727,173	12,572,930	12,477,225
Provisions and accumulated profit and loss	<u>153,773</u>	<u>161,951</u>	<u>138,755</u>
Total trust capital and liabilities	<u>\$ 12,990,516</u>	<u>\$ 12,808,330</u>	<u>\$ 12,739,213</u>

Income Statements of Trust Accounts

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2020	2019	2020	2019
Trust revenue				
Interest revenue	\$ 269	\$ 1,896	\$ 2,896	\$ 13,950
Rent revenue	26,105	28,789	84,211	87,690
Other revenue	367	20	1,092	28
	<u>26,741</u>	<u>30,705</u>	<u>88,199</u>	<u>101,668</u>
Trust expenses				
Management fees	(1,014)	(300)	(2,395)	(812)
Service charge	(1,638)	(30)	(4,155)	(80)
Other expenses	(3,390)	(3,240)	(10,059)	(9,760)
Tax	(3,618)	(3,643)	(10,712)	(10,790)
Income tax expense	-	(167)	(210)	(1,324)
	<u>(9,660)</u>	<u>(7,380)</u>	<u>(27,531)</u>	<u>(22,766)</u>
	<u>\$ 17,081</u>	<u>\$ 23,325</u>	<u>\$ 60,668</u>	<u>\$ 78,902</u>

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

Trust Property List

	September 30, 2020	December 31, 2019	September 30, 2019
Petty cash	\$ 100	\$ 100	\$ 100
Bank deposits	1,733,164	1,665,135	1,742,479
Bonds	170,406	-	-
Stocks	228,378	228,378	228,378
Funds	2,800,242	2,647,440	2,499,162
Land	7,200,810	7,398,368	7,398,368
Buildings	832,992	840,591	840,591
Receivables	35	35	38
Prepayments	2,200	1,578	2,512
Other	22,189	26,705	27,585
	<u>\$ 12,990,516</u>	<u>\$ 12,808,330</u>	<u>\$ 12,739,213</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 condensed consolidated financial statements approximate their fair values or their fair values cannot be reliably measured.

	September 30, 2020		December 31, 2019		September 30, 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial liabilities</u>						
Bank debentures payable	\$16,400,000	\$16,444,944	\$18,700,000	\$18,808,992	\$18,700,000	\$18,764,617

2) The fair value hierarchy

Financial Instrument Items at Fair Value	September 30, 2020			
	Total	Level 1	Level 2	Level 3
<u>Financial liabilities</u>				
Bank debentures payable	\$ 16,444,944	\$ 16,444,944	\$ -	\$ -

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	September 30, 2019			
	Total	Level 1	Level 2	Level 3
<u>Financial liabilities</u>				
Bank debentures payable	\$ 18,764,617	\$ 18,764,617	\$ -	\$ -

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

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

1) The fair value hierarchy of the financial instruments as of September 30, 2020, December 31, 2019 and September 30, 2019 were as follows:

Item	September 30, 2020			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at FVTPL				
Stocks and beneficial certificates	\$ 800,308	\$ 171,064	\$ 502,911	\$ 126,333
Bills	114,956,454	-	114,956,454	-
Hybrid financial assets	11,672,155	154,837	1,392,519	10,124,799
Negotiable certificates of deposit	44,098,826	-	44,098,826	-
Financial assets at FVTOCI				
Equity instruments	5,019,495	4,243,646	119,807	656,042
Debt instruments	164,772,597	-	164,772,597	-
Liabilities				
Financial liabilities at FVTPL	98	-	98	-
<u>Derivative financial instruments</u>				
Assets				
Financial assets at FVTPL	211,873	-	211,873	-
Liabilities				
Financial liabilities at FVTPL	535,833	-	535,833	-
Item	December 31, 2019			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at FVTPL				
Stocks and beneficial certificates	\$ 1,257,942	\$ 554,399	\$ 500,000	\$ 203,543
Bonds	99,992	-	99,992	-
Bills	91,656,052	-	91,656,052	-
Hybrid financial assets	10,078,449	120,203	1,334,797	8,623,449
Negotiable certificates of deposit	69,631,538	-	69,631,538	-
Financial assets at FVTOCI				
Equity instruments	3,003,645	2,018,913	130,028	854,704
Debt instruments	139,109,125	-	139,109,125	-
Liabilities				
Financial liabilities at FVTPL	4,462	-	4,462	-
<u>Derivative financial instruments</u>				
Assets				
Financial assets at FVTPL	189,220	-	189,220	-
Liabilities				
Financial liabilities at FVTPL	529,120	-	529,120	-

Item	September 30, 2019			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at FVTPL				
Stocks and beneficial certificates	\$ 468,993	\$ 397,636	\$ -	\$ 71,357
Bonds	99,434	-	99,434	-
Bills	90,929,958	-	90,929,958	-
Hybrid financial assets	9,786,546	150,423	1,431,355	8,204,768
Negotiable certificates of deposit	65,903,892	-	65,903,892	-
Financial assets at FVTOCI				
Equity instruments	1,888,508	874,585	136,285	877,638
Debt instruments	135,055,509	-	135,055,509	-
Liabilities				
Financial liabilities at FVTPL	170	-	170	-
<u>Derivative financial instruments</u>				
Assets				
Financial assets at FVTPL	254,027	-	254,027	-
Liabilities				
Financial liabilities at FVTPL	280,866	-	280,866	-

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

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

a) Marking-to-market

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

- i. Ensure the consistency and completeness of market data.
- ii. The source of market data should be transparent, easy to access, and should come from independent resources.
- iii. Listed securities with high liquidity and representative closing prices should be valued at closing prices.
- iv. Unlisted securities which lack tradable closing prices should use quoted middle prices from independent brokers and follow the guidelines required by regulatory authorities.

b) Marking-to-model

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

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

- i. Level 1 - quoted prices in active markets for identical assets or liabilities. Active markets are markets with all of the following conditions: (i) the products traded in the market are homogeneous, (ii) willing parties are available anytime in the market, and (iii) price information is available to the public.
- ii. Level 2 - inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e., prices) or indirectly (i.e., derived from prices).
- iii. Level 3 - inputs not based on observable market data (unobservable inputs. i.e., option pricing model of historical volatility, due to historical volatility could not represent the overall market participants' volatility expectations of the future).

3) Reconciliation of the financial instruments classified in Level 3

For the nine months ended September 30, 2020

Financial Assets	Financial Assets at Fair Value Through Profit or Loss		Financial Assets at Fair Value Through Other Comprehensive Income Equity Instruments	Total
	Hybrid Financial Assets	Equity Instruments		
Beginning balance	\$ 8,623,449	\$ 203,543	\$ 854,704	\$ 9,681,696
Recognition in profit or loss - financial assets at fair value through profit or loss	21,550	(36,291)	-	(14,741)
Recognition in other comprehensive income - financial assets at fair value through other comprehensive income	-	-	33,866	33,866
Purchases	7,506,600	89,352	-	7,595,952
Disposals	(6,026,800)	(2,403)	(232,528)	(6,261,731)
Other	-	(127,868)	-	(127,868)
Ending balance	\$ 10,124,799	\$ 126,333	\$ 656,042	\$ 10,907,174

For the nine months ended September 30, 2019

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

The assets held at the balance sheet date, which were included in the profit and loss and the unrealized gains and losses on September 30, 2020 and 2019, were consisted of \$44,849 thousand and \$9,126 thousand in profit, respectively.

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

4) Transfers between Level 1 and Level 2

The Group had no significant transfers between Level 1 and Level 2 for the nine months ended September 30, 2020 and 2019.

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

The fair value measurement of financial instruments is reasonable, although the use of different valuation models or parameters may lead to different evaluation results. For the fair value measurements of structured bonds which fall under Level 3 of the fair value hierarchy, they are evaluated according to counterparty quotes; for bonds and convertible bonds for asset swaps which have no quoted market prices, they are evaluated using the future cash flows discounted model. Were there to be a 10% or 1 basis point change in either direction of the quotes from respective counterparties or in discount rates and all other conditions remained the same, the effects on the income and other comprehensive income for the nine months ended September 30, 2020 and 2019 periods would be as follows:

For the nine months ended September 30, 2020

Item	Movement: Upward/ Downward	Effect on Profit and Loss		Effect on Other Comprehensive Income	
		Favorable	Unfavorable	Favorable	Unfavorable
Convertible bond	1BP	\$ 1,358	\$ (1,358)	\$ -	\$ -
Equity instruments	10%	12,633	(12,633)	74,259	(74,259)

For the nine months ended September 30, 2019

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

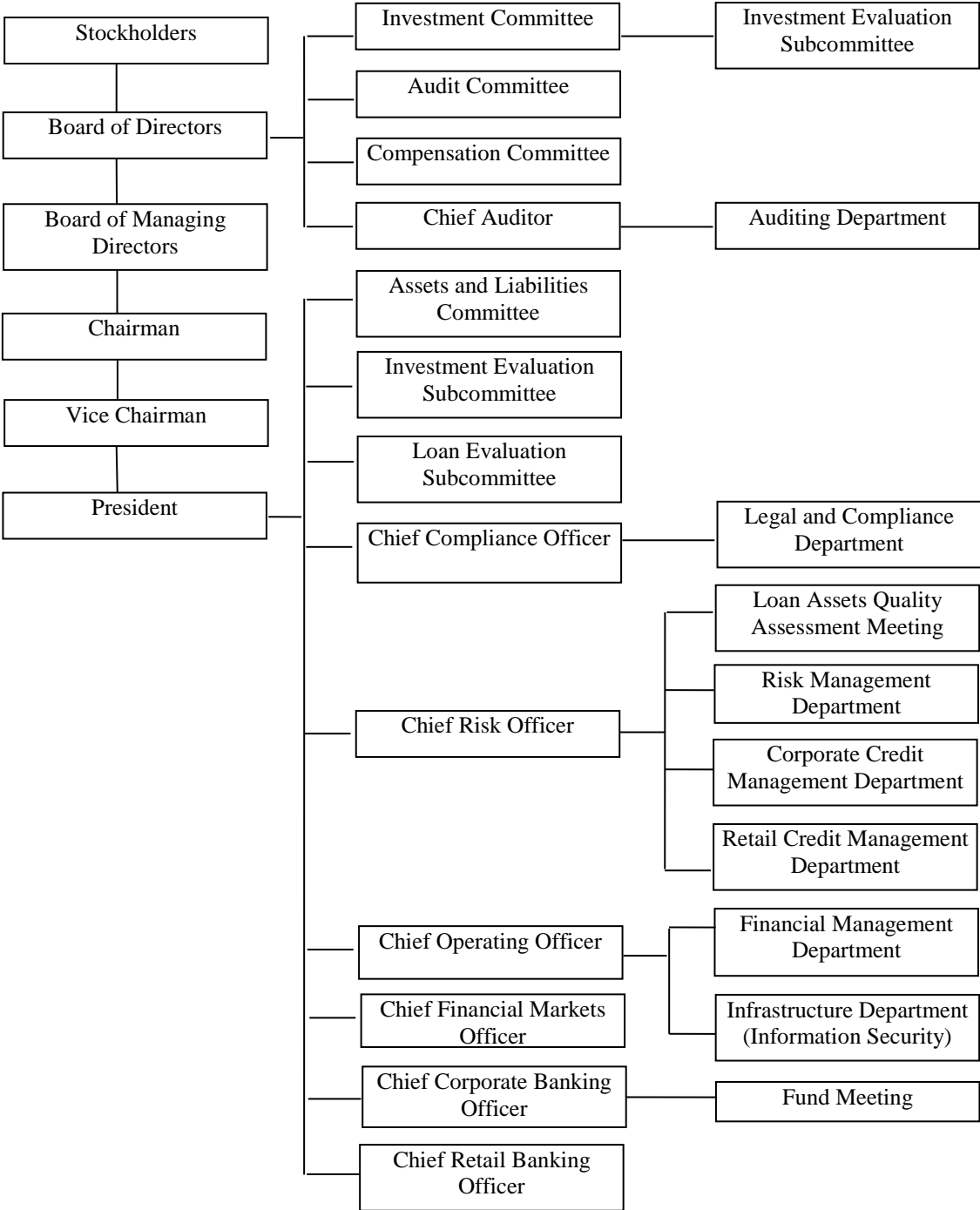
46. FINANCIAL RISK MANAGEMENT

a. Overview

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

b. Risk management framework

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



- 1) Assets and Liabilities Committee: Responsible for overseeing and reviewing of significant issues and policies relating to management of assets and liabilities, liquidity risk, interest rate sensitivity, market risk, as well as review the allocation of asset and liability and capital adequacy. It holds assets and liabilities management meeting once a month.
- 2) Loan Evaluation Subcommittee: The subcommittee reviews the loan cases rendered by the Corporate Credit Management Department and Retail Credit Management Department. After passing, the provisions should still be submitted to the level of competence review.
- 3) Investment Evaluation Subcommittee: Assessing and reviewing the investment cases transferred by the ministry of investment, they shall still be submitted to the “Investment Review Committee” as required and submitted to the standing committee for consideration and approval.
- 4) Loan and investment assets held for various businesses:
 - a) Loan assets quality assessment meeting
 - i. Assess the status of credit asset quality and decide/review the strategy and course of action to be taken.
 - ii. Assess the probable loss of loan assets and discuss the adequacy of allowance for credit losses, assurance of responsibility to prepare and its recognition.
 - iii. Pass cases of credit assets which should be recognize loss, and mark the proposal to the board.
 - b) Investment assets quality assessment meeting
 - i. Access the status of investment asset quality from Rank 5 to 8, and choose the action to be taken.
 - ii. Authorized the investment assess result provide by evaluation staff. The composition of evaluation result is consisted with period, industries, economic recycle and evaluation method suggested by accounting principal.
 - iii. Access the probable loss of investment assets, pass cases of investment loss recognition, and make the proposal to the board of director.
 - iv. Track the status of customers still in operating which were full recognized as loss.

China Bills Finance Corporation’s (CBF) board of directors has the ultimate responsibility for risk framework decision making and oversees the implementation of risk management. Business risk management which is headed by the President is comprised of Financial Assets and Liabilities Management Committee, Business Committee and the Investment Commission for the joint implementation of market risk, credit risk, operational risk control, and other set of business and oversight of the audit office, and the business risk control management unit case. To effectively manage the overall risk and risks associated with integration of information, CBF has defined risk assessment methods and has summarized risk positions for the risk management group responsible for implementing the risk management operations.

c. Credit risk

1) Sources and definition of credit risk

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

2) Strategy/objectives/policies and procedures

- a) Credit risk management strategy: The Bank implements the relevant provisions of the principles of credit risk management requirement and establish the Bank's credit risk management mechanism to ensure that credit risk control is within effective but affordable range, and maintain adequate capital, and execute sound management of the Bank credit risk, and achieve operational and management objectives.
- b) Credit risk management objectives: Through appropriate risk management strategies, policies and procedures, application of the principle of risk diversification, implementation of the Bank's credit risk management, to minimize potential financial losses and pursue optimal rewards.

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

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

i. Risk identification

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

ii. Risk measurement

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

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

ii) Portfolio management:

- It is used to ensure the risk of loan is within the tolerable scope.
- “Concentrative risks” are concentration-limited, avoiding the risks to be overly centralized to sufficiently diversify the risk.
- It achieves the optimal profits.

iii. Risk communication

- i) Internal reporting: Risk management position shall establish appropriate credit risk reporting mechanism for regular statistical reporting and the preparation of a variety of business risk management reports which contain correct, consistent, and real-time credit risk reporting information to ensure any exceptions can be acted on immediately, and as a reference for decision-making. The above communication may include asset quality, portfolio rating classification status, and all kinds of exception reports.
- ii) External disclosure: To comply with the requirements for capital adequacy supervisory review and market discipline principles, the business director of credit risk level should prepare reports in the format specified by the competent authority showing contents, methods and frequency to provide information on the credit risk of the Bank’s quantitative, qualitative indicators to illustrate the self-assessment and credit risk management system and disclose information about capital and other capital adequacy matters.

iv. Risk monitoring

- i) The Bank shall establish monitoring system to assess the changes in credit risk of borrower or counterparty or issuer (e.g., bonds issuer and guarantor of issuers of equity related products, derivatives counterparties’ credit rating information and credit information), to serve timely detection of problems on assets or transactions, and take immediate action to cope with the possible breach.
- ii) Besides monitoring the individual credit risk, the Bank also deal with credit portfolio monitoring and management.
- iii) Establish stringent credit processes, credit standards and loan management; the project includes the credit factors that should be considered for new credit and credit transfer period, commitment to the periodic review of credit, maintenance of credit records and the proportion of various types of loans in the credit portfolio.
- iv) Establish quota management system to avoid excessive concentration of credit risk to nationality, industry types, same group, same relations, etc.
- v) Establish collateral management system to ensure that collaterals can be effectively managed.

3) Credit risk management and framework

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

- b) Audit Committee: Responsible for the stipulation and amendment on issues relating to internal control framework, effectiveness of internal control framework, acquisition or disposal of assets or derivatives, monitoring of directors' self-interest issues, appointment or dismissal of the CPA and internal auditors, and other important issues ruled by the FSC.
 - c) 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 Management Department: Supervises the establishment of corporate finance risk identification, measurement, monitoring and management, preparation of regulatory review of credit grading, devising and enhancement of deed lists, deed for credit and guarantee amount control, proper release and other release matters.
 - 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		
	September 30, 2020	December 31, 2019	September 30, 2019
Financial guarantees and irrevocable documentary letter of credit			
Contract amounts	\$ 140,707,382	\$ 129,913,751	\$ 130,167,567
Maximum exposure amounts	140,707,382	129,913,751	130,167,567
Loan commitments	43,067,579	52,430,535	54,061,467

7) Concentrations of credit risk exposure

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

On September 30, 2020, December 31, 2019 and September 30, 2019, the Group's significant concentration of credit risk were summarized as follows (only the top three are shown below):

a) By industry

Credit Risk Profile by Industry Sector	September 30, 2020		December 31, 2019		September 30, 2019	
	Amount	%	Amount	%	Amount	%
Financial intermediary	\$ 77,566,942	26	\$ 80,703,164	26	\$ 80,504,883	26
Manufacturing	64,440,096	21	66,421,881	22	70,113,414	23
Real estate	59,864,911	20	59,667,556	20	60,768,218	20

b) By counterparty

Credit Risk Profile by Industry Sector	September 30, 2020		December 31, 2019		September 30, 2019	
	Amount	%	Amount	%	Amount	%
Private sector	\$ 159,764,832	82	\$ 168,455,809	86	\$ 175,290,930	88
Natural person	34,273,847	18	28,502,648	14	24,269,823	12

c) By geographical area

Credit Risk Profile by Industry Sector	September 30, 2020		December 31, 2019		September 30, 2019	
	Amount	%	Amount	%	Amount	%
Domestic	\$ 124,673,575	64	\$ 123,721,500	63	\$ 123,392,660	62
America	34,729,667	18	37,043,347	19	37,687,205	19
Other Asia area	26,468,561	14	27,253,098	14	29,744,253	15

8) Credit quality and impairment assessment of financial assets

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

The related financial asset impairment valuation is as follows:

a) Credit business (including loan commitments and guarantees)

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

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

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

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

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

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

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

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

b) Credit risk management for investments in debt instruments

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

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

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

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

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

The Group's gross carrying amounts of investments in debt instruments by credit category was as follows:

Category	September 30, 2020	December 31, 2019	September 30, 2019
Performing	\$ 162,301,512	\$ 136,955,987	\$ 132,861,935
Doubtful	1,000,028	1,400,040	1,400,044
In default	-	-	-

The allowance for impairment loss of investments in debt instruments at FVTOCI and at amortized cost for the nine months ended September 30, 2020 and 2019, grouped by credit rating, is reconciled are summarized as follows:

	Credit Rating		
	Performing (12-month ECLs)	Doubtful (Lifetime ECLs - Not Credit- impaired)	Total
Balance at January 1, 2020	\$ 38,272	\$ 8,136	\$ 46,408
Provision	22	3,934	3,956
New financial assets purchased or originated	4,868	-	4,868
Derecognition of financial assets	(3,364)	-	(3,364)
Change in model or risk parameters	(110)	-	(110)
Exchange rates or others	<u>(142)</u>	<u>-</u>	<u>(142)</u>
Balance at September 30, 2020	<u>\$ 39,546</u>	<u>\$ 12,070</u>	<u>\$ 51,616</u>

	Credit Rating		
	Performing (12-month ECLs)	Doubtful (Lifetime ECLs - Not Credit- impaired)	Total
Balance at January 1, 2019	\$ 35,671	\$ -	\$ 35,671
Transfers			
Performing to doubtful	(923)	923	-
Provision (reversal of provision)	303	9,098	9,401
New financial assets purchased or originated	2,019	-	2,019
Derecognition of financial assets	(2,566)	-	(2,566)
Change in model or risk parameters	(658)	-	(658)
Exchange rates or others	<u>50</u>	<u>-</u>	<u>50</u>
Balance at September 30, 2019	<u>\$ 33,896</u>	<u>\$ 10,021</u>	<u>\$ 43,917</u>

In addition to the above, the credit quality analysis of the remaining financial assets of the Bank and its subsidiaries is as follows:

a) Credit analysis for receivables and discounts and loans

September 30, 2020

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Difference Of Impairment Loss Under Regulations	Total
Receivables	\$ 14,511,188	\$ 142,779	\$ 216,072	\$ -	\$ 14,870,039
Allowance for credit losses	(193,530)	(33,675)	(190,117)	-	(417,322)
Difference of impairment loss under regulations	-	-	-	(11,345)	(11,345)
Net total	<u>\$ 14,317,658</u>	<u>\$ 109,104</u>	<u>\$ 25,955</u>	<u>\$ (11,345)</u>	<u>\$ 14,441,372</u>

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Difference Of Impairment Loss Under Regulations	Total
Discounts and loans	\$ 174,628,752	\$ 16,408,875	\$ 3,001,053	\$ -	\$ 194,038,680
Allowance for credit losses	(635,702)	(141,204)	(505,114)	-	(1,282,020)
Difference of impairment loss under regulations	-	-	-	(1,423,166)	(1,423,166)
Net total	<u>\$ 173,993,050</u>	<u>\$ 16,267,671</u>	<u>\$ 2,495,939</u>	<u>\$ (1,423,166)</u>	<u>\$ 191,333,494</u>

December 31, 2019

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Difference Of Impairment Loss Under Regulations	Total
Receivables	\$ 16,348,342	\$ 190,010	\$ 425,106	\$ -	\$ 16,963,458
Allowance for credit losses	(196,173)	(35,928)	(226,869)	-	(458,970)
Difference of impairment loss under regulations	-	-	-	(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>

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Difference Of Impairment Loss Under Regulations	Total
Discounts and loans	\$ 177,477,719	\$ 16,398,011	\$ 3,082,728	\$ -	\$ 196,958,458
Allowance for credit losses	(265,977)	(77,304)	(403,522)	-	(746,803)
Difference of impairments loss under regulations	-	-	-	(1,965,426)	(1,965,426)
Net total	<u>\$ 177,211,742</u>	<u>\$ 16,320,707</u>	<u>\$ 2,679,206</u>	<u>\$ (1,965,426)</u>	<u>\$ 194,246,229</u>

September 30, 2019

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

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

b) Credit analysis for marketable securities

September 30, 2020

	At FVTOCI	At Amortized Cost
Gross carrying amount	\$ 163,301,540	\$ -
Allowance for impairment loss	(51,616)	-
Amortized cost	163,249,924	<u>\$ -</u>
Fair value adjustment	<u>1,522,673</u>	-
	<u>\$ 164,772,597</u>	

December 31, 2019

	At FVTOCI	At Amortized Cost
Gross carrying amount	\$ 138,356,027	\$ -
Allowance for impairment loss	(46,408)	-
Amortized cost	138,309,619	<u>\$ -</u>
Fair value adjustment	<u>799,506</u>	-
	<u>\$ 139,109,125</u>	

September 30, 2019

	At FVTOCI	At Amortized Cost
Gross carrying amount	\$ 134,261,979	\$ -
Allowance for impairment loss	(43,917)	-
Amortized cost	134,218,062	<u>\$ -</u>
Fair value adjustment	<u>837,447</u>	-
	<u>\$ 135,055,509</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 September 30, 2020, December 31, 2019 and September 30, 2019, the Group had no financial assets which were overdue but not impaired.

d. Liquidity risk

1) Source and definition of liquidity risk

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

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

2) Management strategy and principles of liquidity risk

- a) Liquidity risk management process should be able to adequately identify, measure effectively, monitor continuously, and properly control of the Group's liquidity risk, to ensure that banks both in normal operating environments or under pressure, have sufficient funds to cope assets or settle liabilities when due.
- b) Manage current assets to ensure that the Group have enough instantly-realized assets to deal with currency risks.
- c) Capital management should include regular review of the asset and liability structure, and proper configuration of assets and liabilities, and should take into account the realization of assets and the stability of financing sources to plan combinations of funding sources to ensure that the Group's liquidity.
- d) To establish an appropriate information system to measure, monitor and report liquidity risk.
- e) The setting of the measurement systems or models should include important factors which affect the currency risks of the Bank fund (including the introduction of new products or services) for managing current risks to help the Bank to evaluate and monitor the fund currency risks in the regular condition and under pressure.
- f) To use early warning tools and continuously monitor and report liquidity risk profile, and set liquidity risk limits, with due consideration of business strategy, operational characteristics and risk preference factors.
- g) In addition to the monitoring of the capital requirements, under normal business conditions, the Group should regularly conduct stress tests to evaluate the assumptions in the liquidity position and ensure that banks have sufficient liquidity to withstand stress scenarios; assessment should be made to view liquidity risk management indicators and reasonableness of limits.
- h) Develop appropriate action plans to respond to possible occurrence of liquidity crisis, and regularly review such plans to ensure that the action plans are in line with the Bank's operating environment and conditions, and can continue to play its role effectively.

As of September 30, 2020, December 31, 2019 and September 30, 2019, the liquidity reserve ratio was 48.32%, 45.89% and 46.39%, respectively.

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

September 30, 2020	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 other banks	\$ 39,438,619	\$ -	\$ -	\$ -	\$ 7,000,000	\$ 46,438,619
Financial liabilities at fair value through profit or loss	-	-	-	-	98	98
Bills and bonds sold under repurchase agreements	143,855,185	31,477,103	4,516,868	136,041	-	179,985,197
Payables	1,005,230	132,758	502,300	637,253	173,930	2,451,471
Deposits and remittances	47,628,984	78,161,292	67,321,697	39,662,641	40,037,674	272,812,288
Bank debentures payable	-	-	1,300,000	1,600,000	13,500,000	16,400,000
Other financial liabilities	6,537,594	2,378,657	819,215	2,217,546	5,277,224	17,230,236
Lease liabilities	12,097	25,904	38,928	73,862	330,669	481,460
	<u>\$ 238,477,709</u>	<u>\$ 112,175,714</u>	<u>\$ 74,499,008</u>	<u>\$ 44,327,343</u>	<u>\$ 66,319,595</u>	<u>\$ 535,799,369</u>
December 31, 2019	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Due to the Central Bank and other banks	\$ 33,236,111	\$ 3,203,287	\$ -	\$ -	\$ 7,000,000	\$ 43,439,398
Financial liabilities at fair value through profit or loss	4,462	-	-	-	-	4,462
Bills and bonds sold under repurchase agreements	120,253,258	38,101,977	1,019,705	298,895	-	159,673,835
Payables	1,924,005	223,488	655,705	801,963	82,460	3,687,621
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>\$ 217,625,183</u>	<u>\$ 131,335,599</u>	<u>\$ 40,380,017</u>	<u>\$ 55,238,566</u>	<u>\$ 60,120,199</u>	<u>\$ 504,699,564</u>
September 30, 2019	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Due to the Central Bank and other banks	\$ 36,584,726	\$ 1,504,515	\$ -	\$ -	\$ 7,000,000	\$ 45,089,241
Financial liabilities at fair value through profit or loss	170	-	-	-	-	170
Bills and bonds sold under repurchase agreements	142,224,348	23,873,121	1,539,478	76,976	-	167,713,923
Payables	2,914,129	138,861	2,119,975	700,385	61,106	5,934,456
Deposits and remittances	64,137,869	54,228,069	76,949,732	32,543,678	29,417,170	257,276,518
Bank debentures payable	-	-	-	2,300,000	16,400,000	18,700,000
Other financial liabilities	1,304,074	2,679,818	925,184	2,139,508	5,397,080	12,445,664
	<u>\$ 247,165,316</u>	<u>\$ 82,424,384</u>	<u>\$ 81,534,369</u>	<u>\$ 37,760,547</u>	<u>\$ 58,275,356</u>	<u>\$ 507,159,972</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:

September 30, 2020	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Deliverable						
Forward contracts	\$ 10,112	\$ 5,963	\$ 3,931	\$ 736	\$ -	\$ 20,742
Currency swap contracts	103,414	222,129	85,164	53,045	-	463,752
Others	7,140	5,952	3,176	466	11,846	28,580
	120,666	234,044	92,271	54,247	11,846	513,074
Non-deliverable						
Interest rate swap contracts	-	341	-	4,654	17,764	22,759
	<u>\$ 120,666</u>	<u>\$ 234,385</u>	<u>\$ 92,271</u>	<u>\$ 58,901</u>	<u>\$ 29,610</u>	<u>\$ 535,833</u>

December 31, 2019	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Deliverable						
Forward contracts	\$ 6,694	\$ 5,392	\$ 2,743	\$ 1,001	\$ -	\$ 15,830
Currency swap contracts	134,012	220,821	59,724	23,383	-	437,940
Others	<u>2,191</u>	<u>78</u>	<u>972</u>	<u>106</u>	-	<u>3,347</u>
	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>
September 30, 2019						
Deliverable						
Forward contracts	\$ 1,527	\$ 1,252	\$ 690	\$ -	\$ -	\$ 3,469
Currency swap contracts	60,065	87,401	35,214	3,778	-	186,458
Others	<u>2,059</u>	<u>3,054</u>	<u>48</u>	<u>127</u>	-	<u>5,288</u>
	63,651	91,707	35,952	3,905	-	195,215
Non-deliverable						
Interest rate swap contracts	-	-	-	18,849	66,802	85,651
	<u>\$ 63,651</u>	<u>\$ 91,707</u>	<u>\$ 35,952</u>	<u>\$ 22,754</u>	<u>\$ 66,802</u>	<u>\$ 280,866</u>

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

September 30, 2020	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Unused letters of credit	\$ 546,517	\$ 313,636	\$ 115,446	\$ -	\$ -	\$ 975,599
Other guarantees	55,726,928	70,178,416	9,558,059	4,243,615	24,765	139,731,783
Loan commitments	<u>3,640,072</u>	<u>7,280,144</u>	<u>10,920,215</u>	<u>21,227,148</u>	-	<u>43,067,579</u>
	<u>\$ 59,913,517</u>	<u>\$ 77,772,196</u>	<u>\$ 20,593,720</u>	<u>\$ 25,470,763</u>	<u>\$ 24,765</u>	<u>\$ 183,774,961</u>
December 31, 2019						
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	<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>\$ 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>
September 30, 2019						
Unused letters of credit	\$ 590,560	\$ 586,569	\$ 175,227	\$ 7,123	\$ -	\$ 1,359,479
Other guarantees	47,188,657	71,056,602	6,714,169	3,668,975	179,685	128,808,088
Loan commitments	<u>1,506,656</u>	<u>3,013,312</u>	<u>4,519,969</u>	<u>9,039,937</u>	<u>35,981,593</u>	<u>54,061,467</u>
	<u>\$ 49,285,873</u>	<u>\$ 74,656,483</u>	<u>\$ 11,409,365</u>	<u>\$ 12,716,035</u>	<u>\$ 36,161,278</u>	<u>\$ 184,229,034</u>

e. Market risk

1) Source and definition of market risk

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

2) Market risk management strategy and process

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

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

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

3) Market risk management organization and framework

- a) The Board of Directors: It is the top market risk supervising organization. The product part quotas and total annual stop-loss quotas of the trading business market risk monitored and managed by the Bank, approved by the board of directors, are the top stipulation in market risk management.
- b) Assets and Liabilities Committee: In charge of stipulating market risk management policy and monitoring the operating of market risk management. The Bank assembles related departments to hold an assets-and-liabilities assessment meeting to review the market risk management policy and the next year proposal of product parts quotas and annual stop-loss of the trading business expected to be submitted to Board.
- c) Risk Management Department: In charge of market risk management. According to the Bank's regulation, the department is in charge of every operation related to market risk management, including planning of market risk limit, statistics, reporting and monitoring.

4) Market risk report and evaluation system

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

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

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

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

5) Value at Risk

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

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

O-Bank

	September 30, 2020			December 31, 2019			September 30, 2019		
	Average	High	Low	Average	High	Low	Average	High	Low
Currency exchange rate risk	\$ 2,605	\$ 5,126	\$ 352	\$ 1,507	\$ 4,271	\$ 20	\$ 1,659	\$ 4,271	\$ 20
Fair value risk resulting from interest rate	4,078	6,925	1,243	1,421	5,410	121	1,518	5,410	121
Fair value resulting from stock price	8,825	16,177	1,526	5,999	14,831	812	5,789	14,831	812

6) Foreign currency rate risk information

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

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

	September 30, 2020		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary item			
USD	\$ 3,187,175	29.1262	\$ 92,830,365
JPY	1,478,945	0.2757	407,729
HKD	7,157,935	3.7583	26,901,379
EUR	16,918	34.1522	577,784
AUD	103,875	20.7509	2,155,498
RMB	2,518,327	4.2796	10,777,304
<u>Financial liabilities</u>			
Monetary item			
USD	3,041,615	29.1262	88,573,170
JPY	1,993,851	0.2757	549,683
HKD	4,617,032	3.7583	17,352,007
EUR	12,225	34.1522	417,511
AUD	9,199	20.7509	190,887
RMB	1,592,490	4.2796	6,815,142

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
September 30, 2019			
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary item			
USD	\$ 2,871,420	31.0452	\$ 89,143,876
JPY	2,283,384	0.2877	656,860
HKD	7,835,881	3.9592	31,024,133
EUR	19,654	33.9445	667,141
AUD	921	20.999	19,340
RMB	2,449,106	4.3559	10,667,986
<u>Financial liabilities</u>			
Monetary item			
USD	2,711,428	31.0452	84,176,872
JPY	1,467,719	0.2877	422,218
HKD	5,904,130	3.9592	23,375,868
EUR	17,181	33.9445	583,201
AUD	8,610	20.999	180,802
RMB	2,089,495	4.3559	9,101,567

f. Banking book interest rate risk

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

O-Bank

	For the Nine Months Ended September 30			
	2020		2019	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>				
Due from banks (part of cash and cash equivalents and other financial assets)	\$ 943,773	1.30	\$ 1,082,590	2.77
Call loans to other banks	9,279,159	0.92	15,657,889	1.64
Due from the Central Bank	5,258,671	0.47	5,100,297	0.64
Financial assets at FVTPL	70,052,169	0.56	64,080,883	0.65
Bills and bonds purchased under resell agreements	-	-	46,666	0.16
Discounts and loans	175,008,557	2.23	180,376,784	2.66
Financial assets at FVTOCI	48,356,374	1.04	39,701,459	1.90
Investments in debt instruments at amortized costs	-	-	362,614	1.14
Receivables	1,365,239	1.64	1,340,452	2.50
<u>Interest-bearing liabilities</u>				
Due to the Central Bank and other banks	35,370,752	0.74	26,075,221	2.03
Demand deposits	48,072,611	0.37	46,047,411	0.47
Time deposits	194,544,881	0.97	197,025,904	1.40
Bills and bonds sold under repurchase agreements	2,385,331	0.34	3,782,125	0.51
Bank debentures payable	17,675,912	2.01	18,661,538	2.03

China Bills Finance Corporation (CBF)

	For the Nine Months Ended September 30			
	2020		2019	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>				
Cash and cash equivalents (including certificate of deposit)	\$ 771,733	0.06	\$ 817,944	0.11
Call loans to banks	62,478	0.23	33,370	0.18
Financial assets at fair value through profit or loss - bonds and bills	87,170,200	0.51	93,288,461	0.62
FVTOCI-debt instruments	98,632,299	1.34	96,907,206	1.33
Financial assets at fair value through profit or loss - hybrid financial assets	9,742,011	1.47	7,423,033	1.55
Securities purchased under resell agreements	3,635,554	0.23	1,118,027	0.35

(Continued)

	For the Nine Months Ended September 30			
	2020		2019	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-bearing liabilities</u>				
Due to other banks	\$ 14,894,256	0.45	\$ 16,699,616	0.79
Bank overdrafts	1,662	1.59	2,429	1.78
Securities sold under repurchase agreement	160,083,985	0.49	158,569,667	0.63
Commercial paper payable	1,012,774	0.48	1,157,509	0.62
				(Concluded)

47. CAPITAL MANAGEMENT

a. Strategies to maintain capital adequacy

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

b. Capital assessment program

Measures are taken when capital ratio and leverage ratio deteriorates such as regular calculation, analysis, monitoring and reporting, the annual allocation of each business's capital adequacy ratio targets and regularly tracking the target achievement rate in the capital.

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

O-Bank

a. Credit risk

1) Asset quality of loans: See Table 4.

2) Concentration of credit extensions

September 30, 2020

Rank	Industry of Group Enterprise	Credit Extensions Balance	% of Net Asset Value
1	A Company (real estate development)	\$ 6,342,811	19.22
2	B Company (unclassified other financial service)	5,000,000	15.15
3	C Company (real estate development)	3,537,369	10.72
4	D Company (unclassified other financial service)	3,466,625	10.50
5	E Company (ocean transportation)	3,105,534	9.41
6	F Company (unclassified other financial service)	2,840,096	8.61
7	G Company (retail sale of other food, beverages and tobacco in specialized stores)	2,822,525	8.55
8	H Company (non-hazardous waste treatment industry)	2,597,912	7.87
9	I Company (short-term accommodation activities)	2,426,806	7.35
10	J Company (real estate development)	2,282,700	6.92

September 30, 2019

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

b. Market risk

**Interest Rate Sensitivity Balance Sheet (New Taiwan Dollars)
September 30, 2020**

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	\$ 177,142,963	\$ 14,413,438	\$ 32,640,845	\$ 11,838,301	\$ 236,035,547
Interest rate-sensitive liabilities	78,817,877	80,725,627	38,145,895	32,393,266	230,082,665
Interest rate-sensitive gap	98,325,086	(66,312,189)	(5,505,050)	(20,554,965)	5,952,882
Net worth					29,198,765
Ratio of interest rate-sensitive assets to liabilities					102.59%
Ratio of interest rate sensitivity gap to net worth					20.39%

September 30, 2019

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	\$ 154,175,064	\$ 13,448,419	\$ 28,367,880	\$ 20,876,989	\$ 216,868,352
Interest rate-sensitive liabilities	71,632,900	69,052,445	27,564,957	41,460,228	209,710,530
Interest rate-sensitive gap	82,542,164	(55,604,026)	802,923	(20,583,239)	7,157,822
Net worth					30,042,176
Ratio of interest rate-sensitive assets to liabilities					103.41%
Ratio of interest rate sensitivity gap to net worth					23.83%

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

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

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

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

**Interest Rate Sensitivity Balance Sheet (U.S. Dollars)
September 30, 2020**

(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	\$ 1,469,641	\$ 3,334	\$ 10,471	\$ 991,103	\$ 2,474,549
Interest rate-sensitive liabilities	1,296,799	962,047	88,724	-	2,347,570
Interest rate-sensitive gap	172,842	(958,713)	(78,253)	991,103	126,979
Net worth					118,473
Ratio of interest rate-sensitive assets to liabilities					105.41%
Ratio of interest rate sensitivity gap to net worth					107.18%

September 30, 2019

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

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	\$ 1,460,625	\$ 11,108	\$ 28,742	\$ 818,766	\$ 2,319,241
Interest rate-sensitive liabilities	1,401,779	617,744	220,075	-	2,239,598
Interest rate-sensitive gap	58,846	(606,636)	(191,333)	818,766	79,643
Net worth					87,653
Ratio of interest rate-sensitive assets to liabilities					103.56%
Ratio of interest rate sensitivity gap to net worth					90.86%

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

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

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

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

c. Liquidity risk

1) Profitability

(In %)

Items		For the Nine Months Ended September 30, 2020	For the Nine Months Ended September 30, 2019
Return on total assets	Before income tax	0.28	0.37
	After income tax	0.26	0.32
Return on equity	Before income tax	2.84	3.75
	After income tax	2.70	3.21
Net income ratio		25.16	25.30

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

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

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

Note 4: Income before (after) income tax represents income for the nine months ended September 30, 2020 and 2019.

2) Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities (New Taiwan Dollars)
September 30, 2020

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 270,960,726	\$ 71,282,663	\$ 20,295,118	\$ 25,931,820	\$ 14,735,319	\$ 41,079,323	\$ 97,636,483
Main capital outflow on maturity	303,975,156	18,406,267	24,126,470	66,390,942	61,873,788	57,676,684	75,501,005
Gap	(33,014,430)	52,876,396	(3,831,352)	(40,459,122)	(47,138,469)	(16,597,361)	22,135,478

September 30, 2019

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 251,416,188	\$ 83,889,226	\$ 9,717,441	\$ 21,260,061	\$ 15,446,122	\$ 20,621,174	\$ 100,482,164
Main capital outflow on maturity	290,101,471	21,897,993	25,367,485	47,663,266	58,151,738	35,825,759	101,195,230
Gap	(38,685,283)	61,991,233	(15,650,044)	(26,403,205)	(42,705,616)	(15,204,585)	(713,066)

Note: The above amounts included only New Taiwan dollar amounts held by the Bank.

Maturity Analysis of Assets and Liabilities (U.S. Dollars)
September 30, 2020

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 3,435,721	\$ 1,191,027	\$ 767,625	\$ 243,325	\$ 202,201	\$ 1,031,543
Main capital outflow on maturity	3,502,726	1,344,687	1,013,254	491,146	107,063	446,576
Gap	(67,005)	(153,660)	(245,629)	(247,821)	(4,862)	584,967

September 30, 2019

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 3,240,216	\$ 963,021	\$ 944,263	\$ 318,609	\$ 144,575	\$ 869,748
Main capital outflow on maturity	3,602,447	1,356,771	931,055	483,797	295,239	535,585
Gap	(362,231)	(393,750)	13,208	(165,188)	(150,664)	334,163

Note 1: The above amounts included only U.S. dollar amounts held by the Bank.

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

Maturity Analysis of Overseas Branch's Assets and Liabilities (U.S. Dollars)
September 30, 2020

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 1,238,095	\$ 640,488	\$ 183,986	\$ 16,661	\$ 58,882	\$ 338,078
Main capital outflow on maturity	1,203,111	392,135	431,903	119,442	50,077	209,554
Gap	34,984	248,353	(247,917)	(102,781)	(8,850)	128,524

September 30, 2019

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 1,062,517	\$ 425,867	\$ 208,087	\$ 29,931	\$ 34,359	\$ 364,273
Main capital outflow on maturity	1,058,071	440,548	226,654	133,184	95,959	161,726
Gap	4,446	(14,681)	(18,567)	(103,253)	(61,600)	202,547

China Bills Finance Corporation

a. Asset quality

Item	Period	September 30, 2020	September 30, 2019
Balance of guarantees and endorsement credits overdue within 3 months		\$ -	\$ -
Nonperforming debts (include overdue receivables)		-	-
Credits under observation		-	-
Overdue receivables		-	-
Ratio of non-performing debts		0.00%	0.00%
Ratio of non-performing debts and credits under observation		0.00%	0.00%
Required provision for credit losses and reserve for losses on guarantees		1,177,200	1,074,899
Actual provision for credit losses and reserve for losses on guarantees		1,325,077	1,310,077

b. The principal operation

Item	Period	September 30, 2020	September 30, 2019
Balance of guarantees and endorsement securities		\$ 107,201,500	\$ 107,451,100
Multiple of guarantees and endorsement securities to net worth		4.76	4.90
Short-term bills and bonds sold under repurchase agreement		\$ 177,788,030	\$ 162,859,945
Multiple of short-term bills and bonds sold under repurchase agreement to net worth		7.89	7.42

c. The provision policy and allowance for doubtful accounts, refer to Note 13.

d. Concentrations of credit extensions

(In %)

Item	Period	September 30, 2020		September 30, 2019	
Credit of the common interested party		\$ -		\$ -	
Ratio of credit extensions to common interest parties		-		-	
Ratio of credit extensions secured by pledged share		21.26		21.93	
Loan concentration by industry (ratio of top three industries to which credit line issued to credit extension balance)		Type of Industry	%	Type of Industry	%
		Finance and insurance industry	32.06	Finance and insurance industry	33.26
		Manufacturing industry	22.38	Manufacturing industry	22.95
		Real estate industry	27.27	Real estate industry	23.51

Note 1: Ratio of credit extensions to common interest related parties: Credit to common interest related party ÷ Total credit.

Note 2: Ratio of credit extensions secured by pledged stocks: Credit with stocks pledged ÷ Total credit.

Note 3: Total credit included guarantees, endorsement notes and overdue credit (including overdue receivables, accounts receivable, and notes receivable).

e. Interest rate sensitivity information of the balance sheet

September 30, 2020

(In Millions of New Taiwan Dollars)

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	\$ 103,305	\$ 11,968	\$ 7,121	\$ 98,778	\$ 221,172
Interest rate-sensitive liabilities	192,518	4,509	135	-	197,162
Interest rate-sensitive gap	(89,213)	7,459	6,986	98,778	24,010
Net worth					24,678
Ratio of interest rate-sensitive assets to liabilities (%)					112.18
Ratio of interest rate sensitivity gap to net worth (%)					97.29

September 30, 2019

(In Millions of New Taiwan Dollars)

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	\$ 92,580	\$ 11,249	\$ 9,057	\$ 91,490	\$ 204,376
Interest rate-sensitive liabilities	180,137	1,539	77	-	181,753
Interest rate-sensitive gap	(87,557)	9,710	8,980	91,490	22,623
Net worth					23,572
Ratio of interest rate-sensitive assets to liabilities (%)					112.45
Ratio of interest rate sensitivity gap to net worth (%)					95.97

Note 1: Interest rate-sensitive assets and liabilities mean the revenues or costs of interest-earning assets and interest-bearing liabilities affected by interest rate changes.

Note 2: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities (in New Taiwan dollars).

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

f. The use of funding sources table

September 30, 2020

(In Millions of New Taiwan Dollars)

Items	Period	1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Cash used in	Bills	\$ 47,806	\$ 45,280	\$ 7,225	\$ 100	\$ -
	Bonds	356	2,301	4,743	7,021	98,778
	Due from banks	240	-	-	-	-
	Call loans	-	-	-	-	-
	Securities purchased under resell agreements	6,251	1,071	-	-	-
	Total	54,653	48,652	11,968	7,121	98,778
Cash provided by	Borrowing	17,451	1,999	-	-	-
	Securities sold under repurchase agreements	141,616	31,452	4,509	135	-
	Eligible capital	-	-	-	-	24,678
	Total	159,067	33,451	4,509	135	24,678
Net cash flows		(104,414)	15,201	7,459	6,986	74,100
Accumulated cash flows		(104,414)	(89,213)	(81,754)	(74,768)	(668)

September 30, 2019

(In Millions of New Taiwan Dollars)

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

g. Matters requiring special notation

Causes	September 30, 2020	September 30, 2019
Within the past year, a responsible person or professional employee violated the law in the course of business, resulting in an indictment by a prosecutor	None	None
Within the past year, a fine was levied on for violations of the Act Governing Bills Finance Business and the other laws	None	None
Within the past year, misconduct occurred, resulting in the Ministry of Finance's imposing strict corrective measures	None	None
Within the past year, the individual loss or total loss from employee fraud, accidental and material events, or failure to abide by the "Guidelines for Maintenance of Soundness of Financial Institutions" which exceeded NT\$50 million dollars	None	None
Other	None	None

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

49. CASH FLOWS INFORMATION

Changes in Liabilities from Financing Activities

For the nine months ended September 30, 2020

	January 1, 2020	Cash Inflow (Outflow)	None-cash Change		September 30, 2020
			Add Leasing	Other	
Bank debentures payable	\$ 18,700,000	\$ (2,300,000)	\$ -	\$ -	\$ 16,400,000
Lease liabilities	498,832	(136,346)	49,976	20,547	433,009
Other financial liabilities	12,909,259	4,322,221	-	(1,244)	17,230,236
Other liabilities	2,416,851	(74,833)	-	(89)	2,341,929
	<u>\$ 34,524,942</u>	<u>\$ 1,811,042</u>	<u>\$ 49,976</u>	<u>\$ 19,214</u>	<u>\$ 36,405,174</u>

For the nine months ended September 30, 2019

	January 1, 2019	Cash Inflow (Outflow)	None-cash Change		September 30, 2019
			Add Leasing	Other	
Bank debentures payable	\$ 17,850,000	\$ 850,000	\$ -	\$ -	\$ 18,700,000
Lease liabilities	542,298	(107,272)	169,056	(51,383)	552,699
Other financial liabilities	15,034,414	(2,588,869)	-	119	12,445,664
Other liabilities	<u>2,400,842</u>	<u>87,096</u>	<u>-</u>	<u>(6,969)</u>	<u>2,480,969</u>
	<u>\$ 35,827,554</u>	<u>\$ (1,759,045)</u>	<u>\$ 169,056</u>	<u>\$ 58,233</u>	<u>\$ 34,179,332</u>

50. OTHERS

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

51. ADDITIONAL DISCLOSURES

- a. Related information of significant transactions and investees and
- b. Names, locations, and other information of investees over which the Bank exercises significant influence
 - 1) Financing provided: The Group - not applicable; investees - Table 1 (attached)
 - 2) Endorsement/guarantee provided: The Group - not applicable; investees - Table 2 (attached)
 - 3) Marketable securities held: The Group - not applicable; investees - Table 3 (attached)
 - 4) Marketable securities acquired and disposed of at costs or prices of at least NT \$300 million or 10% of the paid-in capital: 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 non-performing loans: None
 - 10) Information of applying for authorization of securitized product type according to the "Regulations of Financial Assets Securitization or Regulations of Real Estate Securitization": None
 - 11) Other significant transactions which may affect the decisions of users of individual financial reports: None

12) Related information and total stockholding circumstances of “Name, locations and other information of investees on which the Group exercises significant influence.” Exempt from disclosure.

13) Derivative instrument transactions: Note 8

- c. Investment in mainland China: Table 5 (attached)
- d. Business relationships and significant transactions among the Group: Table 6 (attached)
- e. Information of major shareholders : List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: Table 7 (attached)

52. OPERATING SEGMENT FINANCIAL INFORMATION

The Group provides CODM to assess segment performance, focusing on the nature of business operations, assets and profit and loss. The accounting policies of each operating segment are described in Note 4. the same significant accounting policies. The Group shall be reported to the operating divisions are as follows:

- a. Bank: Business ruled by Banking Law Article 71.
- b. Overseas: Overseas banking business.
- c. Leasing: Leasing business.
- d. Bills: Bills-related business approved by the competent authority.
- e. Others: Other non-core businesses.

The following was an analysis of the Group’s revenue and results by reportable segment.

	Bank	Overseas	Leasing	Bills	Others	Eliminations	Consolidated
For the nine months ended September 30, 2020							
Net interest							
From unaffiliated segment	\$ 1,388,446	\$ 642,597	\$ 497,210	\$ 356,555	\$ (35)	\$ 323	\$ 2,885,096
From other segment	(1,080)	-	2	-	5	1,052	(21)
	<u>\$ 1,387,366</u>	<u>\$ 642,597</u>	<u>\$ 497,212</u>	<u>\$ 356,555</u>	<u>\$ (30)</u>	<u>\$ 1,375</u>	<u>\$ 2,885,075</u>
Net revenue other than interest							
From unaffiliated segment	\$ 2,142,384	\$ 70,772	\$ 191,193	\$ 1,528,568	\$ (2,874)	\$ -	\$ 3,930,043
From other segment	29,409	-	(5,664)	(23,148)	(576)	(807,553)	(807,532)
	<u>\$ 2,171,793</u>	<u>\$ 70,772</u>	<u>\$ 185,529</u>	<u>\$ 1,505,420</u>	<u>\$ (3,450)</u>	<u>\$ (807,553)</u>	<u>\$ 3,122,511</u>
Income from continuing operation	<u>\$ 895,622</u>	<u>\$ 195,325</u>	<u>\$ 280,437</u>	<u>\$ 1,193,993</u>	<u>\$ (14,350)</u>	<u>\$ (772,359)</u>	<u>\$ 1,778,668</u>
Identifiable assets	<u>\$ 325,398,180</u>	<u>\$ 28,807,118</u>	<u>\$ 13,363,182</u>	<u>\$ 224,527,242</u>	<u>\$ 231,909</u>	<u>\$ 149,658</u>	<u>\$ 592,477,289</u>
Depreciation and amortization	<u>\$ 393,086</u>	<u>\$ 39,833</u>	<u>\$ 31,476</u>	<u>\$ 9,723</u>	<u>\$ 715</u>	<u>\$ (6,122)</u>	<u>\$ 468,711</u>
Capital expenditures	<u>\$ 46,494</u>	<u>\$ 284</u>	<u>\$ 7,039</u>	<u>\$ 5,443</u>	<u>\$ 4</u>	<u>\$ -</u>	<u>\$ 59,264</u>

(Continued)

	Bank	Overseas	Leasing	Bills	Others	Eliminations	Consolidated
For the nine months ended September 30, 2019							
Net interest							
From unaffiliated segment	\$ 1,503,960	\$ 813,773	\$ 522,632	\$ 99,865	\$ (18)	\$ 203	\$ 2,940,415
From other segment	<u>(2,578)</u>	<u>-</u>	<u>3</u>	<u>-</u>	<u>147</u>	<u>2,303</u>	<u>(125)</u>
	<u>\$ 1,501,382</u>	<u>\$ 813,773</u>	<u>\$ 522,635</u>	<u>\$ 99,865</u>	<u>\$ 129</u>	<u>\$ 2,506</u>	<u>\$ 2,940,290</u>
Net revenue other than interest							
From unaffiliated segment	\$ 2,630,934	\$ 40,544	\$ 259,136	\$ 1,437,850	\$ 9,226	\$ -	\$ 4,377,690
From other segment	<u>16,979</u>	<u>-</u>	<u>(1,258)</u>	<u>(14,953)</u>	<u>(643)</u>	<u>(901,672)</u>	<u>(901,547)</u>
	<u>\$ 2,647,913</u>	<u>\$ 40,544</u>	<u>\$ 257,878</u>	<u>\$ 1,422,897</u>	<u>\$ 8,583</u>	<u>\$ (901,672)</u>	<u>\$ 3,476,143</u>
Income from continuing operation	<u>\$ 1,049,676</u>	<u>\$ 341,790</u>	<u>\$ 292,055</u>	<u>\$ 949,382</u>	<u>\$ (3,139)</u>	<u>\$ (867,966)</u>	<u>\$ 1,761,798</u>
Identifiable assets	<u>\$ 312,338,037</u>	<u>\$ 29,170,057</u>	<u>\$ 13,653,913</u>	<u>\$ 208,192,141</u>	<u>\$ 217,085</u>	<u>\$ 105,707</u>	<u>\$ 563,676,940</u>
Depreciation and amortization	<u>\$ 382,585</u>	<u>\$ 42,571</u>	<u>\$ 29,824</u>	<u>\$ 18,512</u>	<u>\$ 823</u>	<u>\$ (11,682)</u>	<u>\$ 462,633</u>
Capital expenditures	<u>\$ 48,123</u>	<u>\$ 864</u>	<u>\$ 15,802</u>	<u>\$ 6,274</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 71,063</u>

(Concluded)

O-BANK AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing (Note 2)	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 3)	Aggregate Financing Limits (Note 4)	Note
													Item	Value			
1	IBT Leasing	Lei Xin Construction	Account receivable - short-term accommodations	No	\$ 54,380	\$ 3,213	\$ 3,213	2-8	2	\$ -	Working capital turnover	\$ 64	Real estate	\$ 124,389	\$ 263,415	\$ 1,053,661	
		Kuang Ming shipping Corp.	Account receivable - short-term accommodations	No	120,000	-	-	2-8	2	-	Working capital turnover	-	-	-	263,415	1,053,661	
		Inhon Communication Co., Ltd.	Account receivable - short-term accommodations	No	64,912	37,399	37,399	2-8	2	-	Working capital turnover	1,014	Margin	12,982	263,415	1,053,661	
		Huimin Environmental Tech. Corp.	Account receivable - short-term accommodations	No	2,882	-	-	2-8	2	-	Working capital turnover	-	-	-	263,415	1,053,661	
		Power Home Construction	Account receivable - short-term accommodations	No	58,644	-	-	2-8	2	-	Working capital turnover	-	-	-	263,415	1,053,661	
		Neo solar power	Account receivable - short-term accommodations	No	15,089	-	-	2-8	1	77,159	-	-	-	-	263,415	2,634,152	
		An Chieh Bao Corp.	Account receivable - short-term accommodations	No	53,745	42,991	42,991	2-8	2	-	Working capital turnover	409	Margin	12,000	263,415	1,053,661	
		Advanced Wireless and Antenna Inc.	Account receivable - short-term accommodations	No	7,403	-	-	2-8	2	-	Working capital turnover	-	-	-	263,415	1,053,661	
		Yuan Mao Construction Co., Ltd.	Account receivable - short-term accommodations	No	130,000	114,400	114,400	2-8	2	-	Working capital turnover	1,487	Stock	61,600	263,415	1,053,661	
		Taroko Recreation Management Co., Ltd.	Account receivable - short-term accommodations	No	64,205	49,164	49,164	2-8	2	-	Working capital turnover	885	Stock	-	263,415	1,053,661	
		Dingyang Industrial Co., Ltd.	Account receivable - short-term accommodations	No	30,000	-	-	2-8	2	-	Working capital turnover	-	-	-	263,415	1,053,661	
		Priority International Finance	Account receivable - short-term accommodations	No	24,000	24,000	902	2-8	2	-	Working capital turnover	16	Certificate of deposit	1,200	263,415	1,053,661	
		Taroko	Account receivable - short-term accommodations	No	70,000	-	-	2-8	2	-	Working capital turnover	-	-	-	263,415	1,053,661	
Qiaoding Investment Co., Ltd.	Account receivable - short-term accommodations	No	100,000	99,000	99,000	2-8	2	-	Working capital turnover	1,782	Stock/real estate	51,830	263,415	1,053,661			
2	IBT International Leasing Corp.	Zhangjiajie Zhongjun Real Estate Co., Ltd.	Entrusted loans	No	32,260	17,678	17,678	6-16	2	-	Working capital turnover	884	Real estate	38,470	254,616	1,018,464	
		Suzhou Dong Sheng Machine Co., Ltd.	Entrusted loans	No	19,085	1,999	1,999	6-16	2	-	Working capital turnover	6	Real estate	33,842	254,616	1,018,464	
		Suzhou Leading Car Service Co., Ltd.	Entrusted loans	No	39,342	21,064	21,064	6-16	2	-	Working capital turnover	59	Margin	6,421	254,616	1,018,464	
		Nanjing Forland automobile leasing Co., Ltd.	Entrusted loans	No	39,342	21,064	21,064	6-16	2	-	Working capital turnover	59	Margin	6,421	254,616	1,018,464	

Note 1: Explanation:

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

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

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

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

O-BANK AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 3)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries (Note 4)	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship (Note 2)										
1	IBT Leasing	IBT International Leasing Corp.	b	\$ 21,073,214	\$ 12,084,350	\$ 7,357,175	\$ 3,371,427	\$ -	279.30	\$ 31,609,821	No	No	Yes
		IBT VII Venture Capital Co., Ltd.	b	21,073,214	80,000	80,000	80,000	-	3.04	31,609,821	No	No	No

Note 1: Explanation:

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

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

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

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

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

O-BANK AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

SEPTEMBER 30, 2020

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	September 30, 2020				Note
				Stocks/Units (Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
IBT Holdings	<u>Stocks</u> EverTrust Bank	Subsidiaries	Investments accounted for using the equity method	10,714	US\$ 181,137	91.78	US\$ 181,137	
IBT Management Corp.	<u>Closed type beneficiary certificate</u> O-Bank Real Estate Investment Trust “Successful One”	-	Financial asset at FVTOCI	3,059	29,948	1.02	29,948	
	<u>Stocks</u> Thunder Tiger Biotechnology Co., Ltd.	-	Financial asset at FVTPL	1,773	39,897	7.38	39,897	Note 2
	TaiRx Co., Ltd.	-	Financial asset at FVTPL	511	9,778	0.84	9,778	Note 2
	Mimoto (Samoa) Co., Ltd.	-	Financial asset at FVTPL	25,974	15,242	2.41	15,242	Note 2
	Houdou Pinshan (Cayman) Co., Ltd.	-	Financial asset at FVTPL	500	10,992	2.17	10,992	Note 2
	Shihlian China Holdings Corp.	-	Financial asset at FVTPL	19,682	96,790	0.46	96,790	Notes 1 and 2
	Shin Kong Financial Holding Co., Ltd. Preferred Shares B	-	Financial asset at FVTOCI	400	17,560	0.18	17,560	
IBT Leasing Co., Ltd.	<u>Closed type beneficiary certificate</u> O-Bank Real Estate Investment Trust “Successful One”	-	Financial asset at FVTOCI	12,260	120,025	4.09	120,025	
	<u>Stocks</u> IBT International Leasing Corp.	Subsidiaries	Investments accounted for using the equity method	-	2,418,851	95.00	2,418,851	
	IBT VII Venture Capital Co., Ltd.	Subsidiaries	Investments accounted for using the equity method	65,000	467,669	100.00	467,669	
	Shihlian China Holdings Corp.	-	Financial asset at FVTOCI	32,500	159,826	0.75	159,826	Note 1
	Shin Kong Financial Holding Co., Ltd. Preferred Shares B	-	Financial asset at FVTOCI	1,700	74,630	0.77	74,630	
IBT VII Venture Capital Co., Ltd.	<u>Closed type beneficiary certificate</u> O-Bank Real Estate Investment Trust “Successful One”	-	Financial asset at FVTOCI	14,000	137,060	4.67	137,060	
	<u>Stocks</u> IBT International Leasing Corp.	Subsidiaries	Investments accounted for using the equity method	-	127,308	5.00	127,308	
	TAIRX Corp.	-	Financial asset at FVTPL	3,800	72,736	6.22	72,736	Note 2
	Meridigen Corp.	-	Financial asset at FVTPL	500	13,426	0.55	13,426	
	Femcosteel Tech Co., Ltd.	-	Financial asset at FVTPL	1,298	30,347	3.10	30,347	
	Shihlian China Holdings Corp.	-	Financial asset at FVTPL	9,135	44,926	0.21	44,926	Notes 1 and 2
	New Applied Materials Co., Ltd.	-	Financial asset at FVTPL	539	12,731	0.83	12,731	Note 2

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	September 30, 2020				Note
				Stocks/Units (Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	Polaris Co., Ltd.	-	Financial asset at FVTPL	140	\$ 2,081	0.02	\$ 2,081	
	BioResource International, Inc.	-	Financial asset at FVTPL	1,105	87,227	5.91	87,227	Note 2
	Chipwell tech corporation	-	Financial asset at FVTPL	391	2,339	2.61	2,339	Note 2
	Biocontrol Gene Vaccine Co., Ltd.	-	Financial asset at FVTPL	1,008	1,779	0.98	1,779	Note 2
	Reber Genetics Co., Ltd.	-	Financial asset at FVTPL	461	9,920	2.20	9,920	Note 2
	Kaohsiung Rapid Transit Corporation All Rights Reserved.	-	Financial asset at FVTPL	3,845	39,383	1.38	39,383	
	Shin Kong Financial Holding Co., Ltd. Preferred Shares B	-	Financial asset at FVTOCI	125	5,488	0.06	5,488	

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

NONPERFORMING LOANS AND ACCOUNTS RECEIVABLE

SEPTEMBER 30, 2020 AND 2019

(In Thousands of New Taiwan Dollars or in %)

Period		September 30, 2020					September 30, 2019				
		Nonperforming Loans (Note 1)	Outstanding Loan Balance	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)	Nonperforming Loans (Note 1)	Outstanding Loan Balance	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Corporate banking	Secured	\$ 632,452	\$ 77,279,915	0.82%	\$ 990,057	156.54%	\$ 548,636	\$ 85,260,824	0.64%	\$ 1,054,174	192.14%
	Unsecured	342,991	68,827,864	0.50%	1,048,430	305.67%	704,880	75,974,409	0.93%	1,286,317	182.49%
Consumer banking	Housing mortgage (Note 4)	-	15,710,594	-	235,898	-	-	10,022,077	-	150,350	-
	Cash card	-	-	-	-	-	-	-	-	-	-
	Small-scale credit loans (Note 5)	2,425	1,586,432	0.15%	16,894	696.66%	2,249	853,346	0.26%	9,799	435.70%
	Other (Note 6)	Secured	-	6,046,516	-	60,525	-	-	3,356,366	-	33,564
Unsecured		5,773	4,477,786	0.13%	80,513	1,394.65%	5,552	3,670,788	0.15%	51,746	932.02%
Total		983,641	173,929,107	0.57%	2,432,317	247.28%	1,261,317	179,137,810	0.70%	2,585,950	205.02%
		Nonperforming Receivables	Outstanding Receivable Balance	Ratio of Nonperforming Receivables	Allowance for Possible Losses	Coverage Ratio	Nonperforming Receivables	Outstanding Receivable Balance	Ratio of Nonperforming Receivables	Allowance for Possible Losses	Coverage Ratio
Credit cards		-	-	-	-	-	-	-	-	-	-
Factored accounts receivable without recourse (Note 7)		-	1,004,450	-	10,651	-	-	2,529,693	-	26,522	-
		Exempt from Reporting the Total Balance of Overdue Loans		Exempt from Reporting the Total Balance of Overdue Account Receivable		Exempt from Reporting the Total Balance of Overdue Loans		Exempt from Reporting the Total Balance of Overdue Account Receivable			
Exempt amount - due to debt negotiation and performance (Note 8)		-		-		-		-		-	
Debt settlement plan and rehabilitative program (Note 9)		67,394		-		746		-		-	
Total		67,394		-		746		-		-	

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

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

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

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

Note 5: Small-amount pure credit loans that must be governed by the Bank of China Ref. No. 09440010950 dated December 19, 1994 and are not credit cards or cash cards.

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

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

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

Note 9: According to the letter of the Bank of China Ref. No. 09700318940 dated September 15, 2008 and the letter of the Bank of China Ref. No. 10500134790 date September 20, 2016 regarding the “Consumer Debt Clearance Regulations” for pre-negotiation, rehabilitation and liquidation cases, credit reporting and the information disclosure requirements should include supplemental disclosures of related matters

O-BANK AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020
(New Taiwan Dollars and U.S. Dollars in Thousands, Unless Stated Otherwise)

O-Bank

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2020	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2020	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of September 30, 2020	Accumulated Inward Remittance of Earnings as of September 30, 2020
					Outflow	Inflow					
Shinlien Chemical Industrial Jiangsu Co.	Production of glass materials	\$ 23,300,976 (US\$ 800,000)	Note 1 c.	\$ 200,913 (US\$ 6,898)	\$ -	\$ 200,913 (US\$ 6,898)	\$ -	-	\$ -	\$ -	\$ -
Huai'an Shiyuan Cailu Co., Ltd.	Production of glass materials	932,039 (US\$ 32,000)	Note 1 c.	9,699 (US\$ 333)	-	9,699 (US\$ 333)	-	-	-	-	-
Suzhou Dio F&B Management Co., Ltd.	Coffee retailing	448,515 (US\$ 15,399)	Note 1 c.	58,252 (US\$ 2,000)	-	-	58,252 (US\$ 2,000)	2.60	-	58,252 (US\$ 2,000)	-
Ou Suomiluo Food Co., Ltd.	Coffee retailing	42,796 (RMB 10,000)	Note 1 c.	14,563 (US\$ 500)	-	-	14,563 (US\$ 500)	2.09	-	14,563 (US\$ 500)	-
Beijing Shengzhuang Co., Ltd.	Cosmetic OEM	232,380 (RMB 54,300)	Note 1 c.	58,252 (US\$ 2,000)	-	-	58,252 (US\$ 2,000)	2.175	-	58,252 (US\$ 2,000)	-
Beijing Sunshine Consumer Finance Co., Ltd.	Financing business	4,279,550 (RMB 1,000,000)	Note 1 d.	-	855,910 (RMB 200,000)	-	855,910 (RMB 200,000)	20.00	-	855,910 (RMB 200,000)	-

Accumulated Investment in Mainland China as of September 30, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$131,067 (US\$ 4,500) 855,910 (RMB 200,000)	\$131,067 (US\$ 4,500) 855,910 (RMB 200,000)	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, 2020	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2020	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of September 30, 2020	Accumulated Inward Remittance of Earnings as of September 30, 2020
					Outflow	Inflow					
IBT International Leasing Corp.	Leasing	\$ 1,893,204 (US\$ 65,000)	Note 1 d.	\$ 1,537,864 (US\$ 52,800)	\$ -	\$ -	\$ 1,537,864 (US\$ 52,800)	100.00 (Note 5)	\$ 228,140 (Notes 2 and 6)	\$ 2,418,851 (Note 6)	\$ -
Shinlien Chemical Industrial Jiangsu Co.	Production of glass materials	23,300,976 (US\$ 800,000)	Note 1 c.	-	129,816 (US\$ 4,457)	-	129,816 (US\$ 4,457)	0.75	-	129,816 (US\$ 4,457)	-
Shinlien Brine Huaian Co.	Production of glass materials	932,039 (US\$ 32,000)	Note 1 c.	-	11,039 (US\$ 379)	-	11,039 (US\$ 379)	0.75	-	11,039 (US\$ 379)	-

(Continued)

Accumulated Investment in Mainland China as of September 30, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$1,678,719 (US\$57,636)	\$1,678,719 (US\$57,636)	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, 2020	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2020	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of September 30, 2020	Accumulated Inward Remittance of Earnings as of September 30, 2020
					Outflow	Inflow					
Shanghai Douniushi F&B Management Co., Ltd.	Restaurant retailing	\$ 126,117 (US\$ 4,330)	Note 1 c.	\$ 2,097 (US\$ 72)	\$ -	\$ -	\$ 2,097 (US\$ 72)	2.17	\$ -	\$ 2,097 (US\$ 72)	\$ -
Topping Cuisine International Holding, Ltd.	Food retailing	151,456 (US\$ 5,200)	Note 1 c.	12,350 (US\$ 424)	-	-	12,350 (US\$ 424)	2.17	-	12,350 (US\$ 424)	-
Shanghai Dou Mao Food Management Co., Ltd.	Trading	5,825 (US\$ 200)	Note 1 c.	204 (US\$ 7)	-	-	204 (US\$ 7)	2.17	-	204 (US\$ 7)	-
Beauty Essential International, Ltd.	Cosmetic retailing	87,379 (US\$ 3,000)	Note 1 c.	20,039 (US\$ 688)	-	-	20,039 (US\$ 688)	2.41	-	20,039 (US\$ 688)	-
Meike information technology	Cosmetic retailing information technology	49,515 (US\$ 1,700)	Note 1 c.	845 (US\$ 29)	-	-	845 (US\$ 29)	2.41	-	845 (US\$ 29)	-
Shinlien Chemical Industrial Jiangsu Co.	Production of glass materials	23,300,976 (US\$ 800,000)	Note 1 c.	-	78,612 (US\$ 2,699)	-	78,612 (US\$ 2,699)	0.46	-	78,612 (US\$ 2,699)	-
Shinlien Brine Huaian Co.	Production of glass materials	932,039 (US\$ 32,000)	Note 1 c.	-	6,670 (US\$ 229)	-	6,670 (US\$ 229)	0.46	-	6,670 (US\$ 229)	-

Accumulated Investment in Mainland China as of September 30, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$120,817 (US\$4,148)	\$120,817 (US\$4,148)	\$127,198 (Note 7)

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, 2020	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2020	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of September 30, 2020	Accumulated Inward Remittance of Earnings as of September 30, 2020
					Outflow	Inflow					
IBT International Leasing Corp.	Leasing	\$ 1,893,204 (US\$ 65,000)	Note 1 d.	\$ 355,340 (US\$ 12,200)	\$ -	\$ -	\$ 355,340 (US\$ 12,200)	5.00	\$ 12,007 (Notes 2 and 6)	\$ 127,308 (Note 6)	\$ -

Accumulated Investment in Mainland China as of September 30, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$355,340 (US\$12,200)	\$355,340 (US\$12,200)	\$280,601 (Note 7)

(Continued)

Note 1: There were five investment approaches stated as follows.

- a. Investment in mainland China by remittance via a third country.
- b. Indirect investment in mainland China via setting a company in a third country.
- c. Indirect investment in mainland China via investing in a current company in a third country. (Via investing Shilien China Holding Co., Limited, Dio Investment, Ltd., Shengzhuang Holding, Ltd., Topping Cuisine International Holding, Ltd., and Beauty Essential International, Ltd.)
- d. Direct investment in mainland China.
- e. 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 2020, 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 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 recognized the investment profit and loss and the book value of the investment at the end of the period, is expressed as 95% directly held by IBT Leasing Co., Ltd. and 5% indirectly through IBT VII Venture Capital Co., Ltd.

Note 7: The original investment is within the limit.

Note 8: IBT Management Corp. has obtained the verification letter of part of investment from the Investment Review Committee of the Ministry of Economic Affairs, and the remittance amount is mainly based on the verification letter.

(Concluded)

TABLE 6

O-BANK AND SUBSIDIARIES

**BUSINESS RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS AMONG THE BANK AND SUBSIDIARIES
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020
(In Thousands of New Taiwan Dollars)**

No. (Note 1)	Transaction Corporation	Counterparty	Nature of Relationship (Note 2)	Description of Transactions			
				Financial Statement Account	Amounts	Trading Terms	Percentage of Total Revenue or Total Assets
0	The Bank	Chun Teng New Century, IBTM, IBTS Financial (HK) Limited, IBTS Asia (HK) Limited, IBT Leasing and IBTVC7	a	Deposits	\$ 168,395	Note 3	0.03
0	The Bank	Chun Teng New Century, IBTM, IBTS Asia (HK) Limited, IBT Leasing and IBTS Financial (HK) Limited	a	Interest expense	1,060	Note 3	0.02
0	The Bank	Chun Teng New Century, IBTS Asia (HK) Limited, and IBTS Financial (HK) Limited	a	Payables	87	Note 3	-
0	The Bank	CBF, IBTM and IBT Leasing	a	Other net revenue other than interest	29,409	Note 3	0.49
1	Chun Teng New Century	The Bank	b	Cash and cash equivalents	43,774	Note 3	0.01
1	Chun Teng New Century	The Bank	b	Discontinued operations - interest revenue	116	Note 3	-
1	Chun Teng New Century	The Bank	b	Accounts receivable	20	Note 3	-
1	Chun Teng New Century	IBT Leasing	c	Other net revenue other than interest	514	Note 3	0.01
2	IBTM	The Bank	b	Cash and cash equivalents	5,056	Note 3	-
2	IBTM	The Bank	b	Interest revenue	5	Note 3	-
2	IBTM	The Bank	b	Other operating and administrative expenses	580	Note 3	0.01
2	IBTM	The Bank	b	Lease interest expense	21	Note 3	-
2	IBTM	IBTVC7	c	Consultancy service income	4,542	Note 3	0.08
3	CBF	The Bank	b	Other operating and administrative expenses	23,148	Note 3	0.39

(Continued)

No. (Note 1)	Transaction Corporation	Counterparty	Nature of Relationship (Note 2)	Description of Transactions			
				Financial Statement Account	Amounts	Trading Terms	Percentage of Total Revenue or Total Assets
4	IBTS Financial (HK) Limited	The Bank	b	Cash and cash equivalents	\$ 38,791	Note 3	0.01
4	IBTS Financial (HK) Limited	The Bank	b	Discontinued operations - interest revenue	373	Note 3	0.01
4	IBTS Financial (HK) Limited	The Bank	b	Accounts receivable	46	Note 3	-
5	IBTS Asia (HK) Limited	The Bank	b	Cash and cash equivalents	76,282	Note 3	0.01
5	IBTS Asia (HK) Limited	The Bank	b	Discontinued operations - interest revenue	564	Note 3	0.01
5	IBTS Asia (HK) Limited	The Bank	b	Accounts receivable	21	Note 3	-
6	IBTL	The Bank	b	Cash and cash equivalents	4,029	Note 3	-
6	IBTL	The Bank	b	Interest revenue	2	Note 3	-
6	IBTL	The Bank	b	Lease interest expense	302	Note 3	0.01
6	IBTL	The Bank	b	Other operating and administrative expenses	5,542	Note 3	0.09
6	IBTL	Chun Teng New Century	c	Other net revenue other than interest	514	Note 3	0.01
7	IBTVC7	The Bank	b	Cash and cash equivalents	463	Note 3	-
7	IBTVC7	IBTM	c	Other operating and administrative expenses	4,542	Note 3	0.08

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 AND SUBSIDIARIES**INFORMATION OF MAJOR SHAREHOLDERS
SEPTEMBER 30, 2020**

Name of Major Shareholders	Shares	
	Number of Shares	Percentage of Ownership (%)
Ming Shan Investment Co., Ltd.	274,742,947	10.13
Yi Chang Investment Co., Ltd.	264,040,288	9.73
Taixuan Investment Co., Ltd.	262,329,559	9.67
Hengtong Machinery Co., Ltd.	148,374,456	5.47

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

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

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

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