O-Bank Co., Ltd.

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

INDEPENDENT AUDITORS' REPORT

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

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks.

Basis for Opinion

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

Key Audit Matters

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

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

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

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

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

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

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

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

- We examined that the classifications of loans were in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans". We also recalculated the amount of the allowance for credit losses on loans and checked that the Bank has mets the requirements of the regulations.

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

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

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

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

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

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

- We reviewed the assessment schedule of reserve for losses on credit-granting assets, which the management used to assess. We checked the completeness of amount of credit-granting assets in the schedule and rationality of classifications. We recalculated the amounts of reserve for losses on guarantee contracts in the schedule and checked that it meets the requirements of the regulations.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 24, 2020

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

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

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

O-BANK CO., LTD.

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

	2019		2018	
ASSETS	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS (Note 6)	$ 3,714,122	1	$ 3,670,225	1
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS (Note 7)	18,107,334	5	21,684,624	7
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 8 and 39)	80,623,826	24	53,820,259	16
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 9 and 43)	35,244,741	11	48,889,287	15
INVESTMENTS IN DEBT INSTRUMENTS AT AMORTIZED COST (Notes 39 and 43)	-	-	499,940	-
RECEIVABLES, NET (Notes 10 and 12)	3,233,348	1	6,842,372	2
CURRENT TAX ASSETS	89,717	-	82,212	-
DISCOUNTS AND LOANS, NET (Notes 11, 12 and 38)	173,981,178	52	179,388,428	54
INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD, NET (Note 13)	14,920,171	5	14,120,402	4
OTHER FINANCIAL ASSETS (Notes 14 and 39)	517,198	-	614,919	-
PROPERTY AND EQUIPMENT, NET (Note 15)	2,661,050	1	2,757,103	1
RIGHT-OF-USE ASSETS, NET (Note 16)	309,517	-	-	-
INTANGIBLE ASSETS, NET (Note 17)	1,163,114	-	1,274,262	-
DEFERRED TAX ASSETS (Note 36)	288,087	-	164,392	-
OTHER ASSETS (Notes 16, 18 and 40)	399,430	-	531,695	-
TOTAL	$ 335,252,833	100	$ 334,340,120	100
LIABILITIES AND EQUITY				
LIABILITIES				
Due to the Central Bank and banks (Note 19)	$ 28,938,529	9	$ 28,984,872	9
Financial liabilities at fair value through profit or loss (Note 8)	519,880	-	780,811	-
Bills and bonds sold under repurchase agreements (Note 20)	2,863,548	1	4,400,442	1
Payables (Note 21)	2,681,645	1	4,834,006	2
Current tax liabilities	46,360	-	-	-
Deposits and remittances (Notes 22 and 38)	243,645,080	73	240,461,299	72
Bank debentures payable (Note 23)	18,700,000	5	17,850,000	5
Other financial liabilities (Note 24)	3,468,649	1	4,321,291	1
Provisions (Notes 12, 25 and 26)	370,856	-	328,048	-
Lease liabilities (Note 16)	313,446	-	-	-
Deferred income tax liabilities (Note 36)	400,449	-	333,990	-
Other liabilities (Note 27)	45,188	-	56,233	-
Total liabilities	301,993,630	90	302,350,992	90
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK (Note 28)				
Capital				
Common stock	24,130,063	7	24,130,063	7
Preferred stock	3,000,000	1	3,000,000	1
Total capital	27,130,063	8	27,130,063	8
Capital surplus	9,750	-	8,503	-
Retained earnings				
Legal reserve	3,367,681	1	3,184,667	1
Special reserve	1,631,335	1	1,215,831	1
Unappropriated earnings	1,187,851	-	610,045	-
Total retained earnings	6,186,867	2	5,010,543	2
Other equity	(67,477)	-	(159,981)	-
Total equity	33,259,203	10	31,989,128	10
TOTAL	$ 335,252,833	100	$ 334,340,120	100

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

O-BANK CO., LTD.

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

	2019		2018		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
NET INTEREST					
INTEREST REVENUE (Notes 29 and 38)	$ 5,763,585	109	$ 5,505,554	116	5
INTEREST EXPENSE (Notes 29 and 38)	(3,806,134)	(72)	(3,324,033)	(70)	15
Net interest	1,957,451	37	2,181,521	46	(10)
NET REVENUE OTHER THAN INTEREST INCOME					
Net service fee income (Notes 30 and 38)	808,793	15	610,128	13	33
Gain on financial assets or liabilities measured at fair value through profit or loss (Note 31)	908,385	17	1,385,777	29	(34)
Realized gains on financial assets at fair value through other comprehensive income (Note 32)	133,451	2	78,990	2	69
Foreign exchange gain (loss), net	293,516	6	(536,618)	(11)	155
Reversal of impairment loss on assets	1,284	-	1,910	-	(33)
Share of profit of associates subsidiaries and accounted for using equity method (Note 13)	1,098,480	21	880,415	18	25
Other net revenue other than interest revenue (Note 38)	103,855	2	127,760	3	(19)
Net revenue other than interest	3,347,764	63	2,548,362	54	31
TOTAL NET REVENUE	5,305,215	100	4,729,883	100	12
BAD DEBTS EXPENSE, COMMITMENT AND GUARANTEE LIABILITY PROVISION (Note 12)	(921,016)	(17)	(453,038)	(9)	103
OPERATING EXPENSES					
Employee benefits expenses (Note 33)	1,701,727	32	1,633,518	35	4
Depreciation and amortization expense (Note 34)	512,931	10	382,934	8	34
Other general and administrative expense (Notes 35 and 38)	959,449	18	1,133,707	24	(15)
Total operating expenses	3,174,107	60	3,150,159	67	1

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O-BANK CO., LTD.

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

	2019		2018		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
PROFIT FROM CONTINUING OPERATIONS BEFORE TAX	$ 1,210,092	23	$ 1,126,686	24	7
INCOME TAX EXPENSE (Note 36)	109,659	2	172,027	4	(36)
NET PROFIT FOR THE YEAR	1,100,433	21	954,659	20	15
OTHER COMPREHENSIVE INCOME					
Components of other comprehensive income that will not be reclassified to profit or loss:					
Gains (losses) on remeasurements of defined benefit plans	(412)	-	1,077	-	(138)
Revaluation gains (losses) on investments in equity instruments measured at fair value through other comprehensive income	85,932	2	(127,365)	(3)	167
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method	83,856	1	(30,934)	-	371
	169,376	3	(157,222)	(3)	208
Components of other comprehensive income that will be reclassified to profit or loss:					
Exchange differences on translation of financial statements of foreign operations	(237,382)	(4)	149,013	3	(259)
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	95,117	2	(90,021)	(2)	206

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O-BANK CO., LTD.

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

	2019		2018		Percentage Increase (Decrease)
	Amount	**%**	**Amount**	**%**	**%**
Gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	$ 130,096	2	$ (100,201)	(2)	230
Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Note 36)	22,715	-	(25,553)	(1)	189
	10,546	-	(66,762)	(2)	116
Other comprehensive income (loss) for the year, net of income tax	179,922	3	(223,984)	(5)	180
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 1,280,355	24	$ 730,675	15	75
EARNINGS PER SHARE (Note 37)					
Basic	$0.45		$0.40		
Diluted	$0.45		$0.40		

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

O-BANK CO., LTD.

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

	Capital Stock (Note 28)				Retained Earnings (Notes 9 and 28)				Other Equity (Notes 9 and 28)			
	Common Stocks	Preferred Stocks	Total	Capital Surplus (Note 28)	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on the Translation of Financial Statements of Foreign Operations	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Unrealized Valuation Gains (Losses) on Financial Assets Measures at Fair Value Through Other Comprehensive	Total Equity
BALANCE AT JANUARY 1, 2018	$ 24,130,063	$ -	$ 24,130,063	$ 7,730	$ 2,880,297	$ 1,229,536	$ 1,014,567	$ 5,124,400	$ (216,266)	$ 236,666	$ -	$ 29,282,593
Effect of retrospective application	-	-	-	-	-	-	(208,457)	(208,457)	-	(236,666)	144,112	(301,011)
BALANCE AT JANUARY 1, 2018 AS RESTATED	24,130,063	-	24,130,063	7,730	2,880,297	1,229,536	806,110	4,915,943	(216,266)	-	144,112	28,981,582
Appropriation of 2017 earnings												
Legal reserve	-	-	-	-	304,370	-	(304,370)	-	-	-	-	-
Special reserve	-	-	-	-	-	(13,705)	13,705	-	-	-	-	-
Cash dividends distributed by the Bank	-	-	-	-	-	-	(723,902)	(723,902)	-	-	-	(723,902)
Changes in capital surplus from investments in subsidiaries accounted for using the equity method	-	-	-	465	-	-	-	-	-	-	-	465
Unclaimed dividends	-	-	-	308	-	-	-	-	-	-	-	308
Net profit for the year ended December 31, 2018	-	-	-	-	-	-	954,659	954,659	-	-	-	954,659
Other comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	-	2,405	2,405	123,460	-	(349,849)	(223,984)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	-	957,064	957,064	123,460	-	(349,849)	730,675
Issuance of shares	-	3,000,000	3,000,000	-	-	-	-	-	-	-	-	3,000,000
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	(138,562)	(138,562)	-	-	138,562	-
BALANCE AT DECEMBER 31, 2018	24,130,063	3,000,000	27,130,063	8,503	3,184,667	1,215,831	610,045	5,010,543	(92,806)	-	(67,175)	31,989,128
Appropriation of 2018 earnings												
Legal reserve	-	-	-	-	183,014	-	(183,014)	-	-	-	-	-
Special reserve	-	-	-	-	-	415,504	(415,504)	-	-	-	-	-
Cash dividends of preferred stock distributed by the Bank	-	-	-	-	-	-	(11,527)	(11,527)	-	-	-	(11,527)
Changes in capital surplus from investments in subsidiaries accounted for using the equity method	-	-	-	906	-	-	-	-	-	-	-	906
Unclaimed dividends	-	-	-	341	-	-	-	-	-	-	-	341
Net profit for the year ended December 31, 2019	-	-	-	-	-	-	1,100,433	1,100,433	-	-	-	1,100,433
Other comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	-	(305)	(305)	(214,667)	-	394,894	179,922
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	-	1,100,128	1,100,128	(214,667)	-	394,894	1,280,355
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	87,723	87,723	-	-	(87,723)	-
BALANCE AT DECEMBER 31, 2019	$ 24,130,063	$ 3,000,000	$ 27,130,063	$ 9,750	$ 3,367,681	$ 1,631,335	$ 1,187,851	$ 6,186,867	$ (307,473)	$ -	$ 239,996	$ 33,259,203

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

O-BANK CO., LTD.

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

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit from continuing operations before tax	$ 1,210,092	$ 1,126,686
Adjustments to reconcile profit (loss):		
Depreciation expense	268,936	160,032
Amortization expense	243,995	222,902
Expect credit losses/recognition of provisions	919,732	451,128
Net (gain) loss on financial assets or liabilities at fair value through profit or loss	(908,385)	(1,385,777)
Interest expense	3,806,134	3,324,033
Interest revenue	(5,763,585)	(5,505,554)
Dividends income	(25,572)	(50,847)
Net change in other provisions	-	983
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	(1,098,480)	(875,470)
Loss on disposal of property and equipment	5,886	20
Gain on disposal of investments	(107,879)	(28,143)
Gain on lease modification	(22)	-
Changes in operating assets and liabilities:		
Due from the Central Bank and call loans to banks	(759,752)	(1,663,780)
Financial assets at fair value through profit or loss	(26,156,113)	(7,589,283)
Financial assets at fair value through other comprehensive income	13,954,290	163,621
Investments in debt instruments measured at amortized cost	500,000	-
Receivables	3,726,768	(546,365)
Discounts and loans	4,483,080	(17,210,345)
Due to the Central Bank and banks	(46,343)	(5,910,047)
Bills and bonds sold under repurchase agreements	(1,536,894)	(11,445,488)
Payables	(2,141,164)	483,800
Deposits and remittances	3,183,781	57,439,908
Provisions	600	(26,432)
Cash inflow (outflow) generated from operations	(6,240,895)	11,135,582
Interest received	5,692,121	5,272,750
Dividends received	329,193	328,052
Interest paid	(3,809,980)	(3,073,861)
Income taxes paid	(105,325)	(201,328)
Net cash flows generated from (used in) operating activities	(4,134,886)	13,461,195
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from capital reduction of investments accounted for using equity method	-	572,905
Acquisition of property and equipment	(97,152)	(231,412)
Proceeds from disposal of property and equipment	634	9,303
Increase in fundable deposits	-	(263,871)
Decrease in fundable deposits	128,674	-
Acquisition of intangible assets	(113,882)	(164,254)

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O-BANK CO., LTD.

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

	2019	2018
Increase in other financial assets	$ -	$ (614,919)
Decrease in other financial assets	398,828	-
Increase in other assets	-	(16,451)
Decrease in other assets	3,591	-
Net cash flows generated from (used in) investing activities	320,693	(708,699)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuing bank debentures	2,500,000	1,750,000
Repayments of bank debentures	(1,650,000)	(4,300,000)
Increase in long-term debt	874,210	1,063,417
Repayments of long-term debt	(2,244,601)	(2,739,908)
Payments of lease liabilities	(104,852)	-
Increase in other financial liabilities	517,749	-
Decrease in other liabilities	(11,045)	(171,398)
Cash dividends paid	(11,527)	(723,902)
Proceeds from issuing shares	-	3,000,000
Net cash flows used in financing activities	(130,066)	(2,121,791)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(47,779)	44,978
NET INCREASE (DECREASE) IN CASH	(3,992,038)	10,675,683
CASH AT BEGINNING OF THE YEAR	17,482,201	6,806,518
CASH AT END OF THE YEAR	$ 13,490,163	$ 17,482,201

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

	December 31	
	2019	2018
Cash and cash equivalents reported in the balance sheets	$ 3,714,122	$ 3,670,225
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	9,474,934	13,811,976
Other items that meet the definition of cash and cash equivalents in IAS 7	301,107	-
Cash and cash equivalents at end of the year	$ 13,490,163	$ 17,482,201

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

1. GENERAL INFORMATION

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

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

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

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

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

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

As of December 31, 2019 and 2018, the Bank had 1,004 and 918 employees, respectively.

2. APPROVAL OF FINANCIAL STATEMENTS

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

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

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

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

- IFRS 16 "Leases"

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

Definition of a lease

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

The Bank as lessee

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

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

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

The Bank also applies the following practical expedients:

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

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

The lessee's weighted average incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 1.74%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	$ 328,895
Less: Recognition exemption for short-term leases	(2,744)
Less: Recognition exemption for leases of low-value assets	(16,705)
Undiscounted amounts on January 1, 2019	$ 309,446
Discounted amounts using the incremental borrowing rate on January 1, 2019	$ 296,144
Lease liabilities recognized on January 1, 2019	$ 296,144

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

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
Right-of-use assets	$ -	$ 296,144	$ 296,144
Total effect on assets		$ 296,144	
Lease liabilities	$ -	$ 296,144	$ 296,144
Total effect on liabilities		$ 296,144	

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

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

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Statement of Compliance

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

Basis of Preparation

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

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

Classification of Current and Non-current Assets and Liabilities

Since the operating cycle in the banking industry cannot be clearly identified, accounts included in the financial statements of the Bank were not classified as current or noncurrent. Nevertheless, accounts were properly categorized according to the nature of each account and sequenced by their liquidity. Refer to Note 44 for the maturity analysis of assets and liabilities.

Foreign Currencies

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

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

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

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

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

Investments Accounted for Using the Equity Method

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

Investments in subsidiaries

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

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

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

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

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

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

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

Investments in associates

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

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

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

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

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

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

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

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

Financial Instruments

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

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

Financial assets

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

a. Measurement categories

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

   1) Financial assets at FVTPL

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

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 43.

2) Financial assets at amortized cost

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

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

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

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

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

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

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

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

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

b) Breach of contract, such as a default;

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

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

3) Investments in debt instruments at FVTOCI

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

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

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

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

4) Investments in equity instruments at FVTOCI

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

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

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

b. Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

c. Derecognition of financial assets

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

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

Equity instruments

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

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

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

Financial liabilities

a. Subsequent measurement

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

- Financial liabilities at FVTPL

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

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

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

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

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

  Financial liabilities at FVTPL, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the other gains and losses line item. For a financial liability designated as at FVTPL, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income and will not be subsequently reclassified to profit or loss. The gain or loss accumulated in other comprehensive income will be transferred to retained earnings when the financial liability is derecognized. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in the fair value of the liability are presented in profit or loss. The fair value is determined in the manner described in Note 43.

- Financial guarantee contracts

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

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

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

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

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

b. Derecognition of financial liabilities

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

Derivative financial instruments

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

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

Non-performing Loans

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

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

Repurchase and Resale Transactions

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

Property and Equipment

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

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

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

Intangible Assets

a. Intangible assets acquired separately

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

b. Derecognition of intangible assets

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

Impairment of Tangible and Intangible Assets Other than Goodwill

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

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

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

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

Provisions

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

<u>Onerous contracts</u>

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

Interest and Service Revenue Recognition

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

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

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

Leases

2019

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

The Bank as lessee

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

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

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

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

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

2018

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

The Bank as lessee

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

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

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

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

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

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

c. Staff preferential deposit

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

Share-based Payment Arrangements

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

Taxation

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

a. Current tax

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

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

b. Deferred tax

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

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

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

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

c. Current and deferred tax for the period

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

Cash and Cash Equivalents

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Estimated Impairment of Loans and Financial Guarantee Contracts

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2019	2018
Cash on hand and petty cash	$ 50,944	$ 106,349
Checking for clearing	535,060	1,159,621
Due from banks	3,125,118	2,404,255
Cash in transit	3,000	-
	$ 3,714,122	$ 3,670,225

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

	December 31	
	2019	2018
Reserves for deposits - Type A	$ 2,573,579	$ 1,560,003
Reserves for deposits - Type B	5,124,527	4,808,616
Reserves for deposits - Financial	900,268	1,500,954
Call loans to banks	9,474,934	13,811,976
Others	34,026	3,075
	$ 18,107,334	$ 21,684,624

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

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2019	2018
Financial assets mandatorily classified as at FVTPL		
Hybrid financial assets		
Convertible bonds - domestic (include asset swap contracts)	$ 726,682	$ 102,440
Convertible bonds - overseas (include asset swap contracts)	-	308,774
Structured debt	608,116	610,614
	1,334,798	1,021,828
Derivative financial assets		
Currency swap contracts	160,241	737,996
Forward contracts	7,189	20,262
Interest rate swap contracts	7,610	39,083
Currency option contracts - call	2,882	-
	177,922	797,341
Non-derivative financial assets		
Negotiable certificates of deposit	54,581,688	51,739,597
Commercial papers	24,192,589	-
Stocks and beneficiary certificates	336,829	161,524
Government bonds	-	99,969
	79,111,106	52,001,090
	$ 80,623,826	$ 53,820,259
Derivative financial instruments		
Currency swap contracts	$ 429,360	$ 613,305
Forward contracts	15,830	39,163
Interest rate swap contracts	72,003	128,343
Currency option contracts - put	2,687	-
	$ 519,880	$ 780,811

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

The contract amounts (or notional amounts) of outstanding derivative transactions as of December 31, 2019 and 2018 were follows:

	December 31	
	2019	2018
Interest rate swap contracts	$ 10,976,643	$ 16,774,933
Currency swap contracts	52,387,421	83,002,915
Forward contracts	3,796,613	6,062,944
Currency option contracts		
Call	851,940	-
Put	586,190	-

Refer to Note 39 for information relating to financial assets at FVTPL pledged as security.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2019	2018
Investments in equity instruments at FVTOCI	$ 947,038	$ 1,064,763
Investments in debt instruments at FVTOCI		
Government bonds	10,163,730	23,570,269
Bank debentures	14,413,232	14,302,331
Corporate bonds	8,371,789	8,782,008
Overseas government bonds	1,348,952	1,169,916
	$ 35,244,741	$ 48,889,287

a. Investments in equity instruments at FVTOCI

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

The Bank disposed stock classified as at FVTOCI for management on investment positions for the years end December 31, 2019 and 2018. The fair value of stocks classified as at FVTOCI that were disposed of was $1,310,927 thousand and $3,954,456 thousand and the accumulated gain or loss related to the sold assets of $60,590 thousand gain and $164,083 thousand loss, respectively, was transferred from other equity-unrealized valuation gain or loss on Financial assets at FVTOCI to retained earnings.

Dividends income from FVTOCI of $25,572 thousand and $50,847 thousand were recognized in profit or loss for the years end December 31, 2019 and 2018. The dividends related to investments held at the end of the reporting period were $12,799 thousand and $26,461 thousand.

b. Investments in debt instruments at FVTOCI

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

2) Refer to Note 44 for information relating to the credit risk management and impairment assessment of investments in debt instruments at FVTOCI.

3) The Bank has sold investments in debt instruments at FVTOCI on the condition of buying them back were in the amount of $2,810,000 thousand and $4,400,000 thousand, on December 31, 2019 and 2018, respectively.

10. RECEIVABLES, NET

	December 31	
	2019	2018
Accounts receivable	$ 193,932	$ 165,340
Investment settlements receivable	7,476	208,682
Income receivable	1,830	4,987
Interest receivable	787,937	757,432
Dividends receivable	1,125	-
Acceptances receivable	220,594	216,343
Factored receivables	1,585,725	4,714,725
Others	482,828	856,976
	3,281,447	6,924,485
Less: Allowance for possible losses	48,099	82,113
Receivables, net	$ 3,233,348	$ 6,842,372

The changes in gross carrying amount on receivables for the years ended December 31, 2019 and 2018 were as follows:

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

	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Total
Balance at January 1, 2018	$ 5,913,973	$ 16,632	$ 42,335	$ 5,972,940
Transfers				
To 12-month ECLs	1,630	(1,630)	-	-
To lifetime ECLs	(2,002)	2,002	-	-
To credit-impaired financial assets	(763)	-	763	-
New financial assets purchased	5,938,129	57,452	2,420	5,998,001
Derecognition of financial assets	(5,025,248)	(6,726)	(19,289)	(5,051,263)
Exchange rate or other changes	3,433	47	1,327	4,807
Balance at December 31, 2018	$ 6,829,152	$ 67,777	$ 27,556	$ 6,924,485

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

Refer to Note 44 for the impairment loss analysis of receivables.

11. DISCOUNTS AND LOANS, NET

	December 31	
	2019	2018
Accounts receivable financing	$ 284,150	$ 508,098
Short-term	47,821,366	49,334,714
Medium-term	104,204,562	118,972,231
Long-term	23,392,774	13,151,025
Guaranteed overdraft	69	15,660
Export bill negotiated	-	50,167
Overdue loans	703,831	27,337
	176,406,752	182,059,232
Less: Allowance for credit losses	2,425,574	2,670,804
	$ 173,981,178	$ 179,388,428

The changes in gross carrying amount on discount and loans for the years ended December 31, 2019 and 2018 were as follows:

	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Total
Balance at January 1, 2019	$ 165,996,929	$ 14,677,877	$ 1,384,426	$ 182,059,232
Transfers				
To 12-month ECLs	1,979,229	(1,979,229)	-	-
To lifetime ECLs	(4,022,646)	4,022,646	-	-
To credit-impaired financial assets	(1,217,443)	(116,053)	1,333,496	-
New financial assets purchased	97,256,872	9,885,556	2,096,694	109,239,122
Derecognition of financial assets	(100,855,233)	(10,966,554)	(337,636)	(112,159,423)
Write-offs	-	-	(1,145,679)	(1,145,679)
Exchange rate or other changes	(766,330)	(480,505)	(339,665)	(1,586,500)
Balance at December 31, 2019	$ 158,371,378	$ 15,043,738	$ 2,991,636	$ 176,406,752
Balance at January 1, 2018	$ 151,286,438	$ 12,238,616	$ 1,647,976	$ 165,173,030
Transfers				
To 12-month ECLs	279,020	(279,020)	-	-
To lifetime ECLs	(963,153)	963,153	-	-
To credit-impaired financial assets	(358,872)	-	358,872	-
New financial assets purchased	109,321,385	10,642,242	232,537	120,196,164
Derecognition of financial assets	(93,949,766)	(8,822,090)	(511,153)	(103,283,009)
Write-offs	(1,308)	(220)	(353,701)	(355,229)
Exchange rate or other changes	383,185	(64,804)	9,895	328,276
Balance at December 31, 2018	$ 165,996,929	$ 14,677,877	$ 1,384,426	$ 182,059,232

The balance of the overdue loans of the Bank as of December 31, 2019 and 2018 no longer include the calculation of interest. The unrecognized interest revenue on the above loans amounted to $11,150 thousand and $511 thousand for the years ended December 31, 2019 and 2018, respectively. For the years ended December 31, 2019 and 2018, the Bank wrote off credits only upon completing the required legal procedures.

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

Refer to Note 44 for the impairment loss analysis of discounts and loans.

12. ALLOWANCE FOR CREDIT LOSSES AND PROVISIONS

The changes in allowance for credit losses and provisions for the years ended December 31, 2019 and 2018 were as follows:

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

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

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

Allowance for Receivables	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
Balance at January 1, 2018 per IAS 39	$ 12,606	$ 20	$ 24,650	$ 37,276	$ 43,861	$ 81,137
Adjustment on initial application of IFRS 9	94	-	-	94	-	94
Balance at January 1, 2018 per IFRS 9	12,700	20	24,650	37,370	43,861	81,231
Transfers						
To 12-month ECLs	2	(2)	-	-	-	-
To lifetime ECLs	(4)	4	-	-	-	-
To credit-impaired financial assets	(1)	-	1	-	-	-
New financial assets purchased	5,047	77	618	5,742	-	5,742
Derecognition of financial assets	(12,449)	(9)	(2,124)	(14,582)	-	(14,582)
Change in model or risk parameters	(3)	(3)	9	3	-	3
Difference between IFRS 9 and "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans"	-	-	-	-	8,558	8,558
Withdrawal after write-offs	-	-	392	392	-	392
Exchange rate or other changes	-	-	627	627	142	769
Balance at December 31, 2018	$ 5,292	$ 87	$ 24,173	$ 29,552	$ 52,561	$ 82,113

Allowance for Discounts and Loans	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans”	Total
Balance at January 1, 2018 per IAS 39	$ 510,007	$ 77,583	$ 539,987	$ 1,127,577	$ 1,288,312	$ 2,415,889
Adjustment on initial application of IFRS 9	71,417	10,864	75,616	157,897	-	157,897
Balance at January 1, 2018 per IFRS 9	581,424	88,447	615,603	1,285,474	1,288,312	2,573,786
Transfers						
To 12-month ECLs	4,980	(4,980)	-	-	-	-
To lifetime ECLs	(3,071)	3,071	-	-	-	-
To credit-impaired financial assets	(541)	-	541	-	-	-
New financial assets purchased	108,555	21,996	154,255	284,806	-	284,806
Derecognition of financial assets	(294,128)	(35,732)	(93,617)	(423,477)	-	(423,477)
Change in model or risk parameters	(197,732)	(44,991)	(12,875)	(255,598)	-	(255,598)
Difference between IFRS 9 and “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans”	-	-	-	-	815,432	815,432
Write-offs	(1,308)	(220)	(353,701)	(355,229)	-	(355,229)
Withdrawal after write-offs	-	-	10,336	10,336	-	10,336
Exchange rate or other changes	3,242	495	6,799	10,536	10,212	20,748
Balance at December 31, 2018	$ 201,421	$ 28,086	$ 327,341	$ 556,848	$ 2,113,956	$ 2,670,804

Reserve for Losses on Guarantee Contracts and Financing Commitments	12-month ECLs	Lifetime ECLs	Lifetime ECLs (Credit-impaired Financial Assets)	Accumulated Amount under IFRS 9	Difference Between IFRS 9 and “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans”	Total
Balance at January 1, 2018 per IAS 39	$ 14,206	$ 2,263	$ -	$ 16,469	$ 109,566	$ 126,035
Adjustment on initial application of IFRS 9	61,822	19,144	-	80,966	-	80,966
Balance at January 1, 2018 per IFRS 9	76,028	21,407	-	97,435	109,566	207,001
Transfers						
To 12-month ECLs	277	(277)	-	-	-	-
New financial assets purchased	29,438	6,950	-	36,388	-	36,388
Derecognition of financial assets	(50,252)	(16,056)	-	(66,308)	-	(66,308)
Change in model or risk parameters	(12,136)	(1,046)	-	(13,182)	-	(13,182)
Difference between IFRS 9 and “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans”	-	-	-	-	75,256	75,256
Exchange rate or other changes	121	-	-	121	1,207	1,328
Balance at December 31, 2018	$ 43,476	$ 10,978	$ -	$ 54,454	$ 186,029	$ 240,483

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2019	2018
Investments in subsidiaries	$ 14,920,171	$ 14,120,402

a. Investments in subsidiaries

	December 31	
	2019	2018
Domestic listed company		
China Bills Finance Corp.	$ 6,700,500	$ 6,542,494
Domestic unlisted company		
IBT Holdings Corp.	5,294,014	4,976,750
Chun Teng New Century Co., Ltd. (former IBT Securities Co., Ltd.)	338,027	353,262
IBT Leasing Co., Ltd.	2,361,173	2,036,163
IBT Management Corp.	226,457	211,733
	$ 14,920,171	$ 14,120,402

	Proportion of Ownership and Voting Rights	
	December 31	
	2019	2018
China Bills Finance Corp.	28.37%	28.37%
Chun Teng New Century Co., Ltd.	99.75%	99.75%
IBT Holdings Corp.	100.00%	100.00%
IBT Leasing Co., Ltd.	100.00%	100.00%
IBT Management Corp.	100.00%	100.00%

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

	For the Year Ended December 31	
	2019	2018
Domestic listed company		
China Bills Finance Corp.	$ 353,093	$ 378,842
Domestic unlisted company		
Chun Teng New Century Co., Ltd.	(1,823)	10,247
IBT Holdings Corp.	385,991	346,189
IBT Leasing Co., Ltd.	363,808	140,702
IBT Management Corp.	(2,589)	(510)
	1,098,480	875,470
Gain on disposal of investments accounted for using the equity method	-	4,945
	$ 1,098,480	$ 880,415

The investments in subsidiaries and associates accounted for using the equity method, the share of profit or loss of associates and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2019 and 2018 was based on each of financial statements which have been audited for the same years.

14. OTHER FINANCIAL ASSETS

	December 31	
	2019	**2018**
Call loans to securities firms	$ 301,107	$ 614,919
Others	216,091	-
	$ 517,198	$ 614,919

15. PROPERTY AND EQUIPMENT, NET

	December 31	
	2019	**2018**
Carrying amounts of each class		
Land	$ 698,633	$ 698,633
Buildings	1,347,472	1,390,808
Machinery and computer equipment	322,908	312,438
Transportation equipment	23,778	24,387
Lease improvement	118,848	159,169
Office and other equipment	68,672	86,789
Construction in progress and prepayments for equipment	80,739	84,879
	$ 2,661,050	$ 2,757,103

	December 31, 2019
For own used	$ 2,290,909
Assets leased under operating leases	370,141
	$ 2,661,050

a. For own used - 2019

	Land	Buildings	Machinery and Computer Equipment	Transportation Equipment	Lease Improvement	Office and Other Equipment	Construction in Progress and Prepayments for Equipment	Total
Cost								
Balance at January 1, 2019	$ 613,679	$ 1,644,005	$ 624,999	$ 48,428	$ 250,472	$ 214,059	$ 84,879	$ 3,480,521
Additions	-	473	27,911	7,770	2,651	1,373	56,521	96,699
Disposal	-	(2,134)	(5,603)	(6,131)	(11,040)	(2,665)	-	(27,573)
Reclassification	(41,429)	(109,263)	39,998	-	-	-	(60,654)	(171,348)
Effect of foreign currency exchange differences	-	-	(125)	(65)	(596)	(188)	(7)	(981)
Balance at December 31, 2019	572,250	1,533,081	687,180	50,002	241,487	212,579	80,739	3,377,318

(Continued)

	Land	Buildings	Machinery and Computer Equipment	Transportation Equipment	Lease Improvement	Office and Other Equipment	Construction in Progress and Prepayments for Equipment	Total
Accumulated depreciation								
Balance at January 1, 2019	$ -	$ 422,319	$ 312,561	$ 24,041	$ 91,303	$ 127,270	$ -	$ 977,494
Depreciation expense	-	7,891	57,394	7,810	38,214	19,291	-	130,600
Disposals	-	(843)	(5,603)	(5,572)	(6,623)	(2,590)	-	(21,231)
Effect of foreign currency exchange differences	-	-	(80)	(55)	(255)	(64)	-	(454)
Balance at December 31, 2019	-	429,367	364,272	26,224	122,639	143,907	-	1,086,409
Carrying amounts								
Balance at December 31, 2019	$ 572,250	$ 1,103,714	$ 322,908	$ 23,778	$ 118,848	$ 68,672	$ 80,739	$ 2,290,909

(Concluded)

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

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

b. Assets leased under operating leases - 2019

	Land	Buildings	Total
Cost			
Balance at January 1, 2019	$ 84,954	$ 227,585	$ 312,539
Disposal	-	(295)	(295)
Additions	-	453	453
Reclassification	41,429	110,841	152,270
Balance at December 31, 2019	$ 126,383	$ 338,584	$ 464,967
Accumulated depreciation			
Balance at January 1, 2019	-	58,463	58,463
Depreciation expense	-	36,480	36,480
Disposal	-	(117)	(117)
Balance at December 31, 2019	$ -	$ 94,826	$ 94,826
Carrying amounts			
Balance at December 31, 2019	$ 126,383	$ 243,758	$ 370,141

Operating leases relate to leases of land and building with lease terms between 1 to 5 years. All operating lease contracts contain market review clauses in the event that the lessees exercise their options to extend. The lessees do not have bargain purchase options to acquire the assets at the expiry of the lease periods.

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

	December 31, 2019
Year 1	$ 21,529
Year 2	8,313
Year 3	8,072
Year 4	7,735
Year 5	4,512
	$ 50,161

The above items of property, plant and equipment leased under operating leases are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	25-50 years

c. 2018

	Land	Buildings	Machinery and Computer Equipment	Transportation Equipment	Lease Improvement	Office and Other Equipment	Construction in Progress and Prepayments for Equipment	Total
Cost								
Balance at January 1, 2018	$ 698,633	$ 1,872,203	$ 604,374	$ 52,317	$ 211,638	$ 173,607	$ 140,878	$ 3,753,650
Additions	-	-	14,383	9,291	11,363	7,858	188,517	231,412
Disposal	-	(613)	-	(13,300)	(2,582)	(106)	(6,873)	(23,474)
Reclassification	-	-	6,045	-	29,176	32,507	(237,717)	(169,989)
Effect of foreign currency exchange differences	-	-	197	120	877	193	74	1,461
Balance at December 31, 2018	698,633	1,871,590	624,999	48,428	250,472	214,059	84,879	3,793,060
Accumulated depreciation								
Balance at January 1, 2018	-	436,467	255,668	29,446	56,315	111,599	-	889,495
Depreciation expense	-	44,446	56,768	7,813	35,307	15,698	-	160,032
Disposals and Reclassification	-	(131)	-	(13,300)	(619)	(101)	-	(14,151)
Effect of foreign currency exchange differences	-	-	125	82	300	74	-	581
Balance at December 31, 2018	-	480,782	312,561	24,041	91,303	127,270	-	1,035,957
Carrying amounts								
Balance at December 31, 2018	$ 698,633	$ 1,390,808	$ 312,438	$ 24,387	$ 159,169	$ 86,789	$ 84,879	$ 2,757,103

16. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	December 31, 2019
Carrying amounts	
Buildings	$ 309,517

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

b. Lease liabilities - 2019

	December 31, 2019
Carrying amounts	$ 313,446

Range of discount rate for lease liabilities was as follows:

	December 31, 2019
Buildings	1.621%-5.125%

c. Material lease-in activities - 2019

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

d. Other lease information

	For the Year Ended December 31, 2019
Expenses relating to short-term leases	$ 4,284
Expenses relating to low-value asset leases	$ -
Total cash outflow for leases	$ (109,136)

17. INTANGIBLE ASSETS

	December 31	
	2019	2018
Carrying amounts of each class		
Computer software	$ 1,163,114	$ 1,274,262

The movements of intangible assets are summarized as follows:

	Computer Software
Cost	
Balance at January 1, 2019	$ 1,954,770
Additions	113,882
Reclassification	19,077
Disposal	(218)
Effect of foreign currency exchange differences	(534)
Balance at December 31, 2019	$ 2,086,977
Accumulated amortization and impairment loss	
Balance at January 1, 2019	$ 680,508
Amortization	243,995
Reclassification	(218)
Effect of foreign currency exchange differences	(422)
Balance at December 31, 2019	$ 923,863
Carrying amounts	
Balance at December 31, 2019	$ 1,163,114
Cost	
Balance at January 1, 2018	$ 1,716,574
Additions	164,254
Reclassification	73,101
Effect of foreign currency exchange differences	841
Balance at December 31, 2018	$ 1,954,770
Accumulated amortization and impairment loss	
Balance at January 1, 2018	$ 468,398
Amortization	222,902
Reclassification	(11,430)
Effect of foreign currency exchange differences	638
Balance at December 31, 2018	$ 680,508
Carrying amounts	
Balance at December 31, 2018	$ 1,274,262

18. OTHER ASSETS

	December 31	
	2019	2018
Refundable deposits	$ 219,698	$ 348,372
Prepayments	48,793	55,320
Others	130,939	128,003
	$ 399,430	$ 531,695

19. DUE TO THE CENTRAL BANK AND BANKS

	December 31	
	2019	2018
Due to other banks	$ 19,529,671	$ 26,832,657
Call loans from Central Bank	2,408,858	2,152,215
Deposits from Chunghwa Post Co., Ltd.	7,000,000	-
	$ 28,938,529	$ 28,984,872

20. BILLS AND BONDS SOLD UNDER REPURCHASE AGREEMENT

	December 31	
	2019	2018
Government bonds	$ 2,863,548	$ 4,400,442
Date of agreements to repurchase	From January 6 to January 17, 2020	From January 2 to January 29, 2019
Amount of agreements to repurchase	$ 2,864,192	$ 4,401,641

21. PAYABLES

	December 31	
	2019	2018
Checks clearing payables	$ 535,060	$ 1,159,621
Investment settlements payable	102,794	52,009
Accrued interest	728,922	739,778
Accrued expenses	706,696	673,906
Collections for others	29,470	36,711
Factored receivables	252,912	1,821,591
Acceptances	220,594	216,343
Others	105,197	134,047
	$ 2,681,645	$ 4,834,006

22. DEPOSITS AND REMITTANCES

	December 31	
	2019	2018
Deposits		
Checking	$ 1,291,303	$ 2,162,352
Demand	38,067,331	31,290,353
Time	187,573,208	197,175,709
Savings deposits	16,649,521	9,832,879
Outward remittances	63,717	6
	$ 243,645,080	$ 240,461,299

23. BANK DEBENTURES PAYABLE

	December 31	
	2019	2018
Subordinate debenture bonds first issued in 2012; fixed 1.85% interest rate; maturity: August 17, 2019; interest paid annually and repay the principal at maturity	$ -	$ 1,650,000
Subordinate debenture bonds first issued in 2013; fixed 1.95% interest rate; maturity: May 30, 2020; interest paid annually and repay the principal at maturity	2,300,000	2,300,000
Subordinate debenture bonds first issued in 2014; fixed 1.95% interest rate; maturity: March 27, 2021; interest paid annually and repay the principal at maturity	1,300,000	1,300,000
Subordinate debenture bonds second issued in 2014; fixed 1.85% interest rate; maturity: June 26, 2021; interest paid annually and repay the principal at maturity	1,000,000	1,000,000
Subordinate debenture bonds third issued in 2014; fixed 1.95% interest rate; maturity: September 26, 2021; interest paid annually and repay the principal at maturity	600,000	600,000
Subordinate debenture bonds forth issued in 2014; fixed 2.2% interest rate; maturity: May 5, 2022; interest paid annually and repay the principal at maturity	1,500,000	1,500,000
Subordinate debenture bonds first issued in 2015; fixed 1.85% interest rate; maturity: December 29, 2022; interest paid annually and repay the principal at maturity	1,000,000	1,000,000
Subordinate debenture bonds A first issued in 2016; fixed 1.70% interest rate; maturity: June 29, 2023; interest paid annually and repay the principal at maturity	1,500,000	1,500,000
Subordinate debenture bonds B first issued in 2016; fixed 1.80% interest rate; maturity: June 29, 2024; interest paid annually and repay the principal at maturity	1,500,000	1,500,000
Subordinate debenture bonds first issued in 2017; fixed 1.97% interest rate; maturity: September 5, 2027; interest paid annually and repay the principal at maturity	2,000,000	2,000,000
Subordinate debenture bonds A second issued in 2017; fixed 4% interest rate; no maturity, interest paid annually	750,000	750,000

(Continued)

	December 31	
	2019	2018
Subordinate debenture bonds B second issued in 2017; fixed 1.82% interest rate; maturity: December 27, 2027; interest paid annually and repay the principal at maturity	$ 1,000,000	$ 1,000,000
Subordinate debenture bonds A first issued in 2018; fixed 4% interest rate; no maturity, interest paid annually	700,000	700,000
Subordinate debenture bonds B second issued in 2018; fixed 1.75% interest rate; maturity: June 29, 2028; interest paid annually and repay the principal at maturity	1,050,000	1,050,000
Subordinate debenture bonds first issued in 2019; fixed 1.5% interest rate; maturity: June 6, 2026; interest paid annually and repay the principal at maturity	2,500,000	-
	$ 18,700,000	$ 17,850,000

(Concluded)

24. OTHER FINANCIAL LIABILITIES

	December 31	
	2019	2018
Funds obtained from the government - intended for specific types of loans	$ 2,950,900	$ 4,321,291
Structured commodity	517,749	-
	$ 3,468,649	$ 4,321,291

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

25. PROVISIONS

	December 31	
	2019	2018
Provisions for employee benefits	$ 88,577	$ 87,565
Reserve for losses on guarantee contracts	215,313	173,517
Reserve for financing commitments	66,966	66,966
	$ 370,856	$ 328,048

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

26. RETIREMENT BENEFIT PLANS

Defined Contribution Plan

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

The amount to be paid in accordance with the percentage specified in the proposed plan for the years ended December 31, 2019 and 2018 was recognized in the statements of comprehensive income in the total amounts of $53,036 thousand and $51,095 thousand, respectively.

Defined Benefit Plan

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

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

	December 31	
	2019	2018
Present value of defined benefit obligation	$ 198,373	$ 195,051
Fair value of plan assets	(109,796)	(107,486)
Net defined benefit liabilities	$ 88,577	$ 87,565

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2018	$ 211,468	$ (105,140)	$ 106,328
Service cost			
Current service cost	2,990	-	2,990
Net interest expense (income)	2,379	(1,198)	1,181
Recognized in profit or loss	5,369	(1,198)	4,171
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(3,013)	(3,013)
Changes in demographic assumptions	2,802	-	2,802

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Changes in financial assumptions	$ 2,384	$ -	$ 2,384
Experience adjustments	(3,250)	-	(3,250)
Recognized in other comprehensive income	1,936	(3,013)	(1,077)
Employer contributions	-	(2,674)	(2,674)
Benefits paid	(4,539)	4,539	-
Actual payment	(19,183)	-	(19,183)
Balance at December 31, 2018	$ 195,051	$ (107,486)	$ 87,565
Balance at January 1, 2019	$ 195,051	$ (107,486)	$ 87,565
Service cost			
Current service cost	2,349	-	2,349
Net interest expense (income)	1,951	(1,088)	863
Recognized in profit or loss	4,300	(1,088)	3,212
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(3,853)	(3,853)
Changes in demographic assumptions	400	-	400
Changes in financial assumptions	4,613	-	4,613
Experience adjustments	(748)	-	(748)
Recognized in other comprehensive income	4,265	(3,853)	412
Employer contributions	-	(2,612)	(2,612)
Benefits paid	(5,243)	5,243	-
Balance at December 31, 2019	$ 198,373	$ (109,796)	$ 88,577

(Concluded)

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

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

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

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

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

	December 31	
	2019	2018
Discount rate(s)	0.75%	1.00%
Expected rate(s) of salary increase	2.50%	2.50%

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

	December 31	
	2019	2018
Discount rate(s)		
0.25% increase	$ (4,614)	$ (4,783)
0.25% decrease	$ 4,776	$ 4,958
Expected rate(s) of salary increase		
0.25% increase	$ 4,618	$ 4,808
0.25% decrease	$ (4,486)	$ (4,663)

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

	December 31	
	2019	2018
Expected contributions to the plans for the next year	$ 2,661	$ 2,685
Average duration of the defined benefit obligation	9.4 years	10 years

27. OTHER LIABILITIES

	December 31	
	2019	2018
Guarantee deposits received	$ 6,587	$ 21,658
Advance revenue	28,659	33,894
Others	9,942	681
	$ 45,188	$ 56,233

28. EQUITY

a. Capital stock

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

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

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

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

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

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

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

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

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

b. Capital surplus

	December 31	
	2019	**2018**
May be used to offset a deficit, distributed as dividends, or transferred to capital stock (Note)		
Treasury stock transactions	$ 3,193	$ 3,193
Share-based payments	4,537	4,537
Must be used to offset a deficit		
Unclaimed dividends	649	308
May not be used for any purpose		
Share of changes in capital surplus of subsidiaries, associates or joint ventures	1,371	465
	$ 9,750	$ 8,503

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

c. Retained earnings and dividend policy

Under the dividends policy as set forth in the amended Articles, where the Bank made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 30% of the remaining profit, except the accumulated legal reserve equals the Bank's paid-in capital, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Board as the basis for proposing a distribution plan, which should be resolved in the stockholders' meeting for distribution of dividends and bonus to stockholders. Legal reserve shall be appropriated until it has reached the Bank's capital surplus. When the legal reserve has exceeded 15% of the Bank's capital surplus, the excess may be distributed in cash. For the policies on distribution of employees' compensation and remuneration of directors, refer to Note 33.

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

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

Items referred to under Rule No. 1010012865, Rule No. 1010047490, and Rule No. 1030006415 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserved by the Bank.

Under Rule No. 10510001510 issued by the FSC on May 25, 2016, a public bank shall make a special surplus in the range of 0.5% to 1% of net profit after tax when the bank appropriate earnings of 2016 to 2018. Since 2017, the Bank is allowed to reverse the special reserve at the amount of the costs of employee transfer and arrangement in connection with the development of financial technology.

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

	For the Year Ended December 31	
	2018	**2017**
	Appropriation of Earnings	**Appropriation of Earnings**
Legal reserve	$ 183,014	$ 304,370
Special reserve appropriated (reversed)	415,504	(13,705)
Cash dividends - common stock	-	723,902
Cash dividends - preferred stock	11,527	-

The appropriation of earnings for 2019 had been proposed by the Board on March 19, 2020. The appropriation were as follows:

	Appropriation of Earnings
Legal reserve	$ 330,130
Special reserve	(234,982)
Cash dividends - common stock	965,203
Cash dividends - preferred stock	127,500

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

d. Other equity items

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

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ (92,806)	$ (216,266)
Exchange differences arising on the translating the financial statements of foreign operations	(237,382)	149,013
Income tax related to gains arising on the translating the financial statements of foreign operations	22,715	(25,553)
Balance at December 31	$ (307,473)	$ (92,806)

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

	For the Year Ended December 31	
	2019	2018
Balance at January 1 per IAS 39		$ -
Effect of IFRS 9 retrospective application		144,112
Balance at January 1 per IFRS 9	$ (67,175)	144,112
Recognized during the period		
Debt instruments	223,138	(190,443)
Equity instruments	169,681	(159,627)
Loss allowance of debt instruments	2,075	221
Other comprehensive income recognized in the period	394,894	(349,849)
Cumulative unrealized loss (gain) of equity instruments transferred to retained earnings due to disposal	(87,723)	138,562
Balance at December 31	$ 239,996	$ (67,175)

29. NET INTEREST

	For the Year Ended December 31	
	2019	2018
Interest revenue		
Discounts and loans	$ 4,710,269	$ 4,532,874
Investments in marketable securities	717,321	722,263
Due from the Central Bank and call loans to banks	259,590	154,865
Factoring	30,228	51,715
Others	46,177	43,837
	5,763,585	5,505,554
Interest expense		
Deposits	2,921,856	2,255,451
Securities sold under repurchase agreements	20,569	38,466
Bank debenture	378,507	423,673
Due to the Central Bank and banks	460,969	599,180
Others	24,233	7,263
	3,806,134	3,324,033
	$ 1,957,451	$ 2,181,521

30. NET SERVICE FEE INCOME

	For the Year Ended December 31	
	2019	2018
Service fee		
Import and export business	$ 23,219	$ 38,740
Loan business	238,243	131,407
Guarantee business	186,444	114,503
Credit examining business	275,176	357,738
Acceptance business	1,174	1,381
Factoring business	41,461	83,733
Trust business	20,188	13,004
Non-investment insurance commission	116,583	8,864
Others	41,053	41,048
	943,541	790,418
Service charge		
Remittance	1,628	1,550
Custody	2,318	1,769
Interbank	15,956	14,140
Reward program	44,102	80,975
Others	70,744	81,856
	134,748	180,290
	$ 808,793	$ 610,128

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

	For the Year Ended December 31	
	2019	2018
Realized gain or loss		
Stocks	$ 98,100	$ 28,362
Bonds	831	(6,061)
Derivatives	731,366	918,679
	830,297	940,980
Gains (losses) on valuation		
Stocks	7,606	2,894
Bonds	10,075	1,620
Derivatives	(353,949)	175,225
Others	555	1,848
	(335,713)	181,587
Interest revenue	413,801	263,210
	$ 908,385	$ 1,385,777

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

	For the Year Ended December 31	
	2019	2018
Realized income - debt instruments	$ 107,879	$ 28,143
Dividend income	25,572	50,847
	$ 133,451	$ 78,990

33. EMPLOYEE BENEFITS EXPENSE

	For the Year Ended December 31	
	2019	2018
Short-term employee benefits		
Salaries and wages	$ 1,455,597	$ 1,384,127
Directors' remuneration and fees	84,824	84,574
Labor insurance and national health insurance	79,219	83,519
Others	26,532	26,615
Post-employment benefits		
Pension	55,555	54,683
	$ 1,701,727	$ 1,633,518

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

The amounts and accrual rates of employees' compensation and remuneration of directors for the year ended December 31, 2019 and 2018 were as follows:

Accrual rate

	For the Year Ended December 31	
	2019	2018
Employees' compensation	1.25%	1.25%
Remuneration of directors	2.50%	2.50%

Amount

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

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

The employees' compensation and remuneration of directors for 2018 and 2017, which were approved by the Board on February 27, 2019 and February 27, 2018, respectively, were as follows:

	For the Year Ended December 31			
	2018		2017	
	Cash	Stock	Cash	Stock
Employees' compensation	$ 14,632	$ -	$ 15,919	$ -
Remuneration of directors	29,265	-	31,838	-

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

The Board approved employees' compensation and remuneration of directors for the year ended December 31, 2019 on March 25, 2020, were as follows:

	2019
Employees' compensation-cash	$ 15,715
Remuneration of directors	31,430

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

34. DEPRECIATION AND AMORTIZATION EXPENSES

	For the Year Ended December 31	
	2019	2018
Property and equipment	$ 167,080	$ 160,032
Intangible assets	243,995	222,902
Right-of-use assets	101,856	-
	$ 512,931	$ 382,934

35. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	For the Year Ended December 31	
	2019	2018
Rental	$ 4,284	$ 136,191
Taxation	195,200	181,132
Computer operating and consulting fees	260,671	214,086
Management fees	35,780	38,519
Entertainment	47,209	54,839
Advertisement	131,346	169,801
Service fees	57,923	72,411
Others	227,036	266,728
	$ 959,449	$ 1,133,707

36. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Year Ended December 31	
	2019	2018
Current tax		
In respect of the current year	$ 139,469	$ 90,657
Income tax on unappropriated earning	12,537	-
In respect of prior years	(7,826)	(8,596)
	144,180	82,061
Deferred tax		
In respect of the current year	(34,521)	77,809
Effect of tax rate change	-	12,157
	(34,521)	89,966
Income tax expense recognized in profit or loss	$ 109,659	$ 172,027

A reconciliation of accounting profit and income tax expense for the years ended December 31, 2019 and 2018 were as follows:

	For the Year Ended December 31	
	2019	2018
Profit before tax from continuing operations	$ 1,210,092	$ 1,126,686
Income tax expense calculated at the statutory rate	$ 242,018	$ 225,337
Realized gain or loss on investment in equity instruments measured at fair value through other comprehensive income	12,118	(32,817)
Nondeductible expenses and tax-exempt income in determining taxable income	(211,389)	(98,840)
Deductible tax amount of overseas income tax	(77,388)	(12,296)
Additional income tax under the Alternative Minimum Tax Act	6,289	682
Income tax on unappropriated earnings	12,537	-
Unrecognized deductible temporary differences	120	(3,575)
Overseas income taxes	133,180	89,975
Effect of tax rate changes	-	12,157
Adjustments for prior years' tax	(7,826)	(8,596)
Income tax expense recognized in profit or loss	$ 109,659	$ 172,027

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

b. Income tax income (expense) recognized in other comprehensive income

	For the Year Ended December 31	
	2019	**2018**
Deferred tax		
Effect of tax rate change	$ -	$ 2,614
Exchange differences on translating the financial statements of foreign operations	22,715	(28,167)
Income tax recognized in other comprehensive income (expense)	$ 22,715	$ (25,553)

c. Deferred tax assets and liabilities

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Closing Balance
Deferred tax assets				
Temporary differences				
FVTPL financial assets	$ 50,173	$ 888	$ -	$ 51,061
Allowance for bad debts	112,204	110,832	-	223,036
Loss reserve	2,015	-	-	2,015
Exchange differences on translating the financial statements of foreign operations	-	-	11,975	11,975
	$ 164,392	$ 111,720	$ 11,975	$ 288,087
Deferred tax liabilities				
Temporary differences				
FVTPL financial liabilities	$ 323,250	$ 77,199	$ -	$ 400,449
Exchange differences on translating the financial statements of foreign operations	10,740	-	(10,740)	-
	$ 333,990	$ 77,199	$ (10,740)	$ 400,449

For the year ended December 31, 2018

	Opening Balance	Retroactive Adjustment	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Closing Balance
Deferred tax assets					
Temporary differences					
FVTPL financial assets	$ 37,312	$ -	$ 12,861	$ -	$ 50,173
Allowance for bad debts	84,462	23,699	4,043	-	112,204
Loss reserve	1,546	-	469	-	2,015
Exchange differences on translating the financial statements of foreign operations	14,813	-	-	(14,813)	-
	$ 138,133	$ 23,699	$ 17,373	$ (14,813)	$ 164,392
Deferred tax liabilities					
Temporary differences					
Associates ventures	$ 215,911	$ -	$ 107,339	$ -	$ 323,250
Exchange differences on translating the financial statements of foreign operations	-	-	-	10,740	10,740
	$ 215,911	$ -	$ 107,339	$ 10,740	$ 333,990

d. Assessment of the income tax returns

The income tax returns of the Bank through before 2016 have been assessed by the tax authorities. The Bank disagreed with the tax authorities' assessment of its 2016 tax return and apply to re-examine.

37. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2019	**2018**
Basic earnings per share	$ 0.45	$ 0.40
Diluted earnings per share	$ 0.45	$ 0.40

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

	For the Year Ended December 31	
	2019	2018
Net profit for the year		
Net profit	$ 1,100,433	$ 954,659
Less declared preferred stock dividend	11,527	-
Earnings used in the computation of basic and diluted earnings per share	$ 1,088,906	$ 954,659
Stock (in thousand shares)		
Weighted average number of common stocks in computation of basic earnings per share	2,413,006	2,413,006
Effect of potentially dilutive common stocks:		
Employees' compensation issued to employees	2,302	2,107
Convertible preferred stock	27,123	-
	29,425	2,107
Weighted average number of common stocks used in the computation of diluted earnings per share	2,442,431	2,415,113

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

38. RELATED PARTY TRANSACTIONS

a. The related parties and their relationships with the Bank

Related Party	Relationship with the Bank
Chun Teng New Century Co., Ltd. (Original IBT Securities Co., Ltd.) (Chun Teng New Century) (liquidation)	Subsidiary of Bank
IBT Management Corp. (IBTM)	Subsidiary of Bank
IBT Holdings Corp. (IBTH)	Subsidiary of Bank
China Bills finance Corp. (CBF)	Subsidiary of Bank
IBT Leasing Co., Ltd. (IBTL)	Subsidiary of Bank
IBT II Venture Capital Co., Ltd. (IBT II Venture) (liquidation)	Associates
IBTS Holdings (B.V.I.) Limited (IBTSH)	Subsidiary of Chun Teng New Century
IBT international Leasing Corp.	Subsidiary of IBTL
IBT VII Venture Capital Co., Ltd. (IBTVC7)	Subsidiary of IBTL
IBTS Financial (HK) Limited (IBTS HK)	Subsidiary of IBTSH
IBTS Asia (HK) Limited (IBTS Asia)	Subsidiary of IBTSH
IBT Education Foundation (IBTEF)	The Bank is the major donor of the foundation

(Continued)

Related Party	Relationship with the Bank
Taiwan Cement Corporation	The Bank's legal director
Yi Chang Investment Co., Ltd.	The Bank's legal director
Ming Shan Investment Co., Ltd.	The Bank's legal director
TCC Energy Co., Ltd.	Other related party
Others	The Bank's management and their other related parties

(Concluded)

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

1) Deposits

	Ending Balance	Interest Expense	Rate (%)
For the year ended December 31, 2019			
Subsidiaries	$ 272,148	$ 3,121	0.00-2.70
Associates	2,298	33	0.00-0.33
Others	3,670,509	63,622	0.00-6.56
	$ 3,944,955	$ 66,776	
For the year ended December 31, 2018			
Subsidiaries	$ 226,639	$ 10,200	0.00-3.05
Associates	265	4	0.4
Others	2,680,948	47,430	0.00-6.56
	$ 2,907,852	$ 57,634	

2) Loans

	Maximum Balance	Ending Balance	Interest Income	Rate (%)
For the year ended December 31, 2019				
Others	$ 430,000	$ 430,000	$ 6,204	1.443
For the year ended December 31, 2018				
Others	$ 430,000	$ 430,000	$ 2,699	1.443

December 31, 2019							
Category	**Name**	**Maximum Balance (Note 1)**	**Ending Balance**	**Normal Loans**	**Non-performing Loans**	**Collateral**	**Difference of Terms of the Trans-actions with Unrelated Parties**
Others	TCC	$ 430,000	$ 430,000	$ 430,000	$ -	Real estate	None

December 31, 2018							
Category	**Name**	**Maximum Balance (Note)**	**Ending Balance**	**Normal Loans**	**Non-performing Loans**	**Collateral**	**Difference of Terms of the Trans-actions with Unrelated Parties**
Others	TCC	$ 430,000	$ 430,000	$ 430,000	$ -	Real estate	None

Note 1: The maximum balance of daily totals for each category of loan.

3) Purchases and sales of securities

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

	For the Year Ended December 31, 2018			
Related Party	**Purchases**	**Sales**	**Sales Under Repurchase Agreements**	**Purchases Under Resell Agreements**
Subsidiaries	$ 398,981	$ 449,315	$ -	$ -

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

	For the Year Ended December 31	
	2019	**2018**
Others	$ 21	$ 28

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

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

	For the Year Ended December 31	
	2019	**2018**
Others	$ 4,800	$ 4,800

Other expenses are donations.

6) Rental income and others

	For the Year Ended December 31	
	2019	2018
Subsidiaries	$ 17,256	$ 14,245
Others	552	552
	$ 17,808	$ 14,797

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

c. Compensation of key management personnel

The remuneration of directors and other members of key management personnel for the years ended December 31, 2019 and 2018 were as follows:

	For the Year Ended December 31	
	2019	2018
Short-term employee benefits	$ 280,592	$ 291,881
Post-employment benefits	3,898	3,913
Share-based payments	335	-
	$ 284,825	$ 295,794

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

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

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

39. PLEDGED ASSETS

	December 31	
	2019	2018
Pledged time deposits	$ 216,091	$ 223,500
Financial assets at fair value through profit or loss	15,059,495	11,059,858
Financial assets at fair value through other comprehensive income	182,854	-
Investments in debt instruments measured at amortized costs	-	166,680
	$ 15,458,440	$ 11,450,038

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

40. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. Except for other disclosures, as of December 31, 2019 and 2018, the Bank had commitments as follows:

	December 31	
	2019	**2018**
Office decorating and contracts of computer software		
Amount of contracts	$ 110,327	$ 143,503
Payments for construction in progress and prepayments for equipment	68,050	84,879

b. The Bank as lessee

Due to the rental of buildings, the Bank had entered into various leasehold contracts with others, respectively. These contracts are gradually expiring before the end of July 2026.

As of December 31, 2018, refundable deposits paid under operating lease amounted to $28,275 thousand.

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

	December 31, 2018
Up to 1 years	$ 86,719
Over 1 year to 5 years	172,620
Over 5 years	38,949
	$ 298,288

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

41. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

In order to motivate employees and improve their centripetal force, the Bank passed a resolution of the board of directors on March 19, 2020. The 35,000 thousand stocks of treasury shares will be bought back from the Stock Exchange Market from March 20,2020 to May 19,2020, and the maximum amount of purchases will be $5,874,652 thousand, which will be transferred to employees.

42. TRUST BUSINESS UNDER THE TRUST LAW

Balance Sheet of Trust Accounts

	December 31	
	2019	**2018**
Trust assets		
Petty cash	$ 100	$ 100
Bank deposits	1,665,135	2,799,410
Financial assets	2,875,818	1,072,855
Interest receivable	35	51
Prepayments	1,578	1,267
Real estate	8,238,959	9,165,624
Other assets	26,705	32,292
Total trust assets	$ 12,808,330	$ 13,071,599
Trust capital and liability		
Payables	$ 2,204	$ 1,542
Unearned receipts	1,266	839
Taxes payable	4,297	4,233
Receipts under custody	-	106
Deposits received	64,658	76,680
Other liabilities	1,024	968
Trust capital	12,572,930	12,828,013
Provisions and accumulated profit and loss	161,951	159,218
Trust capital and liability	$ 12,808,330	$ 13,071,599

Income Statements of Trust Accounts

	For the Year Ended December 31	
	2019	**2018**
Trust revenue		
Interest revenue	$ 15,513	$ 1,807
Rent revenue	115,855	57,210
Other revenue	1,798	48
	133,166	59,065
Trust expenses		
Management fees	1,164	598
Fees	106	265
Tax	14,433	6,740
Other expenses	13,015	6,626
Income tax expense	1,456	151
	30,174	14,380
	$ 102,992	$ 44,685

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

Trust Property List

	December 31	
	2019	2018
Petty cash	$ 100	$ 100
Bank deposits	1,665,135	2,799,410
Stocks	228,378	228,378
Funds	2,647,440	844,477
Land	7,398,368	8,320,001
Real estate	840,591	845,623
Receivables	35	51
Prepayments	1,578	1,267
Other	26,705	32,292
	$ 12,808,330	$ 13,071,599

43. FINANCIAL INSTRUMENTS

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

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

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

	December 31			
	2019		2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Investment in debt instruments at amortized costs	$ -	$ -	$ 499,940	$ 501,732
Financial liabilities				
Bank debentures payable	18,700,000	18,808,992	17,850,000	17,906,381

2) The fair value hierarchy

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

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

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

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

1) The fair value hierarchy of the financial instruments as of December 31, 2019 and 2018 were as follows:

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

Item	December 31, 2018			
	Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets				
Financial assets at FVTPL				
Stocks and beneficial certificates	$ 161,524	$ 121,654	$ -	$ 39,870
Bonds	99,969	-	99,969	-
Convertible bonds and structured bonds	1,021,828	-	1,021,828	-
Negotiable certificates of deposit	51,739,597	-	51,739,597	-
Financial assets at FVTOCI				
Equity instruments	1,064,763	539,943	-	524,820
Debt instruments	47,824,524	-	47,824,524	-
Derivative financial instruments				
Assets				
Financial assets at FVTPL	797,341	-	797,341	-
Liabilities				
Financial liabilities at FVTPL	780,811	-	780,811	-

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

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

a) Marking-to-market

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

i. Ensure the consistency and completeness of market data.

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

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

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

b) Marking-to-model

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

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

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

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

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

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

For the year ended December 31, 2019

Financial Assets	Financial Assets at FVTPL - Equity Instruments	Financial Assets at FVTOCI - Equity Instruments	Total
Beginning balance	$ 39,870	$ 524,820	$ 564,690
Recognition in profit or loss - financial assets at FVTPL	(1,083)	-	(1,083)
Recognition in other comprehensive income - financial assets at FVTOCI	-	131,342	131,342
Transfer into Level 3	-	86,281	86,281
Disposal	(38,787)	(420,038)	(458,825)
Ending balance	$ -	$ 322,405	$ 322,405

For the year ended December 31, 2018

Financial Assets	Financial Assets at FVTPL - Equity Instruments	Financial Assets at FVTOCI - Equity Instruments	Total
Beginning balance	$ -	$ -	$ -
Effect of retrospective application (IFRS 9)	38,788	775,837	814,625
Recognition in profit or loss - financial assets at FVTPL	1,082	-	1,082
Recognition in other comprehensive income - financial assets at FVTOCI	-	(56,205)	(56,205)
Purchases	-	616,173	616,173
Disposal	-	(810,985)	(810,985)
Ending balance	$ 39,870	$ 524,820	$ 564,690

Some of the Bank's investment targets were withdrawn for the year ended December 31, 2019. After evaluation, there is no fair market price for reference, so they have been transferred from Level 1 to Level 3. There was no transfer from Level 3 for the year ended December 31, 2018.

4) Transfers between Level 1 and Level 2

The Bank has no significant transfers between Level 1 and Level 2 for years ended December 31, 2019 and 2018.

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

The fair value measurement of financial instruments is reasonable, although the use of different valuation models or parameters may lead to different results. For bonds and convertible corporate bonds for asset swaps which have no quoted market prices, they are evaluated using valuation models. Were there to be a 10% or 1bp change in either direction of the quotes from respective counterparties or in discount rates and all other conditions remained the same, the effects on the income and other comprehensive income in the respective 2019 and 2018 periods would be as follows:

For the year ended December 31, 2019

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

For the year ended December 31, 2018

Item	Effect on Profit and Loss		Effect on Other Comprehensive Income	
	Favorable	Unfavorable	Favorable	Unfavorable
Financial assets at FVTPL				
Non-derivative financial instruments	$ 3,987	$ (3,987)	$ -	$ -
Financial assets at FVTOCI				
Non-derivative financial instruments	-	-	52,482	(52,482)

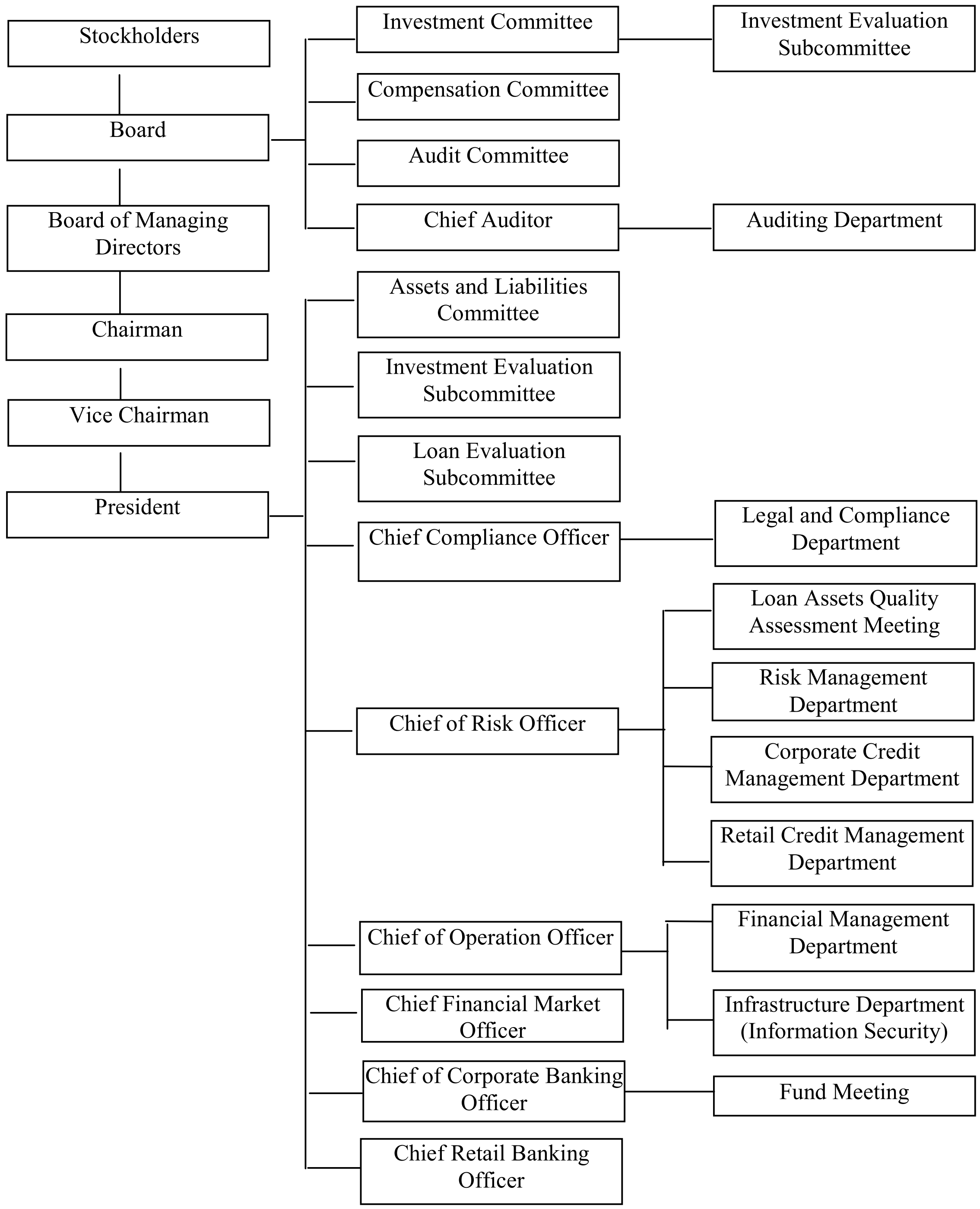
44. FINANCIAL RISK MANAGEMENT

a. Overview

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

b. Risk management framework

The ultimate responsibility for setting the Bank's risk management rests with the board of directors. The Auditing Department, Audit Committee, Investment Committee and Compensation Committee are set up under the board of directors. Assets and Liabilities Committee, Investment Evaluation Subcommittee, and Loan Evaluation Subcommittee, which are under the President, will hold capital meetings and quality evaluation of assets meetings for discussing and considering risk management proposals regularly. The risk management department is responsible for establishing a bank-wide risk mechanism to supervise and monitor the effectiveness of risk management across the Bank.



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

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

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

4) Assets assessment meetings of loan and investment assets held for various businesses:

   a) Loan assets quality assessment meeting

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

      ii. Assess the probable loss of loan assets and review the adequacy of allowance provision for bad debts, and guarantee liabilities.

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

   b) Investment assets quality assessment meeting

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

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

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

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

c. Credit risk

1) Sources and definition of credit risk

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

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

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

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

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

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

d) Credit risk management process:

i. Risk identification

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

ii. Risk measurement

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

The risk rating scales are used evaluate the probabilities of default and major operational difficulties of investees in the next year. Risk ratings need to be scaled when individual credit and investment accounts are approved. The continuous change in the credit status is due to the change in credit or investment household. Therefore, risk rating scales must be frequently reevaluated and updated for verification according to its credit changes.

ii) The purpose of portfolio management:

- Develop and monitor the Bank's credit portfolio to ensure the risk of loan is within the tolerable scope,

- "Concentration risks" are concentration-limited, which means avoiding the concentration of risks and achieving risk dispersion.

- Achieve the optimal target profits.

iii. Risk communication

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

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

iv. Risk monitoring

i) The Bank shall establish monitoring system to assess the changes in credit risk of borrower or counterparty or issuer, which serve as timely detection of problems on assets or transactions, and immediate action to cope with the possible breach.

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

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

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

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

3) Credit risk management and framework

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

6) Maximum exposure to credit risk

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

Off-balance Sheet Item	**Maximum Exposure Amount**	
	December 31, 2019	**December 31, 2018**
Financial guarantees and irrevocable documentary letter of credit		
Contract amounts	$ 21,501,289	$ 17,086,108
Maximum exposure amounts	21,501,289	17,086,108
Loan commitments	52,430,535	51,883,120

7) Concentrations of credit risk exposure

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

On December 31, 2019 and 2018, the Bank's significant concentration of credit risk were summarized as follows (only the top three are shown below):

a) By industry

Credit Risk Profile by Industry Sector	**December 31, 2019**		**December 31, 2018**	
	Amount	**%**	**Amount**	**%**
Manufacturing	$ 42,597,881	24	$ 52,856,650	29
Financial intermediary	41,283,654	23	40,740,842	22
Real estate	-	-	29,325,877	16
private	28,502,648	16	-	-

b) By counterparty

Credit Risk Profile by Industry Sector	**December 31, 2019**		**December 31, 2018**	
	Amount	**%**	**Amount**	**%**
Private sector	$ 147,904,104	84	$ 165,518,791	91
Natural person	28,502,648	16	16,540,441	9

c) By geographical area

Credit Risk Profile by Industry Sector	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%
Domestic	$ 123,721,500	70	$ 122,863,558	67
Other Asia area	27,253,098	15	35,143,990	19
America	16,491,642	9	15,909,162	9

8) Credit quality and impairment assessment of financial assets

Some financial assets such as cash and cash equivalents, due from Central Bank and call loan to banks, financial asset at FVTPL, bills and bond purchased under resell agreements, refundable deposits, operating deposits and settlement funds are regarded as very low credit risk owing to the good credit rating of counterparties.

The related financial asset impairment valuation is as follows:

a) Credit business (including loan commitments and guarantees)

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

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

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

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

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

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

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

b) Credit risk management for investments in debt instruments

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

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

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

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

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

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

December 31, 2019

Category	Expected Loss Rate	Gross Carrying Amount
Performing	0.0284%	$ 34,040,029
Doubtful	-	-
In default	-	-

December 31, 2018

Category	Expected Loss Rate	Gross Carrying Amount
Performing	0.0231%	$ 47,698,318
Doubtful	-	-
In default	-	-

The allowance for impairment loss of investments in debt instruments at FVTOCI and at amortized cost for the years ended December 31,2019 and 2018, grouped by credit rating, is reconciled as follows:

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

Allowance for Impairment Loss	Credit Rating Performing (12-month ECLs)
Balance at January 1, 2018 per IAS 39	$ -
Adjustment on initial application of IFRS 9	12,717
Balance at January 1, 2018 per IFRS 9	12,717
Changes in credit rating	
Normal to abnormal	-
Abnormal to default	-
Default to write off	-
New financial assets purchased	3,394
Derecognition of financial assets	(4,926)
Change in model or risk parameters	(378)
Exchange rate or other changes	219
Balance at December 31, 2018	$ 11,026

a) Credit analysis for receivables and discounts and loans

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

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

	December 31, 2018				
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Difference Between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing /Non-accrual Loans	Total
Receivables	$ 6,829,152	$ 67,777	$ 27,556	$ -	$ 6,924,485
Allowance for credit losses	(5,292)	(87)	(24,173)	-	(29,552)
Difference Between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	-	-	-	(52,561)	(52,561)
Net total	$ 6,823,860	$ 67,690	$ 3,383	$ (52,561)	$ 6,842,372

	December 31, 2018				
	Stage 1 12-month ECLs	Stage 2 Lifetime ECLs	Stage 3 Lifetime ECLs	Difference Between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing /Non-accrual Loans	Total
Discounts and loans	$ 165,996,929	$ 14,677,877	$ 1,384,426	$ -	$ 182,059,232
Allowance for credit losses	(201,421)	(28,086)	(327,341)	-	(556,848)
Difference Between IFRS 9 and Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans	-	-	-	$ (2,113,956)	(2,113,956)
Net total	$ 165,795,508	$ 14,649,791	$ 1,057,085	$ (2,113,956)	$ 179,388,428

b) Credit analysis for marketable securities

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

	December 31, 2018	
	At FVTOCI	At Amortized Cost
Gross carrying amount	$ 47,698,318	$ 499,940
Allowance for impairment loss	(11,026)	-
Amortized cost	47,687,292	$ 499,940
Fair value adjustment	137,232	
	$ 47,824,524	

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

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

As of December 31, 2019 and 2018, the Bank had no financial assets which were overdue but not impaired.

d. Liquidity risk

1) Source and definition of liquidity risk

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

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

2) Management strategy and principles of liquidity risk

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

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

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

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

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

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

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

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

As of December 31, 2019 and 2018, the liquidity reserve ratio was 45.89% and 45.61%, respectively.

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

December 31, 2019	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Due to the Central Bank and banks	$ 18,735,242	$ 3,203,287	$ -	$ -	$ 7,000,000	$ 28,938,529
Bills and bonds sold under repurchase agreements	2,864,192	-	-	-	-	2,864,192
Payables	1,099,136	207,640	546,657	789,987	38,225	2,681,645
Deposits and remittances	55,308,120	81,785,638	27,045,841	51,156,436	28,349,045	243,645,080
Bank debentures payable	-	-	2,300,000	-	16,400,000	18,700,000
Lease liabilities	7,902	16,310	23,088	45,978	234,721	327,999
Other financial liabilities	517,749	28,545	27,385	229,487	2,665,483	3,468,649
	$ 78,532,341	$ 85,241,420	$ 29,942,971	$ 52,221,888	$ 54,687,474	$ 300,626,094

December 31, 2018	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Due to the Central Bank and banks	$ 22,237,205	$ 6,747,667	$ -	$ -	$ -	$ 28,984,872
Bills and bonds sold under repurchase agreements	4,401,641	-	-	-	-	4,401,641
Payables	1,735,964	264,712	2,039,123	790,470	3,737	4,834,006
Deposits and remittances	70,825,593	66,852,904	38,112,365	42,107,083	22,563,354	240,461,299
Bank debentures payable	-	-	-	1,650,000	16,200,000	17,850,000
Other financial liabilities	8,743	2,667	100,600	881,576	3,327,705	4,321,291
	$ 99,209,146	$ 73,867,950	$ 40,252,088	$ 45,429,129	$ 42,094,796	$ 300,853,109

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

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

December 31, 2018	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Deliverable						
Forward contracts	$ 11,258	$ 1,022	$ 1,669	$ 25,214	$ -	$ 39,163
Currency swap contracts	335,349	55,470	215,891	6,595	-	613,305
	346,607	56,492	217,560	31,809	-	652,468
Non-deliverable						
Interest rate swap contracts	-	1,647	4,000	1,334	121,362	128,343
	$ 346,607	$ 58,139	$ 221,560	$ 33,143	$ 121,362	$ 780,811

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

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

December 31, 2018	Less Than 1 Month	1-3 Months	3 Months to 6 Months	6 Months to 1 Year	More Than 1 Year	Total
Unused letters of credit	$ 472,506	$ 840,096	$ 328,568	$ -	$ 7,389	$ 1,648,559
Other guarantees	8,115,650	3,938,500	1,067,569	2,187,375	128,455	15,437,549
Loan commitments	1,613,326	2,311,405	3,467,107	6,934,213	37,557,069	51,883,120
	$ 10,201,482	$ 7,090,001	$ 4,863,244	$ 9,121,588	$ 37,692,913	$ 68,969,228

e. Market risk

1) Source and definition of market risk

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

2) Market risk management strategy and process

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

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

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

3) Market risk management organization and framework

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

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

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

4) Market risk report and evaluation system

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

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

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

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

5) Value at risk

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

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

O-Bank

	December 31					
	2019			2018		
	Average	**High**	**Low**	**Average**	**High**	**Low**
Currency exchange rate risk	$ 1,507	$ 4,271	$ 20	$ 960	$ 7,992	$ 105
Fair value risk resulting from interest rate	1,421	5,410	121	2,551	8,991	-
Fair value resulting from stock price	5,999	14,831	812	7,114	14,004	321

6) Foreign currency rate risk information

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

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

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

	December 31, 2018		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
<u>Financial assets</u>			
Monetary item			
USD	$ 2,479,798	30.7459	$ 76,243,712
JPY	1,384,565	0.2781	385,058
HKD	8,878,133	3.9254	34,849,964
EUR	18,763	35.2119	660,664
AUD	2,318	21.6701	50,231
RMB	352,820	4.4700	1,577,100
Investments accounted for using the equity method			
USD	153,991	30.7459	4,734,592

(Continued)

	December 31, 2018		
	Foreign Currencies	**Exchange Rate**	**New Taiwan Dollars**
Financial liabilities			
Monetary item			
USD	$ 2,571,184	30.7459	$ 79,053,455
JPY	1,344,156	0.2781	373,821
HKD	6,513,703	3.9254	25,568,700
EUR	10,228	35.2119	360,130
AUD	8,661	21.6701	187,679
RMB	978,219	4.4700	4,372,624

(Concluded)

f. Banking book interest risk

1) Source and definition of banking book interest risk

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

2) Banking book interest risk management strategy and process

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

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

3) Banking book interest risk management organization and framework

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

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

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

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

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

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

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

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

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

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

O-Bank

	For the Year Ended December 31			
	2019		2018	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
Interest-earning assets				
Due from banks (part of cash and cash equivalents and other financial assets)	$ 1,083,859	2.69	$ 1,094,656	2.33
Call loans to banks	14,720,683	1.56	9,580,197	1.34
Due from the Central Bank	5,087,055	0.63	4,327,135	0.67
Financial assets at FVTPL	66,204,070	0.64	45,155,273	0.62
Bills and bonds purchased under resell agreements	34,904	0.16	358,849	0.21
Discounts and loans	178,218,274	2.65	176,133,124	2.58
Financial assets at FVTOCI	37,853,046	1.89	45,677,257	1.57
Investment in debt instruments at amortized costs	271,215	1.15	499,876	1.15
Receivables	1,232,168	2.45	2,178,908	2.37
Interest-bearing liabilities				
Due to the Central Bank and banks	25,504,367	1.94	34,530,412	1.74
Demand deposits	46,431,809	0.48	37,420,897	0.48
Time deposits	193,697,613	1.37	177,495,807	1.17
Bill and bonds sold under repurchase agreements	4,082,774	0.50	5,262,897	0.73
Bank debentures payable	18,671,233	2.03	20,373,836	2.08
Other financial liabilities	3,670,516	-	4,946,764	-

45. CAPITAL MANAGEMENT

a. Strategies to maintain capital adequacy

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

b. Capital assessment program

Measures taken for capital assessment program are regular calculation, analysis, monitoring and reporting on various capital ratio and leverage ratio, allocating annually each business's capital adequacy ratio target and regularly tracking the target achievement rate in the capital ratio or when leverage ratio has deteriorated because of the circumstances.

c. Capital adequacy ratio

<u>O-Bank</u>

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

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

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

Items			December 31, 2018 Standalone Capital Adequacy Ratio	December 31, 2018 Consolidated Capital Adequacy Ratio
Eligible capital	Common equity		$ 23,857,101	$ 42,039,566
	Other Tier 1 capital		750,999	2,248,225
	Tier 2 capital		4,518,127	7,639,991
	Eligible capital		29,126,227	51,927,782
Risk-weighted assets	Credit risk	Standardized approach	196,614,687	308,063,174
		Internal rating based approach	-	-
		Securitization	-	-
	Operational risk	Basic indicator approach	8,071,238	9,260,225
		Standardized/alternative standardized approach	-	-
		Advanced measurement approach	-	-
	Market risk	Standardized approach	8,099,200	76,233,338
		Internal model approach	-	-
	Total risk-weighted assets		212,785,125	393,556,737
Capital adequacy ratio			13.69%	13.19%
Ratio of common equity to risk-weighted assets			11.21%	10.68%
Ratio of Tier 1 capital to risk-weighted assets			11.56%	11.25%
Leverage ratio			7.16%	6.86%

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

Note 2: Formulas used were as follows:

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

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

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

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

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

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

According to the Banking Law and other related regulations, in order to improve the financial foundation of banks, in 2019 and 2018, the Bank's standalone and consolidated capital adequacy ratio shall not be lower than 10.5% and 9.875%, respectively. The ratio of Tier 1 capital shall not be lower than 8.5% and 7.875%, respectively. The ratio of common equity shall not be lower than 7.0% and 6.375%, respectively. Should any actual ratios be lower than the requirements, the central competent authority has the right to constrain the earnings distribution.

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

O-Bank

a. Credit risk

1) Asset quality of loans: See Table 5.

2) Concentration of credit extensions

December 31, 2019

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

December 31, 2018

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

b. Market risk

Interest Rate Sensitivity Balance Sheet (New Taiwan Dollars)
December 31, 2019

(In Thousands of New Taiwan Dollars or in %)

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

December 31, 2018

(In Thousands of New Taiwan Dollars or in %)

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	$ 153,895,676	$ 3,701,113	$ 5,156,795	$ 59,203,989	$ 221,957,573
Interest rate-sensitive liabilities	80,313,253	45,671,299	41,035,656	45,437,973	212,458,181
Interest rate-sensitive gap	73,582,423	(41,970,186)	(35,878,861)	13,766,016	9,499,392
Net worth					29,476,185
Ratio of interest rate-sensitive assets to liabilities					104.47%
Ratio of interest rate sensitivity gap to net worth					32.23%

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

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

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

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

Interest Rate Sensitivity Balance Sheet (U.S. Dollars)
December 31, 2019

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

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

December 31, 2018

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

Items	0 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to One Year (Included)	Over One Year	Total
Interest rate-sensitive assets	$ 1,496,271	$ 15,499	$ 36,800	$ 968,185	$ 2,516,755
Interest rate-sensitive liabilities	1,892,767	520,320	87,390	-	2,500,477
Interest rate-sensitive gap	(396,496)	(504,821)	(50,590)	968,185	16,278
Net worth					64,062
Ratio of interest rate-sensitive assets to liabilities					100.65%
Ratio of interest rate sensitivity gap to net worth					25.41%

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

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

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

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

c. Liquidity risk

1) Profitability

(In %)

Items		For the Year Ended December 31, 2019	For the Year Ended December 31, 2018
Return on total assets	Before income tax	0.36	0.36
	After income tax	0.33	0.30
Return on equity	Before income tax	3.71	3.68
	After income tax	3.37	3.12
Net income ratio		20.74	20.18

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

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

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

Note 4: Income before (after) income tax represents income for the year ended December 31, 2019 and 2018.

2) Maturity analysis of assets and liabilities

Maturity Analysis of Assets and Liabilities (New Taiwan Dollars)
December 31, 2019

(In Thousands of New Taiwan Dollars)

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

December 31, 2018

(In Thousands of New Taiwan Dollars)

	Total	Remaining Period to Maturity					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	$ 261,684,702	$ 66,366,860	$ 21,782,255	$ 22,834,590	$ 18,588,439	$ 19,785,994	$ 112,326,564
Main capital outflow on maturity	299,504,646	31,670,930	36,010,964	52,474,249	41,206,123	49,853,927	88,288,453
Gap	(37,819,944)	34,695,930	(14,228,709)	(29,639,659)	(22,617,684)	(30,067,933)	24,038,111

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

Maturity Analysis of Assets and Liabilities (U.S. Dollars)
December 31, 2019

(In Thousands of U.S. Dollars)

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

December 31, 2018

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	$ 3,865,995	$ 1,551,474	$ 698,979	$ 509,652	$ 324,982	$ 780,908
Main capital outflow on maturity	4,008,431	1,858,382	1,012,637	522,411	207,076	407,925
Gap	(142,436)	(306,908)	(313,658)	(12,759)	117,906	372,983

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

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

Maturity Analysis of Overseas Assets and Liabilities (U.S. Dollars)
December 31, 2019

(In Thousands of U.S. Dollars)

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

December 31, 2018

(In Thousands of U.S. Dollars)

	Total	Remaining Period to Maturity				
		0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year
Main capital inflow on maturity	$ 1,071,742	$ 487,386	$ 155,816	$ 43,623	$ 20,899	$ 364,018
Main capital outflow on maturity	1,071,400	510,060	289,780	90,435	45,654	135,471
Gap	342	(22,674)	(133,964)	(46,812)	(24,755)	228,547

47. CASH FLOWS INFORMATION

Changes in Liabilities from Financing Activities

For the year ended December 31, 2019

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

For the year ended December 31, 2018

	January 1, 2018	Cash Inflow (Outflow)	None Cash Other	December 31, 2018
Bank debentures payable	$ 20,400,000	$ (2,550,000)	$ -	$ 17,850,000
Other financial liabilities	5,997,782	(1,676,491)	-	4,321,291
Other liabilities	227,631	(171,398)	-	56,233
	$ 26,625,413	$ (4,397,889)	$ -	$ 22,227,524

48. ADDITIONAL DISCLOSURES

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

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

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

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

4) Marketable securities acquired and disposed of at costs or prices of at least $300 million or 10% of the paid-in capital: None

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

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

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

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

9) Sale of nonperforming loans: Table 4 (attached)

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

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

12) Related information and total stockholding circumstances of "Name, locations and other information of investees on which the Bank exercises significant influence." Table 6 (attached)

13) Derivative instrument transactions: Note 8 to the financial statements.

c. Investment in mainland China: Table 7 (attached)

O-BANK CO., LTD.

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing (Note 2)	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Notes 3 and 5)	Aggregate Financing Limits (Notes 4 and 5)	Note
													Item	Value			
1	IBT Leasing	Lei Xin Construction	Account receivable - short-term accommodations	No	$ 91,560	$ 54,380	$ 54,380	2-8	2	$ -	Working capital turnover	$ 5,438	Real estate	$ 124,389	$ 236,105	$ 944,419	
		Kaiju Aluminum Industry Co., Ltd.	Account receivable - short-term accommodations	No	8,601	-	-	2-8	1	30,000	Working capital turnover	-	Real estate	-	236,105	2,361,047	
		Kaiju Aluminum Industry Co., Ltd.	Account receivable - short-term accommodations	No	8,601	-	-	2-8	2	-	Working capital turnover	-	Real estate	-	236,105	944,419	
		General Energy Solutions	Account receivable - short-term accommodations	No	2,324	-	-	2-8	2	-	Working capital turnover	-	Margin	-	236,105	944,419	
		San Rong Fisheries Corp.	Account receivable - short-term accommodations	No	13,080	-	-	2-8	2	-	Working capital turnover	-	-	-	236,105	944,419	
		Shanyue development Co., Ltd.	Account receivable - short-term accommodations	No	165,000	-	-	2-8	2	-	Working capital turnover	-	Real estate	-	236,105	944,419	
		Kuang Ming shipping Corp.	Account receivable - short-term accommodations	No	167,100	120,000	110,000	2-8	2	-	Working capital turnover	1,782	Performance bond	11,000	236,105	944,419	
		Inhon Communication Co., Ltd.	Account receivable - short-term accommodations	No	66,587	22,433	22,433	2-8	2	-	Working capital turnover	460	Margin	10,000	236,105	944,419	
		Huimin Environmental Tech. Corp.	Account receivable - short-term accommodations	No	30,000	2,882	2,882	2-8	2	-	Working capital turnover	37	-	-	236,105	944,419	
		Power Home Construction	Account receivable - short-term accommodations	No	82,500	58,644	58,644	2-8	2	-	Working capital turnover	762	Real estate	96,949	236,105	944,419	
		Neo solar power	Account receivable - short-term accommodations	No	43,994	15,089	15,089	2-8	1	77,159	Working capital turnover	121	Margin	5,800	236,105	2,361,047	
		Shinex Machinery Engineering Inc.	Account receivable - short-term accommodations	No	15,668	-	-	2-8	2	-	Working capital turnover	-	-	-	236,105	944,419	
		An Chieh Bao Corp.	Account receivable - short-term accommodations	No	51,030	29,691	29,691	2-8	2	-	Working capital turnover	308	Margin	6,000	236,105	944,419	
		Advanced Wireless and Antenna Inc.	Account receivable - short-term accommodations	No	28,231	7,403	7,403	2-8	2	-	Working capital turnover	52	Margin	6,000	236,105	944,419	
		Yuan Mao Construction Co., Ltd.	Account receivable - short-term accommodations	No	120,000	98,400	98,400	2-8	2	-	Working capital turnover	1,771	Stock	64,800	236,105	944,419	
		Taroko Recreation Management Co., Ltd.	Account receivable - short-term accommodations	No	70,000	64,205	64,205	2-8	2	-	Working capital turnover	835	Stock	-	236,105	944,419	
2	IBT International Leasing Corp.	Qingdao Liansheng Industry Co., Ltd.	Entrusted loans	Yes	80,986	-	-	6-16	2	-	Working capital turnover	-	-	-	232,831	931,325	
		Shanghai Kuang Di Entertainment Co., Ltd.	Entrusted loans	No	18,808	-	-	6-16	2	-	Working capital turnover	-	-	-	232,831	931,325	
		Zhangjiajie Zhongjun Real Estate Co., Ltd.	Entrusted loans	No	60,523	33,288	33,288	6-16	2	-	Working capital turnover	666	Real estate	38,853	232,831	931,325	
		Suzhou Dong Sheng Machine Co., Ltd.	Entrusted loans	No	40,010	19,274	19,274	6-16	2	-	Working capital turnover	77	Real estate	34,178	232,831	931,325	
		Suzhou Leading Car Service Co., Ltd.	Entrusted loans	No	49,716	39,733	39,733	6-16	2	-	Working capital turnover	133	Margin	6,485	232,831	931,325	
		Nanjing Forland automobile leasing Co., Ltd.	Entrusted loans	No	49,716	39,733	39,733	6-16	2	-	Working capital turnover	133	Margin	6,485	232,831	931,325	
		Shanghai Qiaoyou Garment Co., Ltd.	Entrusted loans	No	11,990	-	-	6-16	2	-	Working capital turnover	-	-	-	232,831	931,325	
		Qiangsheng (Shanghai) Multimedia Co., Ltd.	Entrusted loans	No	45,657	-	-	6-16	2	-	Working capital turnover	-	-	-	232,831	931,325	
		Shanghai Meijiaqi Electronics Co., Ltd.	Entrusted loans	No	19,088	-	-	6-16	2	-	Working capital turnover	-	-	-	232,831	931,325	

(Continued)

Note 1: Explanation:

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

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

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

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

(Concluded)

O-BANK CO., LTD.

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 3)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries (Note 4)	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship (Note 2)										
1	IBT Leasing	IBT International Leasing Corp.	b	$ 18,888,376	$ 15,220,159	$ 12,238,345	$ 4,307,911	$ -	518.34	$ 28,332,563	No	No	Yes
		IBT VII Venture Capital Co., Ltd.	b	18,888,376	80,000	80,000	80,000	-	3.39	28,332,563	No	No	No

Note 1: Explanation:

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

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

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

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

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

TABLE 3

O-BANK CO., LTD.

MARKETABLE SECURITIES HELD
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
				Stocks/Units (Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
IBT Holdings	Stocks							
	EverTrust Bank	Subsidiaries	Investments accounted for using the equity method	10,714	US$ 174,519	91.78	US$ 174,519	
IBT Management Corp.	Closed type beneficiary certificate							
	O-Bank Real Estate Investment Trust “Successful One”	-	Financial asset at FVTOCI	3,059	29,978	1.02	29,978	
	Stocks							
	Thunder Tiger Biotechnology Co., Ltd	-	Financial asset at FVTPL	1,791	53,592	7.49	53,592	
	TaiRx Co., Ltd	-	Financial asset at FVTPL	511	9,813	0.84	9,813	
	Mimoto (Samoa) Co., Ltd.	-	Financial asset at FVTPL	25,974	24,419	2.41	24,419	
	Houdou Pinshan (Cayman) Co., Ltd.	-	Financial asset at FVTPL	500	13,286	2.17	13,286	
	Gatetech Technology Co., Ltd.	-	Financial asset at FVTOCI	102	969	0.18	969	
IBT Leasing Co., Ltd.	Closed type beneficiary certificate							
	O-Bank Real Estate Investment Trust “Successful One”	-	Financial asset at FVTOCI	12,260	120,148	4.09	120,148	
	Stocks							
	IBT International Leasing Corp.	Subsidiaries	Investments accounted for using the equity method	-	2,211,898	95.00	2,211,898	
	IBT VII Venture Capital Co., Ltd.	Subsidiaries	Investments accounted for using the equity method	65,000	454,526	100.00	454,526	
IBT VII Venture Capital Co., Ltd.	Closed type beneficiary certificate							
	O-Bank Real Estate Investment Trust “Successful One”	-	Financial asset at FVTOCI	14,000	137,200	4.67	137,200	
	Stocks							
	IBT International Leasing Corp.	Subsidiaries	Investments accounted for using the equity method	-	116,416	5.00	116,416	
	TAIRX Corp.	-	Financial asset at FVTPL	3,818	73,348	6.25	73,348	
	Meridigen Corp.	-	Financial asset at FVTPL	500	8,266	0.55	8,266	
	Femcosteel Tech Co., Ltd.	-	Financial asset at FVTPL	1,298	35,241	3.10	35,241	
	Shihlian China Holdings Corp.	-	Financial asset at FVTPL	9,135	43,089	0.21	43,089	Note 1
	New Applied Materials Co., Ltd.	-	Financial asset at FVTPL	539	13,881	0.92	13,881	
	Polaris Co., Ltd.	-	Financial asset at FVTPL	140	2,462	0.04	2,462	
	BioResource International, Inc.	-	Financial asset at FVTPL	1,105	76,735	5.91	76,735	Note 2
	Chipwell tech corporation	-	Financial asset at FVTPL	391	2,339	2.61	2,339	

(Continued)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
				Stocks/Units (Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	Biocontrol Gene Vaccine Co., Ltd.	-	Financial asset at FVTPL	1,008	US$ 1,285	0.98	US$ 1,285	
	Reber Genetics Co., Ltd.	-	Financial asset at FVTPL	2,322	8,869	2.20	8,869	
	Kaohsiung Rapid Transit Corporation All Rights Reserved.	-	Financial asset at FVTPL	3,845	46,573	1.38	46,573	

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

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

(Concluded)

TABLE 4

O-BANK AND SUBSIDIARIES

SALES OF NONPERFORMING LOANS
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. Sales of nonperforming loans

Trade Date	Trade Name	Creditor Composition Content	Book Value	Price	Dispose of Profit and Loss	With Agreed Conditions	The Relationship Between the Transaction Object and The Bank
June 21, 2019	TANG, YIU PONG	Residential mortgage	$ 116,525	$ 116,525	$ -	None	None
August 12, 2019	NOBLE GATE GROUP LIMITED	Commercial mortgage	74,840	74,840	-	None	None

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

O-BANK CO., LTD.

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

Period			December 31, 2019					December 31, 2018				
Items			Nonperforming Loans (Note 1)	Outstanding Loan Balance	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)	Nonperforming Loans (Note 1)	Outstanding Loan Balance	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Corporate banking	Secured		$ 1,083,937	$ 82,689,386	1.31	$ 1,019,122	94.02	$ 21,623	$ 85,631,246	0.03	$ 1,036,438	4,793.22
	Unsecured		230,128	71,322,123	0.32	1,117,229	485.48	-	85,108,167	-	1,480,041	-
Consumer banking	Housing mortgage (Note 4)		-	17,466,495	-	240,775	-	-	8,074,049	-	121,111	-
	Cash card		-	-	-	-	-	-	-	-	-	-
	Small-scale credit loans		11,334	4,928,748	0.23	48,448	427.47	5,714	3,245,770	0.18	33,214	581.27
	Other	Secured	-	-	-	-	-	-	-	-	-	-
		Unsecured	-	-	-	-	-	-	-	-	-	-
Total lending business			1,325,399	176,406,752	0.75	2,425,574	183.01	27,337	182,059,232	0.02	2,670,804	9,769.92
			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)			-	1,585,725	-	17,004	-	-	4,714,725	-	50,500	-

	Exempt from Reporting the Total Balance of Overdue Loans	Exempt from Reporting the Total Balance of Overdue Account Receivable	Exempt from Reporting the Total Balance of Overdue Loans	Exempt from Reporting the Total Balance of Overdue Account Receivable
Exempt amount - due to debt negotiation and performance (Note 6)	$ -	$ -	$ -	$ -
Debt settlement plan and rehabilitative program (Note 7)	734	-	-	-
Total	734	-	-	-

Note 1: Nonperforming loans are reported to the authorities and disclosed to the public, as required by the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Non-accrued Loans.” 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 CO., LTD.

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES OVER WHICH THE BANK EXERCISES SIGNIFICANT INFLUENCE
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Investee Company	Location	Main Business	Percentage of Ownership (%)	Carrying Amount	Investment Gain (Loss)	Consolidated Investment				Note
						Stocks (Thousands)	Pro-forma Share of Ownership	Total		
								Stocks (Thousands)	Percentage of Ownership (%)	
Financial institution										
Investments accounted for using the equity method										
China Bills Finance Corp.	Taipei City, Taiwan	Bonds underwriting, dealing and brokerage of securities	28.37	$ 6,700,500	$ 353,093	382,532	-	382,532	28.48	
IBT Holdings Corp.	California, America	Holding company	100.00	5,294,014	385,991	10,869	-	10,869	100.00	
IBT Leasing Co., Ltd.	Taipei City, Taiwan	Leasing company	100.00	2,361,173	363,808	264,300	-	264,300	100.00	
IBT Management Corp.	Taipei City, Taiwan	Investment consulting	100.00	226,457	(2,589)	13,400	-	13,400	100.00	
Non-financial institution										
Investments accounted for using the equity method										
Chun Teng New Century Co., Ltd.	Taipei City, Taiwan	Securities investment consulting	99.75	338,027	(1,823)	318,281	-	318,281	99.75	
Financial assets at FVTOCI										
Taiwan Mobile Payment Co., Ltd.	Taipei City, Taiwan	Information Software Services Industry	0.50	1,691	-	300	-	300	0.50	
Dio Investment Ltd.	Cayman Island	Coffee retail	8.82	52,281	-	6,997	-	6,997	8.82	
Shihlien China Holding Co., Ltd.	Hong Kong	Chemical Industries	1.21	246,127	-	52,182	-	52,182	1.21	
Shengzhuang Holdings Limited	Cayman Island	Chemical material manufacturing	2.18	22,305	-	244	-	244	2.18	

TABLE 7

O-BANK CO., LTD.

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2019
(New Taiwan Dollars and U.S. Dollars in Thousands, Unless Stated Otherwise)

O-Bank

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019
					Outflow	Inflow (Note 8)					
Shinlien Chemical Industrial Jiangsu Co.	Production of glass materials	$ 24,088,586 (US$ 800,000)	Note 1 c.	$ 207,704 (US$ 6,898)	$ -	$ -	$ 207,704 (US$ 6,898)	1.39	$ -	$ 207,704 (US$ 6,898)	$ -
Shinlien Brine Huaian Co.	Production of glass materials	963,543 (US$ 32,000)	Note 1 c.	10,027 (US$ 333)	-	-	10,027 (US$ 333)	1.39	-	10,027 (US$ 333)	-
Suzhou Dio F&B Management Co., Ltd.	Coffee retailing	463,675 (US$ 15,399)	Note 1 c.	60,221 (US$ 2,000)	-	-	60,221 (US$ 2,000)	2.60	-	60,221 (US$ 2,000)	-
Ou Suomiluo Food Co., Ltd.	Coffee retailing	43,231 (RMB 10,000)	Note 1 c.	15,055 (US$ 500)	-	-	15,055 (US$ 500)	2.09	-	15,055 (US$ 500)	-
Beijing Shengzhuang Co., Ltd.	Cosmetic OEM	236,746 (RMB 54,300)	Note 1 c.	60,221 (US$ 2,000)	-	-	60,221 (US$ 2,000)	2.175	-	60,221 (US$ 2,000)	-
Shanghai Douniushi F&B Management Co., Ltd.	Restaurant retailing	130,379 (US$ 4,330)	Note 1 c.	17,615 (US$ 585)	-	17,615 (US$ 585)	-	-	-	-	-
Topping Cuisine International Holding, Ltd.	Food retailing	156,576 (US$ 5,200)	Note 1 c.	17,615 (US$ 585)	-	17,615 (US$ 585)	-	-	-	-	-
Shanghai Dou Mao Food Management Co., Ltd.	Trading	6,022 (US$ 200)	Note 1 c.	120 (US$ 4)	-	120 (US$ 4)	-	-	-	-	-
Beauty Essential International, Ltd.	Cosmetic retailing	90,332 (US$ 3,000)	Note 1 c.	23,667 (US$ 786)	-	23,667 (US$ 786)	-	-	-	-	-
Meike information technology	Cosmetic retailing information technology	51,188 (US$ 1,700)	Note 1 c.	-	482 (US$ 16)	482 (US$ 16)	-	-	-	-	-

(Continued)

Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$353,228 (US$11,731)	$353,228 (US$11,731)	Note 3

IBT Leasing Co., Ltd.

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019
					Outflow	Inflow					
IBT International Leasing Corp.	Leasing	$ 1,957,198 (US$ 65,000)	Note 1 d.	$ 1,589,847 (US$ 52,800)	$ -	$ -	$ 1,589,847 (US$ 52,800)	100.00	$ 313,191 (Notes 2 and 6)	$ 2,211,898 (Note 6)	$ -

Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$1,589,847 (US$52,800)	$1,589,847 (US$52,800)	Note 4

IBT Management Corp.

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019
					Outflow (Note 8)	Inflow					
Shanghai Douniushi F&B Management Co., Ltd.	Restaurant retailing	$ 130,379 (US$ 4,330)	Note 1 c.	$ -	$ 2,168 (US$ 72)	$ -	$ 2,168 (US$ 72)	2.17	$ -	$ 2,168 (US$ 72)	$ -
Topping Cuisine International Holding, Ltd.	Food retailing	156,576 (US$ 5,200)	Note 1 c.	-	12,767 (US$ 424)	-	12,767 (US$ 424)	2.17	-	12,767 (US$ 424)	-
Shanghai Dou Mao Food Management Co., Ltd.	Trading	6,022 (US$ 200)	Note 1 c.	-	211 (US$ 7)	-	211 (US$ 7)	2.17	-	211 (US$ 7)	-
Beauty Essential International, Ltd.	Cosmetic retailing	90,332 (US$ 3,000)	Note 1 c.	-	20,626 (US$ 685)	-	20,626 (US$ 685)	2.64	-	20,626 (US$ 685)	-
Meike information technology	Cosmetic retailing information technology	51,188 (US$ 1,700)	Note 1 c.	-	964 (US$ 32)	-	964 (US$ 32)	2.41	-	964 (US$ 32)	-

(Continued)

Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$36,736 (US$1,200)	Note 9	Note 9

IBT VII Venture Capital Co., Ltd.

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019
					Outflow	Inflow					
IBT International Leasing Corp.	Leasing	$ 1,957,198 (US$ 65,000)	Note 1 d.	$ 367,351 (US$ 12,200)	$ -	$ -	$ 367,351 (US$ 12,200)	5.00 (Note 5)	$ 16,484 (Note 2 and 6)	$ 116,416 (Note 6)	$ -

Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$367,351 (US$12,200)	$378,751 (US$12,200)	$272,716 (Note 7)

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

a. Investment in mainland China by remittance via a third country.

b. Indirect investment in mainland China via setting a company in a third country.

c. Indirect investment in mainland China via investing in a current company in a third country. (Via investing Shilien China Holding Co., Limited, Dio Investment, Ltd., Shengzhuang Holding, Ltd., Topping Cusine International Holding, Ltd., and Beauty Essential International, Ltd.)

d. Direct investment in mainland China.

e. Others.

Note 2: From financial statements audited by other CPA.

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

Note 4: IBT Leasing Co., Ltd. obtained the documents issued by the Industrial Development Bureau of the Ministry of Economic Affairs in line with the operational headquarters in September 2018, so it is not under "the regulation of investing or technology-cooperation in China".

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

Note 6: The accumulated investment amount of IBT Tianjin International Leasing Corp., which included the investment profit and loss and the book value of the investment at the end of the period, is composed of 95% directly held by IBT Leasing Co., Ltd. and 5% indirectly through IBT VII Venture Capital Co., Ltd.

(Continued)

Note 7: The original investment is within the limit.

Note 8: In response to operational needs, the Bank sold their investments in mainland China to its subsidiary, IBT Management Corp., in November 2019 and submitted relevant sales documents to the Ministry of Economic Affairs Investment Review Committee for verification. The amount of remittance is mainly based on the verification letter submitted.

Note 9: IBT Management Corp. has not obtained the verification letter from the Investment Review Committee of the Ministry of Economic Affairs as of December 31, 2019.

(Concluded)

O-BANK CO., LTD.

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

O-BANK CO., LTD.

STATEMENT OF FINANCIAL ASSETS AT FVTPL
DECEMBER 31, 2019
(Amounts in Thousands of USD and NTD, Expect Unit Price)

Item	Remark	Shares/Units (In Thousands)	Total Face Value (In Thousands)	Rate (%)	Acquisition Cost	Fair Value		Changes in Fair Value Attributable to Credit Risk	Note
						Unit Price	Total Amount		
Hybrid financial assets									
Convertible bonds - domestic									
China Airlines 6	Expired on January 30, 2021	50,000,000	50,000,000		$ 50,000		$ 50,678	$ 678	
China Airlines 6	Expired on January 30, 2021	30,000,000	30,000,000		30,000		30,406	406	
Eva Airlines 3	Expired on October 27, 2020	40,000,000	40,000,000		40,000		39,954	(46)	
Eva Airlines 3	Expired on October 27, 2020	20,000,000	20,000,000		20,000		19,977	(23)	
Eva Airlines 3	Expired on October 27, 2020	20,000,000	20,000,000		20,000		19,977	(23)	
Eva Airlines 3	Expired on October 27, 2020	10,000,000	10,000,000		10,000		9,988	(12)	
Eva Airlines 3	Expired on October 27, 2020	20,000,000	20,000,000		20,000		19,977	(23)	
Eva Airlines 3	Expired on October 27, 2020	20,000,000	20,000,000		20,000		19,977	(23)	
Eva Airlines 3	Expired on October 27, 2020	30,000,000	30,000,000		30,000		29,966	(34)	
Eva Airlines 3	Expired on October 27, 2020	20,000,000	20,000,000		20,000		19,957	(43)	
Eva Airlines 3	Expired on October 27, 2020	30,000,000	30,000,000		30,000		29,936	(64)	
Eva Airlines 3	Expired on October 27, 2020	20,000,000	20,000,000		20,000		19,957	(43)	
Eva Airlines 3	Expired on October 27, 2020	20,000,000	20,000,000		20,000		19,957	(43)	
Eva Airlines 3	Expired on October 27, 2020	20,000,000	20,000,000		20,000		19,957	(43)	
Ennoconn 3	Expired on February 26, 2022	210,000,000	210,000,000		210,000		213,399	3,399	
Ennoconn 3	Expired on February 26, 2022	18,600,000	18,600,000		18,600		18,900	300	
Ennoconn 3	Expired on February 26, 2022	21,800,000	21,800,000		21,800		22,152	352	
Ennoconn 3	Expired on February 26, 2022	5,300,000	5,300,000		5,300		5,385	85	
Ennoconn 3	Expired on February 26, 2022	20,000,000	20,000,000		20,000		20,323	323	
Ennoconn 3	Expired on February 26, 2022	40,000,000	40,000,000		40,000		40,647	647	
Ennoconn 3	Expired on February 26, 2022	6,000,000	6,000,000		6,000		6,096	96	
Ennoconn 3	Expired on February 26, 2022	10,000,000	10,000,000		10,000		10,183	183	
Ennoconn 3	Expired on February 26, 2022	8,000,000	8,000,000		8,000		8,144	144	
Ennoconn 3	Expired on February 26, 2022	20,000,000	20,000,000		20,000		20,323	323	
Ennoconn 3	Expired on February 26, 2022	10,300,000	10,300,000		10,300		10,466	166	
					720,000		726,682	6,682	
Structured debt									
HSBC Float 09/01/22	Expired on September 1, 2022	-			602,215		608,116	5,901	
Derivative financial assets									
Foreign exchange forward contracts		-			-		160,241	160,241	
Forward contracts		-			-		7,189	7,189	
Foreign currency option contracts - call		-			1,029		2,882	1,853	
Interest rate swap contracts		-			-		7,610	7,610	
					1,029		177,922	176,893	
Non-derivative financial assets									
Negotiable certificates of deposit		-		0.2-0.628	54,595,000		54,581,688	(13,312)	

(Continued)

Item	Remark	Shares/Units (In Thousands)	Total Face Value (In Thousands)	Rate (%)	Acquisition Cost	Fair Value		Changes in Fair Value Attributable to Credit Risk	Note
						Unit Price	Total Amount		
Commercial papers									
Fina Finance and Trading 1081219-1090114	Expired on January 14, 2020	-			$ 199,951		$ 199,954	$ 3	
Taipei financial center 1081230-1090120	Expired on January 20, 2020	-			299,895		299,901	6	
Taishin Securities 1081211-1090110	Expired on January 10, 2020	-			199,968		199,968	-	
Fubon Securities 1081213-1090110	Expired on January 10, 2020	-			499,921		499,920	(1)	
E.SUN Securities 1081213-1090108	Expired on January 8, 2020	-			119,985		119,984	(1)	
Taishin Securities 1081213-1090107	Expired on January 7, 2020	-			49,995		49,995	-	
Taishin Securities 1081216-1090107	Expired on January 7, 2020	-			259,972		259,971	(1)	
First Securities 1081216-1090113	Expired on January 13, 2020	-			69,985		69,985	-	
CTBC Securities 1081218-1090110	Expired on January 10, 2020	-			319,947		319,948	1	
Hotai 1081218-1090117	Expired on January 17, 2020	-			99,970		99,972	2	
First Securities 1081220-1090115	Expired on January 15, 2020	-			84,978		84,979	1	
SHIN KONG Securities 1081223-1090116	Expired on January 16, 2020	-			149,958		149,960	2	
First Securities 1081223-1090117	Expired on January 17, 2020	-			69,980		69,981	1	
Fina Finance and Trading 1081226-1090120	Expired on January 20, 2020	-			299,894		299,901	7	
CTBC Securities 1081226-1090117	Expired on January 17, 2020	-			199,940		199,943	3	
CTBC Securities 1081226-1090114	Expired on January 14, 2020	-			69,983		69,984	1	
First Securities 1081226-1090117	Expired on January 17, 2020	-			129,962		129,963	1	
CTBC Securities 1081227-1090114	Expired on January 14, 2020	-			29,993		29,993	-	
First Securities 1081227-1090116	Expired on January 16, 2020	-			199,945		199,947	2	
JIHSUN SCL 1081230-1090221	Expired on February 21, 2020	-			299,707		299,714	7	
Hotai 1081231-1090226	Expired on February 26, 2020	-			49,946		49,947	1	
ASE 1081219-1090116	Expired on January 16, 2020	-			99,972		99,974	2	
ASE 1081225-1090121	Expired on January 21, 2020	-			399,851		399,860	9	
Foxconn 1081118-1090214	Expired on February 14, 2020	-			499,585		499,593	8	
Yulon 1081122-1090220	Expired on February 20, 2020	-			49,952		49,953	1	
TPC 1080925-1090219	Expired on February 19, 2020	-			2,997,387		2,997,257	(130)	
TPC 1081022-1090310	Expired on March 10, 2020	-			998,802		998,656	(146)	
TPC 1081022-1090310	Expired on March 10, 2020	-			998,792		998,655	(137)	
CPC 1081025-1090417	Expired on April 17, 2020	-			499,064		498,891	(173)	
CPC 1081025-1090417	Expired on April 17, 2020	-			499,057		498,891	(166)	
AIDC 1081203-1090106	Expired on January 6, 2020	-			199,981		199,980	(1)	
President Securities 1081213-1090113	Expired on January 13, 2020	-			299,936		299,936	-	
AIDC 1081217-1090120	Expired on January 20, 2020	-			399,858		399,867	9	
Yuanta Securities Finance 1081220-1090106	Expired on January 6, 2020	-			299,974		299,971	(3)	
Yuanta Securities 1081220-1090106	Expired on January 6, 2020	-			179,985		179,983	(2)	
Yuanta Securities Finance 1081225-1090108	Expired on January 8, 2020	-			79,990		79,990	-	
Yuanta Securities 1081226-1090109	Expired on January 9, 2020	-			199,972		199,972	-	
Yuanta Securities 1081227-1090109	Expired on January 9, 2020	-			199,970		199,971	1	
CPC 1080802-1090116	Expired on January 16, 2020	-			499,870		499,868	(2)	
CPC 1080802-1090116	Expired on January 16, 2020	-			499,869		499,869	-	

(Continued)

Item	Remark	Shares/Units (In Thousands)	Total Face Value (In Thousands)	Rate (%)	Acquisition Cost	Fair Value Unit Price	Fair Value Total Amount	Changes in Fair Value Attributable to Credit Risk	Note
TPC 1081025-1090312	Expired on March 12, 2020	-			$ 299,631		$ 299,583	$ (48)	
TPC 1081025-1090312	Expired on March 12, 2020	-			299,630		299,583	(47)	
TPC 1081025-1090312	Expired on March 12, 2020	-			399,505		399,444	(61)	
Yulon 1081101-1090113	Expired on January 13, 2020	-			99,977		99,979	2	
Taiwan railways 1081119-1090513	Expired on May 13, 2020	-			498,882		498,573	(309)	
Taiwan railways 1081119-1090513	Expired on May 13, 2020	-			498,877		498,574	(303)	
Taiwan railways 1081121-1090519	Expired on May 19, 2020	-			139,672		139,579	(93)	
Yulon 1081126-1090116	Expired on January 16, 2020	-			99,973		99,974	1	
EASYRENT 1081129-1090227	Expired on February 27, 2020	-			299,668		299,678	10	
Foxconn 1081203-1090302	Expired on March 2, 2020	-			499,416		499,418	2	
Hotai 1081203-1090302	Expired on March 2, 2020	-			129,846		129,849	3	
IBF Securities 1081206-1090103	Expired on January 3, 2020	-			199,993		199,991	(2)	
Yulon 1081209-1090207	Expired on February 7, 2020	-			199,856		199,865	9	
Taishin D.A. Finance 1081212-1090212	Expired on February 12, 2020	-			99,920		99,923	3	
Concord Securities 1081212-1090102	Expired on January 2, 2020	-			199,996		199,993	(3)	
Hotai 1081216-1090115	Expired on January 15, 2020	-			199,948		199,951	3	
Hotai 1081217-1090316	Expired on March 16, 2020	-			199,705		199,705	-	
Fortune Motors 1081218-1090113	Expired on January 13, 2020	-			199,955		199,957	2	
Fortune Motors 1081218-1090114	Expired on January 14, 2020	-			199,952		199,955	3	
JIH SUN Financial Holding 1081220-1090117	Expired on January 17, 2020	-			99,972		99,972	-	
Yuanta Securities Finance 1081223-1090109	Expired on January 9, 2020	-			249,965		249,964	(1)	
Yuanta Securities Finance 1081223-1090110	Expired on January 10, 2020	-			269,957		269,956	(1)	
Yuanta Securities Finance 1081224-1090107	Expired on January 7, 2020	-			479,950		479,946	(4)	
Yuanta Securities Finance 1081224-1090114	Expired on January 14, 2020	-			119,973		119,973	-	
Yuanta Securities 1081224-1090106	Expired on January 6, 2020	-			199,982		199,980	(2)	
Concord Securities 1081226-1090113	Expired on January 13, 2020	-			99,976		99,978	2	
KGI Securities 1081231-1090108	Expired on January 8, 2020	-			499,939		499,936	(3)	
First Securities 1081231-1090121	Expired on January 21, 2020	-			69,975		69,975	-	
Taishin D.A. Finance 1081209-1090106	Expired on January 6, 2020	-			99,991		99,990	(1)	
Taishin Financial 1081009-1090107	Expired on January 7, 2020	-			4,999		4,999	-	
CTBC 1081107-1090207	Expired on February 7, 2020	-			9,993		9,993	-	
IBF Securities 1081206-1090103	Expired on January 3, 2020	-			449,984		449,979	(5)	
Eximbank 1081211-1090311	Expired on March 11, 2020	-			19,976		19,973	(3)	
CUB Securities 1081213-1090106	Expired on January 6, 2020	-			229,980		229,978	(2)	
IBF Securities 1081218-1090110	Expired on January 10, 2020	-			299,950		299,952	2	
CUB Securities 1081220-1090117	Expired on January 17, 2020	-			49,986		49,986	-	
Hotai 1081220-1090117	Expired on January 17, 2020	-			69,979		69,980	1	
CUB Securities 1081224-1090115	Expired on January 15, 2020	-			399,902		399,902	-	
CUB Securities 1081224-1090121	Expired on January 21, 2020	-			399,860		399,860	-	
Hotai 1081225-1090121	Expired on January 21, 2020	-			49,981		49,982	1	
IBF Securities 1081226-1090116	Expired on January 16, 2020	-			249,928		249,934	6	
Mega Securities 1081227-1090110	Expired on January 10, 2020	-			399,936		399,936	-	
Hotai 1080919-1090114	Expired on January 14, 2020	-			99,976		99,977	1	
Hotai 1081108-1090108	Expired on January 8, 2020	-			99,987		99,987	-	
Fortune Motors 1081213-1090107	Expired on January 7, 2020	-			299,968		299,966	(2)	
Fortune Motors 1081213-1090108	Expired on January 8, 2020	-			299,963		299,961	(2)	
EASYRENT 1081216-1090114	Expired on January 14, 2020	-			199,952		199,953	1	
					24,194,124		24,192,589	(1,535)	

(Continued)

Item	Remark	Shares/Units (In Thousands)	Total Face Value (In Thousands)	Rate (%)	Acquisition Cost	Fair Value		Changes in Fair Value Attributable to Credit Risk	Note
						Unit Price	Total Amount		
Stock and beneficiary certificates of listed company									
Beijing Universal Chain Food		68,000	2,989,806,000		$ 2,990	$ 43.65	$ 2,968	$ (22)	
China General Plastics		160,000	3,402,606,000		3,403	20.8	3,328	(75)	
Hsin Kuang Steel		844,000	26,395,520,000		26,396	31.5	26,586	190	
Turvo International		53,000	3,737,974,000		3,738	72.8	3,858	120	
Compeq Manufacturing		160,000	6,497,653,000		6,498	45.1	7,216	718	
Taiwan Semiconductor Manufacturing		6,000	1,994,796,000		1,995	331	1,986	(9)	
Realtek Semiconductor		80,000	18,277,893,000		18,278	235	18,800	522	
Elite Material		78,000	9,476,576,000		9,477	137	10,686	1,209	
MediaTek		4,000	1,516,628,000		1,517	443.5	1,774	257	
Aerospace Industrial Development		38,000	1,355,882,000		1,356	35.9	1,364	8	
Sinbon Electronics		35,000	3,637,037,000		3,637	124	4,340	703	
Novatek Microelectronics		80,000	17,584,276,000		17,584	219	17,520	(64)	
Tripod Technology		32,000	3,800,094,000		3,800	125.5	4,016	216	
Win Semiconductors		54,000	16,616,780,000		16,617	294	15,876	(741)	
Grand Process Technology		78,000	21,442,404,000		21,442	278.5	21,723	281	
Argosy Research		120,000	7,271,246,000		7,271	67.6	8,112	841	
AURAS Technology		5,000	1,025,533,000		1,026	220	1,100	74	
Alltop Technology		20,000	1,560,719,000		1,561	80.7	1,614	53	
LOTES		65,000	16,298,252,000		16,298	322.5	20,963	4,665	
Senao Networks		7,000	922,137,000		922	121.5	851	(71)	
Primax Electronics		20,000	1,316,670,000		1,317	63.4	1,268	(49)	
Wistron Information Technology and Services		20,000	2,136,326,000		2,136	105.5	2,110	(26)	
Innodisk		40,000	6,385,544,000		6,386	173	6,920	534	
TOPCO SCIENTIFIC		53,000	5,893,501,000		5,894	105.5	5,592	(302)	
Chailease Holding Company		70,000	9,624,983,000		9,625	138	9,660	35	
SIMPLO Technology		32,000	8,609,790,000		8,610	303	9,696	1,086	
MARKETECH International		224,000	17,999,437,000		17,999	85.6	19,174	1,175	
ITEQ		10,000	1,304,518,000		1,305	127.5	1,275	(30)	
Powertech Technology		601,000	60,015,504,000		60,016	99.8	59,980	(36)	
Lanner Electronics Inc.		57,000	3,864,732,000		3,865	68.5	3,904	39	
Taiwan Union Technology		16,000	2,117,854,000		2,118	148	2,368	250	
Taiwan Surface Mounting Technology		88,000	9,903,526,000		9,904	117	10,295	391	
Fittech		60,000	7,378,426,000		7,378	118	7,080	(298)	
Sitronix Technology		8,000	1,350,409,000		1,350	167.5	1,340	(10)	
Allied Circuit		12,000	1,169,554,000		1,170	106	1,272	102	
Fulgent Sun International (Holding)		28,000	3,484,817,000		3,485	134	3,752	267	
Century Iron And Steel Industrial		228,000	16,648,666,000		16,649	72.2	16,462	(187)	
					325,013		336,829	11,816	
					$ 80,437,381		$ 80,623,826	$ 186,445	

Note: The Bank pledges the negotiable certificates of deposit amount of $15,060,000 thousand as the collateral for the trust compensation reserve, bond settlement reserve and interest rate swap for the year ended December 31, 2019.

(Concluded)

STATEMENT 2

O-BANK CO., LTD.

STATEMENT OF DISCOUNTS AND LOANS
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Amount
Short-term	
Loan	$ 19,701,380
Secured loan	28,119,986
	47,821,366
Medium-term	
Loan	54,768,140
Secured loan	49,436,422
	104,204,562
Long-term	
Loan	1,485,868
Secured loan	21,906,906
	23,392,774
Accounts receivable financing	284,150
Secured overdrafts	69
Overdue loans	703,831
	176,406,752
Less: Allowance for credit losses	2,425,574
Discounts and loans, net	$ 173,981,178

O-BANK CO., LTD.

STATEMENT OF FINANCIAL ASSETS AT FVTOCI
DECEMBER 31, 2019
(Amounts in Thousands of USD, HKD and NTD, Except Unit Price)

Item	Remark	Shares/Units (In Thousands)	Total Face Value	Percentage of Ownership (%)	Acquisition Cost	Allowance for Losses	Fair Value		Note
							Unit Price	Total Amount	
Stock of listed company - domestic									
Asia Cement Co., Ltd.		2,100	$ -	0.06	$ 91,812	$ -	47.95	$ 100,695	
Formosa Plastics Co., Ltd.		350	-	0.01	34,621	-	99.80	34,930	
Makalot Industrial Co., Ltd.		243	-	0.11	45,366	-	157.50	38,320	
Kung Long Batteries Industrial Co., Ltd.		160	-	0.2	24,466	-	149.00	23,840	
Hon Hai Precision Ind. Co., Ltd.		171	-	-	13,535	-	90.80	15,527	
Taiwan Semiconductor Manufacturing Co., Ltd.		300	-	-	75,201	-	331.00	99,300	
ARGAN Precision Co., Ltd.		10	-	0.01	43,297	-	5,000.00	50,000	
Sinbon Electronics Co., Ltd.		230	-	0.2	27,950	-	124.00	28,520	
Novatek Microelectronics Co., Ltd.		120	-	0.02	26,394	-	219.00	26,280	
WPG Holdings Co., Ltd.		645	-	0.04	25,330	-	39.10	25,219	
Chailease Holding Co., Ltd.		700	-	0.05	89,687	-	138.00	96,600	
Powertech Technology Co., Ltd.		710	-	0.09	72,319	-	99.80	70,858	
					569,978	-		610,089	
Stock of listed company in OTC - domestic									
Simplo Technology Co., Ltd.		48	-	0.03	14,782	-	303.00	14,544	
Stock of unlisted company - domestic									
Taiwanpay Co., Ltd.		300	-	0.50	3,000	-	5.64	1,691	
Stock of unlisted company - foreign									
Dio Investment Ltd.		6,997	-	8.82	74,687	-		52,280	
Shihlien China Holding Co., Ltd.		52,182	-	1.21	227,528	-		246,128	
Shengzhuang Holdings Limited		244	-	2.18	60,031	-		22,306	
					362,246	-		320,714	
Government bonds									
A01105	Expired on March 7, 2022	-	2,250,000		2,253,816	-		2,285,675	
A02106	Expired on March 6, 2023	-	1,500,000		1,520,475	-		1,527,281	
A03106	Expired on March 3, 2024	-	2,500,000		2,549,431	-		2,595,053	
A01109	Expired on September 24, 2022	-	800,000		808,782	-		812,667	
A01202	Expired on May 24, 2022	-	300,000		303,795	-		305,153	
A02110	Expired on September 18, 2023	-	300,000		310,965	-		313,036	
A04109	Expired on June 12, 2020	-	200,000		200,142	-		200,631	
A06102	Expired on January 23, 2022	-	450,000		450,378	-		452,201	
A06105	Expired on April 21, 2022	-	900,000		901,443	-		904,710	
A89113	Expired on November 14, 2020	-	300,000		310,351	-		312,550	
A92103	Expired on February 18, 2023	-	50,000		52,730	-		53,013	
A99108R	Expired on September 21, 2020	-	400,000		400,818	-		401,760	
					10,063,126	-		10,163,730	
Foreign government bond									
HKTB 0 03/18/20	Expired on March 18, 2020	-	HK$ 100,000		385,420	-		385,220	
HKTB 0 04/15/20	Expired on April 15, 2020	-	HK$ 100,000		384,836	-		384,620	
HKTB 0 01/15/20	Expired on January 15, 2020	-	HK$ 50,000		193,271	-		193,277	
HKTB 0 02/19/20	Expired on February 19, 2020	-	HK$ 100,000		385,825	-		385,835	
					1,349,352	-		1,348,952	
Corporate bonds									
P07 HSBC 1	Expired on March 28, 2021	-	NT$ 200,000		200,000	78		199,822	
ASBBNK Float 06/14/23	Expired on June 14, 2023	-	US$ 500		15,099	6		15,346	
BZLNZ 3 1/2 02/20/24	Expired on February 20, 2024	-	US$ 5,000		150,339	59		158,693	
RABOBK Float 01/10/23	Expired on January 10, 2023	-	US$ 10,000		298,406	117		301,956	
WSTP Float 01/11/23	Expired on January 11, 2023	-	US$ 5,000		149,552	38		151,694	
BNP 23-AUG-2021 FRN MTN	Expired on August 23, 2021	-	US$ 15,000		451,661	115		456,359	

(Continued)

Item	Remark	Shares/Units (In Thousands)	Total Face Value	Percentage of Ownership (%)	Acquisition Cost	Allowance for Losses	Fair Value Unit Price	Fair Value Total Amount	Note
CITNAT Float 06/09/22	Expired on June 9, 2012	-	US$ 20,000		$ 602,609	$ 235		$ 609,791	
EIBKOR Float 07/05/22	Expired on July 5, 2012	-	US$ 10,000		301,107	5		304,781	
KDB Float 10/30/22	Expired on October 30, 2012	-	US$ 25,000		752,768	14		762,967	
ACAFP 4 1/4 01/25/29	Expired on January 25, 2029	-	US$ 5,000		150,554	59		150,711	
ICBCAS Float 06/11/24	Expired on June 11, 2024	-	US$ 5,000		150,554	40		152,326	
BCHINA Float 04/17/22	Expired on April 17, 2012	-	US$ 3,000		90,332	24		90,963	
WOORIB Float 05/21/24	Expired on May 21, 2024	-	US$ 5,000		150,554	40		151,173	
MAYMK Float 08/16/24	Expired on August 16, 2024	-	US$ 5,000		150,554	60		151,339	
ICBCAS Float 09/16/24	Expired on September 16, 2024	-	US$ 5,000		150,554	59		151,949	
FIB_BOCTB	Expired on June 30, 2020	-	CNY 100,000		432,182	114		432,945	
BOCOM 2.85 03/21/24	Expired on March 21, 2024	-	HK$ 66,000		255,363	67		257,107	
BCHINA Float 08/08/22	Expired on August 8, 2022	-	US$ 2,000		60,221	16		60,940	
ANZNZ Float 01/25/22	Expired on January 25, 2022	-	US$ 10,000		302,610	77		305,162	
ASBBNK Float 06/14/23	Expired on June 14, 2023	-	US$ 10,000		303,295	119		306,917	
ANZ Float 06/01/21	Expired on June 1, 2021	-	US$ 15,000		452,284	116		456,164	
BZLNZ Float 09/14/21	Expired on September 14, 2021	-	US$ 10,000		301,753	77		304,428	
BFCM Float 07/20/23	Expired on July 20, 2023	-	US$ 23,000		693,941	272		703,490	
CM Float 06/16/22	Expired on June 16, 2022	-	US$ 10,000		300,460	77		303,683	
CBAAU Float 03/16/23	Expired on March 16, 2023	-	US$ 4,000		120,113	31		121,890	
RABOBK Float 01/10/23	Expired on January 10, 2023	-	US$ 10,000		298,412	117		301,955	
EIBKOR Float 06/01/23	Expired on June 1, 2023	-	US$ 2,000		60,280	1		61,127	
MQGAU 2.4 01/21/20	Expired on January 21, 2020	-	US$ 7,000		210,794	56		210,819	
MACQUARIE BANK	Expired on July 29, 2020	-	US$ 10,000		301,285	80		302,585	
NAB Float 01/10/22	Expired on January 10, 2022	-	US$ 15,000		452,139	115		457,044	
SOCGEN Float 04/08/21	Expired on April 8, 2021	-	US$ 1,000		30,307	12		30,496	
TD Float 12/14/20	Expired on December 14, 2020	-	US$ 10,000		301,136	77		303,002	
WSTP Float 02/26/24	Expired on February 26, 2024	-	US$ 10,000		303,125	77		306,510	
ACAFP Float 06/10/20	Expired on June 10, 2020	-	US$ 5,000		150,463	59		151,015	
INTNED Float 08/15/21	Expired on August 15, 2021	-	US$ 21,000		633,091	162		638,120	
WOORIB Float 12/02/21	Expired on December 2, 2021	-	US$ 10,000		301,107	80		304,811	
CITNAT Float 06/09/22	Expired on June 9, 2022	-	US$ 5,000		150,554	59		152,448	
ABNANV Float 07/19/22	Expired on July 19, 2022	-	US$ 25,000		752,768	295		759,722	
KEBHB Float 09/14/22	Expired on September 14, 2022	-	US$ 25,000		752,768	297		759,544	
BCHINA Float 04/17/23	Expired on April 17, 2023	-	US$ 10,000		301,107	80		304,664	
ICBCAS Float 04/16/23	Expired on April 16, 2023	-	US$ 20,000		602,214	236		609,321	
SHNHAN Float 06/15/23	Expired on June 15, 2023	-	US$ 10,000		301,329	77		304,188	
KEBHNB Float 07/26/23	Expired on July 26, 2023	-	US$ 5,000		150,554	59		151,588	
ICBCAS Float 06/11/24	Expired on June 11, 2024	-	US$ 5,000		150,554	40		152,326	
BOCOM Float 03/21/22	Expired on March 21, 2022	-	US$ 10,000		301,107	80		303,059	
ICBCAS Float 04/25/24	Expired on April 25, 2024	-	US$ 3,000		90,332	24		91,414	
WOORIB Float 05/21/24	Expired on May 21, 2024	-	US$ 3,000		90,600	24		90,704	
BNKEA Float 06/10/20	Expired on June 10, 2020	-	US$ 10,000		301,107	119		301,497	
MAYMK Float 08/16/24	Expired on August 16, 2024	-	US$ 10,000		301,106	119		302,677	
Corporate bonds					14,275,104	4,260		14,413,232	
B618B9	Expired on February 6, 2020	-	NT$ 400,000		400,270	102		400,355	
B6449	Expired on November 30, 2020	-	NT$ 100,000		100,342	40		100,535	
B644A7	Expired on June 7, 2021	-	NT$ 100,000		99,971	40		100,217	
B69101	Expired on July 13, 2020	-	NT$ 250,000		250,000	252		250,357	
B903WM	Expired on May 14, 2021	-	NT$ 100,000		100,000	39		100,125	
B94166	Expired on April 20, 2023	-	NT$ 150,000		150,000	59		150,291	
B64474	Expired on January 14, 2020	-	NT$ 200,000		200,044	79		200,071	
B69101	Expired on July 13, 2020	-	NT$ 250,000		250,000	209		250,357	
B69107	Expired on June 13, 2024	-	NT$ 300,000		300,000	209		299,483	
B71885	Expired on August 19, 2020	-	NT$ 300,000		300,000	118		301,412	
B71889	Expired on September 20, 2024	-	NT$ 50,000		50,061	20		50,586	
B86901	Expired on January 11, 2020	-	NT$ 200,000		199,990	167		200,021	
B903UA	Expired on December 15, 2020	-	NT$ 300,000		302,323	85		302,905	
B903VA	Expired on July 22, 2020	-	NT$ 150,000		150,693	59		150,834	
B903WC	Expired on April 25, 2024	-	NT$ 100,000		101,957	40		102,632	

(Continued)

Item	Remark	Shares/Units (In Thousands)	Total Face Value	Percentage of Ownership (%)	Acquisition Cost	Allowance for Losses	Fair Value		Note
							Unit Price	Total Amount	
B903WN	Expired on May 16, 2023	-	NT$ 50,000		$ 50,000	$ 20		$ 50,200	
B903WV	Expired on November 15, 2025	-	NT$ 200,000		200,000	78		201,628	
B903WY	Expired on April 26, 2026	-	NT$ 400,000		400,000	156		400,408	
B903X0	Expired on July 15, 2024	-	NT$ 500,000		500,000	195		499,411	
B903X6	Expired on December 16, 2024	-	NT$ 500,000		500,000	195		499,632	
B903X7	Expired on December 16, 2026	-	NT$ 100,000		100,000	39		99,320	
B94166	Expired on April 20, 2023	-	NT$ 150,000		150,000	59		150,291	
B9A101	Expired on January 9, 2023	-	NT$ 300,000		300,000	252		300,704	
B50155	Expired on September 20, 2021	-	NT$ 100,000		99,271	97		99,903	
B94265	Expired on May 26, 2021	-	NT$ 100,000		100,119	519		100,236	
B99901	Expired on September 26, 2020	-	NT$ 50,000		50,000	49		50,127	
B50155	Expired on September 20, 2021	-	NT$ 200,000		198,541	194		199,806	
B50158	Expired on May 18, 2023	-	NT$ 300,000		300,000	293		299,201	
B94265	Expired on May 26, 2021	-	NT$ 100,000		100,119	519		100,236	
B99901	Expired on September 26, 2020	-	NT$ 200,000		200,000	195		200,509	
B9A501	Expired on April 26, 2024	-	NT$ 300,000		300,000	293		299,618	
B86001	Expired on November 20, 2020	-	NT$ 250,000		251,047	48		251,789	
B86001	Expired on November 20, 2020	-	NT$ 250,000		251,047	48		251,789	
CENEXP Float 10/30/24	Expired on October 30, 2024	-	US$ 7,500		225,830	88		226,226	
HIGHWY Float 11/25/22	Expired on November 25, 2022	-	US$ 7,000		210,775	4		212,850	
MQGAU Float 03/27/24	Expired on March 27, 2024	-	US$ 10,000		303,957	120		307,942	
WHARF 3.61 05/20/21	Expired on May 20, 2021	-	US$ 10,000		303,589	296		306,633	
MS Float 01/20/22	Expired on January 20, 2022	-	US$ 10,000		302,501	120		303,149	
					8,352,447	5,395		8,371,789	
					$ 34,990,035	$ 9,655		$ 35,244,741	

Note 1: The Bank pledges the amount of $180,000 thousand of government bonds as the collateral for the trust compensation reserve, bond settlement reserve and interest rate swap for the year ended December 31, 2019.

Note 2: The book value of the transaction with conditions for repurchase is the amount of $2,832,758 thousand.

(Concluded)

O-BANK CO., LTD.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2019
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

	Balance, January 1, 2019		Additions in Investment		Decrease in Investment		Balance, December 31, 2019			Net Assets Value			
Investees	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Shares (In Thousands)	%	Amount	Unit Price (NT$)	Total Amount	Collateral	Note
China Bills finance Corp	380,982	$ 6,542,494	-	$ 458,981	-	$ 300,975	380,982	28.37	$ 6,700,500	15.00	$ 5,714,730	$ -	Note 1
Chun Teng New Century Co., Ltd.	318,281	353,262	-	-	-	15,235	318,281	99.75	338,027	1.06	338,027	-	Note 2
IBT Holdings Corp.	10,869	4,976,750	-	430,841	-	113,577	10,869	100	5,294,014	487.07	5,294,014	-	Note 3
IBT Leasing Co., Ltd.	264,300	2,036,163	-	392,013	-	67,003	264,300	100	2,361,173	8.93	2,361,173	-	Note 4
IBT Management Corp.	13,400	211,733	-	17,313	-	2,589	13,400	100	226,457	16.90	226,457	-	Note 5
		$ 14,120,402		$ 1,299,148		$ 499,379			$ 14,920,171		$ 13,934,401	$ -	

Note 1: In the current period, investment income, actuarial gains of defined benefit plan, capital surplus, unrealized losses on financial assets and disposal of financial assets were $353,093 thousand, $107 thousand, $906 thousand, $77,742 thousand and $27,133 thousand, respectively; declared cash dividend was $300,975 thousand.

Note 2: In the current period, investment loss, exchange differences on translating the financial statements of foreign operations, and unrealized losses on financial assets were $1,823 thousand, $6,344 thousand and $7,067 thousand, respectively.

Note 3: In the current period, increase in investment income and unrealized gains on financial assets were $385,991 thousand and $44,850 thousand, respectively; exchange differences on translating the financial statements of foreign operations were $113,577 thousand.

Note 4: In the current period, increase in investment income and unrealized gains on financial assets were $363,808 thousand and $28,205 thousand, respectively; exchange differences on translating the financial statements of foreign operations were $67,003 thousand.

Note 5: In the current period, unrealized gains on financial assets were $17,313 thousand; decrease in investment loss was $2,589 thousand.

O-BANK CO., LTD.

STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Balance at January 1, 2019 (Note)	Increase	Decrease	Balance at December 31, 2019
Cost				
Buildings	$ 296,144	$ 126,593	$ (11,364)	$ 411,373
Accumulated depreciation				
Buildings	-	101,856	-	101,856
	$ 296,144	$ 24,737	$ (11,364)	$ 309,517

Note: Effect of retrospective application.

O-BANK CO., LTD.

STATEMENT OF LEASE LIABILITIES
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Period	Discount Rate (%)	Balance at December 31, 2019
Buildings	January 1, 2019 to July 31, 2026	1.621-5.125	$ 313,446

O-BANK CO., LTD.

STATEMENT OF INTEREST REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Amount
Discounts and loans	
Short-term	$ 1,515,240
Medium-term	2,908,348
Long-term	286,681
	4,710,269
Investments in marketable securities	
Financial assets at fair value through comprehensive income	714,209
Investments in debt instruments at amortized cost	3,112
	717,321
Due from the Central Bank and call loans to banks	
Call loans to banks	229,214
Due from the Central Bank	30,376
	259,590
Others (Note)	76,405
	$ 5,763,585

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

O-BANK CO., LTD.

STATEMENT OF INTEREST EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Amount
Deposits	
Time deposits	$ 2,623,178
Demand deposits	193,649
Time savings deposits	39,663
Demand savings deposits	44,498
Demand savings deposits of employee	20,868
	2,921,856
Interest payable on bank debentures payable	378,507
Due to the Central Bank and banks	460,969
Others (Note)	44,802
	$ 3,806,134

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

O-BANK CO., LTD.

STATEMENT OF GAINS ON FINANCIAL ASSETS OR LIABILITIES MEASURED AT FVTPL
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Amount
Realized gain profit or loss	
Stocks	
Stocks and beneficiary certificates	$ 98,100
Bonds	
Government bonds	902
Bonds issued under repurchase agreements and outright sells	(71)
	831
Derivatives	
Forward contracts	31,482
Currency swap contracts	714,332
Cross-currency swap contracts	780
Option contracts	10,132
Interest rate swap contracts	(37,565)
Asset swap contracts	12,205
	731,366
	830,297
Gains (losses) on valuation	
Stocks	
Stocks and beneficiary certificates	7,606
Bonds	
Convertible bonds	10,075
Derivatives	
Forward contracts	18,028
Currency swap contracts	(400,953)
Cross-currency swap contracts	-
Option contracts	1,102
Interest rate swap contracts	24,920
Asset swap contracts	2,954
	(353,949)
Others	
Negotiable certificates of deposit	2,091
Financing commercial promissory notes	(1,536)
	555
	(355,713)
Interest revenue	413,801
	$ 908,385

O-BANK CO., LTD.

STATEMENT OF OTHER NET REVENUE OTHER THAN INTEREST REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Amount
Rental	$ 20,579
Remuneration of directors and supervisors	15,203
Agency business	65,561
Service fees	6,140
Others (Note)	(3,628)
	$ 103,855

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

O-BANK CO., LTD.

STATEMENT OF EMPLOYEE BENEFITS EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Item	Employee Benefits Expenses	Net revenue Other Than Interest	Other General and Administrative Expense	Total
Salaries and wages	$ 1,455,597	$ -	$ -	$ 1,455,597
Labor insurance and national health insurance	79,219	-	-	79,219
Directors' remuneration and fees	84,824	-	-	84,824
Pension	55,555	-	-	55,555
Others (Note 1)	26,532	-	11,641	38,173
	$ 1,701,727	$ -	$ 11,641	$ 1,713,368

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

Note 2: As of December 31, 2019 and 2018, the Bank had 967 and 922 employees, respectively; of which there were 12 and 12 non-employee directors, respectively.

Note 3: The average employee benefit expense for the year was $1,705 thousand calculated as [(Total employee benefit expenses - directors' remuneration) ÷ (Number of employees - number of directors who are not concurrently employed)]. The average employee benefit expense for the previous year was $1,722 calculated as [(Total employee benefit expenses for the previous year - directors' remuneration for the previous year) ÷ (Number of employees - number of directors who are not concurrently employed for the previous year)].

Note 4: The average salaries and wages of employees for the year was $1,524 thousand calculated as [Total salary costs ÷ (Number of employees - Number of directors who are not concurrent employees)]. The average salaries and wages of employees for the previous year was $1,521 thousand calculated as [Total salary costs for the previous year ÷ (Number of employees for the previous year - Number of directors who are not concurrent employees for the previous year)].

Note 5: Change in the average salary adjustment of employees: 0.20% calculated as [(Average salary costs - Average salary costs for the previous year) ÷ Average salary costs for the previous year].