

O-Bank and Subsidiaries

**Consolidated Financial Statements for the
Three Months Ended March 31, 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 financial statements of O-Bank and its subsidiaries (collectively referred to as the "Group") as of March 31, 2020 and 2019, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three-month periods then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Publicly Held Bills Finance Companies, and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Basis for Qualified Conclusion

As disclosed in Note 15 to the consolidated financial statements, the financial statements of some non-significant subsidiaries included in the consolidated financial statements referred to in the first paragraph were not reviewed. As of March 31, 2020 and 2019, combined total assets of these non-significant subsidiaries were NT\$1,038,013 thousand and NT\$875,775 thousand, respectively, representing 0.19% and 0.15%, respectively, of the consolidated total assets, and combined total liabilities of these subsidiaries were NT\$247,087 thousand and NT\$84,419 thousand, respectively, representing 0.05% and 0.02%, respectively, of the consolidated total liabilities; for the three-month periods ended March 31, 2020 and 2019, the amounts of combined comprehensive income of these subsidiaries were NT\$(71,137) thousand and NT\$30,544 thousand, respectively, representing 13.02% and 2.33%, respectively, of the consolidated total comprehensive income.

Qualified Conclusion

Based on our reviews, except for the adjustments, if any, as might have been determined to be necessary had the financial statements of the non-significant subsidiaries described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not give a true and fair view of the consolidated financial position of the Group as at March 31, 2020 and 2019, and of its consolidated financial performance and its consolidated cash flows for the three-month periods then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Publicly Held Bills Finance Companies, and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

April 29, 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)

	March 31, 2020 (Reviewed)		December 31, 2019 (Audited)		March 31, 2019 (Reviewed)	
	Amount	%	Amount	%	Amount	%
ASSETS						
CASH AND CASH EQUIVALENTS (Notes 6 and 41)	\$ 5,465,661	1	\$ 6,570,002	1	\$ 6,055,568	1
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS (Note 7)	22,236,319	4	19,311,763	4	26,564,189	5
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 8 and 41)	156,817,349	28	172,913,193	31	166,995,053	29
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 9, 41 and 44)	148,416,400	27	142,112,770	25	144,311,061	25
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTISED COST (Notes 41 and 44)	-	-	-	-	499,968	-
BILLS AND BONDS PURCHASED UNDER RESELL AGREEMENTS (Note 10)	748,000	-	100,013	-	300,000	-
RECEIVABLES, NET (Notes 11 and 13)	15,135,872	3	16,483,174	3	17,921,549	3
CURRENT TAX ASSETS	439,455	-	422,886	-	356,046	-
DISCOUNTS AND LOANS, NET (Notes 12, 13, 40 and 41)	200,117,346	36	194,246,229	35	196,600,313	35
OTHER FINANCIAL ASSETS (Notes 16 and 41)	1,936,535	-	1,229,503	-	1,335,384	-
PROPERTY AND EQUIPMENT, NET (Notes 17 and 42)	2,829,375	1	2,854,194	1	2,917,773	1
RIGHT-OF-USE ASSETS, NET (Note 18)	468,478	-	485,426	-	501,758	-
INTANGIBLE ASSETS, NET (Note 19)	2,285,938	-	2,319,547	-	2,418,276	1
DEFERRED TAX ASSETS	812,454	-	734,542	-	681,164	-
OTHER ASSETS (Note 20)	<u>907,728</u>	<u>-</u>	<u>916,774</u>	<u>-</u>	<u>930,248</u>	<u>-</u>
TOTAL	<u>\$ 558,616,910</u>	<u>100</u>	<u>\$ 560,700,016</u>	<u>100</u>	<u>\$ 568,388,350</u>	<u>100</u>
LIABILITIES AND EQUITY						
LIABILITIES						
Due to the central Bank and banks (Note 21)	\$ 45,472,746	8	\$ 43,439,398	8	\$ 32,543,390	6
Financial liabilities at fair value through profit or loss (Note 8)	447,785	-	533,582	-	475,034	-
Bills and bonds sold under repurchase agreement (Note 22)	154,382,338	28	159,553,385	29	163,879,603	29
Payables (Note 23)	2,802,811	1	3,687,621	1	4,942,919	1
Current tax liabilities	122,933	-	46,361	-	169,989	-
Deposits and remittances (Notes 24 and 40)	268,133,219	48	265,731,824	47	276,896,595	49
Bank debentures payable (Note 25)	18,700,000	3	18,700,000	3	17,850,000	3
Other financial liabilities (Note 26)	12,790,052	2	12,909,259	2	15,818,645	3
Provisions (Notes 13, 27 and 28)	1,949,496	-	1,915,054	-	1,887,958	-
Lease liabilities (Note 18)	483,332	-	498,832	-	503,683	-
Deferred income tax liabilities	432,724	-	451,572	-	364,590	-
Other liabilities (Note 29)	<u>2,638,003</u>	<u>1</u>	<u>2,416,851</u>	<u>1</u>	<u>2,621,118</u>	<u>-</u>
Total liabilities	<u>508,355,439</u>	<u>91</u>	<u>509,883,739</u>	<u>91</u>	<u>517,953,524</u>	<u>91</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK						
Capital						
Common stock	24,130,063	4	24,130,063	4	24,130,063	4
Preferred stock	3,000,000	1	3,000,000	1	3,000,000	1
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	10,574	-	9,750	-	9,757	-
Retained earnings						
Legal reserve	3,367,681	1	3,367,681	1	3,184,667	1
Special reserve	1,631,335	-	1,631,335	-	1,215,831	-
Unappropriated earnings	1,258,698	-	1,187,851	-	1,126,932	-
Total retained earnings	<u>6,257,714</u>	<u>1</u>	<u>6,186,867</u>	<u>1</u>	<u>5,527,430</u>	<u>1</u>
Other equity	<u>(745,379)</u>	<u>-</u>	<u>(67,477)</u>	<u>-</u>	<u>251,586</u>	<u>-</u>
Treasury stock	<u>(10,704)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total equity attributable to owners of the Bank	<u>32,642,268</u>	<u>6</u>	<u>33,259,203</u>	<u>6</u>	<u>32,918,836</u>	<u>6</u>
NON-CONTROLLING INTERESTS	<u>17,619,203</u>	<u>3</u>	<u>17,557,074</u>	<u>3</u>	<u>17,515,990</u>	<u>3</u>
Total equity (Note 30)	<u>50,261,471</u>	<u>9</u>	<u>50,816,277</u>	<u>9</u>	<u>50,434,826</u>	<u>9</u>
TOTAL	<u>\$ 558,616,910</u>	<u>100</u>	<u>\$ 560,700,016</u>	<u>100</u>	<u>\$ 568,388,350</u>	<u>100</u>

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

(With Deloitte & Touche review report dated April 29, 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 March 31			
	2020		2019	
	Amount	%	Amount	%
INTEREST REVENUE (Notes 31 and 40)	\$ 2,219,257	118	\$ 2,442,810	110
INTEREST EXPENSE (Notes 31 and 40)	<u>(1,293,758)</u>	<u>(69)</u>	<u>(1,456,928)</u>	<u>(66)</u>
NET INTEREST	<u>925,499</u>	<u>49</u>	<u>985,882</u>	<u>44</u>
NET REVENUE OTHER THAN INTEREST REVENUE				
Net service fee revenue (Notes 32 and 40)	471,807	25	546,426	25
Gains on financial assets or liabilities measured at fair value through profit or loss (Note 33)	432,672	23	678,460	30
Realized gain on financial assets at fair value through other comprehensive income (Note 34)	134,625	7	40,066	2
Foreign exchange gain (loss), net	(99,479)	(5)	(43,533)	(2)
Reversal of impairment loss on assets (impairment loss on assets)	455	-	(9,419)	-
Other net revenue other than interest	<u>17,506</u>	<u>1</u>	<u>28,334</u>	<u>1</u>
Total net revenue other than interest	<u>957,586</u>	<u>51</u>	<u>1,240,334</u>	<u>56</u>
NET REVENUE	<u>1,883,085</u>	<u>100</u>	<u>2,226,216</u>	<u>100</u>
BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION (Note 13)	<u>(256,320)</u>	<u>(13)</u>	<u>(105,392)</u>	<u>(5)</u>
OPERATING EXPENSES				
Employee benefits expenses (Notes 35 and 40)	657,664	35	707,509	32
Depreciation and amortization expenses (Note 36)	155,448	8	152,021	7
Other general and administrative expenses (Notes 37 and 40)	<u>276,301</u>	<u>15</u>	<u>319,687</u>	<u>14</u>
Total operating expenses	<u>1,089,413</u>	<u>58</u>	<u>1,179,217</u>	<u>53</u>
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX	537,352	29	941,607	42
INCOME TAX EXPENSE (Note 38)	<u>150,634</u>	<u>8</u>	<u>231,482</u>	<u>10</u>
INCOME FROM CONTINUING OPERATIONS	386,718	21	710,125	32
LOSS FROM DISCONTINUED OPERATIONS (Note 14)	<u>(9,088)</u>	<u>(1)</u>	<u>(3,945)</u>	<u>-</u>
NET PROFIT FOR THE PERIOD	<u>377,630</u>	<u>20</u>	<u>706,180</u>	<u>32</u>

(Continued)

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 March 31			
	2020		2019	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Components of other comprehensive income that will not be reclassified to profit or loss:				
Gains (losses) on remeasurements of defined benefit plans	\$ 111	-	\$ (41)	-
Revaluation gains (losses) on investments in equity instruments measured at fair value through other comprehensive income	(316,444)	(17)	247,976	11
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 38)	(22)	-	437	-
Components of other comprehensive income that will not be reclassified to profit or loss, net of tax	<u>(316,355)</u>	<u>(17)</u>	<u>248,372</u>	<u>11</u>
Components of other comprehensive income that will be reclassified to profit or loss:				
Exchange differences on translation of financial statements of foreign operations	20,771	1	74,197	3
Gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	(728,533)	(39)	329,659	15
Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Note 38)	<u>100,329</u>	<u>6</u>	<u>(45,856)</u>	<u>(2)</u>
Components of other comprehensive income that will be reclassified to profit or loss, net of tax	<u>(607,433)</u>	<u>(32)</u>	<u>358,000</u>	<u>16</u>
Other comprehensive income (loss) for the period, net of income tax	<u>(923,788)</u>	<u>(49)</u>	<u>606,372</u>	<u>27</u>
TOTAL COMPREHENSIVE INCOME (LOSS)	<u>\$ (546,158)</u>	<u>(29)</u>	<u>\$ 1,312,552</u>	<u>59</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Bank	\$ 115,440	6	\$ 472,292	21
Non-controlling interests	<u>262,190</u>	<u>14</u>	<u>233,888</u>	<u>11</u>
	<u>\$ 377,630</u>	<u>20</u>	<u>\$ 706,180</u>	<u>32</u>

(Continued)

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 March 31			
	2020		2019	
	Amount	%	Amount	%
TOTAL COMPREHENSIVE INCOME (LOSS)				
ATTRIBUTABLE TO:				
Owners of the Bank	\$ (607,055)	(32)	\$ 928,454	42
Non-controlling interests	<u>60,897</u>	<u>3</u>	<u>384,098</u>	<u>17</u>
	<u>\$ (546,158)</u>	<u>(29)</u>	<u>\$ 1,312,552</u>	<u>59</u>
EARNINGS PER SHARE (Note 39)				
From continuing and discontinued operations				
Basic	<u>\$0.05</u>		<u>\$0.20</u>	
Diluted	<u>\$0.04</u>		<u>\$0.20</u>	
From continuing operations				
Basic	<u>\$0.05</u>		<u>\$0.20</u>	
Diluted	<u>\$0.04</u>		<u>\$0.20</u>	

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

(With Deloitte & Touche review report dated April 29, 2020)

(Concluded)

O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (In Thousands of New Taiwan Dollars) (Reviewed, Note Audited)

	Equity Attributable to Owners of the Bank (Note 30)													Total Equity
	Capital Stock		Total	Capital Surplus	Retained Earning				Other Equity		Treasury Shares	Owner of the Bank	Non-controlling Interests (Note 31)	
	Common Shares (Thousands)	Preferred Shares (Thousands)			Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating of Foreign Financial Statements of Foreign Operations	Unrealized Gain (Losses) on Financial Measures 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
Unclaimed dividends	-	-	-	914	-	-	-	-	-	-	-	914	2,308	3,222
Changes in capital surplus from investments in subsidiaries accounted for using the equity method	-	-	-	340	-	-	-	-	-	-	-	340	-	340
Net profit for the three months ended March 31, 2019	-	-	-	-	-	-	472,292	472,292	-	-	-	472,292	233,888	706,180
Other comprehensive income (loss) for the three months ended March 31, 2019	-	-	-	-	-	-	(9)	(9)	62,774	393,397	-	456,162	150,210	606,372
Total comprehensive income for the three months ended March 31, 2019	-	-	-	-	-	-	472,283	472,283	62,774	393,397	-	928,454	384,098	1,312,552
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	44,604	44,604	-	(44,604)	-	-	-	-
BALANCE AT MARCH 31, 2019	\$ 24,130,063	\$ 3,000,000	\$ 27,130,063	\$ 9,757	\$ 3,184,667	\$ 1,215,831	\$ 1,126,932	\$ 5,527,430	\$ (30,032)	\$ 281,618	\$ -	\$ 32,918,836	\$ 17,515,990	\$ 50,434,826
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
Unclaimed dividends	-	-	-	336	-	-	-	-	-	-	-	336	1,232	1,568
Changes in capital surplus from investments in subsidiaries accounted for using the equity method	-	-	-	488	-	-	-	-	-	-	-	488	-	488
Net profit for the three months ended March 31, 2020	-	-	-	-	-	-	115,440	115,440	-	-	-	115,440	262,190	377,630
Other comprehensive loss for the three months ended March 31, 2020	-	-	-	-	-	-	25	25	12,524	(735,044)	-	(722,495)	(201,293)	(923,788)
Total comprehensive income (loss) for the three months ended March 31, 2020	-	-	-	-	-	-	115,465	115,465	12,524	(735,044)	-	(607,055)	60,897	(546,158)
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	(10,704)	(10,704)	-	(10,704)
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	(44,618)	(44,618)	-	44,618	-	-	-	-
BALANCE AT MARCH 31, 2020	\$ 24,130,063	\$ 3,000,000	\$ 27,130,063	\$ 10,574	\$ 3,367,681	\$ 1,631,335	\$ 1,258,698	\$ 6,257,714	\$ (294,949)	\$ (450,430)	\$ (10,704)	\$ 32,642,268	\$ 17,619,203	\$ 50,261,471

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

(With Deloitte & Touche review report dated April 29, 2020)

O-BANK AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit from continuing operations before tax	\$ 537,352	\$ 941,607
Loss from discontinued operations before tax	(9,088)	(3,945)
Adjustments to reconcile profit (loss):		
Depreciation expenses	89,316	91,048
Amortization expenses	66,282	61,126
Expect credit loss/recognition of provisions	255,865	114,811
Net (gain) loss on financial assets or liabilities at fair value through profit or loss	(427,736)	(679,070)
Interest expense	1,293,758	1,456,928
Interest revenue	(2,219,798)	(2,442,918)
Dividends income	(4,622)	(2,188)
Loss (gain) on disposal of property and equipment	2	(176)
Gain on disposal of investments	(130,003)	(37,878)
Changes in operating assets and liabilities:		
Due from the Central Bank and call loans to banks	123,729	(437,751)
Financial assets at fair value through profit or loss	16,235,033	(14,803,369)
Financial assets at fair value through other comprehensive income	(6,818,943)	6,214,733
Bills and bonds purchased under resell agreements	(647,987)	691,363
Receivables	1,133,077	2,680,977
Discounts and loans	(6,112,622)	624,082
Due to the Central Bank and banks	2,033,348	(22,985,986)
Financial liabilities at fair value through profit or loss	(85,797)	(318,238)
Bills and bonds issued under repurchase agreement	(5,171,047)	12,432,703
Payables	(889,567)	(685,939)
Deposits and remittances	2,401,395	15,093,274
Provisions	<u>14,931</u>	<u>9,583</u>
Cash inflow (used in) generated from operations	1,666,878	(1,985,223)
Interest received	2,435,597	2,684,294
Interest paid	(1,340,412)	(1,457,827)
Dividends received	3,247	2,188
Income tax paid	<u>(187,391)</u>	<u>(39,247)</u>
Net cash flows (used in) generated from operating activities	<u>2,577,919</u>	<u>(795,815)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment	(26,271)	(15,913)
Proceeds from disposal of property and equipment	298	2,441
Decrease in refundable deposits	24,368	166,052
Acquisitions of intangible assets	(25,948)	(18,688)
Increase in other financial assets	(1,008,139)	-
Decrease in other financial assets	-	611,183
Increase in other assets	<u>(15,322)</u>	<u>(6,081)</u>
Net cash flows (used in) generated from investing activities	<u>(1,051,014)</u>	<u>738,994</u>

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O-BANK AND SUBSIDIARIES

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

	For the Three Months Ended March 31	
	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	\$ 571,815	\$ -
Decrease in short-term borrowings	-	(103,684)
Increase in commercial papers	-	999,584
Decrease in commercial papers	(150,000)	-
Proceeds of long-term borrowings	102,349	-
Repayments of long-term borrowings	-	(470,955)
Repayment of the principal portion of lease liabilities	(44,262)	(42,907)
Increase in other financial liabilities	-	359,286
Decrease in other financial liabilities	(643,371)	-
Increase in other liabilities	277,825	220,244
Payments to acquire treasury shares	(10,704)	-
Net cash flows generated from financing activities	<u>103,652</u>	<u>961,568</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>12,280</u>	<u>59,838</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,642,837	964,585
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>17,550,472</u>	<u>23,961,422</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 19,193,309</u>	<u>\$ 24,926,007</u>

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

	March 31	
	2020	2019
Cash and cash equivalents reported in the consolidated balance sheets	\$ 5,465,661	\$ 6,055,568
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	13,727,648	18,253,790
Other items qualifying for cash and cash equivalents under the definition of IAS 7	-	616,649
Cash and cash equivalents at the end of the period	<u>\$ 19,193,309</u>	<u>\$ 24,926,007</u>

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

(With Deloitte & Touche review report dated April 29, 2020)

(Concluded)

O-BANK AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 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 (the "Board") approved of the application for a change of registration to a commercial bank and for a change of name to "O-Bank Co., Ltd." ("O-Bank" or the "Bank"). The Financial Supervisory Commission (the "FSC") accepted the application on December 15, 2016 and required the Bank to submit its proposed adjustment plan to comply with the Banking Act of the Republic of China. On January 1, 2017, the Banking Bureau approved and issued the operating license for the Bank to operate a commercial banking business. The Bank's name was changed from "Industrial Bank of Taiwan" to "O-Bank Co., Ltd." on January 1, 2017.

The Bank's operations include the following: (a) accepting various deposits; (b) issuing bank 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 credit card business; (n) providing foreign exchange services for client's imports or exports, overseas remittances, foreign currency deposits, and foreign currency loans and guarantees; (o) overseeing trust business under the Trust Business Law and regulations; and (p) dealing in derivative financial instruments and participating in other operations authorized by the central authorities.

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

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

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

As of March 31, 2020, December 31, 2019 and March 31, 2019, the Bank and its subsidiaries (the "Group") had 1,491, 1,527 and 1,440 employees, respectively.

2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on April 29, 2020.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS, 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 IFRSs recognized and issued by the Financial Supervisory Commission has no significant impact on the Group.

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

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

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

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 45 for the maturity analysis of assets and liabilities.

Basis of Consolidation

Principles for preparing consolidated financial statements

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

Refer to Note 15 and Table 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.

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Estimated Impairment of Loans and Financial Guarantee Contract

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

6. CASH AND CASH EQUIVALENTS

	March 31, 2020	December 31, 2019	March 31, 2019
Cash on hand and petty cash	\$ 92,648	\$ 89,949	\$ 121,569
Checking for clearing	337,233	535,095	112,765
Due from banks	<u>5,035,780</u>	<u>5,944,958</u>	<u>5,821,234</u>
	<u>\$ 5,465,661</u>	<u>\$ 6,570,002</u>	<u>\$ 6,055,568</u>

The cash and cash equivalents of the consolidated cash flows and the related adjustments of the consolidated balance sheets on December 31, 2019 are as follows. The adjustments as March 31, 2020 and 2019, refer to the 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

	March 31, 2020	December 31, 2019	March 31, 2019
Call loans	\$ 13,727,648	\$ 10,679,363	\$ 18,253,790
Reserves for deposits - Type A	2,653,663	2,573,579	2,509,442
Reserves for deposits - Type B	5,319,924	5,124,527	4,837,961
Reserves for deposits - Financial	500,271	900,268	901,332
Others	<u>34,813</u>	<u>34,026</u>	<u>61,664</u>
	<u>\$ 22,236,319</u>	<u>\$ 19,311,763</u>	<u>\$ 26,564,189</u>

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

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	March 31, 2020	December 31, 2019	March 31, 2019
<u>Financial assets mandatorily classified as at FVTPL</u>			
Hybrid financial assets			
Convertible bond - domestic (include assets swap contracts)	\$ 10,899,313	\$ 9,470,333	\$ 7,891,056
Convertible bond - overseas (include assets swap contracts)	-	-	309,244
Structured debt	<u>595,695</u>	<u>608,116</u>	<u>622,816</u>
	<u>11,495,008</u>	<u>10,078,449</u>	<u>8,823,116</u>
Derivative financial instruments			
Currency swap contracts	171,959	171,375	375,834
Forward contracts	42,053	7,189	16,814
Interest rate swap contracts	12,482	7,610	24,943
Cross-currency swap contract	-	-	16,574
Currency option contracts	11,474	2,882	2,642
Promised purchase contracts	-	164	-
	<u>237,968</u>	<u>189,220</u>	<u>436,807</u>
Non-derivative financial assets			
Bills	93,689,861	91,656,052	90,575,920
Negotiable certificate of deposit	50,366,648	69,631,538	66,386,559
Stocks and beneficiary certificates	876,860	1,257,942	472,717
Government bonds	150,289	99,992	299,745
When-issued bonds	715	-	189
	<u>145,084,373</u>	<u>162,645,524</u>	<u>157,735,130</u>
	<u>\$ 156,817,349</u>	<u>\$ 172,913,193</u>	<u>\$ 166,995,053</u>
<u>Held-for-trading financial liabilities</u>			
Financial liabilities held for trading			
Derivative financial instruments			
Currency swap contracts	\$ 210,395	\$ 437,940	\$ 259,998
Cross-currency swap contract	-	-	5,960
Forward contracts	4,689	15,830	90,295
Interest rate swap contracts	49,503	72,003	111,001
Currency option contracts	11,745	-	2,655
Others	3,129	3,347	1,044
	<u>279,461</u>	<u>529,120</u>	<u>470,953</u>
Non-derivative financial liabilities			
Commercial paper contracts	18,036	4,462	4,081
When-issued bonds	150,288	-	-
	<u>168,324</u>	<u>4,462</u>	<u>4,081</u>
	<u>\$ 447,785</u>	<u>\$ 533,582</u>	<u>\$ 475,034</u>

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

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

	March 31, 2020	December 31, 2019	March 31, 2019
Interest rate swap contracts	\$ 17,553,426	\$ 19,594,243	\$ 21,850,015
Currency swap contracts	79,599,860	54,299,506	62,747,279
Cross-currency swap contracts	-	-	1,638,740
Forward contracts	3,830,545	3,796,613	8,960,447
Currency options			
Buy	771,793	851,940	842,042
Sell	735,558	586,190	842,042
Promised purchase contracts	3,250,000	750,000	700,000

As of March 31, 2020, December 31, 2019 and March 31, 2019, financial assets at fair value through profit and loss under agreement to repurchase were in the amounts of \$58,437,200 thousand, \$62,715,800 thousand and \$69,898,700 thousand, respectively.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	March 31, 2020	December 31, 2019	March 31, 2019
Investments in equity instruments at FVTOCI	\$ 3,562,213	\$ 3,003,645	\$ 2,566,469
Investments in debt instruments at FVTOCI			
Government bonds	27,463,083	33,722,794	41,698,868
Bank debentures	33,915,994	34,814,733	35,412,970
Corporate bonds	59,822,174	64,389,574	60,812,872
Overseas government bonds	3,271,159	3,297,940	1,390,550
American mortgage backed securities	3,175,482	2,884,084	2,429,332
Negotiable certificates of deposit	<u>17,206,295</u>	<u>-</u>	<u>-</u>
	<u>\$ 148,416,400</u>	<u>\$ 142,112,770</u>	<u>\$ 144,311,061</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 of stocks classified as at FVTOCI for invested management purpose for the three months ended March 31, 2020 and 2019. The fair values of stocks classified as at FVTOCI which had to be disposed of were \$585,103 thousand and \$882,418 thousand and the accumulated loss and gain related to the sold assets of \$44,618 thousand and \$44,604 thousand, respectively, were transferred from equity to retained earnings.

b. Investments in debt instruments at FVTOCI

- 1) Refer to Note 41 for information relating to investments in debt instruments at FVTOCI pledged as security.
- 2) Refer to Note 45 for information relating to the credit risk management and impairment assessment of investments in debt instruments at FVTOCI.
- 3) The Group has sold investments in debt instruments at FVTOCI on the condition of buying them back were in the amounts of \$91,448,327 thousand, \$92,927,159 thousand and \$89,811,932 thousand, on March 31, 2020, December 31, 2019 and March 31, 2019, respectively.

10. BILLS AND BONDS PURCHASED UNDER RESELL AGREEMENTS

The Group's bills and bonds purchased under resale agreements and bond investments are all government bonds. As of March 31, 2020, December 31, 2019 and March 31, 2019, the bonds purchased under agreements to resell were in the amounts of \$748,205 thousand, \$100,030 thousand and \$300,053 thousand, respectively. As of March 31, 2020 and December 31, 2019, bonds purchased under agreements to resell were sold under agreements to repurchase in the amounts of \$450,000 thousand and \$100,000 thousand, respectively.

11. RECEIVABLES, NET

	March 31, 2020	December 31, 2019	March 31, 2019
Lease payment receivable	\$ 10,808,122	\$ 12,236,876	\$ 11,548,310
Factored receivables	1,624,839	1,585,725	3,278,075
Interest receivable	1,503,255	1,719,054	1,648,874
Account receivable	1,054,024	1,064,051	1,217,551
Spot exchange receivable	-	-	462,375
Investment settlements receivable	368,384	29,993	420,438
Acceptances receivable	198,916	220,594	131,599
Settlements receivable - trusteeship	102,060	118,092	81,666
Others	<u>473,411</u>	<u>677,925</u>	<u>361,287</u>
	16,133,011	17,652,310	19,150,175
Less: Allowance for possible losses	445,251	480,284	577,427
Unrealized interest revenue	<u>551,888</u>	<u>688,852</u>	<u>651,199</u>
Receivables, net	<u>\$ 15,135,872</u>	<u>\$ 16,483,174</u>	<u>\$ 17,921,549</u>

The changes in gross carrying amount on receivables (less unrealized interest revenue) for the three months ended March 31, 2020 and 2019 were as follows:

	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit- impaired Financial Assets)	Total
Balance at January 1, 2020	\$ 16,348,342	\$ 190,010	\$ 425,106	\$ 16,963,458
Transfers				
To 12-month ECLs	8,944	(8,929)	(15)	-
To lifetime ECLs	(47,362)	47,362	-	-
To credit-impaired financial assets	(16,901)	(16,150)	33,051	-
New financial assets purchased	3,271,273	34,486	776	3,306,534
Derecognition of financial assets	(5,073,468)	(106,769)	(17,573)	(5,197,810)
Write-offs	-	-	(28,234)	(28,234)
Exchange rate or other changes	<u>540,919</u>	<u>(997)</u>	<u>(2,748)</u>	<u>537,174</u>
Balance at March 31, 2020	<u>\$ 15,031,747</u>	<u>\$ 139,013</u>	<u>\$ 410,363</u>	<u>\$ 15,581,123</u>
Balance at January 1, 2019	\$ 20,765,683	\$ 304,253	\$ 371,269	\$ 21,441,205
Transfers				
To 12-month ECLs	6,242	(6,242)	-	-
To lifetime ECLs	(53,525)	53,543	(18)	-
To credit-impaired financial assets	(38,001)	(34,489)	72,490	-
New financial assets purchased	5,960,938	63,394	633	6,024,965
Derecognition of financial assets	(9,018,987)	(63,325)	(47,243)	(9,129,555)
Write-offs	-	-	(28,598)	(28,598)
Exchange rate or other changes	<u>181,309</u>	<u>5,345</u>	<u>4,305</u>	<u>190,959</u>
Balance at March 31, 2019	<u>\$ 17,803,659</u>	<u>\$ 322,479</u>	<u>\$ 372,838</u>	<u>\$ 18,498,976</u>

Rental equipment is held as collateral for the lease payment receivables. The Group is not allowed to sell or re-pledge the collateral if the lessee has no arrears.

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

Refer to Note 45 for the impairment loss analysis of receivables.

12. DISCOUNTS AND LOANS, NET

	March 31, 2020	December 31, 2019	March 31, 2019
Short-term	\$ 54,663,807	\$ 52,637,640	\$ 67,958,391
Medium-term	120,518,811	117,968,744	116,574,431
Long-term	26,074,713	25,364,024	14,292,661
Accounts receivables financing	201,971	284,150	322,758
Export bill negotiated	-	-	30,248
Guaranteed overdraft	3,909	69	76,710
Overdue loans	<u>1,431,010</u>	<u>703,831</u>	<u>410,875</u>
	202,894,221	196,958,458	199,666,074
Less: Allowance for credit losses	<u>2,776,875</u>	<u>2,712,229</u>	<u>3,065,761</u>
	<u>\$ 200,117,346</u>	<u>\$ 194,246,229</u>	<u>\$ 196,600,313</u>

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

	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit- impaired Financial Assets)	Total
Balance at January 1, 2020	\$ 177,477,719	\$ 16,398,011	\$ 3,082,728	\$ 196,958,458
Transfers				
To 12-month ECLs	1,226,751	(1,211,713)	(15,038)	-
To lifetime ECLs	(226,167)	226,167	-	-
To credit-impaired financial assets	(22,015)	(6,207)	28,222	-
New financial assets purchased	52,306,175	5,051,651	236,461	57,594,287
Derecognition of financial assets	(47,311,619)	(4,145,254)	(384,395)	(51,841,268)
Write-offs	-	-	(185,025)	(185,025)
Exchange rate or other changes	<u>337,325</u>	<u>24,240</u>	<u>6,204</u>	<u>367,769</u>
Balance at March 31, 2020	<u>\$ 183,788,169</u>	<u>\$ 16,336,895</u>	<u>\$ 2,769,157</u>	<u>\$ 202,894,221</u>
Balance at January 1, 2019	\$ 183,751,973	\$ 15,147,609	\$ 1,390,597	\$ 200,290,179
Transfers				
To 12-month ECLs	419,587	(419,587)	-	-
To lifetime ECLs	(159,567)	174,018	(14,451)	-
To credit-impaired financial assets	(14,025)	(4,925)	18,590	-
New financial assets purchased	49,217,595	3,851,600	106,729	53,175,984
Derecognition of financial assets	(48,512,751)	(5,269,768)	(119,978)	(53,902,497)
Write-offs	-	-	(2,853)	(2,853)
Exchange rate or other changes	<u>99,996</u>	<u>3,622</u>	<u>1,643</u>	<u>105,261</u>
Balance at March 31, 2019	<u>\$ 184,802,808</u>	<u>\$ 13,482,629</u>	<u>\$ 1,380,637</u>	<u>\$ 199,666,074</u>

The balance of the overdue loans of the Group as of March 31, 2020, December 31, 2019 and March 31, 2019 no longer include the calculation of interest. The unrecognized interest revenue on the above loans amounted to \$17,038 thousand and \$4,071 thousand for the three months ended March 31, 2020 and 2019, respectively. For the three months ended March 31, 2020 and 2019, the Group wrote off credits only upon completing the required legal procedures.

Refer to Note 41 for information relating to discounts and loan assets pledged as security.

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

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

13. ALLOWANCE FOR CREDIT LOSSES AND PROVISIONS

The changes in allowance for credit losses and provisions for the three months ended March 31, 2020 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	2,732	(2,726)	(6)	-	-	-
To lifetime ECLs	(967)	967	-	-	-	-
To credit-impaired financial assets	(1)	(12,824)	12,825	-	-	-
New financial assets purchased	5,683	8,467	4,006	18,156	-	18,156
Derecognition of financial assets	(21,409)	(72)	(941)	(22,422)	-	(22,422)
Change in model or risk parameters	3	2	(21)	(16)	-	(16)
Difference between IFRS 9 and local requirements	-	-	-	-	(414)	(414)
Write-offs	-	-	(28,234)	(28,234)	-	(28,234)
Withdrawal after write-offs	-	-	1,580	1,580	-	1,580
Exchange rate or other changes	(1,581)	(312)	(1,832)	(3,725)	42	(3,683)
Balance at March 31, 2020	<u>\$ 180,633</u>	<u>\$ 29,430</u>	<u>\$ 214,246</u>	<u>\$ 424,309</u>	<u>\$ 20,942</u>	<u>\$ 445,251</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	13,105	(6,679)	(6,426)	-	-	-
To lifetime ECLs	(453)	453	-	-	-	-
To credit-impaired financial assets	(90)	(1,971)	2,061	-	-	-
New financial assets purchased	58,089	7,281	199,845	262,515	-	262,515
Derecognition of financial assets	(42,399)	(2,698)	(93,856)	(138,953)	-	(138,953)
Change in model or risk parameters	6,985	(1,848)	52,424	57,561	-	57,561
Difference between IFRS 9 and local requirements	-	-	-	-	57,682	57,682
Write-offs	-	-	(185,025)	(185,025)	-	(185,025)
Withdrawal after write-offs	-	-	508	508	-	508
Exchange rate or other changes	596	142	1,065	1,803	5,855	7,658
Balance at March 31, 2020	<u>\$ 301,810</u>	<u>\$ 71,984</u>	<u>\$ 374,118</u>	<u>\$ 747,912</u>	<u>\$ 2,028,963</u>	<u>\$ 2,776,875</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	\$ -	\$ 79,644	\$ 1,531,119	\$ 1,610,783
Transfers						
To 12-month ECLs	34	(34)	-	-	-	-
To lifetime ECLs	(268)	268	-	-	-	-
New financial assets purchased	20,926	1,793	-	22,719	-	22,719
Derecognition of financial assets	(29,696)	(1,685)	-	(31,381)	-	(31,381)
Change in model or risk parameters	(514)	(518)	-	(1,032)	-	(1,032)
Difference between IFRS 9 and local requirements	-	-	-	-	29,205	29,205
Withdrawal after write-offs	-	-	-	-	165	165
Exchange rate or other changes	80	2	-	82	68	150
Balance at March 31, 2020	<u>\$ 65,846</u>	<u>\$ 4,206</u>	<u>\$ -</u>	<u>\$ 70,052</u>	<u>\$ 1,560,557</u>	<u>\$ 1,630,609</u>

The changes in allowance for credit losses and provisions for the three months ended March 31, 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, 2019	\$ 218,853	\$ 111,931	\$ 227,909	\$ 558,693	\$ 52,561	\$ 611,254
Transfers						
To 12-month ECLs	4,138	(4,138)	-	-	-	-
To lifetime ECLs	(2,691)	2,701	(10)	-	-	-
To credit-impaired financial assets	(1)	(40,629)	40,630	-	-	-
New financial assets purchased	3,493	26,713	3,689	33,895	-	33,895
Derecognition of financial assets	(33,993)	(36)	(1,264)	(35,293)	-	(35,293)
Change in model or risk parameters	11	(13)	(6)	(8)	-	(8)
Difference between IFRS 9 and local requirements	-	-	-	-	(15,803)	(15,803)
Write-offs	-	-	(28,598)	(28,598)	-	(28,598)
Withdrawal after write-offs	-	-	1,832	1,832	-	1,832
Exchange rate or other changes	3,840	2,497	3,796	10,133	15	10,148
Balance at March 31, 2019	<u>\$ 193,650</u>	<u>\$ 99,026</u>	<u>\$ 247,978</u>	<u>\$ 540,654</u>	<u>\$ 36,773</u>	<u>\$ 577,427</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	871	(871)	-	-	-	-
To lifetime ECLs	(242)	8,519	(8,277)	-	-	-
To credit-impaired financial assets	(65)	(1,378)	1,443	-	-	-
New financial assets purchased	42,556	4,323	27,500	74,379	-	74,379
Derecognition of financial assets	(46,607)	(3,171)	(17,756)	(67,534)	-	(67,534)
Change in model or risk parameters	(4,355)	(4,676)	(4,270)	(13,301)	-	(13,301)
Difference between IFRS 9 and local requirements	-	-	-	-	120,111	120,111
Write-offs	-	-	(2,853)	(2,853)	-	(2,853)
Withdrawal after write-offs	-	-	268	268	-	268
Exchange rate or other changes	62	94	622	778	1,784	2,562
Balance at March 31, 2019	<u>\$ 195,415</u>	<u>\$ 52,460</u>	<u>\$ 331,438</u>	<u>\$ 579,313</u>	<u>\$ 2,486,448</u>	<u>\$ 3,065,761</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 lifetime ECLs	(14)	14	-	-	-	-
New financial assets purchased	25,509	1,669	-	27,178	-	27,178
Derecognition of financial assets	(18,175)	(6,968)	-	(25,143)	-	(25,143)
Change in model or risk parameters	(29,157)	2,429	-	(26,728)	-	(26,728)
Difference between IFRS 9 and local requirements	-	-	-	-	33,639	33,639
Withdrawal after write-offs	-	-	-	-	1,184	1,184
Exchange rate or other changes	150	1	-	151	(23)	128
Balance at March 31, 2019	<u>\$ 76,526</u>	<u>\$ 8,243</u>	<u>\$ -</u>	<u>\$ 84,769</u>	<u>\$ 1,501,272</u>	<u>\$ 1,586,041</u>

14. DISCONTINUED OPERATIONS

Chun Teng New Century Co., Ltd. (formerly IBTS) decided to transfer operating rights and property of brokerage of securities to SinoPac Securities Corp. Ltd. approved by the temporary stockholders in their meeting on May 25, 2016. The total transfer price was \$390,000 thousand, and the business transfer date was set for 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 business of the operating department of subsidiary had ended and conformed to the discontinued operations definition of IFRS 5. Hence, the consolidated financial reports regarded the above operating department as discontinued operations.

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

	For the Three Months Ended Mach 31	
	2020	2019
Interest revenue	\$ 1,112	\$ 881
Interest expenses	<u>-</u>	<u>-</u>
Net interest	<u>1,112</u>	<u>881</u>
Net revenues other than interest		
Net service fee revenue	-	8
Gain (loss) on financial assets and liabilities at fair value through profit or loss	(4,936)	610
Foreign exchange gain, net	11	3
Other net revenue other than interest	<u>(270)</u>	<u>158</u>
Total net revenues other than interest	<u>(5,195)</u>	<u>779</u>
Net revenue	<u>(4,083)</u>	<u>1,660</u>
Operating expenses		
Employee benefits expenses	2,303	2,344
Depreciation and amortization expense	150	153
Other general and administrative expenses	<u>2,152</u>	<u>2,516</u>
Total operating expenses	<u>4,605</u>	<u>5,013</u>
Income tax expense	<u>-</u>	<u>-</u>
Income (loss) from discontinued operations before written off	(8,688)	(3,353)
Write-off transactions with related parties	<u>(400)</u>	<u>(592)</u>
Income (loss) from discontinued operations	<u>\$ (9,088)</u>	<u>\$ (3,945)</u>
Income (loss) of discontinued operations attributable to:		
Owners of the Bank	\$ (9,065)	\$ (3,935)
Non-controlling interests	<u>(23)</u>	<u>(10)</u>
	<u>\$ (9,088)</u>	<u>\$ (3,945)</u>
Cash inflow from:		
Net cash flows generated from operating activities	\$ 4,288	\$ 5,699
Net cash flows used in generated from investing activities	(39)	(2)
Net cash flows generated from financing activities	-	-
Effects of exchange rate changes on cash and cash equivalents	<u>(2,793)</u>	<u>(134)</u>
Net cash inflow	<u>\$ 1,456</u>	<u>\$ 5,563</u>

15. SUBSIDIARIES

a. Subsidiary included in consolidated financial statements:

Investor	Investee	Main Business	% of Ownership			Remark	Review by CPA
			March 31, 2020	December 31, 2019	March 31, 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
	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
IBT Leasing	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 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)	IBTSH	Holding company	100.00	100.00	100.00	Founded in 2003 in the British Virgin Islands
IBTSH	IBTS HK	Investment	100.00	100.00	100.00	Founded in 2003 in Hong Kong	No
	IBTS Asia	Securities and investment	100.00	100.00	100.00	Founded in 2004 in Hong Kong	No
IBTH	EverTrust Bank	Banking	91.78	91.78	91.78	Founded in 1994 in California	Yes

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		
		March 31, 2020	December 31, 2019	March 31, 2019
CBF	Taipei	71.63%	71.63%	71.63%

The summarized financial information below represents amounts before intragroup eliminations:

	March 31, 2020	December 31, 2019	March 31, 2019
<u>CBF</u>			
Equity attributable to:			
Owners of the bank	\$ 6,787,227	\$ 6,767,508	\$ 6,757,804
Non-controlling interests of CBF	<u>17,137,744</u>	<u>17,087,954</u>	<u>17,063,451</u>
	<u>\$ 23,924,971</u>	<u>\$ 23,855,462</u>	<u>\$ 23,821,255</u>

	For the Three Months Ended March 31	
	2020	2019
Net revenue	\$ <u>573,495</u>	\$ <u>501,264</u>
Net profit from continuing operations	\$ 357,069	\$ 313,694
Other comprehensive income (loss) for the period	<u>(289,280)</u>	<u>205,848</u>
Total comprehensive income for the period	<u>\$ 67,789</u>	<u>\$ 519,542</u>
Profit attributable to:		
Owners of the bank	\$ 101,296	\$ 88,991
Non-controlling interests of CBF	<u>255,773</u>	<u>224,703</u>
	<u>\$ 357,069</u>	<u>\$ 313,694</u>
Total comprehensive income attributable to:		
Owners of the bank	\$ 19,231	\$ 147,388
Non-controlling interests of CBF	<u>48,558</u>	<u>372,154</u>
	<u>\$ 67,789</u>	<u>\$ 519,542</u>
Net cash inflow (outflow) from:		
Operating activities	\$ (29,874)	\$ 15,125,837
Investing activities	(7,296)	(2,697)
Financing activities	<u>354,071</u>	<u>(15,069,328)</u>
Net cash inflow (outflow)	<u>\$ 316,901</u>	<u>\$ 53,812</u>
Dividends paid to non-controlling interest CBF	<u>\$ -</u>	<u>\$ -</u>

16. OTHER FINANCIAL ASSETS

	March 31, 2020	December 31, 2019	March 31, 2019
Time deposits with original maturities more than 3 months	\$ 100,624	\$ 46,371	\$ 112,785
Pledged deposits	738,067	741,091	527,500
Reserve Account	45,960	116,258	54,088
Prepaid investment	863,564	-	-
Call loans to securities firms	-	301,107	616,649
Others	<u>188,320</u>	<u>24,676</u>	<u>24,362</u>
	<u>\$ 1,936,535</u>	<u>\$ 1,229,503</u>	<u>\$ 1,335,384</u>

The above prepaid investment in Beijing Sunshine Consumer Finance Co., Ltd., was jointly invested by the Bank, China Everbright Bank and China CYTS Tours Holding. The Bank had 20% ownership of the joint venture and with the investment amounted to RMB200,000 thousand. The investment was approved by the Financial Supervisory Commission on January 15, 2019 and February 18, 2020. Besides, it was also approved by the China Banking and Insurance Regulatory Commission on January 10, 2020. Beijing Sunshine Consumer Finance Co., Ltd. will be established in the second half year of 2020.

17. PROPERTY AND EQUIPMENT

	March 31, 2020	December 31, 2019	March 31, 2019
<u>Carrying amounts of each class of</u>			
Land	\$ 781,970	\$ 781,970	\$ 781,970
Buildings	1,312,957	1,324,482	1,356,320
Machinery and computer equipment	343,296	349,605	326,794
Transportation equipment	35,011	35,942	34,943
Office and other equipment	77,770	83,386	100,311
Lease improvement	179,888	187,479	222,845
Construction in progress and prepayments for equipment	<u>98,483</u>	<u>91,330</u>	<u>94,590</u>
	<u>\$ 2,829,375</u>	<u>\$ 2,854,194</u>	<u>\$ 2,917,773</u>

The changes in property and equipment for the three months ended March 31, 2020 and 2019 are summarized as follows:

	Freehold Land	Buildings	Machinery and Computer Equipment	Transportation Equipment	Office and Other Equipment	Lease Improvement	Construction in Progress and Prepayments for Equipment	Total
<u>Cost</u>								
Balance at January 1, 2020	\$ 781,970	\$ 1,898,849	\$ 809,120	\$ 78,739	\$ 280,283	\$ 373,783	\$ 91,330	\$ 4,314,074
Additions	-	-	6,740	2,229	310	402	16,590	26,271
Disposals and scrapped	-	-	(62)	(1,597)	-	-	-	(1,659)
Reclassification	-	-	4,152	-	38	4,444	(9,484)	(850)
Effect of foreign currency exchange differences	-	-	(282)	(37)	308	873	47	909
Balance at March 31, 2020	<u>\$ 781,970</u>	<u>\$ 1,898,849</u>	<u>\$ 819,668</u>	<u>\$ 79,334</u>	<u>\$ 280,939</u>	<u>\$ 379,502</u>	<u>\$ 98,483</u>	<u>\$ 4,338,745</u>
<u>Accumulated depreciation</u>								
Balance at January 1, 2020	\$ -	\$ 547,367	\$ 459,515	\$ 42,797	\$ 196,897	\$ 186,304	\$ -	\$ 1,459,880
Disposals and scrapped	-	-	(50)	(1,309)	-	-	-	(1,359)
Depreciation expense	-	11,525	17,144	2,854	6,082	12,898	-	50,503
Reclassification	-	-	-	-	-	(71)	-	(71)
Effect of foreign currency exchange differences	-	-	(237)	(19)	190	483	-	417
Balance at March 31, 2020	<u>\$ -</u>	<u>\$ 585,992</u>	<u>\$ 476,372</u>	<u>\$ 44,323</u>	<u>\$ 203,169</u>	<u>\$ 199,614</u>	<u>\$ -</u>	<u>\$ 1,509,370</u>
<u>Carrying amounts</u>								
Balance at March 31, 2020	<u>\$ 781,970</u>	<u>\$ 1,312,957</u>	<u>\$ 343,296</u>	<u>\$ 35,011</u>	<u>\$ 77,770</u>	<u>\$ 179,888</u>	<u>\$ 98,483</u>	<u>\$ 2,829,375</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	-	-	3,683	1,425	352	221	10,232	15,913
Disposals and scrapped	-	(2,429)	(1,461)	(1,574)	-	-	(522)	(5,986)
Reclassification	-	-	683	-	2,016	436	(2,630)	505
Effect of foreign currency exchange differences	-	-	869	210	190	467	9	1,745
Balance at March 31, 2019	<u>\$ 781,970</u>	<u>\$ 1,896,246</u>	<u>\$ 751,743</u>	<u>\$ 77,149</u>	<u>\$ 284,811</u>	<u>\$ 386,261</u>	<u>\$ 94,590</u>	<u>\$ 4,272,770</u>
<u>Accumulated depreciation</u>								
Balance at January 1, 2019	\$ -	\$ 529,300	\$ 409,143	\$ 40,373	\$ 178,807	\$ 151,310	\$ -	\$ 1,308,933
Disposals and scrapped	-	(960)	(1,461)	(1,300)	-	-	-	(3,721)
Depreciation expense	-	11,586	15,899	3,084	6,164	12,481	-	49,214
Reclassification	-	-	603	-	(598)	(542)	-	(537)
Effect of foreign currency exchange differences	-	-	765	49	127	167	-	1,108
Balance at March 31, 2019	<u>\$ -</u>	<u>\$ 539,926</u>	<u>\$ 424,949</u>	<u>\$ 42,206</u>	<u>\$ 184,500</u>	<u>\$ 163,416</u>	<u>\$ -</u>	<u>\$ 1,354,997</u>
<u>Carrying amounts</u>								
Balance at March 31, 2019	<u>\$ 781,970</u>	<u>\$ 1,356,320</u>	<u>\$ 326,794</u>	<u>\$ 34,943</u>	<u>\$ 100,311</u>	<u>\$ 222,845</u>	<u>\$ 94,590</u>	<u>\$ 2,917,773</u>

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

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

18. LEASE ARRANGEMENTS

a. Right-of-use assets

	March 31, 2020	December 31, 2019	March 31, 2019
<u>Carrying amounts</u>			
Buildings	\$ 459,986	\$ 477,885	\$ 497,943
Transportation equipment	<u>8,492</u>	<u>7,541</u>	<u>3,815</u>
	<u>\$ 468,478</u>	<u>\$ 485,426</u>	<u>\$ 501,758</u>
		For the Three Months Ended March 31	
		2020	2019
Additions to right-of-use assets		<u>\$ 17,417</u>	<u>\$ -</u>
Depreciation charges for right-of-use assets			
Buildings		\$ 36,938	\$ 40,576
Transportation equipment		<u>1,875</u>	<u>1,258</u>
		<u>\$ 38,813</u>	<u>\$ 41,834</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 three months ended March 31, 2020 and 2019.

b. Lease liabilities

	March 31, 2020	December 31, 2019	March 31, 2019
Carrying amounts	<u>\$ 483,332</u>	<u>\$ 498,832</u>	<u>\$ 503,683</u>

Range of discount rates for lease liabilities was as follows:

	March 31, 2020	December 31, 2019	March 31, 2019
Buildings	1.61%-5.70%	1.62%-5.70%	1.3%-5.7%
Transportation equipment	1.71%-6.00%	1.98%-6.00%	2.28%-6.00%

c. Material lease-in activities

Due to rental of buildings, the Group have been entered into various leasehold contracts with others, respectively. These contracts are gradually expiring before the end of October 2028.

As of March 31, 2020, December 31, 2019 and March 31, 2018, refundable deposits paid under operating lease amounted to \$30,307 thousand, \$31,523 thousand and \$33,082 thousand.

d. Other lease information

	For the Three Months Ended March 31	
	2020	2019
Expenses relating to short-term leases	<u>\$ 5,297</u>	<u>\$ 3,705</u>
Expenses relating to low-value asset leases	<u>\$ 2,113</u>	<u>\$ 501</u>
Total cash outflow for leases	<u>\$ (51,672)</u>	<u>\$ (47,102)</u>

19. INTANGIBLE ASSETS

	March 31, 2020	December 31, 2019	March 31, 2019
<u>Carrying amounts of each class of</u>			
Computer software	\$ 1,136,989	\$ 1,176,120	\$ 1,245,977
Goodwill	1,148,938	1,142,865	1,170,025
Others	<u>11</u>	<u>562</u>	<u>2,274</u>
	<u>\$ 2,285,938</u>	<u>\$ 2,319,547</u>	<u>\$ 2,418,276</u>

The changes in intangible assets for the three months ended March 31, 2020 and 2019 are summarized as follows:

	Computer Software	Goodwill	Others	Total
<u>Cost</u>				
Balance at January 1, 2020	\$ 2,157,522	\$ 1,142,865	\$ 7,351	\$ 3,307,738
Additions	25,948	-	-	25,948
Reclassification	654	-	-	654
Effect of foreign currency exchange differences	<u>297</u>	<u>2,073</u>	<u>39</u>	<u>6,409</u>
Balance at March 31, 2020	<u>\$ 2,184,421</u>	<u>\$ 1,148,938</u>	<u>\$ 7,390</u>	<u>\$ 3,340,749</u>

(Continued)

	Computer Software	Goodwill	Others	Total
<u>Accumulated amortization and impairment loss</u>				
Balance at January 1, 2020	\$ 981,402	\$ -	\$ 6,789	\$ 988,191
Amortization	65,730	-	552	66,282
Effect of foreign currency exchange differences	<u>300</u>	<u>-</u>	<u>38</u>	<u>338</u>
Balance at March 31, 2020	<u>\$ 1,047,432</u>	<u>\$ -</u>	<u>\$ 7,379</u>	<u>\$ 1,054,811</u>
<u>Carrying amounts</u>				
Balance at March 31, 2020	<u>\$ 1,136,989</u>	<u>\$ 1,148,938</u>	<u>\$ 11</u>	<u>\$ 2,285,938</u>
<u>Cost</u>				
Balance at January 1, 2019	\$ 2,120,054	\$ 1,166,769	\$ 7,506	\$ 3,294,329
Additions	18,688	-	-	18,688
Scrapped	(360)	-	-	(360)
Effect of foreign currency exchange differences	<u>359</u>	<u>3,256</u>	<u>21</u>	<u>3,636</u>
Balance at March 31, 2019	<u>\$ 2,138,741</u>	<u>\$ 1,170,025</u>	<u>\$ 7,527</u>	<u>\$ 3,316,293</u>
<u>Accumulated amortization and impairment loss</u>				
Balance at January 1, 2019	\$ 832,353	\$ -	\$ 4,676	\$ 837,029
Amortization	60,562	-	564	61,126
Scrapped	(360)	-	-	(360)
Effect of foreign currency exchange differences	<u>209</u>	<u>-</u>	<u>13</u>	<u>222</u>
Balance at March 31, 2019	<u>\$ 892,764</u>	<u>\$ -</u>	<u>\$ 5,253</u>	<u>\$ 898,017</u>
<u>Carrying amounts</u>				
Balance at March 31, 2019	<u>\$ 1,245,977</u>	<u>\$ 1,170,025</u>	<u>\$ 2,274</u>	<u>\$ 2,418,276</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 executed 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.

20. OTHER ASSETS

	March 31, 2020	December 31, 2019	March 31, 2019
Refundable deposits	\$ 246,104	\$ 270,472	\$ 267,103
Life insurance cash surrender value	343,527	340,513	346,075
Prepayment	142,082	106,004	126,294
Others	176,015	199,785	190,776
	<u>\$ 907,728</u>	<u>\$ 916,774</u>	<u>\$ 930,248</u>

21. DUE TO CENTRAL BANK AND BANKS

	March 31, 2020	December 31, 2019	March 31, 2019
Due to other banks	\$ 35,445,535	\$ 34,030,540	\$ 29,768,468
Deposits from Chunghwa Post Co., Ltd.	7,000,000	7,000,000	-
Call loans from Central Bank	<u>3,027,211</u>	<u>2,408,858</u>	<u>2,774,922</u>
	<u>\$ 45,472,746</u>	<u>\$ 43,439,398</u>	<u>\$ 32,543,390</u>

22. BILLS AND BONDS SOLD UNDER REPURCHASE AGREEMENT

	March 31, 2020	December 31, 2019	March 31, 2019
Bills	\$ 58,025,247	\$ 61,873,869	\$ 69,471,973
Government bonds	27,062,096	27,297,780	26,688,010
Corporate bonds	51,087,910	51,926,418	49,134,536
Bank debentures	<u>18,207,085</u>	<u>18,455,318</u>	<u>18,585,084</u>
	<u>\$ 154,382,338</u>	<u>\$ 159,553,385</u>	<u>\$ 163,879,603</u>
Date of agreement to repurchase	February 2021	December 2020	March 2020
Amount of agreement to repurchase	\$ 154,491,493	\$ 159,673,835	\$ 163,979,200

23. PAYABLES

	March 31, 2020	December 31, 2019	March 31, 2019
Investment settlements payable	\$ 300,502	\$ 418,947	\$ 490,734
Settlement accounts payable - execution of customer orders	101,927	129,703	81,623
Acceptances	198,916	220,594	116,436
Accrued interest	841,448	891,220	890,236
Accrued expenses	507,853	979,218	553,042
Collections for others	99,981	117,230	121,996
Factored payables	315,490	252,912	1,925,343
Checks clearing payables	337,233	535,095	112,765
Others	<u>99,461</u>	<u>142,702</u>	<u>650,744</u>
	<u>\$ 2,802,811</u>	<u>\$ 3,687,621</u>	<u>\$ 4,942,919</u>

24. DEPOSITS AND REMITTANCES

	March 31, 2020	December 31, 2019	March 31, 2019
Deposits			
Checking	\$ 4,823,841	\$ 4,553,278	\$ 4,670,055
Demand	33,352,705	41,890,065	43,824,724
Time	213,548,910	202,575,243	217,879,808
Export remittance	7,719	63,717	109
Saving deposits	<u>16,400,044</u>	<u>16,649,521</u>	<u>10,521,899</u>
	<u>\$ 268,133,219</u>	<u>\$ 265,731,824</u>	<u>\$ 276,896,595</u>

25. BANK DEBENTURES PAYABLE

	March 31, 2020	December 31, 2019	March 31, 2019
Subordinate debenture bonds first issued in 2012; fixed 1.85% interest rate; maturity: August 17, 2019; interest paid annually and repayment of principal at maturity	\$ -	\$ -	\$ 1,650,000
Subordinate debenture bonds first issued in 2013; fixed 1.95% interest rate; maturity: May 30, 2020; interest paid annually and repayment of principal at maturity	2,300,000	2,300,000	2,300,000
Subordinate debenture bonds first issued in 2014; fixed 1.95% interest rate; maturity: March 27, 2021; interest paid annually and repayment of principal at maturity	1,300,000	1,300,000	1,300,000

(Continued)

	March 31, 2020	December 31, 2019	March 31, 2019
Subordinate debenture bonds second issued in 2014; fixed 1.85% interest rate; maturity: June 26, 2021; interest paid annually and repayment of principal at maturity	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Subordinate debenture bonds third issued in 2014; fixed 1.95% interest rate; maturity: September 26, 2021; interest paid annually and repayment of principal at maturity	600,000	600,000	600,000
Subordinate debenture bonds fourth issued in 2014; fixed 2.2% interest rate; maturity: May 5, 2022; interest paid annually and repayment of principal at maturity	1,500,000	1,500,000	1,500,000
Subordinate debenture bonds first issued in 2015; fixed 1.85% interest rate; maturity: December 29, 2022; interest paid annually and repayment of principal at maturity	1,000,000	1,000,000	1,000,000
Subordinate debenture bonds A first issued in 2016; fixed 1.70% interest rate; maturity: June 29, 2023; interest paid annually and repayment of principal at maturity	1,500,000	1,500,000	1,500,000
Subordinate debenture bonds B first issued in 2016; fixed 1.80% interest rate; maturity: June 29, 2024; interest paid annually and repayment of principal at maturity	1,500,000	1,500,000	1,500,000
Subordinate debenture bonds first issued in 2017; fixed 1.97% interest rate; maturity: September 5, 2027; interest paid annually and repayment of principal at maturity	2,000,000	2,000,000	2,000,000
Subordinate debenture bonds A second issued in 2017; fixed 4% interest rate; no maturity, interest paid annually	750,000	750,000	750,000
Subordinate debenture bonds B second issued in 2017; fixed 1.82% interest rate; maturity: December 27, 2027; interest paid annually and repayment of principal at maturity	1,000,000	1,000,000	1,000,000
Subordinate debenture bonds A first issued in 2018; fixed 4% interest rate; no maturity, interest paid annually	700,000	700,000	700,000
Subordinate debenture bonds B first issued in 2018; fixed 1.75% interest rate; maturity: June 29, 2028; interest paid annually and repayment of principal at maturity	1,050,000	1,050,000	1,050,000
Subordinate debenture bonds first issued in 2019; fixed 1.5% interest rate; maturity: June 6, 2026; interest paid annually and repayment of principal at maturity	<u>2,500,000</u>	<u>2,500,000</u>	<u>-</u>
	<u>\$ 18,700,000</u>	<u>\$ 18,700,000</u>	<u>\$ 17,850,000</u> (Concluded)

26. OTHER FINANCIAL LIABILITIES

	March 31, 2020	December 31, 2019	March 31, 2019
Bank borrowings	\$ 9,614,774	\$ 8,940,610	\$ 9,138,603
Commercial papers payable	350,000	500,000	1,999,465
Structured products	96,470	517,749	707,003
Funds obtained from the government - intended for specific types of loans	<u>2,728,808</u>	<u>2,950,900</u>	<u>3,973,574</u>
	<u>\$ 12,790,052</u>	<u>\$ 12,909,259</u>	<u>\$ 15,818,645</u>

a. Bank borrowings

	March 31, 2020	December 31, 2019	March 31, 2019
Short-term borrowings	\$ 5,085,310	\$ 4,513,495	\$ 4,965,190
Long-term borrowings	<u>4,529,464</u>	<u>4,427,115</u>	<u>4,173,413</u>
	<u>\$ 9,614,774</u>	<u>\$ 8,940,610</u>	<u>\$ 9,138,603</u>
Interest rate interval			
New Taiwan dollars	1.00%-1.55%	1.00%-1.55%	1.20-1.50%
U.S. dollars	0.95%-3.22%	3.14%-3.40%	2.60-4.60%
Renminbi	4.69%-5.70%	4.69%-5.94%	4.79%-6.18%

b. Commercial papers payable

	March 31, 2020	December 31, 2019	March 31, 2019
Commercial papers payable	\$ 350,000	\$ 500,000	\$ 2,000,000
Less: Unamortized discount	<u>-</u>	<u>-</u>	<u>(535)</u>
	<u>\$ 350,000</u>	<u>\$ 500,000</u>	<u>\$ 1,999,465</u>
Interest rate interval	1.19%-1.23%	1.19%-1.3%	0.62%-1.23%

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

	March 31, 2020	December 31, 2019	March 31, 2019
Funds obtained from the government - intended for specific types of loans	\$ 2,728,808	\$ 2,950,900	\$ 3,973,574

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

27. PROVISIONS

	March 31, 2020	December 31, 2019	March 31, 2019
Reserve for losses on guarantees contracts	\$ 1,563,643	\$ 1,543,817	\$ 1,507,924
Provisions for employee benefits	318,887	304,271	301,917
Reserve for financing limit	<u>66,966</u>	<u>66,966</u>	<u>78,117</u>
	<u>\$ 1,949,496</u>	<u>\$ 1,915,054</u>	<u>\$ 1,887,958</u>

Refer to Note 13 for the details and changes in the reserve for losses on guarantee contracts and financing commitments.

28. RETIREMENT BENEFIT PLANS

Defined Contribution Plan

The pension system under the "Labor Pensions Ordinance" applicable to the Group is the required retirement plan stipulated by the government, except that of EverTrust 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 March 31, 2020 and 2019 was recognized in the consolidated statements of comprehensive income in the total amounts of \$19,051 thousand and \$15,236, respectively.

Defined Benefit Plan

The retirement expenses recognized under defined benefit plans for the three months ended March 31, 2020 and 2019 were calculated using the respective 2019 and 2018 annually determined discount rates as of December 31, 2019 and 2018 which amounted to \$1,891 thousand and \$2,128 thousand, respectively.

29. OTHER LIABILITIES

	March 31, 2020	December 31, 2019	March 31, 2019
Guarantee deposits received	\$ 1,696,962	\$ 1,838,707	\$ 2,114,763
Advance revenue	26,739	28,691	119,293
Payable for custody	49,497	56,585	41,644
Others	<u>864,805</u>	<u>492,868</u>	<u>345,418</u>
	<u>\$ 2,638,003</u>	<u>\$ 2,416,851</u>	<u>\$ 2,621,118</u>

30. EQUITY

a. Capital stock

	March 31, 2020	December 31, 2019	March 31, 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 stocks, which have a par value of \$10, carry one vote per stock and carry a right to dividends.

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

- 1) The annual interest of the Series A preferred stock is calculated on the issue price per share at the five-year Interest Rate Swap (IRS) interest rate on the pricing base date of 0.94375% plus 3.30625% (total 4.25%). The five-year IRS interest rate will be reset on the next business day after five years and six months from the date of issuance and every five years and six months thereafter. Dividends shall be paid in cash. After the Bank's financial statements have been approved in the annual stockholders' regular meeting, the board of directors shall set the date for the distribution of the preceding year's dividends. Dividend for the year of issuance and for redemption shall be calculated on the basis of the actual number of days issued in the given year.
- 2) The Bank has sole discretion on dividend issuance of Series A preferred stock including, but not limited to, its discretion not to 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 to other necessary consideration. The Series A preferred stockholders shall not have any objection towards the Bank's cancellation of preferred stock dividend declaration. Undeclared or under declared dividends are not cumulative and are not paid in subsequent years with profit.
- 3) Unless the authorities take over the Bank, order the Bank to suspend, terminate or liquidate its business in accordance with the "Regulations Governing the Capital Adequacy and Capital Category of Banks", Series A preferred stockholders shall have the same priority as the common stockholders in the event of liquidation, both second to tier 2 capital instrument holder, depositor, and common creditor, but capping at the value of issuance.
- 4) Series A preferred stockholders have no voting rights at the annual stockholders' meeting and cannot elect directors. However, the preferred stockholders should have voting rights at the preferred stockholders' meeting and also at the stockholders' meeting when it involves the rights and obligations of the preferred stockholders, and the aforesaid stockholders are eligible for director candidacy. Series A preferred stockholders have voting rights at Series A stockholders' meeting.

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

b. Capital surplus

	March 31, 2020	December 31, 2019	March 31, 2019
May be used to offset a deficit, distributed as dividends, or transferred to capital stock (Note)			
Treasury stock transactions	\$ 3,193	\$ 3,193	\$ 3,193
Stock-based payments	4,537	4,537	4,537
Must be used to offset a deficit			
Unclaimed dividends	985	649	1,222
May not be used for any purpose			
Share of changes in capital surplus of associates or joint ventures	<u>1,859</u>	<u>1,371</u>	<u>805</u>
	<u>\$ 10,574</u>	<u>\$ 9,750</u>	<u>\$ 9,757</u>

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

c. Retained earnings and dividend policy

- 1) The Bank's dividend policy 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.

- 2) The dividend policy proposed by the Bank's board of directors on March 25, 2020, are subject to the approval in the shareholder's meeting on June 19, 2020 is as follows:

In principle, common stock dividends shall not be less than 20% of the available for distribution retained earnings minus the distributable but not yet distributed preference dividends. Cash dividends shall not be less than 20% of total dividends distributed. When the amount of legal reserve has not reached the Bank's total capital surplus, 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 shareholders' meeting.

For the policies on distribution of employees' compensation and remuneration of directors and supervisors before and after amendment, refer to Note 35.

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

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 Order No. 10510001510 issued by the FSC on May 25, 2016, a public issuer 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 Order No. 10802714560 on May 15, 2019, which stipulates that in 2019, a public issuer 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 amounts of the following expenses may be transferred to the special reserve appropriated in 2016 to 2018.

- 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 is 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 stockholders' meetings on March 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

The appropriation of earnings for 2019 are subject to the resolution of the shareholders in their meeting to be held on June 19, 2020.

d. Other equity items

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

	For the Three Months Ended March 31	
	<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	18,231	72,960
Income tax related to gains arising on translating the financial statements of foreign operations	<u>(5,707)</u>	<u>(10,186)</u>
Balance at March 31	<u>\$ (294,949)</u>	<u>\$ (30,032)</u>

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

	For the Three Months Ended March 31	
	<u>2020</u>	<u>2019</u>
Balance at January 1	\$ 239,996	\$ (67,175)
Recognized during the period		
Unrealized gain (loss) - debt instruments	(490,163)	202,033
Unrealized gain (loss) - equity instruments	(244,640)	188,984
Loss allowance of debt instruments	<u>(241)</u>	<u>2,380</u>
Other comprehensive income recognized in the period	<u>(735,044)</u>	<u>393,397</u>
Cumulative unrealized gain (loss) of equity instruments transferred to retained earnings due to disposal	<u>44,618</u>	<u>(44,604)</u>
Balance at March 31	<u>\$ (450,430)</u>	<u>\$ 281,618</u>

e. Non-controlling interests

	For the Three Months Ended March 31	
	2020	2019
Balance at January 1	\$ 17,557,074	\$ 17,129,584
Attributed to non-controlling interests		
Share of profit for the year	262,190	233,888
Other comprehensive income		
Exchange differences arising on translation of foreign entities	2,540	1,236
Unrealized valuation gain or loss on FVTOCI	(203,896)	148,998
Actuarial profit and loss of defined benefit plan	63	(24)
Changes in capital surplus	<u>1,232</u>	<u>2,308</u>
Balance at March 31	<u>\$ 17,619,203</u>	<u>\$ 17,515,990</u>

f. Treasury stocks

Unit: In Thousand of Shares

	For the Three Months Ended March 31, 2020
Number of shares at January 1, 2020	-
Increase during the period	<u>1,650</u>
Number of shares at March 31, 2020	<u>1,650</u>

On March 19, 2020, the board of directors proposed to repurchase treasury stocks transfer to employees. The repurchase period is from March 20, 2020 to May 19, 2020. As of March 31, 2020, the Bank had repurchased 1,650 thousand shares of treasury stocks for \$10,704 thousand.

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

31. NET INTEREST

	For the Three Months Ended March 31	
	2020	2019
<u>Interest revenue</u>		
Discounts and loans	\$ 1,401,784	\$ 1,539,087
Investment in marketable securities	507,433	514,822
Installment sales and lease	235,952	265,033
Due from the Central Bank and call loans to banks	51,399	87,159
Others	<u>22,689</u>	<u>36,709</u>
	<u>2,219,257</u>	<u>2,442,810</u>

(Continued)

**For the Three Months Ended
March 31**

	2020	2019
<u>Interest expense</u>		
Deposits	\$ 755,583	\$ 836,212
Due to the Central Bank and banks	102,385	180,673
Bank debenture	93,456	90,961
Bills and bonds sold under agreement to repurchase	253,170	246,409
Others	<u>89,164</u>	<u>102,673</u>
	<u>1,293,758</u>	<u>1,456,928</u>
	<u>\$ 925,499</u>	<u>\$ 985,882</u>
		(Concluded)

32. NET SERVICE FEE REVENUE

**For the Three Months Ended
March 31**

	2020	2019
Service fee		
Guarantee business	\$ 231,776	\$ 200,424
Credit examine business	59,336	113,707
Underwrite business	104,477	76,274
Loan business	23,066	71,432
Lease business	31,053	45,263
Factoring business	4,872	12,178
Import and export business	3,440	6,737
Trust business	6,495	6,604
Insurance agent business	22,168	40,682
Others	<u>14,322</u>	<u>12,796</u>
	501,005	586,097
Service charge		
Others	<u>29,198</u>	<u>39,671</u>
	<u>\$ 471,807</u>	<u>\$ 546,426</u>

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

	For the Three Months Ended March 31	
	2020	2019
Realized gain or loss		
Bills	\$ 15,508	\$ 14,344
Stocks	(36,849)	72,614
Bonds	(8,055)	12,519
Derivatives	<u>(139,028)</u>	<u>307,882</u>
	<u>(168,424)</u>	<u>400,359</u>
Gains (losses) on valuation		
Bills	70,810	30,209
Stocks	(23,727)	33,859
Bonds	(15,686)	16,877
Derivatives	<u>282,364</u>	<u>(73,107)</u>
	313,761	7,838
Interest revenue	<u>287,335</u>	<u>263,263</u>
	<u>\$ 432,672</u>	<u>\$ 678,460</u>

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

	For the Three Months Ended March 31	
	2020	2019
Realized gain-debt instruments	\$ 130,003	\$ 37,878
Dividend income	<u>4,622</u>	<u>2,188</u>
	<u>\$ 134,625</u>	<u>\$ 40,066</u>

35. EMPLOYEE BENEFITS EXPENSES

	For the Three Months Ended March 31	
	2020	2019
Short-term employee benefits		
Salaries and wages	\$ 545,344	\$ 577,172
Directors' remuneration and traffic allowance	18,687	29,582
Labor insurance and national health insurance	35,528	38,311
Others	36,586	45,080
Post-employment benefits		
Pension expenses	20,942	17,364
Pension benefits	<u>577</u>	<u>-</u>
	<u>\$ 657,664</u>	<u>\$ 707,509</u>

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

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

Accrual rate

	For the Three Months Ended March 31	
	2020	2019
Employees' compensation	1.25%	1.25%
Remuneration of directors	2.50%	2.50%

Amount

	For the Three Months Ended March 31	
	2020	2019
Employees' compensation	<u>\$ 1,425</u>	<u>\$ 7,312</u>
Remuneration of directors	<u>\$ 2,850</u>	<u>\$ 14,624</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 board of directors on March 25, 2020 and February 27, 2019 respectively, were as follows:

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

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

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

36. DEPRECIATION AND AMORTIZATION EXPENSES

	For the Three Months Ended March 31	
	2020	2019
Property and equipment	\$ 50,353	\$ 49,061
Right-of-use assets	38,813	41,834
Intangible assets	<u>66,282</u>	<u>61,126</u>
	<u>\$ 155,448</u>	<u>\$ 152,021</u>

37. OTHER GENERAL AND ADMINISTRATIVE EXPENSE

	For the Three Months Ended March 31	
	2020	2019
Taxation	\$ 59,308	\$ 70,085
Rental	6,432	3,122
Management fees	11,207	11,824
Computer operating and consulting fees	74,419	63,833
Entertainment	11,648	13,764
Professional services	22,984	22,115
Advertisement	10,913	19,345
Others	<u>79,390</u>	<u>115,599</u>
	<u>\$ 276,301</u>	<u>\$ 319,687</u>

38. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Three Months Ended March 31	
	2020	2019
Current tax		
In respect of the current period	\$ 161,304	\$ 249,230
Income tax on unappropriated earnings	<u>-</u>	<u>7,311</u>
	161,304	256,541
Deferred tax		
In respect of the current period	<u>(10,670)</u>	<u>(25,059)</u>
Income tax expense recognized in profit or loss	<u>\$ 150,634</u>	<u>\$ 231,482</u>

b. Income tax recognized in other comprehensive income

	For the Three Months Ended March 31	
	2020	2019
<u>Deferred tax</u>		
Translation of foreign operations	\$ 5,707	\$ 10,186
Gain (losses) on remeasurements of defined benefit plans	22	(8)
Unrealized gain (loss) on financial assets at FVTOCI	<u>(106,036)</u>	<u>35,241</u>
Income tax expense (benefit) recognized in other comprehensive income	<u>\$ (100,307)</u>	<u>\$ 45,419</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 2016 have been assessed by the tax authorities, except the Bank's subsidiary CBF for 2015.

39. EARNINGS PER SHARE

	Unit: NT\$ Per Share	
	For the Three Months Ended March 31	
	2020	2019
Basic earnings per share		
From continuing operations	\$ 0.05	\$ 0.20
From discontinued operations	-	-
Total basic earnings per share	<u>\$ 0.05</u>	<u>\$ 0.20</u>
Diluted earnings per share		
From continuing operations	\$ 0.04	\$ 0.20
From discontinued operations	-	-
Total diluted earnings per share	<u>\$ 0.04</u>	<u>\$ 0.20</u>

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

Net Profit for the Period

	For the Three Months Ended March 31	
	2020	2019
Profit for the period attributable to owners of the Bank	\$ 115,440	\$ 472,292
Less: Profit for the period from discontinued operations used in the computation of basic earnings per share from discontinued operations	(9,065)	(3,945)
Earnings used in the computation of basic and diluted earnings per share from continuing operations	<u>\$ 124,505</u>	<u>\$ 476,237</u>

Stock (In Thousands of Shares)

	For the Three Months Ended March 31	
	2020	2019
Weighted average number of common stocks in computation of basic earnings per share	2,412,904	2,413,006
Effect of potentially dilutive common stocks:		
Employees' compensation	2,508	1,222
	<u>300,000</u>	<u>-</u>
Weighted average number of common stocks used in the computation of diluted earnings per share	<u>2,715,412</u>	<u>2,414,228</u>

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

40. RELATED PARTY TRANSACTIONS

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

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

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

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

1) Deposits (part of deposits and remittances)

	Ending Balance	Interest Expense	Rate (%)
For the three months ended <u>March 31, 2020</u>			
Associates	\$ 2,298	\$ -	0.04-0.10
Others	<u>4,518,834</u>	<u>11,818</u>	0.00-6.56
	<u>\$ 4,521,132</u>	<u>\$ 11,818</u>	
For the three months ended <u>March 31, 2019</u>			
Associates	\$ 18,450	\$ -	0.45
Others	<u>3,153,229</u>	<u>17,392</u>	0.00-6.56
	<u>\$ 3,171,679</u>	<u>\$ 17,392</u>	

2) Loan

	Maximum Balance	Ending Balance	Interest Revenue	Rate (%)
For the three months ended <u>March 31, 2020</u>				
Others	<u>\$ 430,000</u>	<u>\$ 430,000</u>	<u>\$ 1,524</u>	1.1786
For the three months ended <u>March 31, 2019</u>				
Others	<u>\$ 430,000</u>	<u>\$ 430,000</u>	<u>\$ 1,530</u>	1.4429

<u>March 31, 2020</u>							
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
<u>December 31, 2019</u>							
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

March 31, 2019

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

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

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

	For the Three Months Ended March 31	
	2020	2019
Others	<u>\$ 6</u>	<u>\$ 3</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 March 31	
	2020	2019
Others	<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 ended March 31, 2020 and 2019 were as follows:

	For the Three Months Ended March 31	
	2020	2019
Short-term employee benefits	\$ 63,126	\$ 64,157
Post-employment benefits	2,329	2,531
Stock-based payments	<u>-</u>	<u>330</u>
	<u>\$ 65,455</u>	<u>\$ 67,018</u>

The remuneration of directors and other key management personnel is determined by the remuneration committee based on individual performance and market trends.

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

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

41. PLEDGED ASSETS

	March 31, 2020	December 31, 2019	March 31, 2019
Financial assets at FVTPL	\$ 12,464,170	\$ 19,061,425	\$ 22,070,214
Financial assets at FVTOCI	9,464,626	2,394,458	1,526,036
Investments in debt instruments measured at amortized cost	-	-	49,997
Discounts and loans	5,301,220	5,760,047	6,449,700
Pledged time deposits	738,067	741,091	756,621
Compensation account for payment	<u>45,960</u>	<u>116,258</u>	<u>54,088</u>
	<u>\$ 28,014,043</u>	<u>\$ 28,073,279</u>	<u>\$ 30,906,656</u>

Under the requirement for joining the Central Bank's Real-time Gross Settlement (RTGS) clearing system, the Bank provided time deposits (parts of other financial assets and due from banks) and negotiable certificates of deposits (part of financial assets at FVTPL and 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 bond investments and were mainly provided as collateral for exchange clearing, interest rate swap contracts, trust compensation, and for EverTrust Bank to issue certificates of deposit in the United States. Besides, the above loans were provided as collateral for EverTrust Bank to apply for credit limit with Federal Home Loan Bank of San Francisco. Restricted assets were provided not merely as collateral for short-term loans, commercial paper issued, contract security deposit and administrative reliefs but were also pledged for Central Bank's bond bidding.

42. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

- a. Except for other disclosures, As of March 31, 2020, December 31, 2019 and March 31, 2019, the Group had commitments as follows:

	March 31, 2020	December 31, 2019	March 31, 2019
Office decorating and contracts of computer software			
Amount of contracts	\$ 115,177	\$ 126,642	\$ 158,515
Payments for construction in progress and prepayments for equipment	98,483	91,330	94,590

- b. Yijingyang Industrial Co., Ltd. allegedly applied to the Bank for loan receivables off-take financing through false transactions, causing damage to the Bank. The Bank filed a criminal complaint against the company and related persons. The official sued in January 2020, and the Bank also filed a lawsuit in the civil court of the Taiwan Taipei District Court in January 2020 in accordance with the law.

43. TRUST BUSINESS UNDER THE TRUST LAW

Balance Sheet of Trust Accounts

	March 31, 2020	December 31, 2019	March 31, 2019
Trust assets			
Petty cash	\$ 100	\$ 100	\$ 100
Bank deposits	1,632,991	1,665,135	1,927,471
Financial assets	2,752,614	2,875,818	2,226,609
Interest receivable	1,067	35	44
Prepayments	1,226	1,578	1,103
Real estate	8,238,959	8,238,959	9,188,676
Other assets	<u>24,865</u>	<u>26,705</u>	<u>30,431</u>
Total trust assets	<u>\$ 12,651,822</u>	<u>\$ 12,808,330</u>	<u>\$ 13,374,434</u>
Trust capital and liability			
Payables	\$ 46,146	\$ 2,204	\$ 44,817
Unearned receipts	1,141	1,266	531
Taxes payable	7,896	4,297	7,839
Receipts under custody	-	-	106
Deposits received	61,015	64,658	73,550
Other liabilities	439	1,024	491
Trust capital	12,395,796	12,572,930	13,109,104
Provisions and accumulated profit and loss	<u>139,389</u>	<u>161,951</u>	<u>137,996</u>
Trust capital and liability	<u>\$ 12,651,822</u>	<u>\$ 12,808,330</u>	<u>\$ 13,374,434</u>

Income Statements of Trust Accounts

	For the Three Months Ended March 31	
	2020	2019
Trust revenue		
Interest revenue	\$ 1,466	\$ 9,986
Rent revenue	29,076	29,464
Other revenue	<u>363</u>	<u>1</u>
	<u>30,905</u>	<u>39,451</u>
Trust expenses		
Management fees	(863)	(205)
Fees	(1,305)	(24)
Tax	(3,599)	(3,606)
Other expenses	(3,283)	(3,246)
Income tax expense	<u>(117)</u>	<u>(974)</u>
	<u>(9,167)</u>	<u>(8,055)</u>
	<u>\$ 21,738</u>	<u>\$ 31,396</u>

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

Trust Property List

	March 31, 2020	December 31, 2019	March 31, 2019
Petty cash	\$ 100	\$ 100	\$ 100
Bank deposits	1,632,991	1,665,135	1,927,471
Stocks	228,378	228,378	228,378
Funds	2,524,236	2,647,440	1,998,231
Land	7,398,368	7,398,368	8,343,053
Real estates	840,591	840,591	845,623
Interest receivables	1,067	35	44
Prepayments	1,226	1,578	1,103
Other	<u>24,865</u>	<u>26,705</u>	<u>30,431</u>
	<u>\$ 12,651,822</u>	<u>\$ 12,808,330</u>	<u>\$ 13,374,434</u>

44. FINANCIAL INSTRUMENTS

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

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

Except as detailed in the following table, the management consider that the carrying amounts of financial assets and financial liabilities recognized in the condensed consolidated financial statements approximate their fair values or their fair values cannot be reliably measured.

	March 31, 2020		December 31, 2019		March 31, 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial assets</u>						
Investments in debt instruments at amortized costs	\$ -	\$ -	\$ -	\$ -	\$ 499,968	\$ 500,940
<u>Financial liabilities</u>						
Bank debentures payable	18,700,000	18,745,262	18,700,000	18,808,992	17,850,000	17,914,709

2) The fair value hierarchy

(In Thousands of New Taiwan Dollars)

Financial Instrument Items at Fair Value	March 31, 2020			
	Total	Level 1	Level 2	Level 3
<u>Financial liabilities</u>				
Bank debentures payable	18,745,262	18,745,262	-	-
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	March 31, 2019			
	Total	Level 1	Level 2	Level 3
<u>Financial assets</u>				
Investments in debt instruments at amortized costs	\$ 500,940	\$ -	\$ 500,940	\$ -
<u>Financial liabilities</u>				
Bank notes payable	17,914,709	17,914,709	-	-

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

b. Fair value information - financial instruments carried at fair value on a duplicated basis

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

(In Thousands of New Taiwan Dollars)

Item	March 31, 2020			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at FVTPL				
Stocks and beneficial certificates	\$ 876,860	\$ 247,325	\$ 500,000	\$ 129,535
Bonds	151,004	-	151,004	-
Bills	93,689,861	-	93,689,861	-
Convertible bonds and structured bonds	11,495,008	138,784	1,325,717	10,030,507
Negotiable certificates of deposit	50,366,648	-	50,366,648	-
Financial assets at FVTOCI				
Equity instruments	3,562,213	2,780,872	132,942	648,399
Debt instruments	144,854,187	-	144,854,187	-
Liabilities				
Financial liabilities at FVTPL	168,324	-	168,324	-
<u>Derivative financial instruments</u>				
Assets				
Financial assets at FVTPL	237,968	-	237,968	-
Liabilities				
Financial liabilities at FVTPL	279,461	-	279,461	-

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	-
Convertible bonds and structured bonds	10,078,449	120,203	1,334,797	8,623,449
Negotiable certificates of deposit	69,631,538	-	69,631,538	-
Financial assets at 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	March 31, 2019			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial instruments</u>				
Assets				
Financial assets at FVTPL				
Stocks and beneficial certificates	\$ 472,717	\$ 400,470	\$ -	\$ 72,247
Bonds	299,745	-	299,745	-
Bills	90,575,920	-	90,575,920	-
Convertible bonds and structured bonds	8,823,116	318,852	1,437,412	7,066,852
Negotiable certificates of deposit	66,386,559	-	66,386,559	-
Financial assets at FVTOCI				
Equity instruments	2,566,469	1,525,760	133,945	906,764
Debt instruments	141,744,592	-	141,744,592	-
Liabilities				
Financial liabilities as at FVTPL	4,081	-	4,081	-
<u>Derivative financial instruments</u>				
Assets				
Financial assets at FVTPL	436,807	-	436,807	-
Liabilities				
Financial liabilities at FVTPL	470,953	-	470,953	-

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

For the three months ended March 31, 2020

Financial Assets	Financial Assets at Fair Value Through Profit or Loss		Financial Assets at Fair Value Through Other Comprehensive Income Equity Instruments	Total
	Convertible Bonds	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	(22,142)	(130,784)	-	(152,926)
Recognition in other comprehensive income - financial assets at fair value through other comprehensive income	-	-	(11,645)	(11,645)
Purchases	3,314,900	56,776	-	3,371,676
Disposals	(1,885,700)	-	(194,660)	(2,080,360)
Ending balance	<u>\$ 10,030,507</u>	<u>\$ 129,535</u>	<u>\$ 648,399</u>	<u>\$ 10,808,441</u>

For the three months ended March 31, 2019

Financial Assets	Financial Assets at Fair Value Through Profit or Loss		Financial Assets at Fair Value Through Other Comprehensive Income Equity Instruments	Total
	Convertible Bonds	Equity Instruments		
Beginning balance	\$ 6,498,395	\$ 71,499	\$ 856,518	\$ 7,426,412
Recognition in profit or loss - financial assets at fair value through profit or loss	7,357	643	-	8,000
Recognition in other comprehensive income - financial assets at fair value through other comprehensive income	-	-	(12,785)	(12,785)
Purchases	2,732,600	105	-	2,732,705
Disposals	(2,171,500)	-	(23,250)	(2,194,750)
Transfer to Level 3	-	-	86,281	86,281
Ending balance	<u>\$ 7,066,852</u>	<u>\$ 72,247</u>	<u>\$ 906,764</u>	<u>\$ 8,045,863</u>

The assets held at the balance sheet date, which were included in the profit and loss and the unrealized gains and losses on March 31, 2020 and 2019, consisted of \$147,077 thousand in loss and \$1,252 thousand in profit, respectively.

Some of the Group's investment targets had been withdrawn for the three months period ended March 31, 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 three months period ended March 31, 2020 and 2019.

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

The fair value measurement of financial instruments is reasonable, although the use of different valuation models or parameters may lead to different evaluation results. For the fair value measurements of structured bonds which fall under Level 3 of the fair value hierarchy, they are evaluated according to counterparty quotes; for bonds and convertible corporate bonds for asset swaps which have no quoted market prices, they are evaluated using the future cash flows discounted model. In order to calculate the zero coupon yield curve, the Group uses LIBOR rate and U.S. dollar Swap Rate plus credit charge. Were there to be a 10% or 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 three months ended March 31, 2020 and 2019 periods would be as follows:

For the three months ended March 31, 2020

(In Thousands of New Taiwan Dollars)

	Movement: Upward/ Downward	Effect on Profit and Loss		Effect on Other Comprehensive Income	
		Favorable	Unfavorable	Favorable	Unfavorable
Convertible bond	1BP	\$ 1,459	\$ (1,459)	\$ -	\$ -
Equity instruments	10%	12,954	(12,954)	73,393	(73,393)

For the three months ended March 31, 2019

(In Thousands of New Taiwan Dollars)

	Movement: Upward/ Downward	Effect on Profit and Loss		Effect on Other Comprehensive Income	
		Favorable	Unfavorable	Favorable	Unfavorable
Convertible bond	1BP	\$ 1,119	\$ (1,119)	\$ -	\$ -
Equity instruments	10%	7,225	(7,225)	97,677	(97,677)

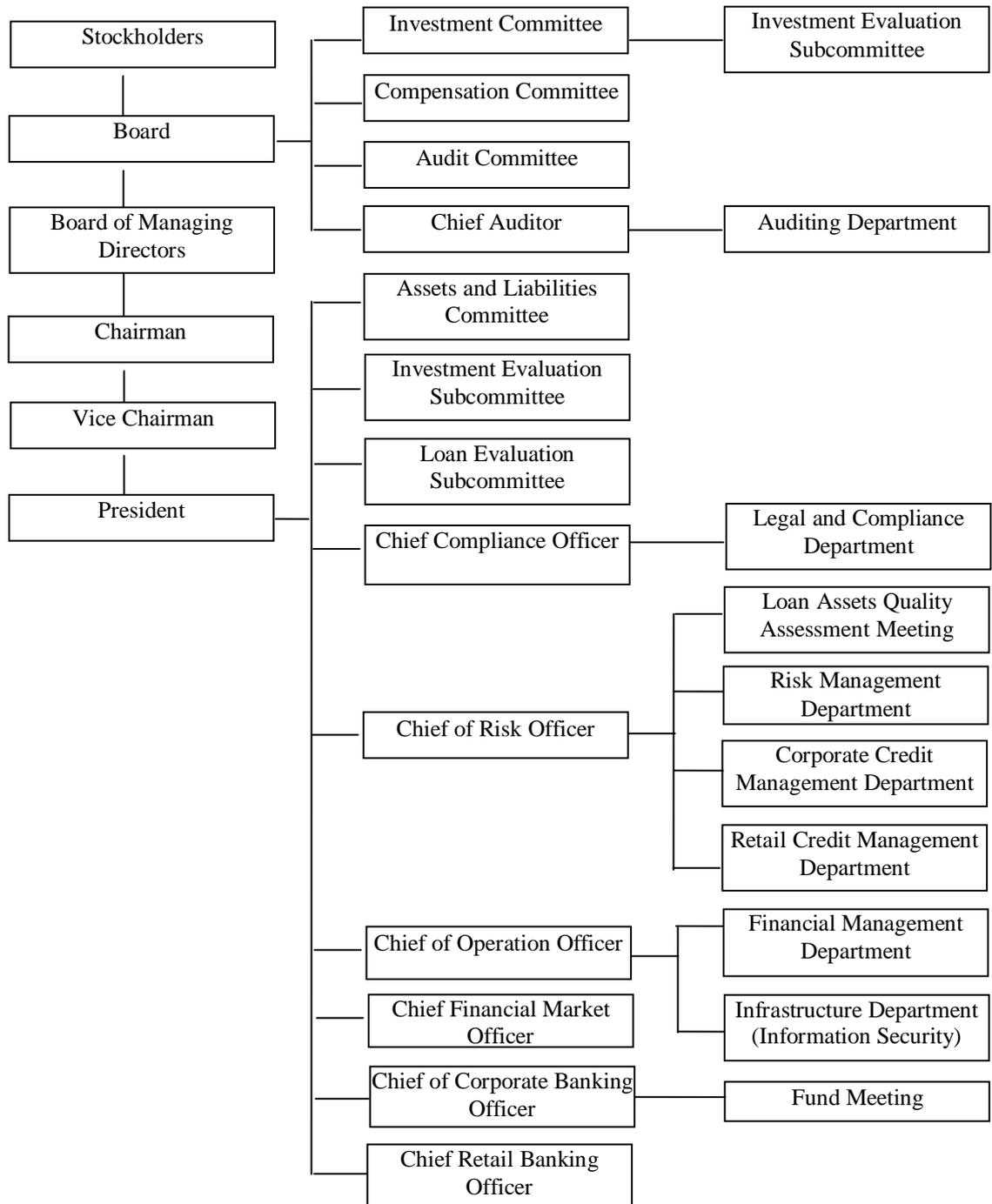
45. FINANCIAL RISK MANAGEMENT

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 regulator's requirements and monitors to meet the Basel III international requirements of the Basel Commission.

b. Risk management framework

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



- 1) Assets and Liabilities Committee: 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 5-8, and choose the action to be taken.
 - ii. Authorized the investment assess result provide by evaluation staff. The composition of evaluation result is consisted with period, industries, economic recycle and evaluation method suggested by accounting principal.
 - iii. Access the probable loss of investment assets, pass cases of investment loss recognition, and make the proposal to the board.
 - iv. Track the status of customers still in operating which were full recognized as loss.

China Bills Finance Corporation’s (CBF) board of directors has the ultimate responsibility for risk framework 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 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 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		
	March 31, 2020	December 31, 2019	March 31, 2019
Financial guarantees and irrevocable documentary letter of credit			
Contract amounts	\$ 130,728,716	\$ 129,913,751	\$ 124,041,366
Maximum exposure amounts	130,728,716	129,913,751	124,041,366
Loan commitments	42,335,674	52,430,535	55,232,817

7) Concentration of credit risk exposure

Concentrations of credit risk exist when the counterparty includes only one specific person or include many people who engage in similar business which are similar in economic 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 March 31, 2020, December 31, 2019 and March 31, 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	March 31, 2020		December 31, 2019		March 31, 2019	
	Amount	%	Amount	%	Amount	%
Financial and insurance	\$ 82,243,000	27	\$ 80,703,164	26	\$ 82,448,762	27
Manufacturing	65,643,205	21	66,421,881	22	74,918,863	25
Real estate	61,989,889	20	59,667,556	20	60,309,780	20

b) By counterparty

Credit Risk Profile by Industry Sector	March 31, 2020		December 31, 2019		March 31, 2019	
	Amount	%	Amount	%	Amount	%
Private sector	\$ 171,831,298	85	\$ 168,455,809	86	\$ 181,827,508	91
Natural person	31,062,923	15	28,502,648	14	17,838,566	9

c) By geographical area

Credit Risk Profile by Industry Sector	March 31, 2020		December 31, 2019		March 31, 2019	
	Amount	%	Amount	%	Amount	%
Domestic	\$ 128,817,977	63	\$ 123,721,500	63	\$ 121,617,592	61
America	36,962,952	18	37,043,347	19	37,368,174	19
Other Asia area	28,569,243	14	27,253,098	14	31,726,332	16

8) Credit quality and impairment assessment of financial assets

Some financial assets such as cash and cash equivalents, due from Central Bank and call loan to banks, financial asset at fair value through profit or loss, bills and 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.

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

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

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

b) Credit risk management for investments in debt instruments

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

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

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

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

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

The gross carrying amounts of debt instrument investments by credit category is as follows:

March 31, 2020

Category	Gross Carrying Amount
Performing	\$ 143,829,167
Doubtful	1,000,037
In default	-

December 31, 2019

Category	Gross Carrying Amount
Performing	\$ 136,955,987
Doubtful	1,400,040
In default	-

March 31, 2019

Category	Gross Carrying Amount
Performing	\$ 139,709,206
Doubtful	1,400,052
In default	-

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

	Credit Rating		Total
	Performing (12-month ECLs)	Doubtful (Lifetime ECLs - Not Credit- impaired)	
Balance at January 1, 2020	\$ 38,272	\$ 8,136	\$ 46,408
Default to write off	665	(908)	(243)
New financial assets purchased	690	-	690
Derecognition of financial assets	(1,569)	-	(1,569)
Change in model or risk parameters	667	-	667
Exchange rate or other changes	<u>40</u>	<u>-</u>	<u>40</u>
Balance at March 31, 2020	<u>\$ 38,765</u>	<u>\$ 7,228</u>	<u>\$ 45,993</u>

	Credit Rating		
	Performing (12-month ECLs)	Doubtful (Lifetime ECLs - Not Credit- impaired)	Total
Balance at January 1, 2019	\$ 35,671	\$ -	\$ 35,671
Changes in credit rating			
performing to doubtful	(923)	923	-
Default to write off	(557)	10,386	9,829
New financial assets purchased	542	-	542
Derecognition of financial assets	(817)	-	(817)
Change in model or risk parameters	(135)	-	(135)
Exchange rate or other changes	<u>5</u>	<u>-</u>	<u>5</u>
Balance at March 31, 2019	<u>\$ 33,786</u>	<u>\$ 11,309</u>	<u>\$ 45,095</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

March 31, 2020

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Impairment Provided in Accordance with Law	Total
Receivables	\$ 15,031,747	\$ 139,013	\$ 410,363	\$ -	\$ 15,581,123
Allowance for credit losses	(180,633)	(29,430)	(214,246)	-	(424,309)
Impairment provided in accordance with law					
Non-accrual Loans	<u>-</u>	<u>-</u>	<u>-</u>	<u>(20,942)</u>	<u>(20,942)</u>
Net total	<u>\$ 14,851,114</u>	<u>\$ 109,583</u>	<u>\$ 196,117</u>	<u>\$ (20,942)</u>	<u>\$ 15,135,872</u>

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Impairment Provided in Accordance with Law	Total
Discounts and loans	\$ 183,788,169	\$ 16,336,895	\$ 2,769,157	\$ -	\$ 202,894,221
Allowance for credit losses	(301,810)	(71,984)	(374,118)	-	(747,912)
Impairment provided in accordance with law					
Non-accrual Loans	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,028,963)</u>	<u>(2,028,963)</u>
Net total	<u>\$ 183,486,359</u>	<u>\$ 16,264,911</u>	<u>\$ 2,395,039</u>	<u>\$ (2,028,963)</u>	<u>\$ 200,117,346</u>

December 31, 2019

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Impairment Provided in Accordance with Law	Total
Receivables	\$ 16,348,342	\$ 190,010	\$ 425,106	\$ -	\$ 16,963,458
Allowance for credit losses	(196,173)	(35,928)	(226,869)	-	(458,970)
Impairment provided in accordance with law Non-accrual Loans	-	-	-	(21,314)	(21,314)
Net total	<u>\$ 16,152,169</u>	<u>\$ 154,082</u>	<u>\$ 198,237</u>	<u>\$ (21,314)</u>	<u>\$ 16,483,174</u>

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Impairment Provided in Accordance with Law	Total
Discounts and loans	\$ 177,477,719	\$ 16,398,011	\$ 3,082,728	\$ -	\$ 196,958,458
Allowance for credit losses	(265,977)	(77,304)	(403,522)	-	(746,803)
Impairment provided in accordance with law Non-accrual Loans	-	-	-	(1,965,426)	(1,965,426)
Net total	<u>\$ 177,211,742</u>	<u>\$ 16,320,707</u>	<u>\$ 2,679,206</u>	<u>\$ (1,965,426)</u>	<u>\$ 194,246,229</u>

March 31, 2019

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Impairment Provided in Accordance with Law	Total
Receivables	\$ 17,803,659	\$ 322,479	\$ 372,838	\$ -	\$ 18,498,976
Allowance for credit losses	(193,650)	(99,026)	(247,978)	-	(540,654)
Impairment provided in accordance with law Non-accrual Loans	-	-	-	(36,773)	(36,773)
Net total	<u>\$ 17,610,009</u>	<u>\$ 223,453</u>	<u>\$ 124,860</u>	<u>\$ (36,773)</u>	<u>\$ 17,921,549</u>

	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Impairment Provided in Accordance with Law	Total
Discounts and loans	\$ 184,802,808	\$ 13,482,629	\$ 1,380,637	\$ -	\$ 199,666,074
Allowance for credit losses	(195,415)	(52,460)	(331,438)	-	(579,313)
Impairment provided in accordance with law Non-accrual Loans	-	-	-	(2,486,448)	(2,486,448)
Net total	<u>\$ 184,607,393</u>	<u>\$ 13,430,169</u>	<u>\$ 1,049,199</u>	<u>\$ (2,486,448)</u>	<u>\$ 196,600,313</u>

b) Credit analysis for marketable securities

March 31, 2020

	At FVTOCI	At Amortized Cost
Gross carrying amount	\$ 144,829,204	\$ -
Allowance for impairment loss	(45,993)	-
Amortized cost	144,783,211	<u>-</u>
Fair value adjustment	<u>70,976</u>	
	<u>\$ 144,854,187</u>	

December 31, 2019

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

March 31, 2019

	At FVTOCI	At Amortized Cost
Gross carrying amount	\$ 141,109,258	\$ 499,968
Allowance for impairment loss	<u>(45,095)</u>	<u>-</u>
Amortized cost	141,064,163	<u>\$ 499,968</u>
Fair value adjustment	<u>680,429</u>	
	<u>\$ 141,744,592</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 March 31, 2020, December 31, 2019 and March 31, 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 the Group's liquidity.

- d) To establish an appropriate information system to measure, monitor and report liquidity risk.
- e) The setting of the measurement systems or models should include important factors which affect the currency risks of the Bank's fund (including the introduction of new products or services) for managing current risks to help the bank to evaluate and monitor the fund currency risks in the regular condition and under pressure.
- f) To use early warning tools and continuously monitor and report liquidity risk profile, and set liquidity risk limits, with due consideration of business strategy, operational characteristics and risk preference factors.
- g) In addition to the monitoring of the capital requirements, under normal business conditions, the Group should regularly conduct stress tests to evaluate the assumptions in the liquidity position and ensure that banks have sufficient liquidity to withstand stress scenarios; assessment should be made to view liquidity risk management indicators and reasonableness of limits.
- h) Develop appropriate action plans to respond to possible occurrence of liquidity crisis, and regularly review such plans to ensure that the action plans are in line with the banking operating environment and conditions, and can continue to play its role effectively.

As of March 31, 2020, December 31, 2019 and March 31, 2019, the liquidity reserve ratio was 46.09%, 45.89% and 39.37%, 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:

March 31, 2020	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	1+ Year	Total
Due to the Central Bank and banks	\$ 37,867,301	\$ 605,445	\$ -	\$ -	\$ 7,000,000	\$ 45,472,746
Financial liabilities at fair value through profit or loss	150,288	-	-	40	17,996	168,324
Bill and bonds sold under repurchase agreements	131,289,985	19,599,268	3,350,635	251,605	-	154,491,493
Payables	1,366,745	145,360	746,676	434,582	109,448	2,802,811
Deposits and remittances	60,091,674	54,896,730	52,548,887	62,482,326	38,113,602	268,133,219
Bank debentures payable	-	2,300,000	-	1,300,000	15,100,000	18,700,000
Other financial liabilities	972,196	2,351,073	1,613,776	1,512,969	6,340,038	12,790,052
Lease liabilities	14,798	25,731	38,001	73,814	372,147	524,491
	<u>\$ 231,752,987</u>	<u>\$ 79,923,607</u>	<u>\$ 58,297,975</u>	<u>\$ 66,055,366</u>	<u>\$ 67,053,231</u>	<u>\$ 503,083,136</u>
December 31, 2019	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	1+ Year	Total
Due to the Central Bank and banks	\$ 33,236,111	\$ 3,203,287	\$ -	\$ -	\$ 7,000,000	\$ 43,439,398
Financial liabilities at fair value through profit or loss	4,462	-	-	-	-	4,462
Bill 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	3,678,621
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>

March 31, 2019	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	1+ Year	Total
Due to the Central Bank and banks	\$ 27,330,273	\$ 5,213,117	\$ -	\$ -	\$ -	\$ 32,543,390
Financial liabilities at fair value through profit or loss	4,081	-	-	-	-	4,081
Bill and bonds sold under repurchase agreements	135,199,320	27,708,548	976,860	94,472	-	163,979,200
Payables	1,811,587	314,821	2,274,136	458,675	83,700	4,942,919
Deposits and remittances	57,083,309	81,314,327	63,828,038	50,503,490	24,167,431	276,896,595
Bank debentures payable	-	-	1,650,000	-	16,200,000	17,850,000
Other financial liabilities	4,423,049	1,995,890	1,429,203	1,481,012	6,489,491	15,818,645
	<u>\$ 225,851,619</u>	<u>\$ 116,546,703</u>	<u>\$ 70,158,237</u>	<u>\$ 52,537,649</u>	<u>\$ 46,940,622</u>	<u>\$ 512,034,830</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:

March 31, 2020	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	1+ Year	Total
Deliverable						
Forward contracts	\$ 2,767	\$ 753	\$ 425	\$ 744	\$ -	\$ 4,689
Currency swap contracts	92,924	66,759	35,738	14,974	-	210,395
Others	205	3,260	8,023	258	3,128	14,874
	<u>95,896</u>	<u>70,772</u>	<u>44,186</u>	<u>15,976</u>	<u>3,128</u>	<u>229,958</u>
Non-deliverable						
Interest rate swap contracts	-	-	10,442	648	38,413	49,503
	<u>\$ 95,896</u>	<u>\$ 70,772</u>	<u>\$ 54,628</u>	<u>\$ 16,624</u>	<u>\$ 41,541</u>	<u>\$ 279,461</u>

December 31, 2019	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	1+ Year	Total
Deliverable						
Forward contracts	\$ 6,694	\$ 5,392	\$ 2,743	\$ 1,001	\$ -	\$ 15,830
Currency swap contracts	134,012	220,821	59,724	23,383	-	437,940
Others	2,191	78	972	106	-	3,347
	<u>142,897</u>	<u>226,291</u>	<u>63,439</u>	<u>24,490</u>	<u>-</u>	<u>457,117</u>
Non-deliverable						
Interest rate swap contracts	-	-	-	16,182	55,821	72,003
	<u>\$ 142,897</u>	<u>\$ 226,291</u>	<u>\$ 63,439</u>	<u>\$ 40,672</u>	<u>\$ 55,821</u>	<u>\$ 529,120</u>

March 31, 2019	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	1+ Year	Total
Deliverable						
Forward contracts	\$ 6,229	\$ 4,539	\$ 18,057	\$ 61,470	\$ -	\$ 90,295
Currency swap contracts	221,432	12,890	8,556	17,120	-	259,998
Others	2,803	436	6,420	-	-	9,659
	<u>230,464</u>	<u>17,865</u>	<u>33,033</u>	<u>78,590</u>	<u>-</u>	<u>359,952</u>
Non-deliverable						
Interest rate swap contracts	1,220	817	578	-	108,386	111,001
	<u>\$ 231,684</u>	<u>\$ 18,682</u>	<u>\$ 33,611</u>	<u>\$ 78,590</u>	<u>\$ 108,386</u>	<u>\$ 470,953</u>

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

March 31, 2020	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	1+ Year	Total
Unused letters of credit	\$ 325,984	\$ 257,671	\$ 123,428	\$ -	\$ -	\$ 707,083
Other guarantees	39,588,236	79,332,419	7,321,637	3,733,354	45,987	130,021,633
Loan commitments	1,089,666	2,179,333	3,268,999	6,537,999	29,259,677	42,335,674
	<u>\$ 41,003,886</u>	<u>\$ 81,769,423</u>	<u>\$ 10,714,064</u>	<u>\$ 10,271,353</u>	<u>\$ 29,305,664</u>	<u>\$ 173,064,390</u>

December 31, 2019	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	1+ Year	Total
Unused letters of credit	\$ 403,001	\$ 826,879	\$ 132,285	\$ -	\$ -	\$ 1,362,165
Other guarantees	43,119,200	72,169,983	8,528,891	4,684,122	49,390	128,551,586
Loan commitments	<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>

March 31, 2019	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	1+ Year	Total
Unused letters of credit	\$ 541,495	\$ 938,014	\$ 136,838	\$ 21,583	\$ 7,262	\$ 1,645,192
Other guarantees	38,500,537	70,481,036	7,382,262	5,837,981	194,358	122,396,174
Loan commitments	<u>1,636,440</u>	<u>3,272,881</u>	<u>4,909,321</u>	<u>9,818,642</u>	<u>35,595,533</u>	<u>55,232,817</u>
	<u>\$ 40,678,472</u>	<u>\$ 74,691,931</u>	<u>\$ 12,428,421</u>	<u>\$ 15,678,206</u>	<u>\$ 35,797,153</u>	<u>\$ 179,274,183</u>

e. Market risk

1) Source and definition of market risk

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

2) Market risk management strategy and process

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

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

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

3) Market risk management organization and framework

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

b) Assets and Liabilities Committee: In charge of stipulating market risk management policy and monitoring the operating of market risk management. The Bank assembles related departments to hold an assets-and-liabilities assessment meeting to review the market risk management policy and the next year proposal of product parts quotas and annual stop-loss of the trading business expected to be submitted to the Board.

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

4) Market risk report and evaluation system

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

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

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

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

5) Value at risk

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

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

O-Bank

	March 31, 2020			December 31, 2019			March 31, 2019		
	Average	High	Low	Average	High	Low	Average	High	Low
Currency exchange rate risk	\$ 1,662	\$ 3,607	\$ 352	\$ 1,507	\$ 4,271	\$ 20	\$ 1,148	\$ 3,108	\$ 20
Fair value risk resulting from interest rate	2,203	6,925	1,243	1,421	5,410	121	1,529	5,410	121
Fair value resulting from stock price	8,013	11,714	1,526	5,999	14,831	812	10,012	14,831	3,880

6) Foreign currency rate risk information

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

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

	March 31, 2020		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary item			
USD	\$ 3,071,993	30.2721	\$ 92,995,703
JPY	2,162,891	0.2794	604,209
HKD	7,611,322	3.9047	29,719,929
EUR	18,790	33.2858	625,439
AUD	38,924	18.6686	726,657
RMB	2,357,779	4.2613	10,047,276
<u>Financial liabilities</u>			
Monetary item			
USD	3,065,085	30.2721	92,786,579
JPY	1,916,519	0.2794	53,538,418
HKD	5,100,916	3.9047	19,917,547
EUR	11,594	33.2858	385,915
AUD	7,882	18.6686	147,146
RMB	1,645,050	4.2613	7,010,100
	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

	March 31, 2019		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary item			
USD	\$ 2,982,755	30.8325	\$ 91,965,666
JPY	1,621,308	0.2782	450,984
HKD	8,052,395	3.9278	31,628,039
EUR	21,210	34.6037	733,940
AUD	1,202	21.8566	26,272
RMB	2,580,052	4.5824	11,822,853
<u>Financial liabilities</u>			
Monetary item			
USD	2,806,899	30.8325	86,543,593
JPY	1,254,302	0.2782	348,897
HKD	6,404,734	3.9278	25,156,389
EUR	10,748	34.6037	371,921
AUD	8,624	21.8566	188,491
RMB	2,116,438	4.5824	9,698,386

f. Banking book interest risk

1) Source and definition of banking book interest risk

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

2) Banking book interest risk management strategy and process

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

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

3) Banking book interest risk management organization and framework

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

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

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

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

The Risk Management Department set the regulation with banking book interest risk as follow, limit of position, annual stop buying maximum loss limit, FS Sensitivity limit, duration 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 banking book interest risk.

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

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

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

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

O-Bank

	For the Three Months Ended March 31			
	2020		2019	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>				
Due from banks (part of cash and cash equivalents and other financial assets)	\$ 1,090,812	1.96	\$ 1,125,978	3.03
Call loans to banks	10,104,101	1.26	17,169,428	1.75
Due from the Central Bank	5,227,092	0.62	4,732,480	0.66
Financial assets at FVTPL	81,364,957	0.62	59,090,595	0.65
Bills and bonds purchased under resell agreements	-	-	98,025	0.13
Discounts and loans	177,847,376	2.50	181,153,373	2.63
Financial assets at FVTOCI	33,465,626	1.73	41,557,622	1.88
Investments in debt instruments at amortized costs	-	-	499,949	1.13
Receivables	1,414,725	1.86	2,182,492	2.56
<u>Interest-bearing liabilities</u>				
Due to the Central Bank and banks	32,884,166	1.14	29,111,545	2.02
Demand deposits	48,641,747	0.54	39,529,812	0.49
Time deposits	195,157,253	1.21	202,055,393	1.40
Bills and bonds sold under repurchase agreements	2,193,547	0.46	3,953,063	0.42
Bank debentures payable	18,700,000	2.00	17,850,000	2.04

China Bills Finance Corporation (CBF)

	For the Three Months Ended March 31			
	2020		2019	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>				
Cash and cash equivalents (including certificate of deposits)	\$ 773,196	0.09	\$ 865,944	0.09
Call loans to banks	111,566	0.30	-	-
Financial assets at fair value through profit or loss - bonds and bills	87,834,007	0.59	90,109,693	0.64
FVTOCI – debt instruments	99,826,117	1.39	96,916,619	1.35
Financial instruments at fair value through profit or loss - hybrid financial assets	8,835,600	1.52	6,751,341	1.52
Securities purchased under resell agreements	1,224,419	0.16	599,484	0.34
<u>Interest-bearing liabilities</u>				
Due to other banks	18,017,897	0.63	17,336,120	0.79
Bank overdraft	1,721	1.75	2,993	1.83
Securities sold under repurchase agreements	157,120,812	0.64	154,826,371	0.63
Commercial paper issued, net	-	-	722,222	0.68

46. CAPITAL MANAGEMENT

a. Strategies to maintain capital adequacy

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

b. Capital assessment program

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

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

O-Bank

a. Credit risk

- 1) Asset quality of loans: Refer to Table 4.
- 2) Concentration of credit extensions

March 31, 2020

(In Thousands of New Taiwan Dollars, %)

Rank	Company Name	Credit Extensions Balance	% of Net Asset Value
1	A Company (real estate development)	\$ 6,943,275	21.27
2	B Company (unclassified other financial service)	4,988,000	15.28
3	C Company (unclassified other financial service)	3,655,623	11.20
4	D Company (ocean transportation)	3,361,089	10.30
5	E Company (accommodation industry)	3,108,594	9.52
6	F Company (retail sales of other food, beverages and tobacco in specialized stores)	3,012,161	9.23
7	G Company (real estate development)	2,728,419	8.36
8	H Company (non-hazardous waste treatment industry)	2,694,971	8.26
9	I Company (real estate development)	2,257,488	6.92
10	J Company (unclassified other financial service)	2,200,000	6.74

March 31, 2019

(In Thousands of New Taiwan Dollars, %)

Rank	Company Name	Credit Extensions Balance	% of Net Asset Value
1	A Company (real estate development)	\$ 5,660,601	17.20
2	B Company (unclassified other financial service)	5,000,000	15.19
3	G Company (real estate development)	3,386,930	10.29
4	D Company (ocean transportation)	3,139,666	9.54
5	E Company (accommodation industry)	3,137,370	9.53
6	C Company (unclassified other financial service)	3,001,724	9.12
7	K Company (real estate development)	2,493,068	7.57
8	L Company (chemistry manufacturing)	2,206,000	6.70
9	M Company (unclassified other financial service)	2,096,983	6.37
10	N Company (accommodation industry)	2,028,499	6.16

b. Market risk

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

(In Thousands 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	\$ 173,772,313	\$ 32,114,330	\$ 15,447,218	\$ 8,284,038	\$ 229,617,899
Interest rate-sensitive liabilities	67,707,162	60,730,256	58,674,410	35,169,005	222,280,833
Interest rate-sensitive gap	106,065,151	(28,615,926)	(43,227,192)	(26,884,967)	7,337,066
Net worth					29,540,063
Ratio of interest rate-sensitive assets to liabilities					103.30%
Ratio of interest rate sensitivity gap to net worth					24.84%

December 31, 2019

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

March 31, 2019

(In Thousands 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	\$ 157,714,958	\$ 8,298,808	\$ 9,884,162	\$ 52,515,824	\$ 228,413,752
Interest rate-sensitive liabilities	59,147,960	72,682,076	45,240,171	41,563,968	218,634,175
Interest rate-sensitive gap	98,566,998	(64,383,268)	(35,356,009)	10,951,856	9,779,577
Net worth					30,033,079
Ratio of interest rate-sensitive assets to liabilities					104.47%
Ratio of interest rate sensitivity gap to net worth					32.56%

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)
March 31, 2020

(In Thousands of U.S. Dollars, %)

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	\$ 1,557,277	\$ 12,355	\$ 20,880	\$ 907,721	\$ 2,498,233
Interest rate-sensitive liabilities	1,615,460	630,068	164,104	-	2,409,632
Interest rate-sensitive gap	(58,183)	(617,713)	(143,224)	907,721	88,601
Net worth					108,525
Ratio of interest rate-sensitive assets to liabilities					103.68%
Ratio of interest rate sensitivity gap to net worth					81.64%

December 31, 2019

(In Thousands of U.S. Dollars, %)

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

March 31, 2019

(In Thousands of U.S. Dollars, %)

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	\$ 1,583,784	\$ 75,346	\$ 24,973	\$ 816,451	\$ 2,500,554
Interest rate-sensitive liabilities	1,604,741	671,386	148,414	5,134	2,429,675
Interest rate-sensitive gap	(20,957)	(596,040)	(123,441)	811,317	70,879
Net worth					83,676
Ratio of interest rate-sensitive assets to liabilities					102.92%
Ratio of interest rate sensitivity gap to net worth					84.71%

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 Three Months Ended March 31, 2020	For the Three Months Ended March 31, 2019
Return on total assets	Before income tax	0.03	0.17
	After income tax	0.03	0.14
Return on equity	Before income tax	0.35	1.72
	After income tax	0.35	1.46
Net income ratio		10.41	31.65

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 revenues

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

2) Maturity analysis of assets and liabilities

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

(In Thousands of New Taiwan Dollars)

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 266,616,990	\$ 82,290,725	\$ 20,900,902	\$ 23,116,020	\$ 17,954,221	\$ 23,370,892	\$ 98,984,230
Main capital outflow on maturity	299,846,570	27,523,280	19,495,349	40,477,191	43,650,840	66,709,366	101,990,544
Gap	(33,229,580)	54,767,445	1,405,553	(17,361,171)	(25,696,619)	(43,338,474)	(3,006,314)

December 31, 2019

(In Thousands of New Taiwan Dollars)

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

March 31, 2019

(In Thousands of New Taiwan Dollars)

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 262,424,577	\$ 54,532,356	\$ 24,145,979	\$ 32,519,292	\$ 17,826,985	\$ 20,247,360	\$ 113,152,605
Main capital outflow on maturity	301,172,313	9,088,073	29,280,462	63,758,873	53,265,251	55,635,216	90,144,438
Gap	(38,747,736)	45,444,283	(5,134,483)	(31,239,581)	(35,438,266)	(35,387,856)	23,008,167

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

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

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 3,642,352	\$ 1,173,309	\$ 907,031	\$ 414,419	\$ 167,137	\$ 980,456
Main capital outflow on maturity	3,712,391	1,448,704	854,695	607,831	255,445	545,716
Gap	(70,039)	(275,395)	52,336	(193,412)	(88,308)	434,740

December 31, 2019

(In Thousands of U.S. Dollars)

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

March 31, 2019

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 3,495,099	\$ 1,061,602	\$ 818,733	\$ 491,811	\$ 261,893	\$ 861,060
Main capital outflow on maturity	3,678,573	1,411,689	949,331	583,781	264,973	468,799
Gap	(183,474)	(350,087)	(130,598)	(91,970)	(3,080)	392,261

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

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

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

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 1,304,025	\$ 596,443	\$ 314,592	\$ 31,222	\$ 19,040	\$ 342,728
Main capital outflow on maturity	1,287,363	544,640	352,363	128,201	28,025	234,134
Gap	16,662	51,803	(37,771)	(96,979)	(8,985)	108,594

December 31, 2019

(In Thousands of U.S. Dollars)

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

March 31, 2019

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	\$ 1,033,951	\$ 465,735	\$ 146,406	\$ 30,398	\$ 11,733	\$ 379,679
Main capital outflow on maturity	1,038,201	423,563	216,167	210,912	38,606	148,953
Gap	(4,250)	42,172	(69,761)	(180,514)	(26,873)	230,726

China Bills Finance Corporation

a. Asset quality

(Unit: In Thousands of New Taiwan Dollars, %)

Item	Period		
	March 31, 2020	December 31, 2019	March 31, 2019
Balance of guarantees and endorsement credits overdue within 3 months	\$ -	\$ -	\$ -
Nonperforming debts (include overdue receivables)	-	-	-
Credits under observation	-	-	-
Overdue receivables	-	-	-
Ratio of nonperforming debts	0.00%	0.00%	0.00%
Ratio of nonperforming debts and credits under observation	0.00%	0.00%	0.00%
Required provision for credit losses and reserve for losses on guarantees	1,196,892	1,207,848	1,048,268
Actual provision for credit losses and reserve for losses on guarantees	1,325,077	1,325,077	1,310,077

b. The principal operation

(Unit: In Thousands of New Taiwan Dollars)

Item	Period		
	March 31, 2020	December 31, 2019	March 31, 2019
Balance of guarantees and endorsement securities	\$ 107,211,300	\$ 108,292,200	\$ 104,672,100
Multiple of guarantees and endorsement securities to net worth (Note)	4.89	4.94	4.72
Short-term bills and bonds sold under repurchase agreements	\$ 151,788,923	\$ 156,809,643	\$ 159,978,030
Multiple of short-term bills and bonds sold under repurchase agreements to net worth (Note)	6.92	7.15	7.21

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

d. Concentrations of credit extensions

(In Thousands of New Taiwan Dollars, %)

Item	Period		March 31, 2020		December 31, 2019		March 31, 2019	
Credit of common interest party			\$	-	\$	-	\$	-
Ratio of credit extensions to common interest parties				-		-		-
Ratio of credit extensions secured by pledged shares				23.00		23.02		19.49
Loan concentration by industry (ratio of top three industry to which credit line issued to credit extension balance)			Type of Industry	%	Type of Industry	%	Type of Industry	%
		1)	Finance and insurance industry	33.83	1) Finance and insurance industry	33.51	1) Finance and insurance industry	34.30
		2)	Manufacturing industry	21.67	2) Manufacturing industry	22.00	2) Manufacturing industry	22.94
		3)	Real estate industry	24.84	3) Real estate industry	24.02	3) Real estate industry	23.60

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

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

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

e. Interest rate sensitivity information of the balance sheet

March 31, 2020

(In Millions of New Taiwan Dollars, %)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	\$ 80,412	\$ 6,323	\$ 9,701	\$ 92,995	\$ 189,431
Interest rate-sensitive liabilities	162,949	3,338	249	-	166,536
Interest rate-sensitive gap	(82,537)	2,985	9,452	92,995	22,895
Net worth					23,925
Ratio of interest rate-sensitive assets to liabilities (%)					113.75
Ratio of interest rate sensitivity gap to net worth (%)					95.69

December 31, 2019

(In Millions of New Taiwan Dollars, %)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	\$ 82,919	\$ 8,734	\$ 7,245	\$ 94,970	\$ 193,868
Interest rate-sensitive liabilities	169,877	1,017	297	-	171,191
Interest rate-sensitive gap	(86,958)	7,717	6,948	94,970	22,677
Net worth					23,855
Ratio of interest rate-sensitive assets to liabilities (%)					113.25
Ratio of interest rate sensitivity gap to net worth (%)					95.06

March 31, 2019

(In Millions of New Taiwan Dollars, %)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	\$ 86,913	\$ 10,163	\$ 8,276	\$ 89,960	\$ 195,312
Interest rate-sensitive liabilities	170,787	977	94	-	171,858
Interest rate-sensitive gap	(83,874)	9,186	8,182	89,960	23,454
Net worth					23,821
Ratio of interest rate-sensitive assets to liabilities (%)					113.65
Ratio of interest rate sensitivity gap to net worth (%)					98.46

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

March 31, 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	\$ 39,197	\$ 36,147	\$ 4,259
	Bonds	1,051	2,708	2,064	9,641	92,995
	Due from banks	259	-	-	-	-
	Call loans	302	-	-	-	-
	Securities purchased under resell agreements	748	-	-	-	-
	Total	41,557	38,855	6,323	9,701	92,995
Cash provided by	Borrowing	14,856	-	-	-	-
	Securities sold under repurchase agreements	128,528	19,565	3,338	249	-
	Eligible capital	-	-	-	-	23,925
	Total	143,384	19,565	3,338	249	23,925
Net cash flows		(101,827)	19,290	2,985	9,452	69,070
Accumulated cash flows		(101,827)	(82,537)	(79,552)	(70,100)	(1,030)

December 31, 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	\$ 33,932	\$ 44,304	\$ 3,974	\$ 253	\$ -
	Bonds	2,203	2,135	4,760	6,992	94,970
	Due from banks	245	-	-	-	-
	Call loans	-	-	-	-	-
	Securities purchased under resell agreements	100	-	-	-	-
	Total	36,480	46,439	8,734	7,245	94,970
Cash provided by	Borrowing	14,501	-	-	-	-
	Securities sold under repurchase agreements	117,328	38,048	1,017	297	-
	Eligible capital	-	-	-	-	23,855
	Total	131,829	38,048	1,017	297	23,855
Net cash flows		(95,349)	8,391	7,717	6,948	71,115
Accumulated cash flows		(95,349)	(86,958)	(79,241)	(72,293)	(1,178)

March 31, 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	\$ 43,713	\$ 38,830	\$ 7,774	\$ 1,100	\$ -
	Bonds	718	3,036	2,389	7,176	89,960
	Due from banks	316	-	-	-	-
	Call loans	-	-	-	-	-
	Securities purchased under resell agreements	300	-	-	-	-
	Total	45,047	41,866	10,163	8,276	89,960
Cash provided by	Borrowing	11,979	-	-	-	-
	Securities sold under repurchase agreements	131,099	27,709	977	94	-
	Eligible capital	-	-	-	-	23,821
	Total	143,078	27,709	977	94	23,821
Net cash flows		(98,031)	14,157	9,186	8,182	66,139
Accumulated cash flows		(98,031)	(83,874)	(74,688)	(66,506)	(367)

g. Matters requiring special notation

Causes	March 31, 2020	December 31, 2019	March 31, 2019
Within the past year, a responsible person or professional employee violated the law in the course of business, resulting in an indictment by a prosecutor	None	None	None
Within the past year, a fine was levied on for violations of the Act Governing Bills Finance Business and the other laws	None	None	None
Within the past year, misconduct occurred, resulting in the Ministry of Finance's imposing strict corrective measures	None	None	None
Within the past year, the individual loss or total loss from employee fraud, accidental and material events, or failure to abide by the "Guidelines for Maintenance of Soundness of Financial Institutions" which exceeded NT\$50 million	None	None	None
Other	None	None	None

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

48. CASH FLOWS INFORMATION

Changes in Liabilities from Financing Activities

For the three months ended March 31, 2020

	January 1, 2020	Cash Inflow (Outflow)	None Cash		March 31, 2020
			Add Leasing	Other	
Bank debentures payable	\$ 18,700,000	\$ -	\$ -	\$ -	\$ 18,700,000
Lease liabilities	498,832	(44,262)	17,417	11,345	483,332
Other financial liabilities	12,909,259	(119,207)	-	-	12,790,052
Other liabilities	<u>2,360,266</u>	<u>277,825</u>	<u>-</u>	<u>(88)</u>	<u>2,638,003</u>
	<u>\$ 34,468,357</u>	<u>\$ 114,356</u>	<u>\$ 17,417</u>	<u>\$ 11,257</u>	<u>\$ 34,661,387</u>

For the three months ended March 31, 2019

	January 1, 2019	Cash Inflow (Outflow)	None Cash		March 31, 2019
			Add Leasing	Other	
Bank debentures payable	\$ 17,850,000	\$ -	\$ -	\$ -	\$ 18,850,000
Lease liabilities	542,298	(42,907)	-	4,292	503,683
Other financial liabilities	15,034,414	784,231	-	-	15,818,645
Other liabilities	<u>2,400,842</u>	<u>220,244</u>	<u>-</u>	<u>32</u>	<u>2,621,118</u>
	<u>\$ 35,827,554</u>	<u>\$ 961,568</u>	<u>\$ -</u>	<u>\$ 4,324</u>	<u>\$ 36,793,446</u>

49. ADDITIONAL DISCLOSURES

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

- 1) Financing provided: The Group - not applicable; investees - Table 1 (attached)
- 2) Endorsement/guarantee provided: The Group - not applicable; investees - Table 2 (attached)
- 3) Marketable securities held: The Group - not applicable; investees - Table 3 (attached)
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 10% of the paid-in capital: None
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 10% of the paid-in capital: None
- 6) Disposal of individual real estate at costs of at least NT\$300 million or 10% of the paid-in capital: None
- 7) Allowance of service fees to related parties amounting to at least NT\$5 million: None
- 8) Receivables from related parties amounting to at least NT\$300 million or 10% of the paid-in capital: None
- 9) Sale of nonperforming loans: 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.” Uncovering
- 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)

50. OPERATING SEGMENT FINANCIAL INFORMATION

The Group provides CODM to assess segment performance, focusing on the nature of business operations, assets and profit and loss. The accounting policies of each operating segment are 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 in Low of Bank Article 71.
- b. Overseas: Overseas banking business.
- c. Leasing: Leasing business.
- d. Bills: Bills-related business approved by the competent authority.
- e. Others: Other non-core businesses.

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

	Bank	Overseas	Leasing	Bills	Others	Eliminations	Consolidated
For the three months ended March 31, 2020							
Net interest							
From unaffiliated segment	\$ 460,936	\$ 234,325	\$ 161,330	\$ 68,808	\$ (7)	\$ 114	\$ 925,506
From other segment	(583)	-	1	-	4	571	(7)
	<u>\$ 460,353</u>	<u>\$ 234,325</u>	<u>\$ 161,331</u>	<u>\$ 68,808</u>	<u>\$ (3)</u>	<u>\$ 685</u>	<u>\$ 925,499</u>
Net revenue other than interest							
From unaffiliated segment	\$ 642,583	\$ 8,764	\$ (1,758)	\$ 508,265	\$ (18,366)	\$ -	\$ 1,139,488
From other segment	5,658	-	(1,882)	(3,578)	(191)	(181,909)	(181,902)
	<u>\$ 648,241</u>	<u>\$ 8,764</u>	<u>\$ (3,640)</u>	<u>\$ 504,687</u>	<u>\$ (18,557)</u>	<u>\$ (181,909)</u>	<u>\$ 957,586</u>
Income from continuing operation	<u>\$ 115,440</u>	<u>\$ 78,201</u>	<u>\$ 32,473</u>	<u>\$ 357,069</u>	<u>\$ (22,369)</u>	<u>\$ (174,096)</u>	<u>\$ 386,718</u>
Identifiable assets	<u>\$ 323,106,166</u>	<u>\$ 28,461,680</u>	<u>\$ 13,252,619</u>	<u>\$ 193,308,568</u>	<u>\$ 205,689</u>	<u>\$ 185,188</u>	<u>\$ 558,616,910</u>
Depreciation and amortization	<u>\$ 129,772</u>	<u>\$ 13,810</u>	<u>\$ 10,648</u>	<u>\$ 3,003</u>	<u>\$ 252</u>	<u>\$ (2,037)</u>	<u>\$ 155,448</u>
Capital expenditure	<u>\$ 17,937</u>	<u>\$ 157</u>	<u>\$ 2,368</u>	<u>\$ 5,809</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,271</u>

(Continued)

	Bank	Overseas	Leasing	Bills	Others	Eliminations	Consolidated
For the three months ended March 31, 2019							
Net interest							
From unaffiliated segment	\$ 495,740	\$ 266,586	\$ 189,310	\$ 423,000	\$ (4)	\$ (7,996)	\$ 985,936
From other segment	<u>(877)</u>	<u>-</u>	<u>2</u>	<u>-</u>	<u>48</u>	<u>773</u>	<u>(54)</u>
	<u>\$ 494,863</u>	<u>\$ 266,586</u>	<u>\$ 189,312</u>	<u>\$ 423,000</u>	<u>\$ 44</u>	<u>\$ (7,223)</u>	<u>\$ 985,882</u>
Net revenue other than interest							
From unaffiliated segment	\$ 996,824	\$ 12,762	\$ 58,194	\$ 459,178	\$ 2,326	\$ -	\$ 1,529,284
From other segment	<u>494</u>	<u>-</u>	<u>-</u>	<u>(214)</u>	<u>(227)</u>	<u>(289,003)</u>	<u>(288,950)</u>
	<u>\$ 997,318</u>	<u>\$ 12,762</u>	<u>\$ 58,194</u>	<u>\$ 458,964</u>	<u>\$ 2,099</u>	<u>\$ (289,003)</u>	<u>\$ 1,240,334</u>
Income from continuing operation	<u>\$ 472,292</u>	<u>\$ 111,700</u>	<u>\$ 105,606</u>	<u>\$ 313,694</u>	<u>\$ (2,185)</u>	<u>\$ (290,982)</u>	<u>\$ 710,125</u>
Identifiable assets	<u>\$ 327,596,767</u>	<u>\$ 28,264,462</u>	<u>\$ 13,452,650</u>	<u>\$ 198,705,929</u>	<u>\$ 221,573</u>	<u>\$ 146,969</u>	<u>\$ 56,388,350</u>
Depreciation and amortization	<u>\$ 125,066</u>	<u>\$ 14,335</u>	<u>\$ 9,643</u>	<u>\$ 6,186</u>	<u>\$ 285</u>	<u>\$ (3,494)</u>	<u>\$ 152,021</u>
Capital expenditure	<u>\$ 11,390</u>	<u>\$ 818</u>	<u>\$ 830</u>	<u>\$ 2,875</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,913</u>

(Concluded)

O-BANK AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE THREE MONTHS ENDED MARCH 31, 2020
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing (Note 2)	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Notes 3 and 5)	Aggregate Financing Limits (Notes 4 and 5)	Note	
													Item	Value				
1	IBT Leasing	Lei Xin Construction	Account receivable - short-term accommodations	No	\$ 54,380	\$ 47,274	\$ 47,274	2-8	2	\$ -	Working capital turnover	\$ 5,438	Real estate	\$ 124,389	\$ 235,543	\$ 942,172		
		Kuang Ming shipping Corp.	Account receivable - short-term accommodations	No	120,000	-	-	2-8	2	-	-	Working capital turnover	-	-	-	235,543	942,172	
		Inhon Communication Co., Ltd.	Account receivable - short-term accommodations	No	22,433	16,587	16,587	2-8	2	-	-	Working capital turnover	244	Margin	10,000	235,543	942,172	
		Huimin Environmental Tech. Corp.	Account receivable - short-term accommodations	No	2,882	-	-	2-8	2	-	-	Working capital turnover	-	-	-	235,543	942,172	
		Power Home Construction	Account receivable - short-term accommodations	No	58,644	-	-	2-8	2	-	-	Working capital turnover	-	-	-	235,543	942,172	
		An Chieh Bao Corp.	Account receivable - short-term accommodations	No	29,691	21,791	21,791	2-8	2	-	-	Working capital turnover	205	Margin	6,000	235,543	942,172	
		Advanced Wireless and Antenna Inc.	Account receivable - short-term accommodations	No	7,403	2,980	2,980	2-8	2	-	-	Working capital turnover	-	Margin	6,000	235,543	942,172	
		Yuan Mao Construction Co., Ltd.	Account receivable - short-term accommodations	No	130,000	130,000	130,000	2-8	2	-	-	Working capital turnover	1,690	Stock	61,600	235,543	942,172	
		Neo solar power	Account receivable - short-term accommodations	No	15,089	7,599	7,599	2-8	1	77,159	-	Working capital turnover	23	Margin	5,800	235,543	2,355,429	
Taroko Recreation Management Co., Ltd.	Account receivable - short-term accommodations	No	64,205	60,689	60,689	2-8	2	-	-	Working capital turnover	789	Stock	-	235,543	942,172			
Dingyang Industrial Co., Ltd.	Account receivable - short-term accommodations	No	30,000	24,647	24,647	2-8	2	-	-	Working capital turnover	444	-	-	235,543	942,172			
2	IBT International Leasing Corp.	Zhangjiajie Zhongjun Real Estate Co., Ltd.	Entrusted loans	No	32,862	28,680	28,680	6-16	2	-	-	Working capital turnover	1,434	Real estate	38,356	235,931	943,725	
		Suzhou Dong Sheng Machine Co., Ltd.	Entrusted loans	No	19,028	13,544	13,544	6-16	2	-	-	Working capital turnover	41	Real estate	33,741	235,931	943,725	
		Suzhou Leading Car Service Co., Ltd.	Entrusted loans	No	39,225	33,221	33,221	6-16	2	-	-	Working capital turnover	107	Margin	6,402	235,931	943,725	
		Nanjing Forland automobile leasing Co., Ltd.	Entrusted loans	No	39,225	33,221	33,221	6-16	2	-	-	Working capital turnover	107	Margin	6,402	235,931	943,725	

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 THREE MONTHS ENDED MARCH 31, 2020
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 2)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries (Note 4)	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship (Note 1)										
1	IBT Leasing	IBT International Leasing Corp.	b	\$ 18,843,430	\$ 12,084,350	\$ 11,855,232	\$ 3,648,153	\$ -	503.32	\$ 28,265,146	No	No	Yes
		IBT VII Venture Capital Co., Ltd.	b	18,843,430	80,000	80,000	80,000	-	3.40	28,265,146	No	No	No

Note 1: Explanation:

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

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

- Trading partner.
- Directly owns over 50% of the common stocks of the subsidiary.
- The Bank and subsidiary own over 50% ownership of the investee company.
- A parent company that own over 50% ownership of the company directly or through a subsidiary.
- Guaranteed by the Bank according to the construction contract.
- An investee company, for which the guarantees were provided based on the Bank's proportionate share in the investee company.

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

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

TABLE 3

O-BANK AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

FOR THE THREE MONTHS ENDED MARCH 31, 2020

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

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	March 31, 2020				Note
				Stocks/Units (Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
IBT Holdings	<u>Stocks</u> EverTrust Bank	Subsidiaries	Investments accounted for using the equity method	10,714	US\$ 178,094	91.78	US\$ 178,094	
IBT Management Corp.	<u>Closed type beneficiary certificate</u> O-Bank Real Estate Investment Trust “Successful One”	-	Financial asset at FVTOCI	3,059	27,867	1.02	27,867	
	<u>Stocks</u> Thunder Tiger Biotechnology Co., Ltd.	-	Financial asset at FVTPL	1,791	39,478	7.45	39,478	Note 2
	TaiRx Co., Ltd.	-	Financial asset at FVTPL	511	7,734	0.84	7,734	Note 2
	Mimoto (Samoa) Co., Ltd.	-	Financial asset at FVTPL	25,974	15,731	2.41	15,731	Note 2
	Houdou Pinshan (Cayman) Co., Ltd.	-	Financial asset at FVTPL	500	11,599	2.17	11,599	Note 2
	Shihlian China Holdings Corp.	-	Financial asset at FVTPL	19,682	95,750	0.46	95,750	Notes 1 and 2
	Gatetech Technology Co., Ltd.	-	Financial asset at FVTOCI	102	782	0.18	782	
IBT Leasing Co., Ltd.	<u>Closed type beneficiary certificate</u> O-Bank Real Estate Investment Trust “Successful One”	-	Financial asset at FVTOCI	12,260	111,689	4.09	111,689	
	<u>Stocks</u> IBT International Leasing Corp.	Subsidiaries	Investments accounted for using the equity method	-	2,241,347	95.00	2,241,347	
	IBT VII Venture Capital Co., Ltd.	Subsidiaries	Investments accounted for using the equity method	65,000	414,550	100.00	414,550	
	Shihlian China Holdings Corp.	-	Financial asset at FVTOCI	32,500	158,108	0.75	158,108	Note 1
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	127,540	4.67	127,540	
	<u>Stocks</u> IBT International Leasing Corp.	Subsidiaries	Investments accounted for using the equity method	-	117,966	5.00	117,966	
	TAIRX Corp.	-	Financial asset at FVTPL	3,818	57,808	6.25	57,808	Note 2
	Meridigen Corp.	-	Financial asset at FVTPL	500	11,611	0.55	11,611	
	Femcosteel Tech Co., Ltd.	-	Financial asset at FVTPL	1,298	30,503	3.10	30,503	
	Shihlian China Holdings Corp.	-	Financial asset at FVTPL	9,135	44,443	0.21	44,443	Notes 1 and 2
	New Applied Materials Co., Ltd.	-	Financial asset at FVTPL	539	13,285	0.92	13,285	Note 2

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	March 31, 2020				Note
				Stocks/Units (Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	Polaris Co., Ltd.	-	Financial asset at FVTPL	140	\$ 1,566	0.04	\$ 1,566	
	BioResource International, Inc.	-	Financial asset at FVTPL	1,105	67,962	5.91	67,962	Note 2
	Chipwell tech corporation	-	Financial asset at FVTPL	391	1,767	2.61	1,767	Note 2
	Biocontrol Gene Vaccine Co., Ltd.	-	Financial asset at FVTPL	1,008	1,223	0.98	1,223	Note 2
	Reber Genetics Co., Ltd.	-	Financial asset at FVTPL	2,322	9,219	2.20	9,219	Note 2
	Kaohsiung Rapid Transit Corporation All Rights Reserved.	-	Financial asset at FVTPL	3,845	43,029	1.38	43,029	

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

NON-PERFORMING LOANS

MARCH 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars, %)

Period		March 31, 2020					March 31, 2019				
Items		Nonperforming Loans (Note 1)	Outstanding Loan Balance	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)	Nonperforming Loans (Note 1)	Outstanding Loan Balance	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Corporate banking	Secured	\$ 1,025,124	\$ 82,214,809	1.25%	\$ 1,028,228	100.30%	\$ 402,209	\$ 84,230,125	0.48%	\$ 1,016,225	252.66%
	Unsecured	396,189	75,515,121	0.52%	1,129,123	285.00%	-	82,584,843	-	1,592,887	-
Consumer banking	Housing mortgage (Note 4)	-	19,489,663	0.00%	266,639	-	-	8,912,175	-	133,683	-
	Cash card	-	-	-	-	-	-	-	-	-	-
	Small-scale credit loans	10,456	5,321,425	0.20%	52,284	500.04%	8,666	3,581,353	0.24%	40,849	471.37%
	Other										
	Secured	-	-	-	-	-	-	-	-	-	-
	Unsecured	-	-	-	-	-	-	-	-	-	-
Total		1,431,769	182,541,018	0.78%	2,476,274	172.95%	410,875	179,308,496	0.23%	2,783,644	677.49%
		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 5)		-	1,624,389	-	17,558	-	-	3,264,293	-	34,247	-
		Exempt from Reporting the Total Balance of Overdue Loans		Exempt from Reporting the Total Balance of Overdue Account Receivable		Exempt from Reporting the Total Balance of Overdue Loans		Exempt from Reporting the Total Balance of Overdue Account Receivable			
Exempt amount - due to debt negotiation and performance (Note 6)		\$ -		\$ -		\$ -		\$ -			
Debt settlement plan and rehabilitative program (Note 7)		721		-		143		-			
Total		721		-		143		-			

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

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

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

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

Note 5: As required by the Banking Bureau in its letter dated July 19, 2005 (Ref. No. 0945000494), factored accounts receivable without recourse are reported as nonperforming receivables within three months after the factoring or insurance companies refuse to indemnify banks for any liabilities on these accounts.

Note 6: According to the letter of the Bank of China Ref. No. 09510001270 dated April 25, 2006, the letters of credit and the information disclosure requirements as required by the "Unsecured Debt Negotiation Mechanism for Consumer Financial Cases of the Republic of China Banking Association" should include supplemental disclosures of related matters.

Note 7: According to the letter of the Bank of China Ref. No. 09700318940 dated September 15, 2008 and the letter of the Bank of China Ref. No. 10500134790 date September 20, 2016 regarding the "Consumer Debt Clearance Regulations" for pre-negotiation, rehabilitation and liquidation cases, credit reporting and the information disclosure requirements should include supplemental disclosures of related matters.

O-BANK AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE THREE MONTHS ENDED MARCH 31, 2020
(In Thousands of New Taiwan Dollars, 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 March 31, 2020	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of March 31, 2020	Accumulated Inward Remittance of Earnings as of March 31, 2020
					Outflow	Inflow					
Shinlien Chemical Industrial Jiangsu Co.	Production of glass materials	\$ 24,217,688 (US\$ 800,000)	Note 1 c.	\$ 208,817 (US\$ 6,898)	\$ -	\$ 208,817 (US\$ 6,898)	\$ -	-	\$ -	\$ -	\$ -
Shinlien Brine Huaian Co.	Production of glass materials	968,708 (US\$ 32,000)	Note 1 c.	10,081 (US\$ 333)	-	10,081 (US\$ 333)	-	-	-	-	-
Suzhou Dio F&B Management Co., Ltd.	Coffee retailing	466,160 (US\$ 15,399)	Note 1 c.	60,544 (US\$ 2,000)	-	-	60,544 (US\$ 2,000)	2.60	-	60,544 (US\$ 2,000)	-
Ou Suomiluo Food Co., Ltd.	Coffee retailing	42,613 (RMB 10,000)	Note 1 c.	15,136 (US\$ 500)	-	-	15,136 (US\$ 500)	2.09	-	15,136 (US\$ 500)	-
Beijing Shengzhuang Co., Ltd.	Cosmetic OEM	231,390 (RMB 54,300)	Note 1 c.	60,544 (US\$ 2,000)	-	-	60,544 (US\$ 2,000)	2.175	-	60,544 (US\$ 2,000)	-
Beijing Sunshine Consumer Finance Co., Ltd.	Financing business	4,261,330 (RMB 1,000,000)	Note 1 d.	-	852,266 (RMB 200,000)	-	852,266 (RMB 200,000)	20.00	-	852,266 (RMB 200,000)	-

Accumulated Investment in Mainland China as of March 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$136,224 (US\$4,500) 852,266 (RMB200,000)	\$136,224 (US\$4,500) 852,266 (RMB200,000)	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 March 31, 2020	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of March 31, 2020	Accumulated Inward Remittance of Earnings as of March 31, 2020
					Outflow	Inflow					
IBT International Leasing Corp.	Leasing	\$ 1,967,687 (US\$ 65,000)	Note 1 d.	\$ 1,589,847 (US\$ 52,800)	\$ -	\$ -	\$ 1,598,367 (US\$ 52,800)	100.00 (Note 5)	\$ 58,460 (Notes 2 and 6)	\$ 2,241,347 (Note 6)	\$ -
Shinlien Chemical Industrial Jiangsu Co.	Production of glass materials	24,217,688 (US\$ 800,000)	Note 1 c.	-	134,923 (US\$ 4,457)	-	134,923 (US\$ 4,457)	0.75	-	134,923 (US\$ 4,457)	-
Shinlien Brine Huaian Co.	Production of glass materials	968,708 (US\$ 32,000)	Note 1 c.	-	11,473 (US\$ 379)	-	11,473 (US\$ 379)	0.75	-	11,473 (US\$ 379)	-

(Continued)

Accumulated Investment in Mainland China as of March 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$1,744,763 (US\$57,636)	\$1,744,763 (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 March 31, 2020	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of March 31, 2020	Accumulated Inward Remittance of Earnings as of March 31, 2020
					Outflow	Inflow					
Shanghai Douniushi F&B Management Co., Ltd.	Restaurant retailing	\$ 131,078 (US\$ 4,330)	Note 1 c.	\$ 2,180 (US\$ 72)	\$ -	\$ -	\$ 2,180 (US\$ 72)	2.17	\$ -	\$ 2,180 (US\$ 72)	\$ -
Topping Cuisine International Holding, Ltd.	Food retailing	157,415 (US\$ 5,200)	Note 1 c.	12,835 (US\$ 424)	-	-	12,835 (US\$ 424)	2.17	-	12,835 (US\$ 424)	-
Shanghai Dou Mao Food Management Co., Ltd.	Trading	6,054 (US\$ 200)	Note 1 c.	212 (US\$ 7)	-	-	212 (US\$ 7)	2.17	-	212 (US\$ 7)	-
Beauty Essential International, Ltd.	Cosmetic retailing	90,816 (US\$ 3,000)	Note 1 c.	20,736 (US\$ 685)	-	-	20,736 (US\$ 685)	2.64	-	20,736 (US\$ 685)	-
Meike information technology	Cosmetic retailing information technology	51,463 (US\$ 1,700)	Note 1 c.	969 (US\$ 32)	-	-	969 (US\$ 32)	2.41	-	969 (US\$ 32)	-
Shinlien Chemical Industrial Jiangsu Co.	Production of glass materials	24,217,688 (US\$ 800,000)	Note 1 c.	-	81,704 (US\$ 2,699)	-	81,704 (US\$ 2,699)	0.46	-	81,704 (US\$ 2,699)	-
Shinlien Brine Huaian Co.	Production of glass materials	968,708 (US\$ 32,000)	Note 1 c.	-	6,932 (US\$ 229)	-	6,932 (US\$ 229)	0.46	-	6,932 (US\$ 229)	-

Accumulated Investment in Mainland China as of March 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$125,568 (US\$4,148)	\$88,636 (US\$2,928) (Notes 8 and 9)	Notes 7 and 9

IBT VII Venture Capital Co., Ltd.

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2020	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2020	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of March 31, 2020	Accumulated Inward Remittance of Earnings as of March 31, 2020
					Outflow	Inflow					
IBT International Leasing Corp.	Leasing	\$ 1,967,687 (US\$ 65,000)	Note 1 d.	\$ 369,320 (US\$ 12,200)	\$ -	\$ -	\$ 369,320 (US\$ 12,200)	5.00	\$ 3,077	\$ 117,966 (Note 6)	\$ -

Accumulated Investment in Mainland China as of March 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$369,320 (US\$12,200)	\$369,320 (US\$12,200)	\$248,730 (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: In response to operational needs, the Bank sold their investments in mainland China to its subsidiary, IBT Management Corp., in November 2019 and submitted relevant sales documents to the Ministry of Economic Affairs Investment Review Committee for verification. The amount of remittance is mainly based on the verification letter submitted.

Note 9: IBT Management Corp. has not obtained the verification letter of part of investment from the Investment Review Committee of the Ministry of Economic Affairs as of March 31, 2020.

(Concluded)

TABLE 6

O-BANK AND SUBSIDIARIES

**BUSINESS RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS AMONG THE BANK AND SUBSIDIARIES
FOR THE THREE MONTHS ENDED MARCH 31, 2020
(In Thousands of New Taiwan Dollars)**

No.	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	\$ 159,816	Note 3	0.03
0	The Bank	Chun Teng New Century, IBTM, IBTS Financial (HK) Limited, IBTS Asia (HK) Limited, IBT Leasing and IBTVC7	a	Interest expense	576	Note 3	0.03
0	The Bank	Chun Teng New Century, IBTM, IBTS Financial (HK) Limited, and IBTS Asia (HK) Limited, IBT Leasing and IBTVC7	a	Payables	345	Note 3	-
0	The Bank	CBF, IBTM and IBT Leasing	a	Other net revenue other than interest	5,658	Note 3	0.30
1	Chun Teng New Century	The Bank	b	Cash and cash equivalents	45,154	Note 3	0.01
1	Chun Teng New Century	The Bank	b	Discontinued operations - interest revenue	46	Note 3	-
1	Chun Teng New Century	The Bank	b	Accounts receivable	48	Note 3	-
1	Chun Teng New Century	IBT Leasing	c	Discontinued operations -other operating and administrative expenses	171	Note 3	0.01
2	IBTM	The Bank	b	Cash and cash equivalents	393	Note 3	-
2	IBTM	The Bank	b	Interest revenue	4	Note 3	-
2	IBTM	The Bank	b	Other operating and administrative expenses	193	Note 3	0.01
2	IBTM	The Bank	b	Interest expense	8	Note 3	-
2	IBTM	IBTVC7	c	Consultancy service income	1,514	Note 3	0.08
3	CBF	The Bank	b	Other operating and administrative expenses	3,578	Note 3	0.19

(Continued)

No.	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	\$ 33,702	Note 3	0.01
4	IBTS Financial (HK) Limited	The Bank	b	Discontinued operations - interest revenue	167	Note 3	0.01
4	IBTS Financial (HK) Limited	The Bank	b	Accounts receivable	157	Note 3	-
5	IBTS Asia (HK) Limited	The Bank	b	Cash and cash equivalents	78,815	Note 3	0.01
5	IBTS Asia (HK) Limited	The Bank	b	Discontinued operations - interest revenue	359	Note 3	0.02
5	IBTS Asia (HK) Limited	The Bank	b	Accounts receivable	140	Note 3	-
6	IBTL	The Bank	b	Cash and cash equivalents	1,365	Note 3	-
6	IBTL	The Bank	b	Interest expense	106	Note 3	0.01
6	IBTL	The Bank	b	Other operating and administrative expenses	1,844	Note 3	0.10
6	IBTL	Chun Teng New Century	c	Other net revenue other than interest	171	Note 3	0.01
7	IBTVC7	The Bank	b	Cash and cash equivalents	387	Note 3	-
7	IBTVC7	IBTM	c	Other operating and administrative expenses	1,514	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)

TABLE 7**O-BANK AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS****MARCH 31, 2020****(In Thousands)**

Name of Major Shareholders	Shares	
	Number of Shares	Percentage of Ownership (%)
Ming Shan Investment Co., Ltd.	274,743	10.13
Yi Chang Investment Co., Ltd.	264,040	9.73
Taixuan Investment Co., Ltd.	262,330	9.67
Hengtong Machinery Co., Ltd.	148,374	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.